



Perennial Tactical Income Trust

2011



KNOWING WHEN AND WHAT PROPORTION OF YOUR INCOME GENERATING PORTFOLIO TO ALLOCATE TO CASH, CASH ENHANCED, FIXED INTEREST, HYBRID SECURITIES OR A COMBINATION OF THE ABOVE IS NOT A SIMPLE PROCESS. LET PERENNIAL FIXED INTEREST MAKE THE DECISION FOR YOU.

Your Questions Answered

Hybrid Security

A general term used to describe securities that can have both debt and equity like characteristics. These securities typically rank above ordinary shares but below all forms of debt and pay a pre-determined return or interest rate for a set period. At this point the holder may be required to convert into ordinary shares.

Investment Grade

A general term used to describe the credit worthiness of borrowers and covers borrowers with a credit rating of BBB- or above. Companies in this category are considered to have sound capacity to meet their debt obligations in a timely fashion.

Semi-Government Bond

A tradeable debt security issued by the central borrowing authorities of the various Australian states and guaranteed by the relevant state government.

Supranationals

A general term given to debt issued by government agencies, provincial or state governments, or securities that are issued by non government borrowers that are explicitly guaranteed or supported by sovereign, provincial or state governments. An example would be debt issued by Australian banks under the Government Guarantee program.

Perennial's Fixed Interest Team

Headed by Glenn Feben, the four senior members of the Team have over 20 years industry experience each. The Team is highly regarded by the industry, having built a strong track record through every stage of the investment cycle.

What Role Can the Trust Play in your Portfolio?

The Trust is focused on providing investors with a consistent real return over the medium to long term as well as providing a level of capital protection in periods of rising bond yields.

In the words of research house Zenith:

Zenith believes that the Tactical Income Trust is suitable as a core, low risk option in the defensive component of an investor's portfolio. In Zenith's view the Fund's focus on capital preservation is a key differentiator relative to traditional bond funds (which may provide negative returns in rising interest rate environments.) Source: Zenith Product Assessment, October 2009.

Who is the Trust Suitable for?

The Trust is suitable for investors seeking a high level of capital security from a diversified portfolio of income producing securities, seeking returns in excess of cash over the medium to long term.

How Regularly Does the Trust Pay Distributions?

The Trust expects to pay quarterly distributions.

What is the Trust's Objective?

The objective of the Trust is to provide investment returns in excess of the Trust's benchmark by investing in a diversified portfolio of Australian income producing assets. The Trust aims to outperform its benchmark by 1.0% p.a. measured over rolling 3 year periods. The benchmark for the Trust is 50% UBS Bank Bill Index and 50% the UBS 0+ Composite Bond Index.

What is the Trust's Investment Strategy?

The asset allocation of the Trust will be determined by the Team. The Team's decisions will be based on analysis and assessment of the outlook for domestic and global economies, the outlook for interest rates and fundamentals of the corporate sector within the context of the credit cycle.

The parameters, as detailed in the diagram opposite, provide the flexibility to meaningfully adjust the fixed interest exposure of the Trust with the aim of enhancing performance in periods of falling interest rates and, conversely, to protect value from the adverse impact of rising interest rates. The overall level of credit risk within the Trust will be actively adjusted to reflect the Team's assessment of fundamentals and valuations within the corporate debt market.

The Trust will gain its exposure by investing predominantly in a range of investment trusts within Perennial Fixed Interest's trust range. This will provide investors with a highly diversified exposure to a wide range of cash, cash equivalent and fixed interest securities. These will include securities issued by banks and other corporations, mortgage and other asset backed securities, as well as government bonds. The Trust may also allocate up to a maximum of 30% to listed hybrid securities when attractive opportunities are identified.

The Trust can use derivative instruments for both investment and hedging purposes but cannot use them to create gearing.

