



Perpetual's Wholesale Smaller
Companies Fund



Product Disclosure Statement
Issue Number 1 dated 15 January 2007
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APIR code PER0048AU
Issued by Perpetual Investment
Management Limited
ABN 18 000 866 535
AFSL 234426
www.perpetual.com.au

Important information

In this PDS, 'Fund' means Perpetual's Wholesale Smaller Companies Fund. The Fund is a managed investment scheme that is registered with the Australian Securities & Investments Commission (ASIC).

References in this PDS to 'we', 'us', 'our', 'Perpetual Investments' and 'Perpetual' are to Perpetual Investment Management Limited (ABN 18 000 866 535) as the responsible entity of the Fund.

Perpetual Investments is a wholly owned subsidiary of Perpetual Limited (ABN 86 000 431 827). Perpetual Investments is the issuer of the units in the Fund and of this PDS.

'Perpetual Group' means Perpetual Limited and its subsidiaries.

References to 'you' or 'your' are to investors (and, where the context requires, prospective investors) in the Fund.

Your investment in the Fund will be through an IDPS, IDPS-like scheme, or a nominee or custody service (Service). In this PDS the operator of a Service will be referred to as 'your Operator'.

'Business day' means a day other than Saturday, Sunday or bank or public holidays in New South Wales, Australia.

This PDS describes the important features of the Fund. This PDS should help you to decide whether the Fund offered meets your financial needs and may also assist you to compare the Fund to others you may be considering.

The information contained in this PDS is of a general nature only. It does not take into account any investor's or class of investors' particular investment objectives, financial situation or needs. Before you invest, you should read this PDS and assess whether the Fund is appropriate for you.

You should also consider the tax implications of investing in the Fund. Your financial adviser and/or taxation adviser will be able to assist you in this regard.

You should keep a copy of the current PDS and any other supplementary material updating the PDS for future reference.

You may request further information which has previously been made generally available to the public and might reasonably influence your decision whether to invest in the Fund. We will tell you if there is a charge to provide you with this further information.

This PDS is only available to persons receiving it (electronically or otherwise) in Australia.

If you are printing an electronic copy of this PDS, you must print all pages. If you make this PDS available to another person, you must give them the entire electronic file or print out.

A paper copy of this PDS can also be obtained free of charge on request by contacting us (our contact details are on the inside back cover of this PDS) or your financial adviser.

All amounts in this PDS are given in Australian dollars (unless otherwise specified).

We may update this PDS for changes that are not materially adverse without issuing a supplementary PDS. Such updated information is accessible by contacting us or by accessing our website www.perpetual.com.au. A paper copy of the PDS and updated information will be available free of charge upon request. If we become aware of any changes that are materially adverse, we will replace this PDS or issue a supplementary PDS. If there is an increase in fees and costs

(other than Federal Government fees and charges and transaction costs associated with the day-to-day operations of the Fund), 30 days prior written notice will be given to your Operator.

Historical returns are not a reliable guide to future returns. The returns in this PDS represent past performance only and may not reflect the current and future returns of the Fund. Neither we nor any company in the Perpetual Group guarantee that you will earn any return on your investment or that your investment will gain in value or retain its value.

Investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested.

If you have questions about investing, you should speak to your financial adviser. If you have questions about the Fund in this PDS, you should either speak to your financial adviser or contact your Operator. We recommend that you obtain professional advice from a financial adviser and/or taxation adviser before investing in the Fund.

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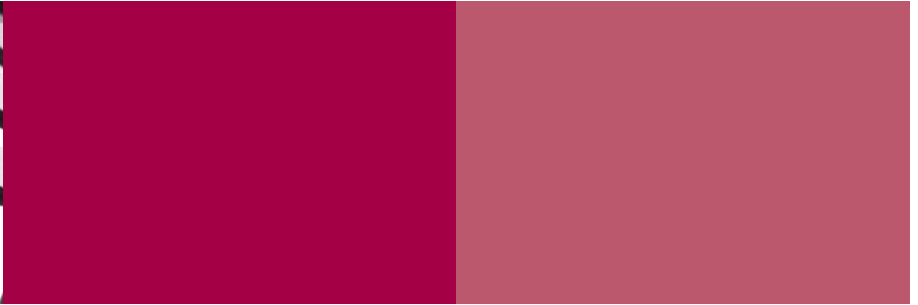
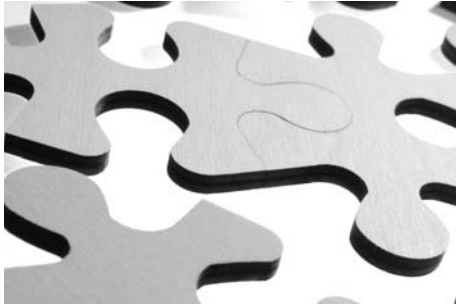
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The Fund at a glance

The table below provides a summary of the Fund. For up to date information about the Fund, visit our website www.perpetual.com.au or contact us.

