

# Perpetual's Wholesale Ethical SRI Fund

## Product Disclosure Statement

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Australian dollars	All amounts in this PDS are given in Australian dollars (unless otherwise specified).
Goods and Services Tax	For information about the impact of the Goods and Services Tax (GST) on fees and charges specified in this PDS, see 'GST' on page 28.
Changes to product information	<p>We may update this PDS (including the terms and features and conditions set out in this PDS where we are so permitted under the Fund's constitution and the law) for changes that are not materially adverse without issuing a supplementary PDS. Such updated information is accessible by calling us (our contact details are on page 2 of this PDS) or by accessing our website <a href="http://www.perpetual.com.au">www.perpetual.com.au</a>. A paper copy of the updated information will be available free of charge on request.</p> <p>If we become aware of any change which is materially adverse, we will replace this PDS or issue a supplementary PDS.</p> <p>If there is an increase in the fees and charges (other than government fees and charges, and transaction costs associated with the daily management of the Fund's investments), 30 days' notice will be given to your Operator. Any investor who withdraws their entire investment before the expiry of the notice is not bound by the change.</p>
Glossary of terms	There is a 'glossary of terms' on page 32. This has been included to help explain some of the terms used in this PDS. Any wording that has been italicised ( <i>like this</i> ) is included in the glossary.
Historical returns	<b>Historical returns are not a reliable guide to future returns.</b> The returns in this PDS represent past performance only and may not reflect the current and future returns of the Fund.
Returns not guaranteed	Neither we nor any other company in the Perpetual Group guarantees that you will earn any return on your investment or that your investment will gain in value or retain its value. Investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested.
Speak to your financial adviser or your Operator about questions you have about the Fund	If you have questions about investing, you should speak to your financial adviser. If you have questions about the Fund in this PDS, you should either speak to your financial adviser or contact your Operator. We recommend that you obtain professional advice from a financial and/or taxation adviser before investing in the Fund.

## The fund table

'The Fund at a glance' table on page 8 provides a summary of Perpetual's Wholesale Ethical SRI Fund. For up to date information about the Fund, visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS). The following information on pages 5-7 explains certain terms and concepts detailed in the fund table.

### The fund table items

Investment manager
Commencement date
Fund size
Management cost
Buy spread
Sell spread
Suggested length of investment
Distribution frequency and dates
Objective
Investment approach
Investment guidelines
Asset profile
Returns

### Investment manager

The investment manager is responsible for making the Fund investment decisions based on the Fund's investment objective, investment guidelines and investment approach (see page 9 for more information about the investment manager).

### Commencement date

The commencement date is the month and year in which the Fund first received an application.

### Fund size

The fund size is the net asset value of the Fund at a point in time.

For up to date fund sizes, visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS).

The fund size includes any investments by other Perpetual funds. The fund size for the Wholesale Ethical SRI Fund includes significant investments by the Perpetual Group.

### Management cost

The management cost for the Fund includes the management fee and expense recoveries (other than abnormal operating expenses).

The management cost is charged by us for managing and administering the Fund (see 'Management costs' on page 22 for more details). See 'GST' on page 28 for information regarding the impact of GST on the management cost.

## Buy spread

The buy spread is a transaction cost charged to enter (buy units) in the Fund. When an investor invests in the Fund, the Fund usually has to make investments and there are costs incurred. The buy spread is calculated as a percentage of the Fund's entry price (see 'Buy/sell spreads' on page 23 for more details).

## Sell spread

The sell spread is a transaction cost charged to withdraw from the Fund. When an investor withdraws, the Fund usually has to sell some of its investments and there are costs incurred. The sell spread is calculated as a percentage of the Fund's exit price (see 'Buy/sell spreads' on page 23 for more details).

## Suggested length of investment

The suggested length of investment is a guide only and not a recommendation. You should discuss your investment in the Fund with your financial adviser to ensure that it meets your needs.

## Distribution frequency and dates

The distribution frequency is how often the Fund usually makes distributions. The distribution dates are the effective dates for distributions. The actual payment of distributions occurs after the distribution date (see 'Distributions' on page 18 for more details).

## Objective

The objective is a summary of what the Fund aims to achieve. References to shares include other *securities* authorised under the Fund's constitution.

## Investment approach

The investment approach is the method or set of principles used by an investment manager to manage the Fund, in order to meet the objective.

## Investment guidelines

The investment guidelines provide an indication of what the Fund will invest in.

The Funds may make investments directly, or indirectly by investing in other Perpetual *managed funds* that have investment objectives and authorised investments that are consistent with the Fund.

## Derivatives

The Fund may use exchange traded *derivatives* to protect selected shares against adverse movements in market prices, to gain short term exposure to the market and to build positions in selected companies as a short term strategy to be reversed as the underlying shares are bought. *Derivatives* may be used to hedge against currency movements, however, these *derivatives* will not be exchange traded. *Derivatives* will not be used for gearing purposes.

## Asset profile

The asset profile provides a summary of the Fund's investments at a point in time.

The asset profile may represent the Fund's exposure as a result of direct or indirect investment in or through other funds managed within the Perpetual Group that have similar investment objectives and authorised investments consistent with the Fund. The asset profile may change on a daily basis.

For up to date asset profiles, visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS).

## Returns

- Total
- Distribution
- Growth

Total returns have been calculated using exit prices after taking into account the management cost and assuming reinvestment of distributions. No allowance has been made for taxation.

A distribution return takes into account the realised income and gains derived by the Fund which have actually been distributed to investors during the relevant period. The distributions may represent assessable and/or non assessable components, including *realised capital gain* components.

A growth return takes into account the unrealised income and gains of the Fund as at a particular point in time. This may include realised income and gains that have been derived by the Fund which have not yet been distributed to investors.

The 'Since inception' return is the annualised return since the Fund commenced (except where the Fund has been in existence for less than a year, in which case annualised returns are not available).

**Historical returns are not a reliable guide to future returns. The returns shown represent past performance only and may not reflect the current and future returns of the Fund. Returns can be particularly volatile over the short term and in some periods may be negative. You should not base your decision to invest in the Fund on past returns.**

For up to date returns, visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS).

Neither we nor any other company in the Perpetual Group guarantees that you will earn any rate of return on your investment or that your investment will gain in value or retain its value. Investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and capital invested.

## The Fund at a glance

The table below provides a summary of the Fund. For up to date information about the Fund, please contact us on 1800 062 725. Please refer to page 5 for an explanation of the terms and concepts referred to in the fund table below.

Wholesale Ethical SRI Fund				
Investment manager	Perpetual Investments			
Commencement date	April 2002			
Fund size as at 28 February 2006	\$103.8 million			
Management cost	1.175% pa			
Buy spread	0.25%(2)			
Sell spread	0.25%(2)			
Suggested length of investment	5 years or longer			
Distribution frequency and dates	Half yearly 30 June and 31 December			
Objective	Aims to provide long term <i>capital growth</i> and income through investment in quality shares of socially responsible companies.			
Investment approach	<p>Perpetual researches companies of all sizes using consistent share selection criteria. Perpetual's priority is to select those companies that represent the best investment quality and are appropriately priced. In determining investment quality, investments are carefully selected on the basis of four key investment criteria:</p> <ul style="list-style-type: none"> <li>• conservative debt levels</li> <li>• sound management</li> <li>• quality business and</li> <li>• in the case of <i>industrial shares</i>, recurring earnings.</li> </ul> <p>In addition to the above investment approach, Perpetual utilises a strategy for screening ethical and socially responsible investments (see 'Environmental, social and ethical factors and labour standards considerations on page 9 of this PDS.</p>			
Investment guidelines	Australian shares (1)			90-100%
	Cash			0-10%
Asset profile as at 28 February 2006	Australian shares			98%
	Cash			2%
Returns as at 28 February 2006	1 year	3 years	5 years	Since inception
Total	22.4%	26.5%	-	16.4%
Distribution	9.2%	6.9%	-	5.1%
Growth	13.1%	19.6%	-	11.3%
Historical returns are not a reliable guide to future returns.				

(1) The Fund's investment universe allows it to invest from time to time directly or indirectly in stocks listed on sharemarket exchanges outside of Australia. To help manage the risk profile of the Fund relative to the Australian sharemarket, exposure to stocks listed outside of Australia is limited to 20% and any non-Australian dollar assets are generally fully hedged to the Australian dollar.

(2) Please note that both buy/sell spread will change to 0.20% from 1 July 2006.

