

Perpetual Property Income Fund

June 2010

Fund facts

Investment objective: Aims to provide stable income and long term capital growth by investing in both listed and unlisted property.

Benchmark: UBS Government Bond 3 to 5 Years Index[^]

Mgmt cost: 1.95%

Buy / Sell spread: 1.50% / 0.00%

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Five years or longer

Fund benefits

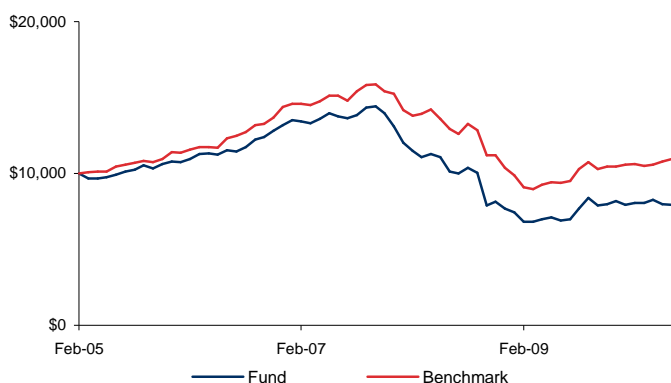
Provides investors with stable income through investment in an actively managed mix of quality listed and unlisted property trusts. These property trusts are diversified across sectors, tenant type and lease life.

Total returns % (after fees) as at 30 June 2010

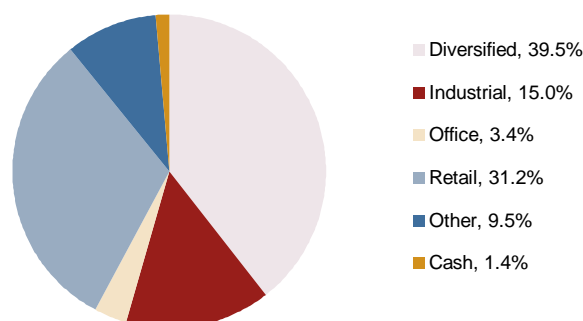
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0275AU	-0.7	-1.7	-2.9	14.7	-16.8	-4.4	-	-
Perp. WealthFocus Investment Advantage	PER0494AU	-0.7	-1.6	-3.0	12.0	-	-	-	-
Perp. WealthFocus Super	PER0274AU	-0.5	-1.3	-2.4	12.8	-14.1	-3.4	-	-
Perp. WealthFocus Pensions	PER0273AU	-0.7	-1.7	-3.0	16.1	-16.4	-4.2	-	-
Perp. WealthFocus Term Allocated Pension	PER0344AU	-0.7	-1.7	-3.0	16.1	-16.4	-4.2	-	-
UBS Government Bond 3 to 5 Years Index [^]		1.5	4.1	4.8	16.5	-10.2	0.9	-	-

Past performance is not indicative of future performance.

Growth of \$10,000 since inception (WFI Fund)



Portfolio sectors¹



Top 10 holdings¹

Westfield Group
Stockland
Australand Wholesale Property Fund No 6
Goodman Australia Industrial Fund
Mirvac Wholesale Hotel Fund
Mirvac Group
CFS Retail Property Trust
Goodman Group
GPT Group
PFA Diversified Property Trust Listed

Portfolio composition¹

	Breakdown
Listed Securities	71.8%
Unlisted Securities	26.7%
Cash	1.4%
Total	100.0%

Market commentary

The property sector ended the month lower with the S&P/ASX 300 Property Accumulation Index returning -1.0%. Despite the drop, property outperformed the broader market. Industrial was the key outperformer, led by both Goodman Group (+3.7%) which established, via a joint venture, two new investment vehicles in Europe and the UK. This builds on its momentum from last month when they announced an agreement to undertake some developments in China. Westfield was a key underperformer (-4.4%) due to concerns about the recovery in the US.

The strongest performing trust in the index was Challenger Diversified Property Group (+8.3%). The company rallied after stating that they expect the value of their properties to increase and that they had reduced their gearing. Meanwhile Centro Properties Group (-28.9%), which remains in financial distress, was the weakest performing trust in the index due to unfavourable currency movements in previous months.

Key developments in direct markets this month included the finalisation of a significant office lease negotiation by Commonwealth Property Office Fund. While details of the lease were not released, its finalisation was seen as a positive for the Sydney market.

Portfolio commentary

Positions that represented the largest portion of the portfolio's performance included its holdings in GPT Group (+6.4%), Goodman Group (+3.7%) and Dexus Property Group (+2.4%). GPT Group, which remains in favour because of its domestic focus, benefited from speculation that their guidance may be conservative. Dexus Property Group rallied after a tour of its US assets improved sentiment.

Positions which detracted from the portfolio's performance included its holdings in Westfield Group (-4.4%), Stockland Group (-1.6%) and Ardent Leisure Group (-5.7%). Stockland Group came under pressure due to concerns about the residential market and Ardent Leisure Group was sold down due to a challenging competitive environment for its theme parks.

Outlook

The rally from the lows seen early last year demonstrates the strong upside in the A-REIT sector, particularly now that gearing levels and capital structures have broadly been addressed. However it is still important to carefully choose which securities to invest in. Some still have direct assets in offshore markets, many of which are still falling. While these falls may present opportunities for the astute investor, they present a very large problem for their current owners.

We believe in this environment that our insistence on holding quality trusts at attractive valuations will enable investors to benefit from the continued upswing in the sector, while minimising the risks associated with some of the more speculative vehicles.

Locally, direct markets have now stabilised and are showing some growth around the margins. Generally speaking more vehicles are looking to buy assets rather than sell them and some are slowly starting to re enter development activities. Demand remains strong for Australian unlisted assets from both domestic and offshore investors, suggesting that there may be upside if conditions continue to improve.

What are...?

Hybrid property funds provide exposure to a mix of listed and unlisted property trusts. The allocation between listed and unlisted varies significantly between funds. These types of funds aim to perform similarly to direct property investment with regards to providing a regular income, but with enhanced liquidity.

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.

Perpetual process

Perpetual's investment philosophy is a fundamental, conservative bottom-up approach to stock picking and active management, focusing on identifying quality companies that represent good value.

The process is based on comprehensive internal company research using four filters - sound management, conservative debt, quality of business and recurring earnings. Portfolios are constructed by experienced portfolio managers within a pre-determined risk framework.

Did you know?

Hybrid property funds are different from property securities funds as they are more focused on providing a stable income stream. To do so, the funds also invest in unlisted assets which help give the funds more stable and property-like income returns whilst avoiding equity market volatility.

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*No company in the Perpetual Group (Perpetual Group means Perpetual 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 of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

[^] Please note that prior to November 2009, the index was a blended 50% S&P/ASX 300 Property Accumulation Index and 50% Mercer Unlisted Property Index.

¹ Fund information in this document is relevant to the Wholesale option unless stated.

INVESTING FOR GENERATIONS



Further information

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