Wholesale Smaller Companies Fund				
Investment manager	Perpetual Investments			
Commencement date	September 1996			
Fund size as at 31 October 2006 ¹	\$482.5m			
Management cost	1.25% pa			
Buy spread	0.20%			
Sell spread	0.20%			
Suggested length of investment	5 years or longer ²			
Distribution frequency and dates	Half yearly 30 June and 31 December			
Objective	Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares and other securities which, when first acquired, do not rank in the S&P/ASX 50 Index.			
Investment guidelines	Australian smaller companies shares	80-100%		
	Cash ³	0-20%		
Asset profile as at 31 October 2006 ⁴	Australian smaller companies shares	94.5%		
	Cash ³	5.5%		
Returns as at 31 October 2006	1 year	3 years	5 years	Since inception
Total	24.1%	21.5%	22.5%	18.1%
Distribution	24.2%	23.2%	16.9%	11.4%
Growth	-0.2%	-1.8%	5.6%	6.7%
	Historical returns are not a reliable guide to future returns.			

1. The fund size is the net asset value of the Fund at a point in time. The fund size includes any investments by other Perpetual funds.
2. The suggested length of investment is a guide only and not a recommendation. You should discuss your investment in the Fund with your financial adviser to ensure that it meets your needs.
3. Cash includes investments in money market and fixed interest securities.
4. The asset profile may represent the Fund's exposure as a result of direct or indirect investment in or through other funds managed within the Perpetual Group that have similar investment objectives and authorised investments consistent with the Fund. The asset profile may change on a daily basis.



Returns

Total returns have been calculated using exit prices after taking into account the management cost and assuming reinvestment of distributions. No allowance has been made for taxation.

A distribution return takes into account the realised income and gains derived by the Fund which have actually been distributed to investors during the relevant period. The distributions may represent assessable and/or non assessable components, including realised capital gain components.

A growth return takes into account the unrealised income and gains of the Fund as at a particular point in time. This may include realised income and gains that have been derived by the Fund which have not yet been distributed to investors.

The 'Since inception' return is the annualised return since the Fund commenced.

Historical returns are not a reliable guide to future returns. The returns shown represent past performance only and may not reflect the current and future returns of the Fund. Returns can be particularly volatile over the short term and in some periods may be negative. You should not base your decision to invest in the Fund on past returns.

For up to date returns, visit our website www.perpetual.com.au or contact us.

Neither we nor any other company in the Perpetual Group guarantees that you will earn any rate of return on your investment or that your investment will gain in value or retain its value. Investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested.

How the Fund invests

About the investment manager

An organisation you can trust

Perpetual Investments is one of Australia's leading investment managers, with over \$36.2 billion in funds under management (as at 31 October 2006). Perpetual Investments is part of the Perpetual Group, which has been in operation for over 120 years. By employing some of the industry's best investment specialists and applying a proven investment philosophy, Perpetual Investments has been able to provide strong and consistent performance to investors.

Investment approach

Perpetual researches companies of all sizes using consistent share selection criteria. Perpetual's priority is to select those companies that we believe represent the best investment quality and are appropriately priced. In determining investment quality, investments are carefully selected on the basis of four key investment criteria:

- conservative debt levels
- sound management
- quality business and
- in the case of industrial shares, recurring earnings.

Environment, social and ethical factors and labour standards

Perpetual uses an investment approach that considers each investment based on its individual merits. When making investment decisions, social, ethical, environmental considerations and labour standards are not explicitly taken into account. However, from time to time, these factors may impact the purchase, sale or retention of an individual investment if they are believed to impact returns.

Derivatives

Derivatives are financial instruments that derive their value from the price of a physical security or market index.

Derivatives are generally used for the following:

- to protect against changes in the market value of existing investments
- to achieve a desired investment position without buying or selling the underlying physical asset and/or
- to manage actual and anticipated interest rate and credit risk for the cash and fixed interest asset classes.

The Fund may use exchange traded derivatives to protect selected shares against adverse movements in market prices, to gain short term exposure to the market and to build positions in selected companies as a short term strategy to be reversed as the underlying shares are bought. Derivatives are not used for gearing purposes.

The risks of investing

Before making an investment decision, it is important to understand the risks that can affect the value of your investment and the distributions paid by the Fund. While it is not possible to identify every risk factor relevant to investing in the Fund, we have detailed some of the significant risks in the following section.

What is risk?

All investments are subject to risk which means the value of your investment may fall.

Investment risk

The value of your investment may fall which means that you may receive back less than your original investment when you withdraw.

The distributions from your investment may vary and be lower than expected, or there may be no distribution.

Volatility is a key measure of investment risk. Volatility generally refers to the fluctuation in the value of an asset, index or other type of security over a given period of time. The greater the volatility of

an asset, index or security, the larger the fluctuations between its high and low values, and the greater the fluctuations in its returns.

The Fund offered will have a relatively high level of volatility reflecting the type of assets in the Fund. Historically, shares have demonstrated greater volatility than other types of investments such as property, mortgages, fixed interest securities or cash.

Market risk

Market risk is the risk that events may occur which have a negative effect on the price of all types of investments within a particular market, for example the stock market for shares or the bond market for fixed interest securities. These events may include changes in economic, social, technological, political, legal or accounting conditions, as well as market sentiment.

Asset risk

Asset risk is the risk that a particular asset, such as shares, in which the Fund invests may fall in value, which may result in a reduction in the value of your investment.

