

Perpetual SHARE-PLUS Long-Short Fund

July 2010

Fund facts

Investment objective: Aims to provide long-term capital growth and income through investment in quality industrial and resource shares and taking short positions in selected Australian shares.

Benchmark: S&P/ASX 300 Accumulation Index

Mgmt cost: 1.95%

Buy / Sell spread: 0.40% / 0.00%

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

Suggested minimum investment period: Five years or longer

Fund benefits

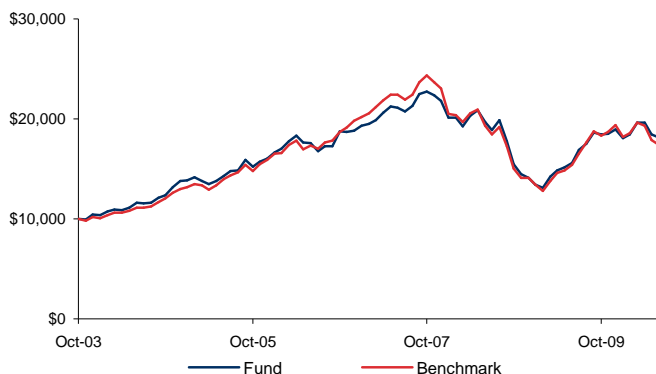
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

Total returns % (after fees) as at 31 July 2010

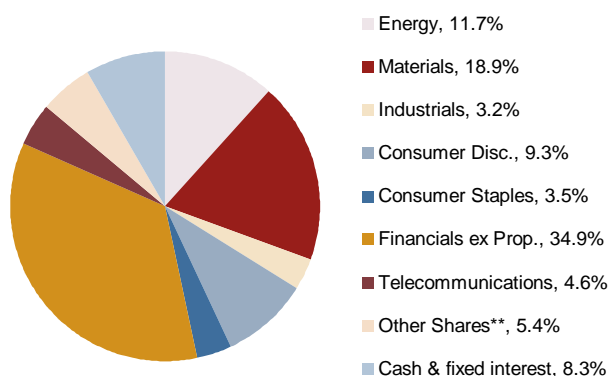
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0242AU	4.5	-3.3	4.9	12.2	-3.0	5.1	-	-
Perp. WealthFocus Investment Advantage	PER0495AU	4.3	-3.5	4.4	11.8	-	-	-	-
Perp. WealthFocus Super	PER0224AU	4.8	-2.2	5.2	12.4	-1.3	6.0	-	-
Perp. WealthFocus Pensions	PER0148AU	5.4	-2.4	5.6	13.9	-1.3	6.6	-	-
Perp. WealthFocus Term Allocated Pension	PER0347AU	5.4	-2.4	5.6	13.9	-1.3	6.6	-	-
S&P/ASX 300 Accumulation Index [^]		4.5	-6.0	0.1	10.0	-6.1	4.9	-	-

Past performance is not indicative of future performance.

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



Portfolio sectors¹



Top 10 stock holdings¹

BHP Billiton Limited
Westpac Banking Corporation
Commonwealth Bank of Australia
ANZ Banking Group Limited
Coal & Allied Industries Limited
Telstra Corporation Limited
News Corporation
Orica Limited
National Australia Bank Limited
AGL Energy Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	12.1	12.2
Dividend yield	4.8%	4.8%
Price / Book	1.7	1.7
Debt / Equity	32.9%	38.6%
Interest cover	10.1	8.9
Return on Equity	13.8%	13.6%

¹Source: Factset

Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 4.5% over the month. The market rallied after a period of sustained selling to the end of June 2010. Risk aversion began to subside early in the month after the Australian government reviewed the Resources Super Profits Tax in favour of a Minerals Resource Rent Tax. European bank stress tests also alleviated market concerns after the results failed to deliver any significant issues.

The best performing sectors were industrials (+7.1%), financials (+6.4%) and materials (+4.9%). Banks in particular were supported by stabilising credit conditions following the results of the European stress tests. Information technology (-2.8%), telecommunications (-0.6%) and health care (+1.0%) underperformed. As a group, resource companies (+4.6%) outperformed industrial companies (+4.4%).

Portfolio commentary

A feature of this product is the ability to hold positions short. On balance, short positions contributed approximately a half of the excess return for the month. The Fund's largest overweight positions include coal miner Coal & Allied Industries, media giant News Corporation and Australia's oldest bank Westpac. Coal & Allied is attractively valued with a strong balance sheet and sound management. News Corporation has good earnings momentum in all businesses going into 2011. The Fund is underweight Rio Tinto and Woolworths, and short Wesfarmers and Macquarie Group.

During the month the Fund held an overweight position to thermal and coking coal producer Centennial Coal Co. (+34.7%) which contributed to relative performance. Early in the month Centennial accepted a cash offer at \$6.20 per share from Thailand's largest coal producer Banpu. The offer values the company at \$2.4 billion and represents a 40% premium. Over the last year the company has worked hard to reduce capital expenditure and costs. They have also improved safety continuously for the last five years across all operations.

Our overweight position to international media company News Corporation (-2.7%) detracted from relative performance. The company was impacted by fears of a double dip recession in the United States of which News Corporation derives significant revenue. During the month the United Kingdom 'Times' and 'Sunday Times' began charging on-line subscribers after a free trial period for its new paywall websites. Additionally, Fox is partnering with Kingdom Holding Company to launch a new Arabic language all-news television channel. The channel will compete with Al-Jazeera and Al-Arabiya.

Outlook

Macro-economic themes such as European sovereign debt and concerns over a possible United States double-dip recession continue to dominate the market. However, the local market is more vulnerable to the pace of growth in China rather than the issues stemming from Europe. Investors are focused on the local reporting season with keen interest being paid to company outlook statements for clues on the potential for earnings growth. Attention is focused on whether profits are being driven by revenue growth or internal cost cutting. Although the market was up over the month, the recent pull-back has created renewed opportunity to find value. We continue to monitor company results and search for quality companies at attractive valuations for inclusion into the portfolio.

What are...?

'Long' positions are those in which stocks are bought with the expectation that the price of the stock will increase over time and can therefore be sold for a profit.

'Short' positions are those in which stocks are borrowed then sold with the expectation that the stock price will fall over time, and therefore the stock can be purchased at a lower price and returned to the lender at a profit.

Why Perpetual

Perpetual is one of Australia's most experienced investment services groups, with an enduring passion for protecting and growing our clients' wealth.

Founded in Sydney in 1886 as Perpetual Trustees, we've helped generations of Australians invest and manage their wealth through all market conditions.

Perpetual process

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

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

Did you know?

Paul Skamvougeras joined Perpetual in February 2010 as the dedicated Portfolio Manager for this Fund. Paul had previously spent 7 years with Perpetual up to 2001. He brings specialist shorting skills to this process.

There have been a number of enhancements to the investment process for this Fund, most notably that the Portfolio Manager now manages both the long and short positions.

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** Other Shares may include Healthcare, Property Trusts, Information Technology, Utilities and GICS unspecified/international stocks.

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

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Further information

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au