

<b>Investment objective</b>	To achieve maximum total return by investing in fixed interest securities predominantly denominated in Australian or New Zealand currencies and to seek to preserve capital through prudent investment management.		
<b>Investments held</b>	Principal investments in fixed interest securities in, or denominated in the currencies of Australia and New Zealand.		
<b>Investment Manager</b>	PIMCO Australia Pty Limited		
<b>APIR</b>	ETL0008AU		
<b>Commencement</b>	31 July 1999	<b>Buy spread</b>	Nil
<b>Management costs<sup>1</sup></b>	0.72% p.a.	<b>Sell spread</b>	- 0.10%
<b>Minimum initial investment</b>	\$5,000	<b>Investment pool size<sup>2</sup></b>	\$1,666.41 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
30 September 2012	\$1.0039	\$1.0039	\$1.0028

Performance as at 30 September 2012 <sup>3</sup>	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.
Total Net Return	1.04	2.41	7.32	10.96	10.15	9.52
Index Return <sup>4</sup>	0.97	1.98	6.63	9.56	8.64	8.27
Total Net Return vs. the Index	0.07	0.43	0.69	1.40	1.51	1.25

Income distributions	31 Dec 11	31 Mar 12	30 Jun 12	30 Sep 12
Distribution rate (cents per unit)	2.2657	0.7453	5.3481	0.8531

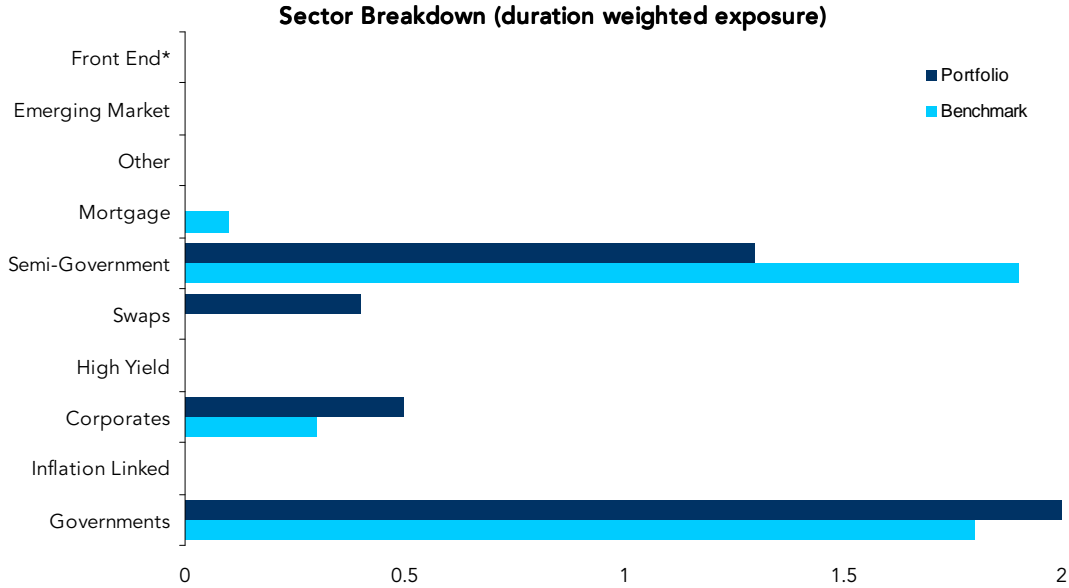
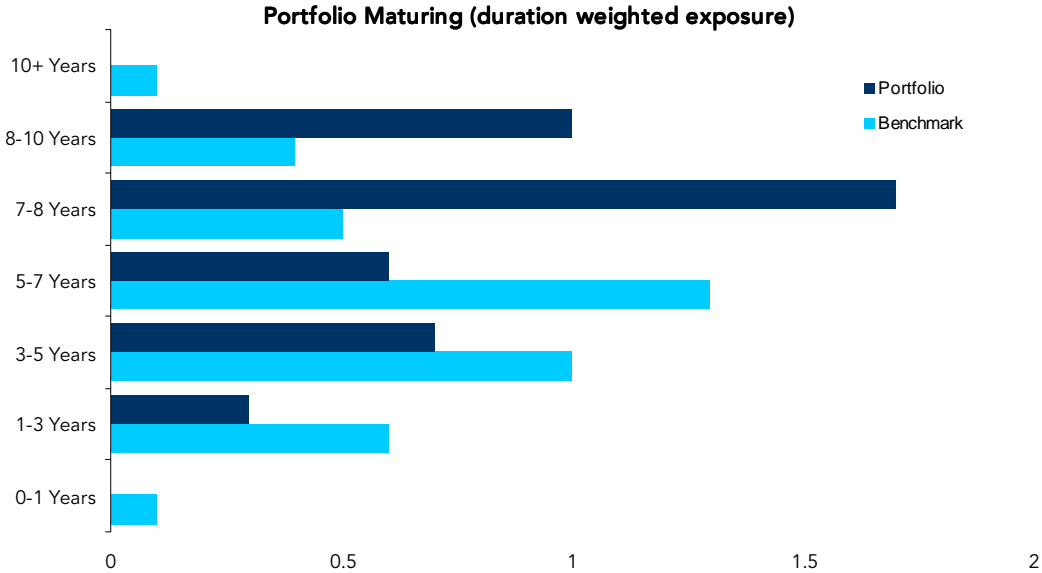
## Investment Characteristics as at 30 September 2012

