

## Perpetual Diversified Income Fund

July 2010

### Fund facts

**Investment objective:** To provide regular income and consistency of return by investing in a diversified range of income generating assets.

**Benchmark:** UBS Bank Bill Index  
**Mgmt cost:** 1.65%  
**Buy / Sell spread:** 0.20% / 0.00%  
**Bank bill index:** 4.689% as at 31 July 2010  
**Suggested minimum investment period:** Three years or longer

### Fund benefits

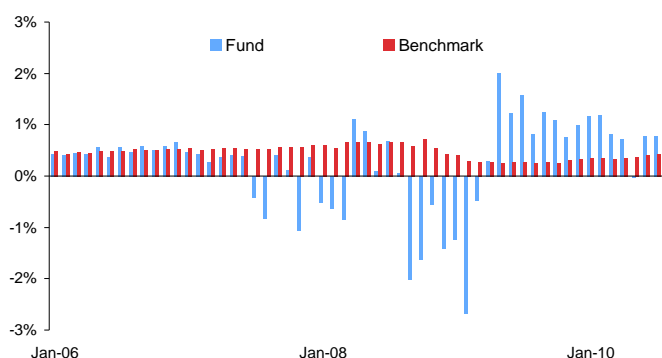
Provides investors with the potential for regular income, above cash returns and lower volatility than other income strategies through an actively managed, highly diversified and liquid investment.

### Total returns % (after fees) as at 31 July 2010

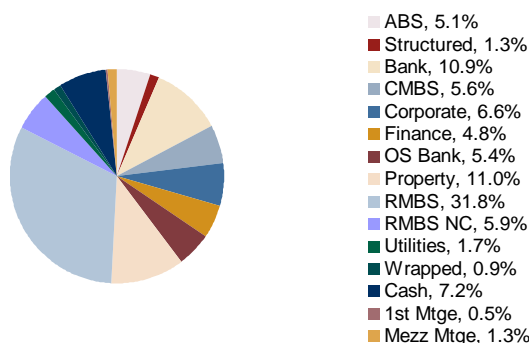
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0284AU	0.77	1.54	4.34	10.79	1.73	-	-	-
Perp. WealthFocus Investment Advantage	PER0490AU	0.73	1.48	4.25	10.65	-	-	-	-
Perp. WealthFocus Super	PER0286AU	0.60	1.15	3.58	9.11	1.22	-	-	-
Perp. WealthFocus Pensions	PER0285AU	0.73	1.47	4.23	10.59	1.72	-	-	-
Perp. WealthFocus Term Allocated Pension	PER0339AU	0.73	1.47	4.23	10.59	1.72	-	-	-
UBS Bank Bill Index		0.42	1.20	2.23	4.05	5.52	-	-	-

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

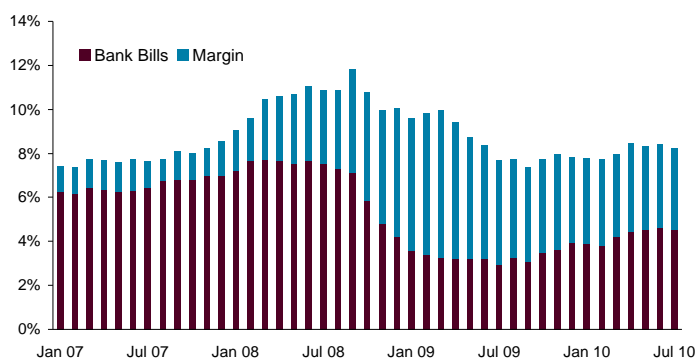
### Monthly performance since inception



### Portfolio sectors<sup>1</sup>



### Yield to maturity



### Portfolio composition<sup>1</sup>

	Breakdown
Senior Debt	74.31%
Subordinated Debt	19.39%
Hybrid Debt	6.30%
Core Component	95.91%
Plus Component	4.09%
% Geared	7.37%
Running Yield	8.23%
Portfolio Weighted Average Life	2.27
Spread above Bank Bill	3.70%
No. Securities	333

## Market commentary

Credit markets advanced moderately in July overcoming an initial sell-off with the Australian market finishing the month marginally higher.

The Australian iTraxx index of CDS spreads (5 year margin on 25 major Australian banks and corporates) tightened by 18 basis points to close at 116 basis points after recording an intra month high of 141 basis points. Physical credit spreads, as measured by the CBA Spectrum Index (average spread of A rated securities with 3 years to maturity over swaps) were more stable trading at a narrower range and finished the month 7 basis points tighter to the closing level of 137 basis points.

Familiar concerns over the future of European sovereigns and the contagion effects to the banking system as well as the health of the global economy occupied the market in the early part of the month. However, following the results of the European bank stress tests and robust second quarter corporate earnings releases, the prevailing themes began to be reversed while the outlook for the US economy continued to remain uncertain with a number of key leading indicators showing renewed signs of weakness.

## Portfolio commentary

Offshore banks were the biggest contributors adding 13 basis points of outperformance. This was supported by above consensus earnings results in the US, announced Basel III amendments and the release of the EU stress tests. On the back of this local banks also performed well adding 6 basis points to performance.

Non-conforming RMBS also performed well during the month contributing 22 basis points towards the excess return for the month. This performance was driven by the call of a security, running yield and paydowns.

The running yield remains very attractive at 8.23%, 3.70% above the benchmark as at the end of the month.

## What is...?

The yield to maturity of a portfolio is the expected return over the weighted average life if none of the securities are sold or default.

## Why Perpetual

Perpetual is one of Australia's most experienced investment services groups, with an enduring passion for protecting and growing our clients' wealth.

Founded in Sydney in 1886 as Perpetual Trustees, we've helped generations of Australians invest and manage their wealth through all market conditions. We have been managing Fixed Income portfolios since 1966.

## Perpetual process

Perpetual's Diversified Income Fund aims to provide investors with a diversified, liquid core income investment which aims to provide downside risk protection and deliver consistent income. We believe that risks can be managed and returns achieved through a diversified, highly active and risk aware approach to portfolio management. Ultimately, investment grade, short dated assets provide protection to investors in times of market stress, therefore the core of the portfolio is a highly liquid and diversified, investment grade portfolio. Returns are enhanced by taking on more risk in favourable environments.

## Did you know?

Fixed income investing means you effectively become a lender. You provide capital, and Perpetual lends that money out to a number of different borrowers such as corporates and the government on your behalf. These borrowers pay interest that flows through to you as income in your account every quarter.

---

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Group means Perpetual Trustees Australia Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds).

Past performance is not indicative of future performance.

<sup>1</sup> Fund information in this document is relevant to the Wholesale option unless stated.

---

INVESTING FOR GENERATIONS



## Further information

**Adviser Services** 1800 062 725

**Investor Services** 1800 022 033

**Email** [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

**www** [www.perpetual.com.au](http://www.perpetual.com.au)