## About the investment manager

### An organisation you can trust

Perpetual Investments is one of Australia's leading investment managers, with over \$30 billion in funds under management for more than 161,000 investors (as at 31 December 2005). Perpetual Investments is part of the Perpetual Group, which has been in operation for over 119 years. By employing some of the industry's best investment specialists and applying a proven investment philosophy, Perpetual Investments has been able to provide strong and consistent performance to investors.

### Australian shares – Perpetual Investments

Our Australian *share* funds are managed by Perpetual Investments. By employing some of the industry's best investment specialists and applying a proven investment philosophy, we have been able to provide strong and consistent performance to investors. Our investment team researches companies of all sizes using consistent share selection criteria. Our priority is to select those companies that we believe represent the best investment quality at an appropriate price. We determine investment quality by using four criteria: conservative debt levels, sound management, quality business and, in the case of industrial companies, recurring earnings.

## How the Fund invests

### Asset classes

Please refer to the Fund's investment guidelines on page 8 for the asset classes into which the Fund invests.

### Environment, social and ethical factors and labour standards considerations

The Ethical SRI screening process evaluates companies on a range of social and ethical issues to determine their suitability for inclusion in the Ethical SRI investment universe, which are the companies that the Fund is allowed to invest in. The Ethical SRI screening process utilises the research of two external specialists:

- Sustainable Investment Research Institute (SIRIS) and
- Integrative Strategies.

SIRIS was founded in 2000 and focuses on analysing company risk and opportunity across 5 key areas of sustainability:

- environmental impact
- product quality and stewardship
- workplace relations
- corporate governance and ethics and
- corporate regulatory compliance.

SIRIS uses a methodical quantitative approach to analysing companies. The company profile is created using a comprehensive database weighted to highlight performance against 20 major indicators, with each indicator allocated a score. Negative ratings are given for poor practices or conduct and positive ratings are given when the company demonstrates socially responsible conduct or practices.

SIRIS's research team obtains its information from a variety of sources including:

- industry sources
- academia
- non-government organisations and stakeholder groups
- company contacts and questionnaires and
- global SRI research groups.

For more information about SIRIS, visit its website ([www.siris.com.au](http://www.siris.com.au)).

Integrative Strategies was founded in 1999. It uses a qualitative approach to produce a profile that assesses a company in relation to a range of socially responsible criteria. The process is flexible and allows the researcher to focus on a company's particular area of activity. The research process is based on building up a qualitative profile of a company and rating the company on a range of issues. Ratings are then verified by Integrative Strategies' Chief Executive Officer to make sure they are consistent.

Sources of information include:

- media (including the internet)
- company documents and
- non-government organisations and interest groups.

The Fund uses two external specialists because the different research processes they employ capture different information and provide different perspectives that allow a more rigorous assessment of a company's practices to be made.

There are two main steps involved in the Ethical SRI screening process:

1. Ethical exclusion
2. SRI screening.

The external consultants' research is used for both these steps.

### **Ethical exclusion**

The Fund will not invest in companies which in our opinion derive a material proportion of their revenue from:

- the manufacture or sale of alcohol or tobacco
- the operation of gaming facilities or the manufacture of gambling equipment
- uranium extraction or
- the manufacture of weapons or armaments.

The definition of material varies for each category. However, it is no higher than 5% for any category. This means that any company that derives more than 5% of its revenue from any one of the above categories fails the ethical exclusion filter and cannot be invested in.

### **SRI screening**

Companies that pass the ethical exclusion filter are then subject to the SRI screening. The SRI screening aims to identify companies that, overall, demonstrate socially responsible practices.

The SRI screening involves 3 steps:

1. Companies are passed through a series of negative screens.
2. Companies that pass the negative screens are then evaluated by a series of positive screens. Companies that pass at least one positive screen are included in the Ethical SRI investment universe.
3. Companies that do not pass at least one of the positive screens are assessed in more detail to make sure that there are no areas of concern that make the company unsuitable from a socially responsible perspective. If no areas of concern are identified, the company is included in the Ethical SRI investment universe.

The negative SRI screens employed are:

### **Human rights**

Companies that:

- have poor labour standards
  - use child labour
  - have a human rights prosecution within the last 3 years
  - have an occupational health and safety prosecution within the last 3 years
- are generally excluded from the Ethical SRI investment universe.

### Environment

Companies that:

- are rated poor or very poor in relation to carbon based emissions, pollution control, clear fell forestry, wood chipping and non-sustainable activities of a general nature
  - have an environmental prosecution within the last 3 years
- are generally excluded from the Ethical SRI investment universe.

### Animal rights

Companies engaging in vivisection, animal testing and animal cruelty are generally excluded from the Ethical SRI investment universe.

### Genetically modified organisms

Companies engaging in genetic engineering, genetically modified farming practices or gene therapy are generally excluded from the Ethical SRI investment universe.

Next, the positive SRI screens aim to determine whether a company has above average standards or is committed to improving its business practices or reducing the detrimental impact of its practices.

Companies that pass any one of the positive screens are included in the Ethical SRI investment universe. This is based on the idea that the company has passed both the ethical exclusion negative screens and the SRI negative screens, so its business practices have not been found to have an adverse impact.

In addition to this, the company has demonstrated that it either has high standards in at least one relevant area or is making a constructive effort to improve its performance in at least one relevant area.

The positive screens used and examples of what would pass the screens are listed in the positives SRI screens table on page 12.

Companies that do not pass a positive screen are assessed in more detail. The aim of this assessment is to determine whether there are any areas of concern or potential areas of concern that make the company unsuitable from a socially responsible perspective. This qualitative assessment aims to go beyond the factors assessed in the negative and positive screens to determine whether the company's conduct and business practices are not considered socially responsible. The analysis covers a wider variety of issues than the negative screens. If no areas of concern are identified, the company is included in the Ethical SRI investment universe.

The Fund's investments are reviewed to determine whether they continue to pass the Ethical SRI screening process when updated information is received from the external specialists. Currently, one of the external specialists provides us with monthly updates and the other, annual updates. If the Fund becomes aware that it is invested in a company that no longer passes the Ethical SRI screening process, the investment will be sold as soon as practical, in an orderly, price-sensitive manner.

We may change the Ethical SRI screening process. If what we consider to be a material change is made, we will give you 30 days' prior notice of the change. If a change is not considered to be material, we will not notify you of the change. However, you can obtain updated information about the Ethical SRI screening process by contacting us (our contact details are on the inside front cover of this PDS).

We do not consider changing the external specialists from which we obtain research to be a material change.

### Perpetual Investment Management Limited gains certification as a SRI Symbol Licensee



The SRI Symbol is a Certification Program which signifies that an investment product or service takes environmental, social, ethical and governance considerations into account along with financial returns.

Developed in response to investor requests for help in making more informed choices, the SRI Symbol promotes consistent, standardised disclosure and education about Ethical Investment and Sustainable Responsible Investment (SRI).

The SRI Symbol is the first Certification Program of its kind in the world and is owned and managed by the Ethical Investment Association (EIA). The SRI Symbol was created in partnership with the NSW Department of Environment and Conservation and the Victorian Government.

To be licensed to use the SRI Symbol, Perpetual Investment Management Limited had to demonstrate we satisfied the strict eligibility requirements for the category of Fund Manager. Perpetual Investment Management Limited was independently reviewed and key details regarding our Certification are available through the EIA's website at [www.eia.org.au](http://www.eia.org.au) or by calling the EIA on 02 8224 0314.

The SRI Symbol is a Trade Mark owned and managed by the EIA and there are currently four categories: Fund Manager, Superannuation Fund, Dealer Group and Financial Adviser.

The SRI Symbol does not constitute financial advice by the EIA.

**Positive SRI screens table:**

Positive SRI screen	Example of what would pass the screen
Animal rights	A retailer who refuses to sell fur products.
Business network and portfolio	A company that scrutinises its suppliers on ethical grounds.
Community awareness	A company that takes into consideration the impact its policies will have on the community.
Corporate governance	A company that displays above average corporate governance standards.
Corporate ethics	A company with an ethical culture or a meaningful policy regarding ethics.
Donations	A company that makes above average donations to charitable foundations.
Environment	A company that is actively improving the sustainability of its operations.
Greenhouse Challenge signatory	The Greenhouse Challenge is a joint venture between the Australian Government and industry that aims to reduce greenhouse gas emissions - a company that has signed the agreement passes the screen.
Human rights	A company with exceptional labour standards, a gender equality policy or an indigenous relations policy.
ISO 14000	ISO 14000 is the International Organisation for Standardisation's standard in relation to environmental management - a company that obtains the ISO 14000 certificate has demonstrated its commitment to effective environmental management and passes the screen.
ISO 9000	ISO 9000 is the International Organisation for Standardisation's standard in relation to quality assurance and quality management - a company that obtains the ISO 9000 certificate assures customers that the quality of its products and services will be as the customer expects and passes the screen.
National Packaging Covenant signatory	The aim of this program is to reduce the environmental impact of Covenant signatory consumer packaging - a company that has signed the agreement passes the screen.

