

## Important changes to Perpetual's Monthly Income Funds

We are writing to advise you of important changes to our Monthly Income Funds (the Funds) and to explain what this means for you as an investor.

### What are the changes?

We have temporarily suspended all applications and redemptions in the Funds from 3pm 22 October 2008 until 3pm 11 November 2008. This applies to Perpetual's Monthly Income Fund, Perpetual's Mortgage Fund and Perpetual's Wholesale Monthly Income Fund.

The temporary suspension applies to applications, switches, redemptions and distribution reinvestments. Transaction requests during the temporary suspension period will be treated as follows:

Transaction	Current process to 11 November 2008
<b>Applications</b>	Applications received including initial applications, additional applications, and BPAY payments will be returned to you
<b>Switches in</b>	Switches in will not be processed
<b>Distributions</b>	Distributions will be paid directly to you even if you have elected to reinvest
<b>Redemption requests</b>	Redemption requests, including switches out, will be included in the quarterly redemption process described on the next page

### Changes from 3pm 11 November 2008

From this date we will lift the suspension and transaction requests will be treated as follows:

Transaction	Process from 3pm 11 November 2008
<b>Applications</b>	Applications received including initial applications, additional applications, switches in and BPAY payments will once again be accepted
<b>Distributions</b>	Distributions can be reinvested into the Funds but you must instruct in writing if you wish to do so
<b>Redemption requests</b>	Redemption requests including switches out will be included in the quarterly redemption process described on the next page

Please note – on 31 October 2008 the regulator announced that it would consider modifying the law so that mortgage trusts could allow withdrawals by members on hardship grounds.

We have asked the regulator to apply this relief to Perpetual's mortgage funds and are currently waiting for a response. Further information will be available at <http://www.perpetual.com.au/advisers/fundchanges.htm>

On 11 November we will update the product disclosure statement and provide further detail on the Funds' investments. The updated product disclosure statement will be available at [www.perpetual.com.au/investment\\_funds](http://www.perpetual.com.au/investment_funds).

### How will the quarterly redemption process work?

Redemption payments will be based on the level of cash available at the end of each quarter. The first redemption payments will be effective 1 January 2009. Any redemption requests received from 3pm 22 October 2008 up until 3pm on 31 December 2008 will be included in the first redemption process.

For the quarter ending 31 December 2008 and all subsequent quarters, any redemption requests received before 3pm on the last business day of the quarter will be eligible to participate in that quarter's redemption process. We advise that payments will be paid effective the first day in the next quarter and generally available bank accounts within 10 business days due to distributions being processed. Please note that should 100% of the redemption request not be paid, the residual will not be rolled over to the next quarter and a further request will need to be placed for the next quarter.

Investors' redemption requests will be pooled and treated equally (unless hardship grounds apply). If there is not enough cash available in the Funds to fully meet redemption requests then investors will receive a pro-rata amount. For example, if the Funds had \$50 million available cash and we received requests totalling \$100 million then you would be paid 50% of your redemption request.

**What do you need to do?**

You don't need to do anything. However, if you would like to submit a redemption in the quarterly redemption process or provide other instructions on where to invest new investments, including switches in or regular investments, please notify us via fax on 02 8256 1475.

**Why have we made these changes?**

We have made this decision to protect the interests of the investors in the Funds. The changes only apply to our monthly income and mortgage funds because of their particular circumstances and do not affect our other funds.

Following the introduction of the Federal Government's bank deposit guarantee there was a marked increase in redemptions in mortgage funds across the industry. If we paid redemption requests which exceeded the amount of cash available, we would be forced to sell some of the Funds' assets at discounted prices. This would greatly disadvantage remaining investors in the Funds.

**It is important to note that the changes do not affect the distributions paid by the Funds or the capital position of the Funds. The Funds have high quality assets which we will continue to manage prudently and conservatively.**

As at 30 September 2008, the mortgage assets in the affected Perpetual funds had:

- an average loan-to-valuation ratio of 49.8 per cent (maximum 66.6 per cent)
- total loans in arrears were less than 1.5 per cent of the portfolio.

**Our ongoing commitment to you**

Since 1886, Perpetual has been managing and administering the assets of generations of Australians. Our 122 years in trustee and financial management have given us the experience and expertise to work through different market cycles. We've helped clients manage their wealth through recessions and market downturns, as well as times of prosperity.

As a business today, Perpetual remains in a sound financial position, with low debt levels and a strong balance sheet.

We will continue to act in the best interests of our clients through the current challenging financial markets and work to improve liquidity and investor access to affected Funds.

**Further information**

Visit [www.perpetual.com.au](http://www.perpetual.com.au) if you would like further information about the changes. If you have any questions please contact your account manager on 1800 110 941 during business hours (Sydney time), or email [piinstitutional@perpetual.com.au](mailto:piinstitutional@perpetual.com.au)

Yours sincerely



**David Deverall**  
Managing Director