Types of asset risk include:

- **Shares:** The significant risk for these types of investments is that shares and other equity securities may decline in value or may not pay income for a variety of reasons. These include poor management or changes in a company's competitive environment or internal operations. Rising interest rates can also have a negative impact on a company's value as increased borrowing costs incurred by a company may cause earnings to decline. As a result, the share price may fall. As the Fund is limited to investments in smaller companies shares it is exposed to a greater volatility in returns than an investment portfolio with shares in larger and/or a wider range of companies.

▣ **Fixed interest and cash:** The significant risk for these types of investments is that the issuer of the security may not repay the principal or make interest payments. The market value of fixed interest securities can also fall significantly when interest rates rise.

▣ **Derivatives:** The significant risk for these types of investments is that losses may occur where there is an adverse movement in the asset underlying the derivative.

Other risks

An investment in the Fund is subject to the following further risks:

- ▣ The investment professionals employed by us may change, which may affect the future performance of the Fund.
- ▣ Investing in a fund may result in a different tax outcome than investing directly because of the application of tax laws to the fund and the impact of investments into and the withdrawals out of the fund by other investors. One result is that you may receive back some of your capital invested as a distribution. For more information on the tax consequences of investing in the Fund please refer to the 'Taxation' section of this PDS.
- ▣ The costs of your investment may increase through an increase in fees and other costs. If this occurs, we will provide at least 30 days' prior written notice of any change (see 'Increases or alterations to the fees' in the 'What are the fees and other costs of the Fund?' section of this PDS), and
- ▣ The Fund may be terminated.

How we manage risk

While we cannot completely eliminate investment risk for the Fund, we aim to manage the impact of these risks through the use of consistent and carefully considered investment guidelines.

How you can manage your investment risk

The most significant risk in any type of investing is that you may not reach your financial goals. When investing, it is important to consider your investment timeframe, your investment objectives and your risk tolerance. Choose your investment carefully. We recommend you consult a financial adviser to assist you in determining your investment timeframe, your investment objectives and your risk tolerance. This will help with your choice of investment and the level of diversification you need.

Diversification

Diversifying your investments can help reduce the volatility of investment returns and the risk of poor returns. While having a diversified portfolio can mean your best performing investment offsets the worst, the reverse also holds in that your worst performing investment can also offset the best.

Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask your Operator or your financial adviser.

To find out more

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website www.fido.asic.gov.au has a managed investment fee calculator to help you check out different fee options.

The above warning is required by law. Set out below are the fees and other costs associated with investing in Perpetual's Wholesale Smaller Companies Fund.

If you direct your Operator to invest in the Fund on your behalf, you will pay the fees set out in your Operator's disclosure document, which may include the fees set out in this section. Please refer to your Operator's disclosure document for the fees applicable to your investment.

Fees and other costs

This document shows fees and other costs that you may be charged. These fees and other costs may be deducted from the money you invest, from the returns on your investment or from the Fund's assets as a whole.

Fees and other costs for the Fund are set out in the Table on page 7.

Taxation information, including GST, is set out on pages 10-12 of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount ¹	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee The fee to open your investment.	Nil.	No establishment fee is currently charged.
Contribution fee² The fee on each amount contributed to your investment	Nil. The Fund's constitution allows us to charge a contribution fee of 4%. Currently we choose not to charge a contribution fee.	No contribution fee is currently charged.
Withdrawal fee² The fee on each amount you take out of your investment	Nil. The Fund's constitution allows us to charge a withdrawal fee of 2%. Currently we choose not to charge a withdrawal fee.	No withdrawal fee is currently charged.
Termination fee The fee to close your investment.	Nil.	No termination fee is currently charged.
Management costs²		
The fees and costs for managing your investment	The Fund's constitution allows us to charge a management fee of up to 2.04% pa (based on the Fund's net asset value) plus expenses. Currently, we charge a management fee of 1.25% pa of your account balance within the Fund. Expenses, excluding abnormal expenses, are included in this amount. In relation to abnormal expenses, please refer to 'abnormal operating expenses' under the heading 'Other fees and costs'.	The management costs are calculated daily and paid to us monthly. They are expressed as a percentage of the value of the Fund. The management costs are deducted directly from the Fund's assets and are reflected in the unit price of the Fund each day.
Service fees		
Investment switching fee² The fee for changing Funds	Nil.	No switching fee is charged.

1 Fees and costs disclosed in Table 1 are inclusive of the net effect of GST, if applicable (i.e. inclusive of 10% GST less any Reduced Input Tax Credits (RITCs) available to the Fund). RITC refers to the partial credit available to the Fund for the GST included in the price of specific types of purchases and other acquisitions nominated in A New Tax System (Goods and Services Tax) Act 1999.

2 A buy spread and/or sell spread may apply. (Please see 'Buy/sell spreads' under the heading 'Other fees and costs').

Table 2 - Example of annual fees and costs for Perpetual's Wholesale Smaller Companies Fund

This table gives an example of how the fees and costs in Perpetual's Wholesale Smaller Companies Fund can affect your investment over a one year period. You should use this table to compare this Fund with other managed investment products.