OH&S management systems	AS/NZS 4804 is an occupational health and safety standard - a company accredited with the standard passes the screen
Sustainable Energy Development Authority of NSW or Sustainable Energy Authority of Victoria signatory	The agreements are a commitment to reduce energy usage and greenhouse gas emissions – a company that has signed either agreement passes the screen.

## Investment considerations

Before deciding to invest in the Fund, it is important to understand the different investment choices available to you and the risks associated with each type of investment. Your financial adviser can assist you in considering whether the Fund is best suited to your financial needs.

### Asset classes

Wherever you choose to invest your money, you are investing in one or more asset classes. At any given time these asset classes may be influenced by a number of events such as interest rate movements, domestic and international economic and political activity, or market sentiment.

The main asset classes in which you can invest are identified in **Table 1**.

**Table 1: The main asset classes**

Asset class	Risk / return characteristics <sup>1</sup>	Suggested recommended term of investment	Description of investment
<b>Shares</b>	While shares carry a higher level of risk than other asset classes, they have historically outperformed all other asset class investments over the long-term.	Long-term – at least five years	Shares represent a portion of ownership in a company. Shareholders can benefit if a company passes on some of its profits to its shareholders through <i>dividends</i> . Shareholders can also benefit from <i>capital growth</i> if the share price rises but can also experience a capital loss if the share price falls.  Shares can fluctuate in value due to changes in the economic climate, the stock market and company specific factors.
<b>Property</b>	There is a higher risk that the investment may decline, however property provides the potential for higher returns than cash, mortgages and fixed interest.	Long-term – at least five years	A property investment involves either buying units in a listed property trust (where units are bought and sold on the stock exchange), buying into unlisted property trusts or by purchasing property directly. Property investments can be across a range of sectors including commercial, industrial, residential and retail. Returns are in the form of rental income and over the longer term <i>capital growth</i> or losses through a change in the value of the property.
<b>Infrastructure</b>	Generally considered to be a higher risk investment, however infrastructure investments provide the potential for higher returns than cash, mortgages, fixed interest and property.	Long-term – at least five years	Involves investing (by purchasing equity or debt <i>securities</i> ) in large projects to provide facilities and services required by the community (eg transport, power, roads, telecommunications or water supply). The return on an infrastructure equity investment generally includes <i>capital growth (or loss)</i> and income. Alternatively, infrastructure debt <i>securities</i> pay regular interest similar to that of other fixed interest investments.
<b>Hybrid securities</b>	May carry a similar level of risk associated with equity investments, so hybrid <i>securities</i> provide the potential for higher returns and higher risk.	Long-term – at least five years	Hybrid <i>securities</i> combine both debt and equity characteristics and are used by companies to raise money. Hybrid <i>securities</i> pay a predictable (fixed or floating) rate of return or <i>dividend</i> until a certain date. At that date the holder may have a number of options including converting the <i>securities</i> into the underlying shares. Unlike a share, the holder has an anticipated cash flow, and, unlike a fixed interest security, there may be an option to convert the security to the underlying equity. Common examples include convertible and converting preference shares.

<b>Mortgages</b>	A higher risk than cash as the term of the investments is generally longer but pays a more attractive interest rate.	Medium-term – at least three years	<p>A mortgage investment involves lending money to a borrower to purchase property. The borrower must offer adequate collateral to secure the loan. Typically, the borrower will rent out the property in order to receive rental income to cover the interest payments on the loan, with the interest payments representing the return on the mortgage investment.</p> <p>Mortgage investments can be in first registered and second registered (mezzanine) mortgages. Second registered mortgages are subordinate to first registered mortgages and have a higher loan to value ratio (up to 95%). They are paid only after all amounts owed on a first registered mortgage have been paid in full.</p>
<b>Fixed interest</b>	Moderate risk for potentially moderate returns.	Medium-term – at least three years	<p>A fixed interest investment involves lending money for a fixed period (generally up to 10 years) for investing in Government, state government and corporate <i>bonds</i> that pay interest at a specified rate, payable at fixed periods, with the original investment being repayable at a date in the future. Fixed interest investments provide stable, regular income with the potential for growth on the original capital in periods of declining interest rates, or loss on capital if interest rates rise.</p>
<b>Cash</b>	Low risk for potentially lower return.	Short to medium-term – at least one year	<p>A cash investment involves lending money for short periods of time (generally up to 180 days). Cash investments can include bank deposits, term deposits and <i>short-term bank bills</i>. Cash provides a relatively consistent rate of return in the form of regular interest payments, generally in line with short-term interest rates and is widely considered the lowest risk investment.</p>

<sup>1</sup> Please see pages 14 -17 for an explanation of the risks of investing, in particular the risk section which explains the relationship between risk and return.

## Derivatives

The following tools can be used by investment managers in the management of their funds.

### Derivatives

*Derivatives* are generally used for the following:

- to protect against changes in the market value of existing investments
- to achieve a desired investment position without buying or selling the underlying physical asset and/or
- to manage actual and anticipated interest rate and credit risk for mortgages, cash and fixed interest asset classes.

## The risks of investing

All investments are subject to risk which means the value of your investment may rise or fall.

Before making an investment decision, it is important to understand the risks that can affect the value of your investment. While it is not possible to identify every risk factor relevant to investing in the Fund, we have detailed some of the significant risks below.

### Investment risk

The value of your investment may fall which means that you may receive back less than your original investment when you withdraw, and the distribution from your investment may be lower than expected or there is no distribution.

It is possible that the value of your investment may increase or decrease considerably over short periods of time and the degree to which an investment's value changes is called *volatility*.

The Fund offered will have a different level of *volatility* which depends on the type of assets in the Fund. Historically, shares have demonstrated greater *volatility* than other types of investments such as property, mortgages, fixed interest *securities* or cash.

For further information on the *volatility* of the different asset classes, please refer to Table 2 below.

**Table 2** below shows the ranges and averages of *rolling annual returns on a monthly basis* for the *market indices* of the main asset classes over the past 10 years to 31 December 2005. This graph shows that asset classes with the highest returns also have the larger negative returns. **Table 3** below shows the number of positive and negative annual returns each month over the same 10 year period.

**Table 2: Rolling annual returns (ranges and averages) on a yearly basis from December 1995 to 31 December 2005<sup>1</sup>**

	Cash	Australian mortgages	Australian fixed interest	International fixed interest	Listed property	Australian shares	International shares
<b>Maximum</b>	7.57%	7.98%	12.23%	11.23%	32.18%	27.57%	41.68%
<b>Average</b>	5.59%	5.92%	7.37%	8.28%	14.31%	12.08%	7.62%
<b>Minimum</b>	4.77%	4.96%	-1.22%	0.86%	-4.97%	-8.09%	-26.86%

**Table 3: Rolling annual returns (positive vs negative returns) on a monthly basis for 10 years from 31 December 1995 to 31 December 2005<sup>1</sup>**

Monthly annual return	Cash	Australian mortgages	Australian fixed interest	International fixed interest	Listed property	Australian shares	International shares
<b>Number of positive returns</b>	120	120	116	119	113	105	87
<b>Number of negative returns</b>	0	0	4	1	7	15	33

<sup>1</sup> Source: Perpetual Investments. The figures in Table 2 and Table 3 use *market indices*. *Market indices* are used as a benchmark to measure the returns of various asset classes. The *market indices* used for each asset class are as follows: Cash – UBS Warburg Australian Bank Bill Index; Australian mortgages – Morningstar Australian Mortgage Trusts Index; Australian fixed interest – UBS Warburg Composite Bond All Maturities Index; International fixed interest – Citigroup WGBI World ex Australia All Maturities (Hedged); Listed property – Blended Listed Property Trust Accumulation Index; Australian shares – Blended All Ordinaries Accumulation Index; International shares – MSCI World Accumulation Index A\$. **Historical returns are not a reliable guide to future returns. The figures in Table 2 and Table 3 cannot be compared to the Fund offered in this PDS as they do not take into account any fees, charges or any taxation. The returns are for *market indices* and are not returns for the Fund. For the Fund's returns please see page 8. You should not base your decision to invest in the Fund on past returns.**

### Market risk

Market risk is the risk that events may occur which have a negative effect on the price of all types of investments within a particular market, for example the stock market for shares or the bond market for fixed interest *securities*. These events may include changes in economic, social, technological, political, legal or accounting conditions, as well as market sentiment. These factors can affect both Australian and international markets and, in particular, less developed financial markets.

