

Perpetual Protected Investments – Series 3

Supplementary Product Disclosure Statement Number 1

dated 23 May 2008 for Combined Financial Services Guide and Product Disclosure Statement dated 17 March 2008 Issued by Perpetual Investment Management Limited ABN 18 000 866 535 AFSL 234426

About this Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement (SPDS) is to be read in conjunction with Combined Financial Services Guide and Product Disclosure Statement for Perpetual Protected Investments – Series 3 dated 17 March 2008 (Combined FSG & PDS).

From 23 May 2008, the Product Disclosure Statement for Perpetual Protected Investments - Series 3 comprises:

- the Combined FSG and PDS, and
- this SPDS.

Purpose of this SPDS

The purpose of this SPDS is to change and update the section headed *Tax Consequences* on page 28 of the Combined FSG and PDS following proposed changes to the interest rate deductibility for capital protected borrowings announced in the Federal Budget on 13 May 2008.

Words in italics (*like this*) are defined in the Glossary on pages 38-39 of the Combined FSG and PDS.

Changes to the Combined FSG and PDS

Under the section headed *Tax Consequences* on page 28 of the Combined FSG and PDS, the first paragraph on the right hand column is deleted and replaced with:

'Interest on any of the loans is generally partially deductible.'

Federal Budget impact on Perpetual Protected Investments – Series 3

In the Federal Budget on 13 May 2008, the government announced its intention to change the RBA Indicator Benchmark Rate in the Income Tax Assessment Act 1997 from the RBA's Indicator Rate for Personal Unsecured Loans – Variable Rate (14.60%*) to the RBA Indicator Rate for Standard Housing Loans – Variable Rate (9.45%*) and that this change, once legislated, will apply to any capital protected borrowing arrangements entered into after 7:30pm 13 May 2008.

This means investors will only be eligible to claim tax deductions for interest on capital protected borrowings to a maximum of the relevant Benchmark Rate, with any interest and amounts paid for capital protection in excess of this rate being deemed to form part of a cost base for the purposes of future capital gains tax calculations.

The *dynamic management* fee and the administration fee are expected to remain fully tax deductible.

For more information see your adviser and the updated tax opinion from Baker & McKenzie solicitors at www.perpetual.com.au/structuredproducts/ppi3.

Perpetual Protected Investments – Series 3 remains a tax effective investment structure

What you need to do?

All applicants are required to sign the acknowledgement at the bottom of page 1 of the Application Form attached to the combined FSG and PDS. If there is no acknowledgement at the bottom of page 1 (either printed on the form or on an attached sticker) please print and sign the following **'I/we acknowledge and declare that I/we have read and understood the Supplementary PDS dated 23 May 2008'** in the space at the bottom of page 1.

The table below shows indicative deductibility based on the current indicative interest rates for each of the various loan options

Loan Type*	Indicative interest rates*	Indicative Indicator Rate*	Excess	Indicative Deductibility
Variable ¹	10.10%	9.45%	0.65%	93.6%
Fixed annually ²	10.40%	9.45%	0.95%	90.9%
Fixed for the term ³	10.30%	9.45%	0.85%	91.7%

1 The RBA Indicator Rate will be the average Indicator Rate over the financial year

2 The RBA Indicator Rate will be the rate for the relevant month the loan was taken out, for the financial year only

3 The RBA Indicator Rate will be the rate for the relevant month the loan was taken out, fixed for the term

* All the interest rates in this SPDS are the most up to date as at 23 May 2008 but may change which will vary the deductibility outcome.