Example – Perpetual's Wholesale Smaller Companies Fund	Balance of \$50,000¹ with total investments of \$5,000 during the year	
Contribution fees	Nil	For every \$5,000 you put in, no contribution fees will be charged.
Plus Management costs	1.25%	And, for every \$50,000 ¹ you have in the Fund, you will be charged \$625 each year.
Equals Cost of fund		If you put in \$5,000 during a year and your balance was \$50,000 at the end of the year, then for that year you will be charged a fee of \$625. ²

1 We have assumed a constant value throughout.

2. A buy spread and/or sell spread may apply (see 'Buy/sell spreads' within 'Transaction costs' under the heading 'Other fees and costs')

Additional explanation of fees and costs

Management costs

The management costs include the

- ▣ management fee
- ▣ expense recoveries (other than abnormal operating expenses)

The management costs exclude the fees and costs as detailed under the heading 'Other fees and costs'.

We receive a management fee for managing your investments in the Fund, which includes providing administration, custodian services and investment management, which are paid (other than abnormal operating expenses) out of our management fee.

To avoid claiming fees twice, if the Fund invests in other managed funds, where a member of the Perpetual Group is the responsible entity, we will charge only the management costs set out in this PDS.

Expense recoveries represent a reimbursement to us from the Fund to cover the operating expenses incurred by us in connection with the proper performance of our duties and obligations in the day to day operation of the Fund. Expense recoveries do not include abnormal operating expenses which are detailed under the heading 'Other fees and costs'. We are entitled to be reimbursed for the expense recoveries incurred in the operation of the Fund and there is no limit in the Fund's constitution on the amount that we can charge for expense recoveries. However, we currently choose to pay expense recoveries out of our management fee.

Breakdown of management costs

It is not reasonably practical to provide a breakdown of the management costs. We pay all expenses, except the fees and costs outlined under the heading 'Other fees and costs', out of our management fee.

Differential fees

We may rebate or waive the management fee to wholesale clients (as defined by the Corporations Act). The payment and terms of rebates or waivers are entirely at our discretion.

Increases or alterations to the fees

Where applicable we have disclosed the maximum fees payable for each fee item. Fees may increase or decrease for many reasons, including changes in the competitive, industry and regulatory environment or simply from changes in costs. We will give your Operator at least 30 days' prior written notice before any increase in our fees or charges take effect, except in respect of Government fees and charges and transaction costs associated with the day-to-day operations of the Fund.

Other fees and costs

The fees and costs explained in this section are fees that are not included in **Table 1** - Perpetual's Wholesale Smaller Companies Fund fees and other costs.

Transaction costs

In managing the investments of the Fund, transaction costs such as brokerage, settlement costs, clearing costs and Government charges may be incurred. Transaction costs may be incurred by changes in the Fund's investment portfolio, or when the Fund experiences cash flows in or out of it. Transaction costs may vary for funds depending on the nature of the funds' underlying investments.

When the Fund incurs transaction costs by changing the Fund's investment portfolio, the transaction costs are paid out of the Fund's investments, and are reflected in the unit price of the Fund.

When transaction costs are incurred because particular investors buy or sell units in the Fund, transaction costs are estimated and allocated as set out under 'Buy/sell spreads' below.

Buy/sell spreads

Estimated transaction costs are allocated when an investor buys or sells units in the Fund by incorporating a buy/sell spread in the relevant entry and/or exit unit price. This aims to ensure that other investors do not pay the transaction costs associated with a particular investor buying or selling units in the Fund.

The buy/sell spread is an additional cost to you. The spreads are based on our estimates of the average transaction costs incurred by a Fund.

The Fund's buy/sell spread, current as at the date of this PDS, is 0.20%/0.20% (0.40%).

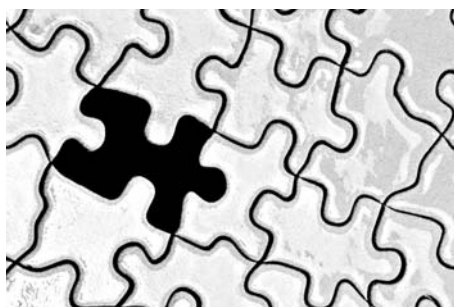
The buy/sell spreads may be updated from time to time. The buy/sell spread for the Fund is available from our website or by contacting us. For investments made under this PDS, the buy/sell spreads will not exceed 1.20%.

The buy/sell spreads will impact the return on your investment. As they are built into the Fund's unit price, they will not be recorded separately on your investor statements.

The buy/sell spreads are not paid to us. They are retained in the Fund to cover its transaction costs.

Abnormal operating expenses

These charges represent a reimbursement to us from the Fund in accordance with the Fund's constitution to cover the abnormal operating expenses incurred by us in connection with performing our duties and obligations in administering the Fund.



These abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of running a unitholder meeting, or legal costs incurred by changes in the constitution or defending legal proceedings.

Government charges

Government charges will be applied to your account as appropriate.

Product access payments

We may make payments to certain platform providers who distribute our Fund on their menu of investments. These payments may help to recover costs incurred in establishing and maintaining our Fund on their menu, and certain other marketing and distribution costs. These amounts may be up to 1.00% (inclusive of 10% GST, if applicable) of the funds invested with us. If these payments are made, they are not paid by you or the Fund, rather they are paid by us.

Taxation

Taxation information, including GST, is set out on pages 10-12 of this PDS.

Adviser remuneration

Financial adviser commissions

No commissions are paid to your financial adviser.

Adviser service fee

An adviser service fee is not available on Perpetual's Wholesale Smaller Companies Fund.