### Asset risk

Asset risk is the risk that a particular asset in which the Fund invests may fall in value, which may result in a reduction of your investment.

Types of asset risk include:

- **Shares:** The significant risk for these types of investments is that shares and other equity *securities* may decline in value or may not pay income for a variety of reasons. These include poor management or changes in a company's competitive environment or internal operations. Rising interest rates can also have a negative impact on a company's value as increased borrowing costs incurred by a company may cause earnings to decline. As a result, the share price may fall.
- **Fixed interest and cash:** The significant risk for these types of investments is the possibility that the issuer of the security may not repay the *principal* or make interest payments. The market value of fixed interest *securities* can also fall significantly when interest rates rise.
- **Derivatives:** The significant risk for these types of investments is that losses may occur where there is an adverse movement in the asset underlying the *derivative*.

When you invest in an asset class which aims to provide higher returns (eg shares), you are generally exposed to a higher risk that the value of the asset may decline. Conversely, if you invest in an asset class which aims to provide lower returns, you are generally exposed to a lower risk that the value of the asset may decline in the short-term.

**Table 4** shows the historical performance of the various asset classes over the last 10 years and demonstrates that the best performing asset class in one year is not necessarily the best performer the following year. Figures in bold indicate the best performing asset class for that year.

**Table 4: Historical returns of the main asset classes to 31 December each year<sup>1</sup>**

Year to 31 December	Cash	Australian mortgages	Australian fixed interest	International fixed interest	Listed property	Australian shares	International shares
2005	5.74%	6.19%	5.79%	7.55%	12.70%	<b>21.09%</b>	17.58%
2004	5.62%	5.96%	6.96%	8.98%	<b>32.18%</b>	27.57%	10.77%
2003	4.90%	5.17%	3.05%	5.57%	8.81%	<b>15.86%</b>	-0.03%
2002	4.77%	4.96%	8.81%	11.23%	<b>12.00%</b>	-8.09%	-26.86%
2001	5.24%	5.36%	5.48%	7.40%	<b>15.14%</b>	10.12%	-9.38%
2000	6.27%	6.20%	12.04%	10.10%	<b>18.06%</b>	3.60%	2.55%
1999	5.01%	5.32%	-1.22%	0.86%	-4.97%	16.10%	<b>17.49%</b>
1998	5.14%	5.66%	9.54%	10.41%	17.95%	11.63%	<b>32.57%</b>
1997	5.63%	6.43%	12.23%	10.45%	20.31%	12.23%	<b>41.68%</b>
1996	7.57%	7.98%	11.87%	10.66%	14.49%	<b>14.60%</b>	6.76%

1 Source: Perpetual Investments. The figures in Table 4 use *market indices*. *Market indices* are used as a benchmark to measure the returns of various asset classes. The *market indices* used for each asset class are as follows: Cash – UBS Warburg Australian Bank Bill Index; Australian mortgages – Morningstar Australian Mortgage Trusts Index; Australian fixed interest – UBS Warburg Composite Bond All Maturities Index; International fixed interest – Citigroup WGBI World ex Australia All Maturities (Hedged); Listed property – Blended Listed Property Trust Accumulation Index; Australian shares – Blended All Ordinaries Accumulation Index; International shares – MSCI World Accumulation Index A\$. **Historical returns are not a reliable guide to future returns. The figures in Table 4 cannot be compared to the Fund offered in this PDS as they do not take into account any fees, charges or any taxation. The returns are for market indices and are not returns for the Fund. For the Fund's returns please see page 8. You should not base your decision to invest in the Fund on past returns.**

## Other risks

The following risks are inherent within any *managed fund*:

- The investment professionals employed by a fund's investment manager may change, which may affect the future performance of that fund.
- Investing in a fund may result in a different tax outcome than investing directly because of the application of tax laws to the fund and the impact of investments into, and the withdrawals out of, the fund by other investors. One result is that you may receive back some of your capital invested

as a distribution. For more information on the tax consequences of investing in the funds please refer to 'Taxation' on pages 24-28 of this PDS.

- The costs of your investment may increase through an increase in fees and other costs. If this occurs, we will provide at least 30 days' notice of any change (see 'Increases or alterations to the fees' on page 23 of this PDS for more details).
- A fund may be terminated, and
- Investing in a fund with a smaller number of investments may lead to more volatile returns than investing in a fund with a more *diversified portfolio*.

With ethical investments there are additional risks. Some companies that would normally be included in a fund based on their investment potential may be eliminated due to the fund's ethical filters and socially responsible investment screening.

### How we manage risk

While we cannot completely eliminate investment risk for the Fund, we aim to manage the impact of these risks through the use of consistent and carefully considered investment guidelines.

### How you can manage your investment risk

- **Diversification**

*Diversifying* your investments can help reduce the *volatility* of investment returns and the risk of poor returns. While having a *diversified portfolio* can mean your best performing investment offsets the worst, the reverse also holds in that your worst performing investment can also offset the best.

## How the Fund operates

### How to invest

You invest in the Fund by directing your Operator to lodge an investment application with us. If your Operator's correctly completed application form and cheque are received and accepted by our Sydney office by 3.00pm (Sydney time) on any *business day*, your investment will be processed using that day's entry price. Applications received and accepted after 3.00pm (Sydney time) on any *business day* will be processed using the entry price applicable on the next *business day*.

The time taken to process applications or switches made through your Operator may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's disclosure document for more details).

We reserve the right to accept applications at our discretion and delay processing of applications where we believe this to be in the best interests of all investors.

For the Fund's current entry prices visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS).

### Your cooling off rights

No cooling off rights apply in respect of any investment acquired by your Operator on your behalf. For information about any cooling off rights that may apply to you in relation to the Service, please contact your Operator directly or refer to your Operator's disclosure document.

## Retaining your PDS

You should keep a copy of this PDS and any other supplementary material updating this PDS for future reference. These documents will assist you in relation to making additional investments, switching and withdrawing.

You can obtain a copy of the current PDS, free of charge, by either visiting our website [www.perpetual.com.au](http://www.perpetual.com.au) or contacting us (our contact details are on page 2 of this PDS).

## How to withdraw

Withdrawals of some or all of an investment in the Fund may be made at any time by directing your Operator to contact us and provide us with the number of units or the amount to be withdrawn.

If you withdraw your units before the end of a distribution period, you will not be entitled to receive a distribution for those units in that period. Accordingly, your withdrawal proceeds will generally include as capital your proportionate share of the *distributable income* accrued in the Fund to the date of your withdrawal. Please note, however, that in certain circumstances, we may determine that a portion of your withdrawal proceeds represents a share of the *distributable income* accrued in the Fund to the date of your withdrawal. In this event, we are required to notify your Operator accordingly.

If a withdrawal request from your Operator is received and accepted by our Sydney office by 3.00pm (Sydney time) on any *business day*, the withdrawal request will be processed using that day's exit price, unless the large withdrawal provisions apply or withdrawals have been suspended (see 'Suspension of applications and withdrawals' on page 31 for more details). Withdrawals received and accepted after 3.00pm (Sydney time) on any *business day* will be processed using the exit price applicable on the next *business day*.

The proceeds from your withdrawal are usually available within 14 *business days*, given normal operating conditions. The maximum period allowed under the Fund's constitution for payment of withdrawals is 30 days after the request is received and accepted by us.

We are permitted in certain circumstances to stagger the payment of large withdrawal requests.

The time taken to process withdrawal requests made to the Fund through your Operator may vary from the times specified above due to your Operator's processing requirements (refer to your Operator's disclosure document for more details).

For current exit prices for the Fund visit our website [www.perpetual.com.au](http://www.perpetual.com.au) or contact us (our contact details are on page 2 of this PDS).

## Distributions

A distribution is the payment of the Fund's *distributable income* to you at predetermined intervals. The *distributable income* of the Fund may include interest, *dividends*, *realised net capital gains* and/or revenue gains, and other taxable and/or non-taxable amounts. The components of distribution you receive will depend on the Fund's investment strategy and the nature of the Fund's underlying investments.

The amount to be distributed on an interim basis is determined by us in accordance with the Fund's constitution. However, at 30 June each year, investors will become entitled to all undistributed *distributable income* of the Fund.