Benefits of the Perennial Tactical Income Trust

The Perennial Tactical Income Trust (the Trust) is designed to meet the needs of investors who want:

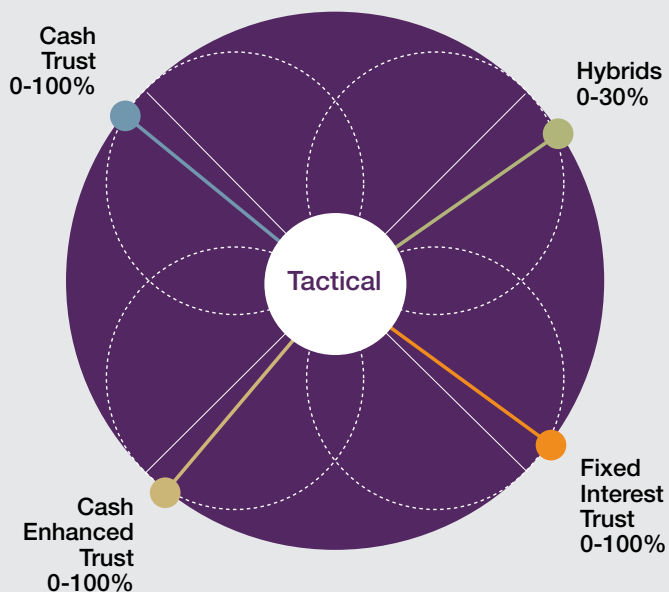
- an integrated solution to Australian defensive asset allocation;
- a focus on capital preservation; and
- an investment that is defensive in nature, providing strong performance in poor economic conditions.

Importantly, by combining these decisions within the one trust, Perennial Fixed Interest (the Team) has the ability to promptly change investor's allocations without the need for additional Statements of Advice (SOA) and client approval.

The Trust enables you to diversify your fixed interest exposure with the ease of investing in only one product. The Trust has been designed to make tactical decisions between cash, longer duration fixed interest securities and high yielding securities, throughout every step of the investment cycle. The Trust will allocate holdings based on the interest rate cycle and credit environment, providing a defensive investment option for every step of the cycle.

The Trust seeks to manage the following key investment decisions:

- **Interest rates** – when should the investor hold longer dated fixed rate assets (e.g. government bonds) and when should they hold shorter dated floating rate assets (e.g. bank bills)?
- **Sector** – what is the right proportion of government guaranteed assets and when is the reward in non-government securities enough to adequately compensate the investor for the additional risk?
- **Security** – what non-government securities have stable to improving credit quality? Of these securities, which offer an appropriate return for the underlying risk?



Glossary

Asset-Backed Security

A fixed or floating rate security backed by a pool of assets, most commonly residential mortgage loans or credit card receivables. Through a process known as securitisation these assets are pooled together and provide the collateral for the asset backed security.

Convertible Note

A security issued by a corporation that pays interest at a set rate for a period of time and requires the holder to convert into ordinary shares at a future date.

Corporate Bond

A tradeable debt security issued by a company. Most commonly these represent senior debt obligations of the company and rank above all forms of equity in the event of the company ceasing operation.

Derivative

A traded financial instrument which is derived from an underlying physical asset or group of assets such as government or corporate bonds, ordinary shares or stockmarket indices. The most common type of derivative instruments are futures, swaps and options.

Floating Rate Note

A debt security issued for a fixed term (typically three to five years) that pays variable interest rates set at a margin above a nominated bank bill rate.

Government Bond

A security issued and guaranteed by the government that typically pays the holder a fixed rate of interest for a fixed term. Bonds are issued by governments as a way of financing a budget deficit.

A Closer Look at the Trust's Investments

The Trust will invest across a range of fixed income and listed hybrid securities.

In most circumstances, exposure will be gained by investing into other trusts managed by Perennial Fixed Interest, although the Trust may also hold direct exposure to securities.

The following provides further information on the Trust's investments:

Australian Fixed Interest

Exposure to Australian fixed interest will generally be gained by investing in the Perennial Australian Fixed Interest Trust. From time to time the Perennial Tactical Income Trust may also hold some or all of this exposure via derivatives. The Perennial Australian Fixed Interest Trust invests across a range of longer dated fixed interest securities including government and semi-government bonds, corporate and asset backed securities. All investments must be of investment grade quality at the time of purchase. Investing in the Trust allows access to longer maturity fixed rate assets across government and corporate issuers.