Other benefits

As a result of your investment in the Fund your financial adviser may receive other benefits. These other benefits do not represent an additional cost to you.

We maintain a register (in compliance with Industry Code of Practice on Alternative Forms of Remuneration) summarising alternative forms of remuneration that is paid or provided to certain advisers. If you would like to review this register, contact us.

Platform payments to dealer groups

Certain dealer groups of which your adviser is a part, may also receive payments based on the volume of business they generate. If these payments are made, they are not paid by you or the Fund, rather they are paid by us. These amounts may be up to 1.00% (inclusive of 10% GST, if applicable) of the funds invested via the dealer group.

Taxation

The taxation information below is of a general nature only and therefore cannot be relied upon by you. The taxation consequences of investing in managed investments schemes can only be properly determined by reference to your particular circumstances. Accordingly, we recommend that you consult your Operator's disclosure document and that you seek professional advice from a financial adviser and/or taxation adviser having regard to your particular circumstances.

Tax position of the Fund

Generally, no Australian income tax will be payable by the Fund as investors will be presently entitled to the distributable income of the Fund for each year of income ended 30 June. If, for any reason, there is net income of the Fund to which no investor is presently entitled, the Fund will be subject to tax at the highest marginal tax rate (plus the Medicare Levy).

Realised gains

The distributable income of the Fund may constitute both taxable and/or non-taxable components. In addition, taxable components may include realised gains of a capital and/or revenue nature depending on whether the investments of the Fund are held on capital or revenue account. This distinction will determine whether realised gains are distributed to you as realised net capital gains, or as ordinary income.

Tax losses

Where the Fund incurs a net revenue tax loss, the loss is required to be carried forward by the Fund and, subject to certain tests for loss recoupment being met, may be applied against assessable income derived in future years.

Currently, any foreign loss incurred by the Fund must be quarantined and offset only against assessable income of the same class of foreign income. In the Federal Budget handed down on 10 May 2005, the Government announced that it intends to introduce legislation that will abolish the quarantining of foreign losses on a

prospective basis. It is not clear when this change will be implemented or the extent to which the actual changes will vary from the announcements.

Franking credits

The Fund will derive franking credits from the receipt of franked dividends. These franking credits, subject to required conditions being met, may be distributed to investors. Depending on the Fund's investment strategy, it is possible that the Fund may not always satisfy the required conditions. Accordingly, we cannot guarantee that distribution of franking credits will always occur.

Foreign Income and Foreign Tax Credits

The Fund may incur foreign tax in relation to the derivation of foreign sourced income. The foreign tax incurred may constitute a foreign tax credit for the Fund which, subject to certain conditions being met, may be eligible to be distributed to investors.

Foreign Investment Funds

Under the Foreign Investment Fund (FIF) regime, unrealised income in respect of investments held by a Fund in certain foreign companies and trusts at the end of the financial year may be required to be included in the net income of the Fund. We will monitor the FIF position of the Fund and the conditions for exemption. It is our general intention that no unrealised income will be required to be included in the net income of the Fund under the FIF regime.

Withholding tax obligations

Your Operator may be required to withhold or deduct tax if you are a non-resident investor as discussed under the heading 'Australian tax position of non-resident investors' on page 11 of this PDS, or if you do not quote your Tax File Number (TFN) or Australian Business Number (ABN) as discussed under the heading 'Tax File Number/Australian Business Number' on page 12 of this PDS.

Tax position of Australian resident investors

Distributions

Your share of distributable income for a distribution period, which may include a share of realised capital and/or revenue gains, will be based on your unit proportional entitlement as at the end of the relevant distribution period. For further information please refer to 'Fund distributions' in the 'How the Fund operates' section of this PDS.

Each year the Fund will calculate its net income for tax purposes and this will be allocated to you in proportion to your entitlement to distributable income from the Fund for that particular year. The net income allocated to you by the Fund must be included in your income tax return for the year the entitlement arose, even where the distribution was received or reinvested in the following year. For further information please refer to 'Annual tax statement' on page 11 of this PDS.

Please refer to your Operator's disclosure document for more information in relation to the manner in which your share of distributable income is determined in respect of your investment in the Fund through their Service.

Franking credits

The Fund will seek to distribute any franking credits to you. However, in order to do so, the Fund must satisfy certain conditions. For further information, please refer to 'Tax Position of the Fund' on page 10 of this PDS.

Where the Fund is entitled to distribute franking credits, you are required to include your share of franked dividend income and franking credits in your taxable income.

A tax offset equal to the franking credits may, subject to certain conditions being met (see below), be applied against the tax otherwise payable by you in relation to your total taxable income. Certain investors may obtain a refund of any excess franking

credits. Corporate investors may be entitled to convert any excess franking credits into tax losses.

You may, subject to certain exemptions, be denied the benefit of franking credits in respect of distributions referable to units that you have not owned at risk for a continuous period of 45 days (ignoring the day of acquisition and disposal). In determining whether the 45 day period is satisfied, a 'last in first out' methodology should be applied.

Please refer to your Operator's disclosure document for more information in relation to your entitlement to franking credits (if any) from your investment in the Fund through their Service.

Foreign income and foreign tax credits

Where foreign tax has been paid by a Fund in respect of foreign source income derived from overseas investments, the Fund will generally distribute the corresponding foreign tax credits to you.