The amount of the distribution that you receive depends on the *distributable income* of the Fund and the number of units you hold as a proportion of the total number of units on issue of the Fund. The amount of the distribution will vary from year to year, and there may be times when there are no amounts distributed.

The Fund will generally distribute half yearly at 30 June and 31 December and proceeds are generally paid within 21 days of these distribution dates. However, the Fund's constitution allows payments to be made up to 90 days after each distribution date.

Please note that notwithstanding the distribution periods noted above, the constitution of the Fund allows us to make interim distributions at any time.

*Realised net capital gains*, if applicable, are generally included in the 30 June distribution.

The composition and timing of distributions could affect your tax position (see 'Taxation' on pages 24-28 for further information). We recommend that you seek professional advice from your financial adviser and/or taxation adviser.

### Distribution payment options

For payment and reinvestment options, please refer to your Operator's disclosure document.

## What are the fees and other costs of the Fund?

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask your Operator or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website [www.fido.asic.gov.au](http://www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

The above warning is required by law. Set out below are the fees and other costs associated with investing in Perpetual's Wholesale Ethical SRI Fund.

If you direct your Operator to invest in the Fund on your behalf, you will pay the fees set out in your Operator's disclosure document, which may include the fees set out in this section. Please refer to your Operator's disclosure document for the fees applicable to your investment.

## Fees and other costs

This document shows fees and other costs that you may be charged from the Fund. These fees and other costs may be deducted from the money you invest, from the returns on your investment or from the Fund assets as a whole.

Fees and other costs for the Fund are set out under Table 5 below.

Taxation information is set out on pages 24-28 of this PDS. Information about GST is set out on page 28 of this PDS. Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST, if applicable (ie inclusive of 10% GST, less any *input tax credits* or *Reduced Input Tax Credits (RITCs)* available to the Fund).

You should read all the information about fees and costs because it is important to understand their impact on your investment.

**Table 5 – Perpetual's Wholesale Ethical SRI Fund fees and other costs**

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee</b> The fee to open your investment	Nil.	No establishment fee is currently charged.
<b>Contribution fee<sup>2</sup></b> The fee on each amount contributed to your investment	Nil. The Fund's constitution allows us to charge a contribution fee of 5%. Currently we choose not to charge a contribution fee.	No contribution fee is currently charged.

<b>Withdrawal fee<sup>2</sup></b> The fee on each amount you take out of your investment	Nil. The Fund's constitution allows us to charge a withdrawal fee of 5%.  Currently we choose not to charge a withdrawal fee.	No withdrawal fee is currently charged.
<b>Termination fee</b> The fee to close your investment	Nil.	No termination fee is currently charged.
<b>Management costs<sup>3</sup></b>		
The fees and costs for managing your investment	The Fund's constitution allows us to charge a management fee of up to 3.0% pa (based on the Fund net asset value) plus expenses. Currently, we charge 1.175% pa of your account balance within the Fund.  Expenses, excluding abnormal expenses, are included in this amount.  In relation to abnormal expenses, please refer to 'Abnormal operating expenses' under the section 'Other fees and costs' on page 23 of this PDS for more details.	The management costs for the Fund are shown on page 8 of the PDS. The management costs are calculated daily and paid to us monthly. They are expressed as a percentage of the value of the Fund.  The management costs are deducted directly from the Fund's assets and are reflected in the unit price of the Fund each day.
<b>Service fees</b>		
<b>Investment switching fee<sup>2</sup></b> The fee charged when you switch between Perpetual's Wholesale Funds	Nil.	No switching fee is charged.  You will incur a buy spread and a sell spread, if applicable, when you switch from one fund to another fund.

1 Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST, if applicable (ie inclusive of 10% GST, less any *input tax credits* or *RITCs* available to the Fund). For further information, refer to the explanation of GST on page 28 of this PDS.

2 A buy spread and/or sell spread may apply. (Please see 'Buy/sell spreads' under the heading 'Other fees and costs').

3 Inclusive of the net effect of GST (ie inclusive of 10% GST, less any input tax credits or RITCs available to the Fund).

## Example of annual fees and costs for Perpetual's Wholesale Ethical SRI Fund

**Table 6—Example of fees and costs** - This table gives an example of how the fees and costs in Perpetual's Wholesale Ethical SRI Fund can affect your investment over a one year period. You should use this table to compare this Fund with other managed investment products.

<b>Example – Perpetual's Wholesale Ethical SRI Fund</b>		<b>Balance of \$50,000<sup>1</sup> with total investments of \$5,000 during the year</b>
Contribution fees	Nil	For every \$5,000 you put in, no contribution fees will be charged.
<b>Plus</b> Management costs	1.175%	<b>And</b> , for every \$50,000 <sup>1</sup> you have in the Fund, you will be charged \$587.50 each year.
<b>Equals</b> Cost of Fund	1.175%	If you put in \$5,000 during a year and your balance was \$50,000 at the end of the year, then for that year you will be charged a fee of \$587.50.

<sup>1</sup> We have assumed a constant value throughout.

## Additional explanation of fees and costs

### Management costs

The management costs include the

- management fee and
- expense recoveries (other than abnormal operating expenses)

The management costs exclude the fees and costs as detailed in the 'Other fees and costs' section on pages 23-24.

### Management fee

We receive a management fee for managing your investments in the Fund, which includes providing administration, custodian services and any costs of the underlying managers, which are paid (other than abnormal operating expenses) out of our management fee.

To avoid claiming fees twice, if the Fund invests in other *managed funds*, where a member of the Perpetual Group is the *responsible entity*, we will charge only the management costs set out in this PDS. The maximum management fee that we are allowed to charge for the Fund is stated in Table 7 below.

**Table 7: Maximum management fees<sup>1</sup>**

	% pa
Wholesale Ethical SRI Fund <sup>2</sup>	3.00

1. Based on the Fund's net asset value and inclusive of the net effect of GST (ie inclusive of 10% GST, less any *input tax credits* or *RITCs* available to the Fund).

2. The Fund's constitution provides for our management fee to be calculated on the gross value of the Funds' assets.

### Expense recoveries

Expense recoveries represent a reimbursement to us from the Fund to cover the operating expenses incurred by us in connection with the proper performance of our duties and obligations in the day to day operation of the Fund. Expense recoveries do not include abnormal operating expenses which are detailed in the 'Other fees and costs' section on pages 23-24 of this PDS. We are entitled to be reimbursed for the expense recoveries incurred in the operation of the Fund and there is no limit in the Fund's constitution on the amount that we can charge for expense recoveries. However, we currently choose to pay expense recoveries out of our management fee.

The historical Management costs for the Fund are set out in Table 8 on page 22.

**Table 8: Historical management costs for the 12 months to 30 June 2005**

Fund	2003 (%)	2004 (%)	2005 (%)
Wholesale Ethical SRI Fund	1.175	1.175	1.175

### Breakdown of management costs

It is not reasonably practical to provide a breakdown of the management costs. We pay all expenses, except the fees and costs outlined in the 'Other fees and costs' section on pages 23-24, out of our management fee.

### Differential fees

We may rebate or waive the management fee to wholesale clients (as defined by the *Corporations Act*). The payment and terms of rebates or waivers are entirely at our discretion.

### Increases or alterations to the fees

Where applicable we have disclosed the maximum fees payable for each fee item. Fees may increase or decrease for many reasons, including changes in the competitive, industry and regulatory environment or simply from changes in costs. We will not increase fees without providing at least 30 days' written notice to your Operator except in respect of:

- government fees and charges
- transaction costs associated with the daily operations of the Fund's investments and
- abnormal operating expenses.

### Other fees and costs

The fees and costs explained in this section are fees that are not included in the fees listed in Table 5 on pages 20-21 of this PDS.

### Buy/sell spreads

Estimated transaction costs are allocated when an investor buys or sells units in the Fund by using a buy/sell spread. This ensures that other investors do not pay the transaction costs associated with a particular investor buying or selling units in the Fund.

The buy/sell spreads will impact the return of your investment and as this is built into the unit price, it will not be recorded on investor statements.

The buy/sell spread is an additional cost to you. The spreads are based on our estimates of the average transaction costs incurred by the Fund. The buy/sell spreads may be varied from time to time to reflect actual expenses incurred.

Updated information on buy/sell spreads is accessible by either contacting us (our contact details are on page 2 of this PDS) or by accessing our website [www.perpetual.com.au](http://www.perpetual.com.au).

The spreads are not fees paid to us – they are retained in the Fund to cover its transaction costs.