Investment Statistics		Quality Breakdown	Portfolio %	Benchmark %
Effective Duration	4.4 yrs	AAA	73	76
Benchmark Duration	4.0 yrs	AA	16	18
Average Maturity	5.4 yrs	A	7	5
Estimated Yield	4.2%	BBB	4	1
Average Quality	AA+	Sub Inv Grade	0	0

- Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
- Investment Pool Size represents the total of all unit classes within the Fund.
- Performance; Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.
- Index = UBS Australian Composite Bond Index.

Fact Sheet

Investment Characteristics as at 30 September 2012



\*Front End includes all securities that are investment grade and have a duration less than 1 year

Regional Breakdown (% duration weighted exposure, by currency of settlement)	
94.6	Australia/NZ
2.1	Europe – EMU
0.6	United Kingdom
1.8	North America
0.9	Emerging Markets

## Fact Sheet

### Market Commentary

- Most bonds gained in absolute terms during the quarter as investors remained cautious despite reduced fears of a left tail event in Europe.
- The RBA kept the cash rate on hold during Q3, but indicated a lowering of cash rates in Q4, citing global uncertainties.
- The AUD appreciated in July, then fell in August on risk aversion and falling iron ore prices to finish the quarter at 1.0378.

### Portfolio Recap

Important contributors to performance included:

- A modest overweight Australian and New Zealand duration contributed as rates continued to fall over the quarter.
- An exposure to overseas issued bonds, especially Australian corporates issued in USD and EUR, contributed.
- An overweight to long-end securities, particularly in the 5-10 year portion of the Australian yield curve, benefited as curve flattened.
- An overweight to Australian financials contributed as spreads narrowed over the quarter.
- An overweight to high quality RMBS which continued to remain resilient and benefited from contracting spreads.

### Market Outlook

- PIMCO expects the Australian economy to grow at 2.5 to 3.5 percent over the year ahead, compared with a modest 1.5 to 2.0 percent for the global economy.
- Amidst continued global uncertainty, Australia's AAA credit rating and strong underlying fundamentals continues to attract 'safe haven' investors.
- PIMCO anticipates Australian and global inflation of between 2.0 and 2.5 percent over the cyclical horizon.

### Portfolio Strategy

- Continue to prefer the longer end of the curve as the front end remains richly priced.
- Maintain a modestly long duration positioning in light of continued global uncertainty, though look to pare back slowly.
- Seek high quality real yields; look to avoid effects of financial repression and heightened European sovereign credit risk.
- Hold roughly benchmark Government Guaranteed and semi-government bonds exposure which provide liquidity as well as high quality yields above pure government bonds.
- Retain holdings of well capitalised Australian financial institutions that still offer value but emphasise issues that are higher up in the capital structure.
- Continue to own high quality Australian RMBS which continue to demonstrate strong fundamentals and self-liquidating characteristics.
- Emphasise Australian Issuers denominated in foreign currencies which provide roll-down and additional yield when hedged back to Australia.

Commentary as at 30 September 2012

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