Perpetual Protected Investments – Series 4

Frequently asked questions for financial advisers

Part 1 – General overview

Perpetual Protected Investments – Series 4 (PPI) allows you to build a capital protected investment portfolio with the opportunity of borrowing to invest from an external lender.

It may be suitable for investors who are looking to:

- choose from 15 managed funds from a range of fund managers covering Australian and global equities, Chinese and other specialist Asian equities funds and global resources
- safeguard their investment through capital protection to take advantage of potential market highs while being protected from the lows
- access a tax-effective investment by having absolute entitlement to their portfolio
- invest for the long-term with capital protection at the end date.

When are the key dates?

Key dates	
Offer opens	17 May 2010
Offer closes	18 June 2010
Direct debit date	7 July 2010
Investment date	On or about 16 July 2010
End date	31 May 2017

What funds are available for investment?

Australian equity funds
Ausbil Australian Active Equity Fund
Ausbil Australian Emerging Leaders Fund
Eley Griffiths Group – Small Companies Fund
Perpetual Wholesale Australian Fund
Perpetual Wholesale Concentrated Equity Fund
Vanguard Australian Shares Index Fund
Global equity funds
Aberdeen International Equity Fund
Perpetual Wholesale International Share Fund
Platinum International Fund
T. Rowe Price Global Equity Fund
Vanguard International Shares Index Fund (Hedged)
Specialist funds
BlackRock Global Allocation Fund (Class D units) (Aust)
Colonial First State Wholesale Global Resources Fund
Platinum Asia Fund
Premium China Fund

How have the funds been selected?

Diversification is important and so we have made the process of building a diversified portfolio easier by offering a broad selection of managed funds to choose from. We have done this with the assistance of Mercer.

Mercer operates an investment consulting business and is one of the world's leading asset consultants.

Mercer's view of an investment fund reflects its opinions on the investment manager's skill, investment process and business management. Mercer assesses an investment manager's competitive advantage relative to its peers and the likelihood of its fund achieving stated return objectives.

We have selected the managers and funds, drawing on Mercer's research. All managers we have chosen are well regarded in their own right and collectively the funds form a comprehensive growth investment menu.

What are the minimums?

	Minimum	Additional
Total investment	$50,000	$5,000
Investment per investment strategy	$10,000	$500
Leveraged Equities Investment Loan	$50,000	$5,000

Part 2 - Investing in the product

How does dynamic management work?

Each day during the term the capital protection provider, UBS AG (London branch), calculates the portfolio protection floor.

This is the hypothetical amount that investors would need to invest in fixed interest investments to make sure that their current portfolio value grows to an amount at least equal to their protected amount by the end date.

The portfolio protection floor is used to decide how much of their portfolio is invested in fund units and how much is invested in call options.

For example, assuming:

(i) their current protected amount is $10,000 (the minimum investment amount per investment strategy),

(ii) it is exactly seven years to the end date,

(iii) a market interest rate of 5% pa and

(iv) administration fee of 0.75% pa,

they would need to invest approximately $7,574 in fixed interest investments on that day for it to grow to $10,000 at the end date.

Therefore, in this example, their portfolio protection floor on that day would be $7,574.

Because their portfolio value and the portfolio protection floor change with market movements and changes in market interest rates, they are monitored daily by UBS AG (London branch) to determine the allocation of fund units and call options each day.

This ensures their portfolio value will be at least equal to their protected amount at the end date.

As dynamic management is an investment strategy in its owns right, investors need to consider the risks associated with it to protect their initial investment in the product.

It is important that investors read the sections entitled 'Capital protection: How do we protect your portfolio?' and 'What are the risks?' in the current PDS.

What happens when a portfolio becomes 100% invested in call options and cash?

If a portfolio becomes 100% invested in call options and cash and if the dynamic management works, then:

1. the portfolio will remain 100% invested in call options and cash until the end date
2. the portfolio will have 0% fund units and no exposure to capital growth or distributions of the fund for the remainder of the term
3. the only capital growth during the term is that provided by the call options to reach the protected amount by the end date
4. if withdrawn early the portfolio value will be less than the protected amount, and
5. by remaining invested, only fund units with a value equal to the protected amount when the call options are exercised at the end date will be received.

Investors should read the 'What are the risks?' section on pages 7 to 9 of the current PDS for more information.

How long is the investment for?

Perpetual Protected Investments – Series 4 is a six-year and 11-month investment and so is considered to be a long-term investment.

The dynamic management strategy is designed to provide 100% capital protection only on 31 May 2017 (end date).

Although investors can withdraw their investment prior to the end date, any amount withdrawn is not capital protected.