Reinvested distributions incur the buy spread.

For the Fund's buy and sell spread, see the fund table on page 8.

### Transaction costs

In managing the investments of the Fund, transaction costs such as brokerage, settlement costs, clearing costs and Government charges may be incurred. Transaction costs may be incurred by changes in the Fund's investment *portfolio*, or when the Fund experiences cash flows in or out of it. Transaction costs may vary for Funds depending on the nature of the Funds' underlying investments.

When the Fund incurs transaction costs by changing the Fund's investment *portfolio*, the transaction costs are paid out of the Fund's investments, and are reflected in the unit price of the Fund.

When transaction costs are incurred because particular investors buy or sell units in the Fund, transaction costs are estimated and allocated as set out under 'Buy/sell spreads' above.

### Abnormal operating expenses

These charges represent a reimbursement to us from the Fund in accordance with the Fund's constitution to cover the abnormal operating expenses incurred by us in connection with performing our duties and obligations in administering the Fund.

These abnormal operating expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events such as:

- the cost of running a unitholder meeting
- legal costs incurred by changes in the constitution or
- defending legal proceedings.

### **Government charges**

Government taxes such as stamp duties will be applied to your account as appropriate.

### **Miscellaneous fees**

If you make an investment by cheque and the cheque dishonours, your financial institution charges us a fee and in turn we charge you the fee. The fee will differ according to which financial institution you use. Please contact your financial institution for further details.

### **Product Access payments**

We may make payments to certain platform providers who distribute our Fund on their menu of investments. These payments may help to recover costs incurred in establishing and maintaining our Fund on their menu, and certain other marketing and distribution costs. These amounts may be up to 1.00% (inclusive of 10% GST, if applicable) of the funds invested with us. If these payments are made, they are not paid by you or the Fund, rather they are paid by us.

### **Adviser remuneration**

#### **Financial adviser commissions**

No commissions are paid to your financial adviser.

#### **Adviser service fee**

An adviser service fee is not available on Perpetual's Wholesale Ethical SRI Fund.

#### **Other benefits**

As a result of your investment in the Fund your financial adviser may receive other benefits. These other benefits do not represent an additional cost to you.

We maintain a register (in compliance with Industry Code of Practice on Alternative Forms of Remuneration) summarising alternative forms of remuneration that is paid or provided to certain advisers. If you would like to review this register, contact us (our contact details are on page 2 of this PDS).

#### **Platform payments**

Certain dealer groups of which your adviser is a part, may also receive payments based on the volume of business they generate. If these payments are made, they are not paid by you or the Fund, rather they are paid by us. These amounts may be up to 1.00% (inclusive of 10% GST, if applicable) of the funds invested via the dealer group.

## **Taxation**

The taxation information below is of a general nature only and, therefore, cannot be relied upon by you. The taxation consequences of investing in managed investment schemes can only be properly determined by reference to your particular circumstances. Accordingly, we recommend that you consult

your Operator's disclosure document and that you obtain professional advice from a financial and/or taxation adviser having regard to your particular circumstances.

### Tax position of the Fund

Generally, no Australian income tax will be payable by the Fund as investors will be presently entitled to the *distributable income* of the Fund for each year of income ended 30 June. If, for any reason, there is net income of the Fund to which no investor is presently entitled, the Fund will be subject to tax at the highest marginal tax rate (plus the Medicare levy).

### Realised gains

The *distributable income* of the Fund may constitute both taxable and/or non-taxable components. In addition, taxable components may include realised gains of a capital and/or revenue nature depending on whether the investments of the Fund, or the *underlying fund*, are held on capital or revenue account. This distinction will determine whether realised gains are distributed to you as *realised net capital gains*, or as ordinary income.

### Tax losses

Where the Fund incurs a net tax loss, the loss is required to be carried forward by the Fund and, subject to certain tests for loss recoupment being met, may be applied against assessable income derived in future years.

Currently, any foreign loss incurred by the Fund must be quarantined and offset only against assessable income of the same class of *foreign income*. In the Federal Budget handed down on 10 May 2005, the Government announced that it intends to introduce legislation that will abolish the quarantining of foreign losses on a prospective basis. It is not clear when this change will be implemented or the extent to which the actual changes will vary from the announcements.

### Franking credits

The Fund should derive *franking credits* from the receipt of *franked dividends*. These *franking credits*, subject to required conditions being met, may be distributed to investors. Depending on the Fund's investment strategy, it is possible that the Fund may not always satisfy the required conditions. We will monitor the eligibility of the Fund to fully distribute *franking credits*. However, we cannot guarantee that distribution of *franking credits* will always occur.

### Foreign income and foreign tax credits

The Fund may incur foreign tax in relation to the derivation of *foreign source income*. The foreign tax incurred may constitute a *foreign tax credit* for the Fund which, subject to certain conditions being met, may be eligible to be distributed to investors.

### Foreign Investment Funds

Under the *Foreign Investment Fund (FIF) regime*, unrealised income in respect of investments held by the Fund in certain foreign companies and trusts at the end of the financial year may be required to be included in the *net income* of the Fund.

Through meeting the conditions for exemption, it is our general intention that foreign investments held by the Fund (if any) will not represent investments to which the operative provisions of the *FIF* regime apply.

### Withholding tax obligations

Your Operator may be required to withhold or deduct tax if you are a non-resident investor as discussed on page 27 of this PDS, or if you do not quote your Tax File Number (TFN) or Australian Business Number (ABN) as discussed on page 28 of this PDS.

Please refer to your Operator's disclosure document for more information in relation to their withholding tax obligations in respect of your investment in the Fund through their Service.

## Tax position of Australian resident investors

### Distributions

Your share of *distributable income* for a distribution period, which may include a share of realised capital and/or revenue gains (where applicable), will be based on your unit proportional entitlement as at the end of the relevant distribution period. For further information please refer to 'Distributions' on page 18 of this PDS.

Each year the Fund will calculate its *net income* for tax purposes and this will be allocated to you in proportion to your entitlement to *distributable income* from the Fund for that particular year. The *net income* allocated to you by the Fund must be included in your income tax return in the year the entitlement arises, even where the distribution may have been received or reinvested in the following year. For further information please refer to 'Annual tax statement' on page 27 of this PDS.

Please refer to your Operator's disclosure document for more information in relation to the manner in which your share of *distributable income* is determined in respect of your investment in the Fund through their Service.

### Franking credits

The Fund will seek to pass on the benefits of *franking credits* to you. However, in order to do so, the Funds must satisfy certain conditions. For further information, please refer to 'Tax Position of the Fund' on page 25 of this PDS.

Where the Fund is entitled to distribute *franking credits*, you are required to include your share of *franked dividend* income (if applicable) and *franking credits* in your taxable income.

A tax offset equal to the *franking credits* may, subject to certain conditions being met (see page 26), be applied against the tax otherwise payable by you in relation to your total taxable income. Certain investors may obtain a refund of any remaining *excess franking credits*. Corporate investors may be entitled to convert the *excess franking credits* into tax losses.

You may, subject to certain exemptions, be denied the benefit of *franking credits* in respect of distributions referable to units that you have not owned at risk for a continuous period of 45 days (ignoring the day of acquisition and disposal). In determining whether the 45 day period is satisfied, a 'last in first out' methodology is applied.

Please refer to your Operator's disclosure document for more information in relation to your entitlement to *franking credits* (if any) from your investment in the Fund through their Service.

### Foreign income and foreign tax credits

Where foreign tax has been paid by the Fund in respect of *foreign source income* derived from overseas investments, the Fund will generally pass on to you the corresponding *foreign tax credits*.

You must include the *foreign source income* component (including *foreign tax credits*) in your taxable income.

You may be able to use these *foreign tax credits* to offset the Australian tax payable on the *foreign source income* component of your distributions. However, *foreign tax credits* can only be used to offset Australian tax up to the amount of Australian tax otherwise payable by you on the net *foreign source income* to which the *foreign tax credits* relate. Your *foreign tax credit* claim is calculated according to classes of *foreign income*. Based on Government announcements to introduce legislation, these classes may be removed. However, it is not clear when this will be implemented or the extent to which the actual changes will vary from the announcement.

*Foreign tax credits* not utilised can generally be carried forward for a period of five years.

Please refer to your Operator's disclosure document for more information in relation to your entitlement to *foreign tax credits* (if any) from your investment in the Fund through their Service.

### Capital gains tax

The withdrawal, switching or transfer of units may give rise to a taxable gain or loss to you. The taxable gain or loss may be treated as a capital gain or loss, or as ordinary income, depending on your particular circumstances.