Where a Fund is entitled to distribute foreign tax credits, you are required to include your share of foreign source income component and foreign tax credits in your taxable income.

You may be able to use these foreign tax credits to offset the Australian tax payable on the foreign source income component of your distributions. However, foreign tax credits can only be used to offset Australian tax up to the amount of Australian tax otherwise payable by you on your net foreign source income. Your foreign tax credit claim is calculated according to classes of foreign income. The Government has announced that it intends to introduce legislation to remove these classes. However, it is not clear when this will be implemented or the extent to which the actual changes will vary from the announcement.

Foreign tax credits not utilised in any year can generally be carried forward for a

period of five years by individual investors and complying superannuation entities.

Please refer to your Operator's disclosure document for more information in relation to your entitlement to foreign tax credits (if any) from your investment in the Fund through their Service.

Capital gains tax

The withdrawal or transfer of units from the Fund may give rise to a taxable gain or loss to you. The taxable gain or loss may be treated as a capital gain or loss, or as ordinary income, depending on your particular circumstances.

In calculating the taxable amount of a capital gain, you should take account of capital gains and losses from all sources, including those distributed by the Fund as indicated on your 'Annual tax statement' (see page 11). You should discuss this calculation with your taxation adviser.

Individuals, trusts and complying superannuation entities with a net capital gain may be entitled to a capital gains tax discount in relation to the disposal of units where the units have been held continuously for at least 12 months. The discount rate applicable to trusts and individuals is 50%, and to complying superannuation entities is 33¹/₃ %. Companies are not entitled to any discount.

The receipt by you of certain non-assessable amounts (if any) from the Fund may give rise to cost base adjustments to your units for capital gains tax purposes. Such cost base adjustments may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of units in the Fund.

Please refer to your Operator's disclosure document for more information in relation to the application of the capital gains tax provisions to your investment in the Fund through their Service.

Australian tax position of non-resident investors

We recommend that non-resident investors seek professional advice from a financial adviser and/or taxation adviser in relation to their particular circumstances prior to investing in the Fund through a Service.

The Operator of a Service will be required to deduct Australian tax from distributions of certain Australian sourced income to non-resident investors. Non-resident investors may also be subject to tax in the country in which they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

Please refer to your Operator's disclosure document for more information in relation to non-resident investors investing in the Fund through their Service.

Annual tax statement

An annual tax statement for the Fund will be provided by us to your Operator at the end of August each year or shortly thereafter, indicating the taxable and/or non taxable components of the distributions paid by the Fund during the relevant year.

The annual tax statement provided by us will be used by your Operator in generating your individual annual tax statement. The information provided in your individual annual tax statement will be designed to help you complete your annual Australian income tax return.

Please refer to your Operator's disclosure document for more information in relation to the provision of annual tax statements in relation to your investment in the Fund through their Service.

Tax File Number/Australian Business Number

Providing your TFN is not compulsory. However, without your TFN or appropriate exemption information, your Operator will be required to withhold tax from your distributions at the highest marginal tax rate (plus Medicare Levy) until your TFN or exemption is quoted.

An Australian Business Number (ABN) may be used as an alternative to a TFN if your investment in the Fund is undertaken in the course of carrying out an enterprise.

Please refer to your Operator's disclosure document for more information in relation to the collection of TFNs or ABNs in relation to your investment in the Fund through their Service.

GST

The GST disclosures contained in this PDS are of a general nature only.

GST of 10% is generally applicable to the fees, costs and expenses incurred by the Fund, including management costs and other fees payable to us.

Generally, the Fund cannot claim full input tax credits in relation to GST applicable to expenses incurred by the Fund. However, the Fund may be entitled to claim RITCs, which represent 75% of the GST applicable to management costs and other expenses incurred by the Fund. There may be certain expenses incurred by the Fund for which RITCs are not available.

The management costs and other fees specified in **Table 1** on page 7 of this PDS represent the approximate net cost to the Fund of these amounts payable to us. This is on the basis that the Fund is entitled to claim RITCs in relation to the GST applicable to these amounts payable to us (as stated above).

GST is not applicable to the buy/sell spreads payable in relation to the acquisition or redemption of units in the Fund by your Operator on your behalf.

How the Fund operates

How to invest

You invest in the Fund by directing your Operator to lodge an investment application with us. If your Operator's correctly completed application form and cheque are received and accepted by our Sydney office by 3.00pm (Sydney time) on any Business day, your investment will be processed using that day's entry price. Applications received and accepted after 3.00pm (Sydney time) on any Business day will be processed using the entry price applicable on the next Business day.

The time taken to process applications or switches made through your Operator may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's disclosure document for more details).

We reserve the right to accept applications at our discretion and delay processing of applications where we believe this to be in the best interests of all investors.

For the current entry price for the Fund either visit our website or contact us.

Retaining your PDS

You should keep a copy of the current PDS and any other supplementary material updating the PDS for future reference. These documents will assist you in relation to making additional investments and withdrawing.

You can obtain a copy of the current PDS, free of charge, by either visiting our website www.perpetual.com.au or contacting us (our contact details are on the inside back cover of this PDS).

How to withdraw

Withdrawals of some or all of an investment in the Fund can be made at any time by directing your Operator to contact us and provide us with the number of units or the amount to be withdrawn.

