



Perpetual Protected Investments

Calculation of break costs under 'fixed for the term' Investment Loans

What is a 'break cost'?

A 'break cost' is a cost charged by wholesale lenders for unwinding hedging and funding arrangements on the early termination of a fixed rate loan.

Break costs may form part of the Early Repayment Fee or Interest Switching Fee payable under the terms of the Loan and Security Agreement set out in the relevant Perpetual Protected Investments PDS.

When is a break cost charged?

You may be charged break costs under your 'fixed for the term' Investment Loan if you:

- a. Repay all or part of your loan principal prior to the maturity date (i.e when you make an early repayment); or
- b. Switch from a 'fixed for the term' interest rate to a 'fixed annually' or variable interest rate option.

Why does a break cost arise?

When you select a fixed for the term interest rate option for your Investment Loan, Perpetual lends you money based on your agreement that you will make certain fixed payments for the entire term of the product. Perpetual then arranges wholesale funding contracts assuming that we will receive the exact payments you have agreed to make.

If you subsequently decide to change your arrangements by repaying the loan early or switching to another interest rate option, Perpetual must also then amend its wholesale funding contract. This may result in a loss to the provider of the wholesale loan. This loss is what is known as a 'break cost'.

Any break costs are firstly charged to Perpetual by the wholesale lender under the terms of the wholesale loan contracts. These costs are then passed onto you as part of the Early Repayment Fee or Interest Switching Fee under the terms of the Loan and Security Agreement.



How are break costs calculated?

Break costs are payable if, at the time you decide to change your arrangements, the wholesale lender's cost of funding for the remaining fixed rate term is lower than their original cost of funding. Break costs are not calculated by Perpetual, but by the wholesale lender and charged to Perpetual. We then, in turn, pass them onto you.

The method of calculation of break costs is complex and contains commercially sensitive information not disclosed to us by wholesale lenders. We are therefore unable to provide you with the precise methodology used. We review the amounts charged to us to ensure that they are reasonable in light of generally accepted market practise.

Because wholesale rates change daily, any estimates of break costs provided to you prior to the actual settlement date are not binding and subject to change.

Can I break my 'fixed for the term' Investment Loan?

You can break your Investment Loan arrangements with Perpetual for any Series of Perpetual Protected Investments by repaying all or part of your loan early or switching interest rates, subject to the conditions set out in the relevant PDS. When you break your arrangements you are liable for any break costs that are incurred by us for unwinding hedging and funding arrangements.

The decision to break your fixed rate Investment Loan is entirely up to you. Your decision may be affected by the amount of interest you may save at a lower interest rate versus the cost to break the loan.

Obtain independent financial advice

You should seek independent financial advice before making a decision to repay any amount early or switch interest rate options under your fixed for the term Investment Loan.

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