In calculating the taxable amount of a capital gain, you should take account of capital gains and losses from all sources, including those distributed by the Fund, as indicated on the 'Annual tax statement' (see below).

Concessions may be available for certain investors depending on how long they have held units in the Fund. Individuals, trusts and complying superannuation entities with a net capital gain may be entitled to a capital gains tax discount in relation to the disposal of units where the units have been held continuously for at least 12 months. The discount rate applying to trusts and individuals is one-half, and to complying superannuation entities is one-third. Companies are not entitled to this discount.

The receipt by you of certain non-assessable amounts (if any) from the Fund may give rise to *cost base* adjustments to your units for capital gains tax purposes. Such *cost base* adjustments may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of units in the Fund.

Please refer to your Operator's disclosure document for more information in relation to your entitlement to franking credits (if any) from your investment in the Fund through their Service.

### Australian tax position of non-resident investors

We recommend that non-resident investors seek professional advice from a financial adviser and/or taxation adviser in relation to their particular circumstances prior to investing in the Fund through a Service.

The Operator of a Service will be required to deduct Australian tax from distributions of certain Australian source income to non-resident investors. Non-resident investors may also be subject to the tax laws in the country in which they reside, but may be entitled to a credit for some or all of the tax deducted in Australia.

Please refer to the Operator's disclosure document for more information in relation to non-resident investors investing in the Fund through their Service.

### Annual tax statement

An annual tax statement for the Fund will be provided by us to your Operator at the end of August each year or shortly thereafter, indicating the taxable components of any distributions, including interest, *realised net capital gains*, *franked dividends (with franking credits)*, *foreign income (with foreign tax credits)* and any other taxable and/or non-taxable amounts.

The annual tax statement provided by us will be used by your Operator in generating your individual annual tax statement. This will assist you in the completion of your annual Australian income tax return, if required.

Please refer to your Operator's disclosure document for more information in relation to the provision of annual tax statements in relation to your investment in the Fund through their Service.

## Tax File Number/Australian Business Number

Providing your TFN is not compulsory. However, without your TFN or appropriate exemption information, your Operator will be required to withhold tax from certain components of your distributions at the highest marginal tax rate (plus Medicare levy) until your TFN or exemption is quoted. An Australian Business Number (ABN) may be used an alternative to a TFN if your investment in the Fund is undertaken in the course of carrying out an enterprise.

Please refer to your Operator's disclosure document for more information in relation to the collection of TFNs or ABNs in relation to your investment in the Fund through their Service.

## GST

The GST disclosures contained in this PDS are of a general nature only.

Fees, costs, expenses and commissions payable in respect of the management and operation of the Fund are, unless otherwise stated, disclosed in this PDS, inclusive of the net effect of GST, if applicable (ie inclusive of 10% GST, less any *input tax credits* or *RITCs* available to the Fund).

The management costs payable by the Fund to us as responsible entity of the Fund are set out on page 22 of this PDS. GST will apply to the management costs charged by us to the Fund. These are taxable supplies for GST purposes, upon which we incur a GST liability of one-eleventh of the total amount payable by the Fund to us for those services. GST will also apply to most other expenses incurred by the Fund.

Generally, the Fund cannot claim full *input tax credits* for GST incurred on these services but they may be entitled to *RITCs* equal to 75% of the GST payable on those fees and other expenses. The Fund may not be entitled to *RITCs* for GST paid on certain Fund expenses.

The management costs and other fees specified in this PDS represent the approximate net cost to the Fund of these amounts payable to us, assuming that *RITCs* are available to be claimed by the Fund (as stated above). The actual fees paid to us will exceed the fees specified in **Table 5** on pages 20-21 of this PDS.

GST is not applicable to the buy/sell spreads payable in relation to the acquisition or redemption of units in the Fund by your Operator on your behalf.

## Further information

### Reporting

All reports will be sent directly to your Operator who will use this information to provide you with regular reporting.

Please contact your Operator with any investor enquiries.

### Updated information

The terms and features of the Fund were current at the date of this PDS. However, terms and features of the Fund may change in the future. We reserve the right to change the terms and features of the Fund in accordance with the Fund's constitution and other relevant law.

We will notify your Operator of any significant changes to the terms and features of the Fund.

## Continuous disclosure documents

The Fund may be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with *ASIC* in relation to the Fund may be obtained from, or inspected at, an *ASIC* office. As an investor in the Fund, your Operator has the right to obtain the following documents from us:

- the annual financial report (including financial statements) most recently lodged with *ASIC* by us in respect of the Fund
- any half-year financial report (including financial statements) lodged with *ASIC* in respect of the Fund after the lodgement of the abovementioned annual financial report and before the date of this PDS and
- any continuous disclosure notices provided by us in respect of the Fund after the lodgement of the abovementioned annual financial report and before the date of this PDS.

If requested, we will send your Operator a printed or electronic copy of any of the above documents, free of charge, as soon as possible or within 5 days of receiving your Operator's request.

## Your privacy

Privacy laws apply to the handling of personal information by us. We do not collect or hold your personal information in connection with your investment in the Fund. Please contact your Operator for more information.

## Your complaints

As you are investing through the Service, complaints should be directed to your Operator, not to us.

If your Operator wishes to make a complaint they can contact us (our contact details are on page 2). We will acknowledge any complaint in writing to your Operator within five *business days* and make every effort to resolve your Operator's issue within 30 days of us being notified.

## Investments and social security

Your investment in the Fund may affect your social security or pension entitlements. As the calculations involved are complex, you should seek the assistance of your financial and/or taxation adviser, or seek information from the Financial Information Service provided by Centrelink or the Veterans' Affairs Financial Information Service.

## Our role as responsible entity

Perpetual Investments is the *responsible entity* of the Fund. Our main responsibilities are to make sure the Fund is managed according to its constitution and investment policy as well as properly administering the Fund. We have established investment policy committees to set the investment objectives, investment guidelines and investment approach for the Fund. We may change the Fund's investment policy whenever we believe it is in the best interests of investors, without prior notice.

In carrying out our duties, we are subject to the Corporations Act and must:

- act honestly and in the best interests of investors
- exercise care and diligence and
- treat investors of the same class in the Fund equally and different classes fairly.

The Fund has a Compliance Plan that sets out the procedures we must follow to ensure compliance with the Corporations Act and the constitution. The Compliance Plan has been lodged with *ASIC* and is externally audited yearly. A copy of the Compliance Plan is available, free of charge, by contacting us on 1800 062 725. Any breaches of the Compliance Plan that have, or are likely to have, an adverse impact on investors will be reported to *ASIC* in accordance with the Corporations Act.

We reserve all rights to terminate, withdraw, close or otherwise improve restrictions on a Fund.

## Constitution

All *managed funds* are governed by a constitution. The Fund's constitution (as amended) governs the Fund's operation and, together with this PDS, the Corporations Act and other laws, regulates the Fund and our legal relationship with investors. The Fund's constitution has been lodged with ASIC.

The constitution for the Fund contains provisions relating to:

- your Operator's power, rights and obligations attached to units (including your Operator's right to transfer)
- the commencement, duration and termination of the Fund
- the application, issue and withdrawal of units (including suspensions and large withdrawal provisions)
- the unit valuation methods
- income and capital distributions
- unitholder meetings
- the powers of the *responsible entity* to invest or borrow, limitations on its liability and its rights, including the rights to charge fees, recover expenses and be indemnified
- complaint handling and
- your Operator's liability (which is limited by the Fund's constitution to the value of your interests or units in the Fund, however, the courts are yet to determine an investor's liability and so no absolute assurance can be given that your liability as a unitholder in the Fund is limited in every situation).

The constitution may be amended by us, in accordance with the constitution and the Corporations Act. Your Operator may inspect the Fund's constitution at our offices on any *business day*, free of charge. Alternatively you can obtain a free copy of the Fund's constitution by contacting us on 1800 062 725.

By investing in the Fund through the Service your Operator has agreed on your behalf to be bound by the terms of this PDS and the Fund's constitution as amended from time to time. You should consider the terms of the constitution before investing.

## Your Operator's rights as an investor

Each unit your Operator holds in the Fund confers a proportional beneficial interest in the Fund. Your Operator does not, however, have any entitlement to any particular part of the Fund, the assets of the Fund or the management or operation of the Fund (other than through unitholder meetings).

Subject to the Corporations Act, we are not liable to investors for any losses in any way relating to the Fund.

Our liability is, subject to the Corporations Act, limited to our ability to be indemnified out of the assets of the Fund.

