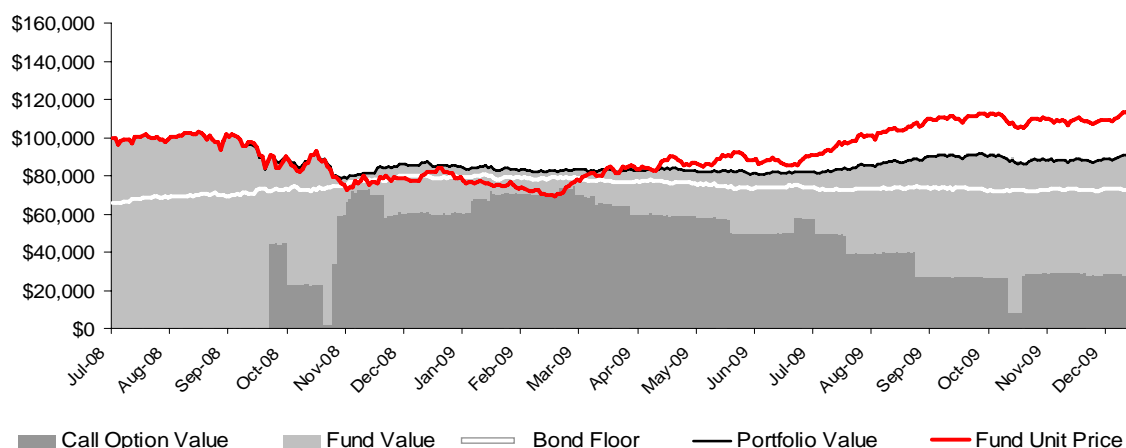


Perpetual Protected Investments – Series 3 Half-yearly performance summary as at 31 December 2009

Schroder Wholesale Australian Equity Fund

Schroder Wholesale Australian Equity Fund
Value of \$100,000 Invested in PPI



The above graph represents the changes in the indicative value of your investment from 25 July 2008 to 31 December 2009. Your portfolio value is calculated as the sum of fund units, call options and cash at any given point in time. The graph does not represent a direct investment into the Schoders Wholesale Australian Equity Fund
Source: Perpetual

At a Glance

Investment date	19 July 2007	Value as at 31/12/09 of \$1 invested	\$0.90
Protection end date	31 May 2014	Percentage allocation of Fund units	67.76%
Maturity date	1 June 2014		

Source: Perpetual

The following information has been provided by the Fund Manager who has given their consent for it to be published. The information below represents a direct investment in the Fund not an investment in Perpetual Protected Investments Series 3.

Fund Commentary

Despite quarterly returns which moderated substantially versus the past couple, the final quarter of the noughties decade saw the S&P/ASX 200 gaining 3.4%, consolidating the strong gains for the year

and leaving investors feeling decidedly more comfortable about the world than at the same date in 2008. Despite recovering ground in December, the Schroder Wholesale Australian Equity Fund underperformed the S&P/ASX200 by

0.7% for the quarter as resource stocks continued to dominate investor attention.

During the quarter the Portfolio benefited from a number of positions in stocks where investors took a more positive outlook on future earnings prospects, including Incitec Pivot (+26.3%) and Virgin Blue (+37.2%). On the negative side, Brambles (-16.1%) lost considerable ground as a number of management changes and continuing question marks over the future of wooden pallets continued to impact sentiment, whilst Gunns (-22.0%), Transpacific Industries (-11.4%) and Iluka Resources (-10.1%) were also weak.

Market Review

Leading sectors over the quarter included materials (+13.9%), utilities (+5.1%) and consumer staples (+4.7%). The laggards included REITs (-5.0%), energy (-2.3%) and financials ex property (-0.6%). October and November were largely one-way traffic, with materials dominating, the Australian dollar strengthening and gold rising. As is almost always the case, strong momentum saw an increasing chorus of commentators calling the dollar to parity and gold to \$2000. December saw the reverse, with the \$A losing some ground and stocks with offshore earnings generally doing better.

The tug-of-war between the global growth, inflation and commodity believers and those believing that spare capacity and the anaemic appetite for debt make deflation more likely, continued to play out in the

final quarter. The continuing strong run in gold and commodities has left us in a situation where we can see little value in most resource stocks in the absence of commodity prices staying elevated for an extended period. Whilst prices have recovered sharply, the evidence of demand recovery is more difficult to uncover.

Outlook

The ability of the Australian economy to avoid the downward gravitational pull of imploding western economies has provided strong evidence that economies such as the US and Europe are now far less relevant to Australia's outlook. Commentators have universally rejoiced in Australia's greater linkage to China and the riches which this linkage is likely to bestow. When so few question why Chinese growth is sustainable, our level of concern rises, as the risks to the value of investments which are premised on this assumption being true, are unlikely to be adequately considered.

Whilst not wanting to be too curmudgeonly, these sharp sentiment shifts, together with artificial support from a healthy dose of fiscal and monetary stimulus, have left us with stock valuations which can't inspire wild enthusiasm. Few sectors are in obvious undervalued territory and the benefits of focusing on stocks in which investors panicked over financial leverage have passed.

Performance as at 31 December 2009

	3 months (%)	1 year (%)	2 years (%) pa	3 years (%) pa	5 years (%) pa	Inception (%) pa*
Gross	2.7	43.7	-1.8	3.3	11.5	12.4
Net	2.4	42.3	-2.7	2.3	10.5	11.4
Benchmark	3.4	37.0	-8.2	-0.7	8.4	10.3

* Fund inception date 1 July 2002

Stock name	%	Sector weight	%
BHP Billiton Limited	9.7	Financials (ex Property)	28.9
ANZ Banking Group	6.2	Materials	28.4
National Australia Bank	5.7	Industrials	8.8
Commonwealth Bank	5.5	Consumer Staples	8.1
News Corporation	4.1	Consumer Discretionary	6.2
Woolworths Limited	3.9	Energy	5.1
Westpac Banking Corporation	3.7	Health Care	4.4
Wesfarmers Limited	3.3	Telecommunication Services	3.7
Suncorp-Metway Limited	3.3	Information Technology	2.7
Telstra Corporation Limited	3.0	Cash	1.4
Total	48.4	Property Trusts	1.3
		Utilities	1
		Total	100

Investment Objective

To out perform the S&P/ASX200 Accumulation Index over the medium to long term. The fund offers investors access to a professionally managed portfolio of predominantly Australian and New Zealand equity securities.

Benchmark

S&P/ASX 200 Accumulation Index

Investment Category

Australian Equities

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