If you withdraw your units before the end of a distribution period, you will not be entitled to receive a distribution for those units in that period. Accordingly, your withdrawal

proceeds will generally include as capital your proportionate share of the distributable income accrued in the Fund to the date of your withdrawal. Please note, however, that in certain circumstances, we may determine that a portion of your withdrawal proceeds represents a share of the distributable income accrued in the Fund to the date of your withdrawal. In this event, we are required to notify your Operator accordingly.

If a withdrawal request from your Operator is received and accepted by our Sydney office by 3.00pm (Sydney time) on any Business day, the withdrawal request will be processed using that day's exit price, unless the large withdrawal provisions apply or withdrawals have been suspended (see 'Suspension of applications and withdrawals' in the 'Further information' section of the PDS for more details).

Withdrawals received and accepted after 3.00pm (Sydney time) on any Business day will be processed using the exit price applicable on the next Business day.

The proceeds from your withdrawal are usually available within 14 Business days, given normal operating conditions. The maximum period allowed under the Fund's constitution for payment of withdrawals is 30 days after the request is received and accepted by us.

We are permitted in certain circumstances to stagger the payment of large withdrawal requests.

The time taken to process withdrawal requests made to the Fund through your Operator may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's disclosure document for more details).

For the current exit price for the Fund either visit our website or contact us.

Fund distributions

A distribution is the payment of the Fund's distributable income to you at predetermined intervals. The distributable income of the Fund may include interest, dividends, realised net capital gains and/or

revenue gains, and other taxable and/or non-taxable amounts. The components of the distributions you receive will depend on the Fund's investment strategy and the nature of the Fund's underlying investments.

The amount to be distributed on an interim basis is determined by us in accordance with the Fund's constitution. However, at 30 June each year, investors will become entitled to all undistributed distributable income of the Fund.

The amount of the distribution that you receive depends on the distributable income of the Fund and the number of units you hold as a proportion of the total number of units on issue of the Fund. The amount of the distribution will vary from year to year, and there may be times when there are no amounts distributed.

The Fund will generally distribute half yearly at 31 December and 30 June and proceeds are generally paid within 21 days of these distribution dates. However, the Fund's constitution allows payments to be made up to 90 days after each distribution date.

Please note that notwithstanding the distribution periods noted above, the constitution of the Fund allows us to make interim distributions at any time.

Realised net capital gains, if applicable, are generally included in the 30 June distribution.

The composition and timing of distributions could affect your tax position (see the 'Taxation' section of this PDS for further information). We recommend that you seek professional advice from your financial adviser and/or taxation adviser.

Reinvested distributions incur the buy spread (see 'Buy/sell spreads' on page 8 of this PDS).

Distribution payment options

For payment and reinvestment options, please refer to your Operator's disclosure document.

Further information

How units are priced

The Fund's unit price is calculated by:

- ❑ establishing the net asset value of the Fund
- ❑ dividing the net asset value of the Fund by the number of units on issue to determine the net asset value of each unit
- ❑ for entry unit prices, adjusting the net asset value of each unit by adding the 'buy spread' and
- ❑ for exit unit prices, adjusting the net asset value of each unit by deducting the 'sell spread'.

Generally, the net asset value of the Fund is determined each Business day. Valuations may also be made when moneys are deposited into, or withdrawn from, the Fund.

The net asset value of the Fund is calculated by deducting from the value of the Fund's gross assets the value of the liabilities in the Fund. The Fund's investments are valued at their market value. Where the Fund invests in other managed funds, the value of the units is the exit price of those units.

Perpetual reserves the right to defer the calculation of unit prices in circumstances permitted by the Fund's constitution and by law (see 'Suspension of applications and withdrawals' on page 15).

Your cooling off rights

No cooling off rights apply in respect of any investment acquired through your Operator. For information about any cooling off rights that may apply in relation to the Service, contact your Operator or refer to your Operator's disclosure document.

Reporting

All reports will be sent directly to your Operator who will use this information to provide you with regular reporting.

Please contact your Operator with any investor enquiries.

Updated information

The terms and features of the Fund were current at the date of this PDS. However, terms and features of the Fund may change in the future. We reserve the right to change the terms and features of the Fund in accordance with the Fund's constitution and other relevant law.

We will notify your Operator of any significant changes to the terms and features of the Fund.

Continuous disclosure documents

The Fund may be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. As an investor in the Fund, you have the right to obtain the following documents from us:

- ❑ the annual financial report (including financial statements) most recently lodged with ASIC by us in respect of the Fund
- ❑ any half-year financial report (including financial statements) lodged with ASIC in respect of the Fund after the lodgement of the abovementioned annual financial report and before the date of this PDS and
- ❑ any continuous disclosure notices provided by us in respect of the Fund after the lodgement of the abovementioned annual financial report and before the date of this PDS.

If requested, we will send you a printed or electronic copy of any of the above documents, free of charge, as soon as possible or within 5 days of receiving your request.

Your privacy

Privacy laws apply to the handling of personal information by us. We do not collect or hold your personal information in connection with your investment in the Fund. Please contact your Operator for more information.

Your complaints

As you are investing through a Service, complaints should be directed to your Operator, not to us.

If your Operator wishes to make a complaint they can contact us. We will acknowledge any complaint in writing to your Operator within five Business days and make every effort to resolve your Operator's issue within 30 days of us being notified.