## Our legal relationship with you

By investing through the Service, you do not acquire the rights of a unitholder in the Fund. Your Operator acquires these rights and can exercise or decline to exercise them on your behalf according to the arrangements governing the Service. You also forgo direct voting rights and generally will not receive notice of, or be able to attend, unitholder meetings.

If you wish to make additional investments, withdraw your investment or transfer your investment to another person, you will have to direct your Operator to do so on your behalf.

By investing in the Fund through the Service, you will not receive confirmation of transactions, half yearly reports, distribution statements, annual reports or annual income statements directly from us. We will provide these to your Operator, who will report to you on your investments in the Service in accordance with the arrangements governing the Service.

## How units are valued

The Fund's unit price is calculated by:

- establishing the net asset value of the Fund
- dividing the net asset value of the Fund by the number of units on issue to determine the net asset value of each unit
- for entry unit prices, adjusting the net asset value of each unit by adding the 'buy spread' and
- for exit unit prices, adjusting the net asset value of each unit by deducting the 'sell spread'.

Generally, the net asset value of the Fund is determined each day. Valuations may also be made when moneys are deposited into, or withdrawn from, the Fund.

The net asset value of the Fund is calculated by deducting from the value of the Fund's gross assets the value of the liabilities in the Fund.

The Fund's investments are valued at their market value.

Where the Fund invests in other *managed funds*, the value of the units is the exit price of those units.

## Suspension of applications and withdrawals

In certain emergency situations which impact on the effective and efficient operation of a market for an asset in the Fund, or in circumstances where we otherwise consider it to be in the best interests of investors, we may choose to suspend the processing of all applications or withdrawals for the Fund until we are able to properly ascertain the value of units in the Fund. If this occurs, in determining the value of an asset, we will use the asset values determined after the suspension is lifted.

The Fund may suspend withdrawals when the *underlying fund* suspends applications and withdrawals, in accordance with the *underlying fund's* constitution.

Withdrawal requests received during the suspension will be processed using the exit price applicable after the suspension is lifted.

## Borrowing powers

Under the Fund's constitution, the Fund may borrow both money and *securities*. The Fund does not intend to borrow as part of their investment strategy. However, the Fund may invest in other funds that can borrow. Borrowing may occur in the daily management of the Fund.

## Consent

SIRIS, Integrative Strategies and The Ethical Investment Association have consented to the inclusion of information relating to them in this PDS, and to the form and context in which that information is included.

The companies that have consented have not withdrawn their consents prior to the issue date of this PDS and have not authorised or caused the issue of this PDS.

## Glossary of terms used in this PDS

**AFSL**

Australian Financial Services Licence.

**APIR code**

A unique product identifier used in the financial services industry.

**ARSN**

Australian Registered Scheme Number.

**ASIC**

Australian Securities & Investments Commission.

**Business day**

A day other than Saturday, Sunday or bank or public holiday in New South Wales, Australia.

**Capital growth**

An increase in the value of an asset.

**Corporations Act**

Corporations Act means Corporations Act 2001 (Cth)

**Cost base**

Generally, the cost base of an investment represents the amount paid, including relevant transaction costs, in acquiring an investment. The cost base of an investment may be required to be reduced by certain amounts, such as tax free, tax deferred or return of capital distributions. The cost base of an investment may, in certain situations, be eligible to be indexed for inflation in accordance with the capital gains tax provisions of the *Income Tax Assessment Act*.

**Derivative(s)**

A financial investment that derives (hence its name) its value from the price of a physical security or *market index*.

**Distributable income**

Represents the cash portion of the *net income* of the Fund (calculated after deducting franking credits and/or foreign tax credits from *net income*) to be paid to investors. Distributable income may also include non-assessable amounts such as tax free, tax deferred and capital gains tax concession amounts, if available, for distribution to investors.

**Diversify(ing)/diversification**

Spreading investment over different asset classes or different investment managers to minimise *volatility* and investment risk.

**Dividend(s)**

A distribution of profits made by a company to its shareholders.

**Excess franking credits**

*Franking credits* that exceed the amount that can be offset against any tax payable. Refunds from the Australian Taxation Office may be available for excess franking credits for certain investors.

**Foreign source income/ foreign income**

Broadly speaking, represents income received from interests held directly or indirectly outside Australia.

**Foreign Investment Fund (FIF) regime**

Refers to provisions of the *Income Tax Assessment Act* that may require the inclusion of unrealised income relating to certain foreign investments held by the Fund in determining the *net income* of the Fund.

**Foreign tax credit**

Represents tax paid by the Fund in respect of *foreign income* derived, reduced in accordance with the relevant Double Tax Agreement (if applicable).

**Franked dividend**

A *dividend* with a *franking credit* attached.

**Franking credits**

Franking credits attached to *franked dividends* represent the tax paid by an Australian company on its profits. Subject to certain conditions being met, franking credits may be used to offset tax otherwise payable by an investor.

**GST Act**

Refers to the A New Tax System (Goods and Services Tax) Act 1999 and the associated GST Regulations.

**Income Tax Assessment Act**

Refers to the Income Tax Assessment Act 1936 or Income Tax Assessment Act 1997 as relevant.

**Industrial shares**

Shares of a company involved in an industry (excluding resource companies – see *resource shares*) such as telecommunications, banking, tourism, retail, building, engineering or media.

**Input Tax Credits**

Refers to the credit available to the Fund for the GST included in the price of its purchases and other acquisitions.

**Market capitalisation**

The value of *securities* issued by a company, based on the current market price of those securities.

**Managed fund**

A managed fund is an investment in which individual investors pool their money with other investors. The investment manager's role is to manage the pooled funds and decide what the fund invests in accordance with the fund's investment objective, investment guidelines and investment approach.

Like most managed funds, the Fund offered in this PDS is a *unit trust*. When you invest in a fund, your money buys 'units' to which your rights (such as the right to receive distributions) are attached. The number of units you receive depends on the amount you invest and the current unit price. The unit price reflects the net value of the fund's investments. If the net value of the fund's investments increases and the number of units on issue remains the same, the unit price increases. Likewise, if the net value of the fund's investments falls and the number of units on issue remains the same, the unit price falls. To determine the value of your investment, simply multiply the current exit price by the number of units you hold (see 'How units are valued' on page 31 for more details).

**Market index**

A measurement reflecting the value of a defined group of *securities*. For example, the S&P/ASX 200 Accumulation Index reflects the collective value of Australia's largest 200 publicly listed companies.

**Net Income**

Represents the taxable income of the Fund for tax purposes as defined in the *Income Tax Assessment Act*.

**Portfolio**

A group of investments managed in accordance with a specified mandate.

**Principal**

Original amount of money invested/borrowed.

**Realised (net) capital gain**

Where an investment has been sold and the sale price of the investment is greater than the relevant cost base, there is potentially a realised capital gain calculated in accordance with the capital gains tax provisions of the *Income Tax Assessment Act*. A realised net capital gain is where capital losses have been applied to reduce the taxable amount of the capital gain.

**Reduced Input Tax Credits (RITCs)**

Refers to the partial credit available to the Fund for the GST included in the price of specific types of purchases and other acquisitions nominated in the *GST Act*.

**Realised capital losses**

Where an investment has been sold and the sale price of the investment is less than the *cost base*, there is potentially, a realised capital loss calculated in accordance with the capital gains tax provisions of the *Income Tax Assessment Act*.

**Resource shares**

Shares of a company involved in an industry such as mining, oil, gas, gold or diversified metals.

**Responsible entity**

Registered with *ASIC*, the responsible entity's role is to properly administer a fund according to its constitution, investment policy, PDS and relevant legislation.

**Rolling annual returns**

Returns that reflect a 12 month period, calculated at the end of each month. For example, the rolling annual return at the end of December 2005 would be calculated from the end of December 2004 to the end of December 2005.

**Securities**

A form of contract representing ownership in shares, units, fixed interest investments and *derivatives*.

**Short-term bank bills**

A short-term loan of money to the bank, which agrees to pay a certain sum on a fixed date in the future.

**Unit trust(s)**

A pooled investment vehicle established as a trust under a constitution or trust deed. See *managed fund* for more information.

**Unrealised capital gain**

Where the market value of an investment is greater than the *cost base* of the investment there is, *prima facie*, an *unrealised capital gain* calculated in accordance with the capital gains tax provisions of the *Income Tax Assessment Act* as if it were a *realised capital gain*.

**Volatility**

The extent of fluctuation in an asset's price. The higher the volatility, the less certain an investor is of return. Therefore, volatility is one measure of risk.