Cash

Cash exposure will generally be gained by investing in the Perennial Cash Trust, a low risk investment that seeks to generate modest excess returns relative to the UBS Bank Bill Index, with minimal volatility. The Perennial Cash Trust is a portfolio of quality floating rate instruments such as money market securities, bank bills and treasury notes. The average credit quality is AAA and it has limited interest rate risk.

Cash Enhanced

Exposure will generally be gained by investing in the Perennial Cash Enhanced Trust. The Perennial Cash Enhanced Trust invests in a diversified mix of corporate, asset backed and short-term liquid securities. Investing in the Perennial Cash Enhanced Trust allows access to high grade floating rate securities.

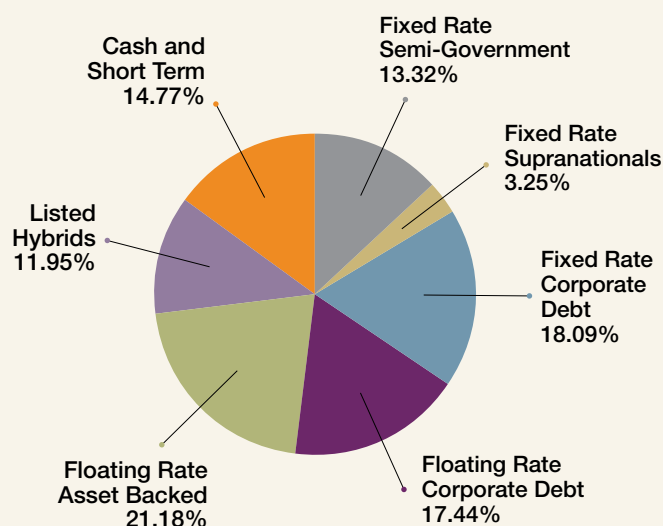
Listed Hybrid Securities

Exposure to this sector will be made by investing directly in a mix of hybrid securities issued by Australian companies. Hybrid securities pay regular interest or dividend payments. They rank below senior and subordinated debt, but above the interests of ordinary shareholders. They include converting and reset preference shares, income securities and convertible notes. Due to the lower ranking of these securities, the interest rate payable by the issuer is typically well in excess of that paid on higher categories of debt. Like all non-government issuers, all securities selected for the Trust will need to pass through Perennial's credit process.

PERENNIAL TACTICAL INCOME TRUST AT A GLANCE

Suggested investment time horizon	Three years
Weighted average credit quality (as at 31 January 2011)	A
Total number of holdings (on a look through basis)	179
Income distribution frequency	Quarterly
Income distribution reinvestment plan	Yes
Minimum initial investment ¹	\$25,000
Minimum additional investment	\$5,000
Minimum balance/holding	\$25,000
Minimum switching amount	\$5,000
Minimum withdrawal amount	\$5,000
Investment management fee % p.a.	0.45%
Buy/Sell Spread	Nil

ASSET ALLOCATION AS AT 31 JANUARY 2011



¹ This investment minimum does not apply if investing in the Trust via an IDPS or master trust. See page 17 of the Perennial Tactical Income Trust PDS for further information. Check with the operator of the IDPS or trustee of the master trust to confirm whether investment minimums apply.

Disclaimer Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620. AFSL: 238763. Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial International Equities Management Pty Limited ACN 099 336 375, Perennial Growth Management Pty Limited ABN 41 099 336 384, Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial Investment Partners Limited. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This paper is provided for information purposes only. Accordingly, reliance should not be placed on this document as the basis for making an investment, financial or other decisions. This information does not take into account your investment objectives, particular needs or financial situation. Whilst every effort to ensure the information in this report is accurate, its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Investments in the trusts must be accompanied by the application form attached to the current offer document which can be found on www.perennial.net.au. Past performance is not a guarantee of future returns.