Investments and social security

Your investment in the Fund may affect your social security or pension entitlements. As the calculations involved are complex, you should seek the assistance of your financial and/or taxation adviser, or seek information from the Financial Information Service provided by Centrelink or the Veterans' Affairs Financial Information Service.

Our role as responsible entity

Perpetual Investment Management Limited is the responsible entity of the Fund. Our main responsibilities are to make sure the Fund is managed according to its constitution and investment policy as well as properly administering the Fund. We have established investment policy committees to set the investment objectives, investment guidelines and investment approach for the Fund. We may change the Fund's investment policy whenever we believe it is in the best interests of investors, without prior notice.

In carrying out our duties, we are subject to the Corporations Act and must:

- ❑ act honestly and in the best interests of investors
- ❑ exercise care and diligence and
- ❑ treat investors of the same class in a Fund equally.

The Fund has a Compliance Plan that sets out the procedures we must follow to ensure compliance with the Corporations Act and the constitution. The Compliance Plan has been lodged with ASIC and is externally audited yearly. A copy of the Compliance Plan is available, free of charge, by contacting us. Any breaches of the Compliance Plan that have, or are likely to have, an adverse impact on investors will be reported to ASIC in accordance with the Corporations Act.

We reserve all rights to terminate, withdraw, close or otherwise impose restrictions on a Fund.

Constitution

All managed funds are governed by a constitution. The Fund's constitution governs the Fund's operation and, together with this PDS, the Corporations Act and other laws, regulates the Fund and our legal relationship with investors. The Fund's constitution has been lodged with ASIC.

The constitution for the Fund contains provisions relating to:

- ▣ your Operator's power, rights and obligations attached to units (including your Operator's right to transfer)
- ▣ the commencement, duration and termination of the Fund
- ▣ the application, issue and withdrawal of units (including suspensions and large withdrawal provisions)
- ▣ the unit valuation methods
- ▣ income and capital distributions
- ▣ unitholder meetings
- ▣ the powers of the responsible entity to invest or borrow, limitations on its liability and its rights, including the rights to charge fees, recover expenses and be indemnified
- ▣ complaint handling and
- ▣ your Operator's liability (which is limited by the Fund's constitution to the value of

your interests or units in the Fund, however, the courts are yet to determine an investor's liability and so no absolute assurance can be given that your liability as a unitholder in the Fund is limited in every situation).

The constitution may be amended by us, in accordance with the constitution and the Corporations Act. Your Operator may inspect the Fund's constitution at our offices on any Business day, free of charge. Alternatively you can obtain a free copy of the Fund's constitution by contacting us.

By investing in the Fund, your Operator has agreed on your behalf to be bound by the terms of this PDS and the Fund's constitution as amended from time to time. You should consider the terms of the constitution before investing.

Borrowing powers

Under the Fund's constitution, the Fund may borrow both money and securities. The Fund does not intend to borrow as part of its investment strategy. However, the Fund may invest in other funds that can borrow. Borrowing may occur in the daily management of the Fund.

Your Operator's rights as an investor

Each unit your Operator holds in the Fund confers a proportional beneficial interest in the Fund. Your Operator does not, however, have any entitlement to any particular part of the Fund, the assets of the Fund or the management or operation of the Fund (other than through unitholder meetings).

Subject to the Corporations Act, we are not liable to investors for any losses in any way relating to the Fund.

Our liability is, subject to the Corporations Act, limited to our ability to be indemnified out of the assets of the Fund.

Our legal relationship with you

By investing through the Service, you do not acquire the rights of a unitholder in the Fund. Your Operator acquires these rights and can exercise or decline to exercise them on your behalf according to the arrangements governing the Service. You also forgo direct voting rights and generally will not receive notice of, or be able to attend, unitholder meetings.

If you wish to make additional investments, withdraw your investment or transfer your investment to another person, you will have to direct your Operator to do so on your behalf.

By investing in the Fund through the Service, you will not receive confirmation of transactions, half yearly reports, distribution statements, annual reports or annual income statements directly from us. We will provide these to your Operator, who will report to you on your investments in the Service in accordance with the arrangements governing the Service.

Suspension of applications and withdrawals

In certain emergency situations which impact on the effective and efficient operation of a market for an asset in the Fund, or in circumstances where we otherwise consider it to be in the best interests of investors, we may choose to suspend the processing of all applications or withdrawals for the Fund until we are able to properly ascertain the value of units in the Fund. If this occurs, in determining the value of an asset, we will use the asset values determined after the suspension is lifted.

Withdrawal requests received during the suspension will be processed using the exit price applicable after the suspension is lifted.

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Contact details

For further information, or a copy of any of our Product Disclosure Statement, please contact Perpetual:

Website

www.perpetual.com.au

Email

investments@perpetual.com.au

Telephone

During business hours (Sydney time):

Adviser Service Centre

1800 062 725

Fax

Investors and advisers
(02) 8256 1427

Postal address

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Sydney NSW 2001

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10 Rudd Street
Canberra ACT 2601
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123 Pitt Street
Sydney NSW 2000
Tel (02) 9229 9000

Queensland

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260 Queen Street
Brisbane QLD 4000
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South Australia

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Adelaide SA 5000
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Victoria

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