Investors should only invest in the product if they intend to remain invested for the full term.

Will investors receive any distributions from the funds?

Distributions from units in the underlying managed funds will generally be reinvested under the dynamic management strategy. The fees and other costs for the product will be paid out of distributions received.

We have the discretion as to whether to pay any excess cash to investors or not, and may decide to retain it in the product for capital protection purposes.

Investors should not rely on receiving income distributions from this product.

In particular, investors who borrow to invest should not rely on distributions from the product to pay any part of the interest payments required under their loans.

Any distributions received from the underlying funds will be taxable as income in the hands of investors even though they may be reinvested or retained in the product. For more information on how distributions are treated, please refer to the PDS.

What happens at the end date?

As your clients own the units in the funds they select, at the end date they decide what they do with them after repaying any loans.

This means they control the timing of any capital gains tax event.

At the end date investors can:

- continue holding the fund units (with no capital protection) in an account held with the fund manager or an IDPS (subject to their conditions)
- redeem them for cash
- potentially roll them over into another series of Perpetual Protected Investments (if one is available).

Note: If an investor has an outstanding loan they will need to repay it before exploring the options above.

When is the money invested?

All investment amounts (whether loan proceeds or your client's own money) will be invested on or about 16 July 2010 (investment date).

Can investors withdraw prior to the end date?

Your clients can withdraw prior to the end date on a quarterly basis, however, any amount withdrawn will not have the benefit of capital protection.

What reports will investors receive?

Investors in Perpetual Protected Investments - Series 4 will receive the following reports:

- an investment confirmation, confirming their investment
- an initial investment statement showing their fund units and their protected amount
- an annual financial report for each financial year ending 30 June (including financial statements) sent within three months of year end (optional)
- an annual tax statement for each financial year ending 30 June, generally sent by the end of August, detailing income and capital gains information for your client's tax return. This includes realised capital gains and losses on disposal of assets
- a periodic statement sent quarterly or when they exit the product which includes details of any distributions
- a withdrawal statement for any withdrawal(s) made from the product.

What fees do investors pay for the product?

Fee type	How much?
Establishment fee (you need to negotiate this with your clients as this is an investor advice fee)	Nil or 2.20% (inclusive of GST) of your investment amount
Administration fee	0.75% pa (inclusive of GST)
Put option premium	0.75% pa of your protected amount (inclusive of GST) - reduced to nil if no fund units are held
Underlying management costs applicable to the funds offered in Perpetual Protected Investments – Series 4	Management fees 0.20 – 2.00% pa Cost recoveries nil – 0.30% pa (estimated) Performance fees nil – 0.30% pa (estimated)
Payment of fees	The administration fee and put option premium will be automatically deducted from your portfolio cash account. If there is insufficient money in your portfolio cash account, we may sell funds units or exercise call options to pay these fees.

For further details on all the fees and other costs, please refer to the product disclosure statement for Perpetual Protected Investments – Series 4 for the product.

What commissions are payable in relation to the product?

No commissions are payable to you for the product.

What remuneration payments are paid to you in relation to the product?

Investors may direct us to pay the establishment fee for the product to you as payment for financial services received from you in relation to their investment in the product.

Investor advice fee	Rate	Cost per $50,000 invested
Establishment fee (includes GST)	Nil or 2.20% of the investment amount	$0 or $1,100

You may agree a different fee for service arrangement with your client. If you do, and your client does not pay the establishment fee, their investment amount and protected amount will be proportionately increased.

Part 3 – Borrowing to invest

The product has been approved by Leveraged Equities Limited for the purposes of a Leveraged Equities Investment Loan (Loan). This gives your clients the opportunity to borrow 100% of their initial investment.

The Loan is a full recourse loan and offers a number of interest rate options:

Variable	– a variable rate with interest payable monthly in arrears
Fixed for the term	– a rate fixed for the term with interest payable annually in advance – a rate fixed for the term with interest payable monthly in arrears
Fixed annually	– a rate fixed annually with interest payable annually in advance – a rate fixed annually with interest payable monthly in arrears.

Full details about the Loan options available can be found in the Leveraged Equities Investment Loan product guide.

Clients who borrow to invest may be able to claim a tax deduction for fees and interest on their loan as well as the administration fees for the product.

What is the minimum amount you can borrow?

The minimum amount you can borrow from Leveraged Equities is $50,000 plus multiples of $5,000.

Please contact Leveraged Equities on 1300 307 807 for more information about the loan.

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Further information

Perpetual Protected Investments
Service Centre 1800 002 513
Email ppi@perpetual.com.au
www.perpetual.com.au/ppi4