



## Perpetual Australian Share 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 other securities.

**Benchmark:** S&P/ASX 300 Accumulation Index<sup>^</sup>  
**Mgmt cost:** 1.95%  
**Buy / Sell spread:** 0.30% / 0.00%  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Five years or longer

### Fund benefits

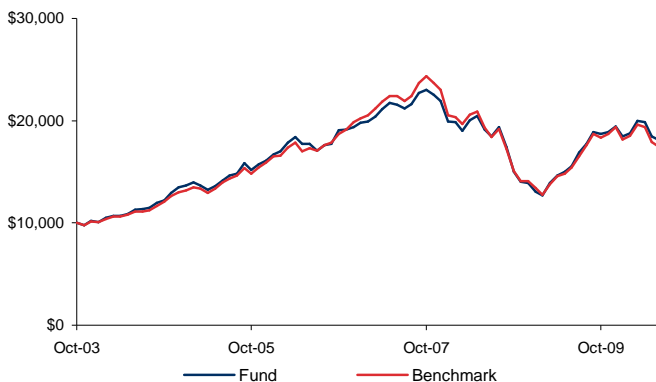
Provides investors with the potential for maximising capital growth and income, with broad market exposure, through active management by one of Australia's most experienced investment management teams.

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

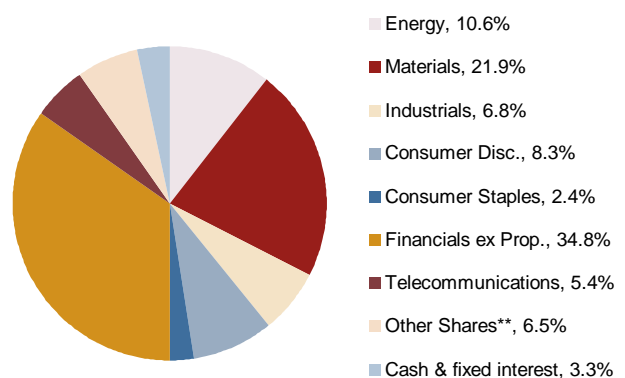
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0241AU	4.4	-4.7	2.5	12.0	-3.7	5.3	-	-
Perp. WealthFocus Investment Advantage	PER0029AU	4.5	-4.7	2.6	11.9	-3.9	4.9	10.1	9.2
Perp. WealthFocus Super	PER0022AU	4.7	-3.8	3.0	14.5	-2.2	5.7	10.5	9.6
Perp. WealthFocus Pensions	PER0014AU	5.2	-4.0	3.2	13.2	-2.3	6.4	11.8	10.6
Perp. WealthFocus Term Allocated Pension	PER0333AU	5.2	-4.0	3.2	13.2	-2.3	6.4	11.8	10.6
S&P/ASX 300 Accumulation Index <sup>^</sup>		4.5	-6.0	0.1	10.0	-6.1	4.9	9.9	7.6

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

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



### Portfolio sectors<sup>1</sup>



### Top 10 stock holdings<sup>1</sup>

BHP Billiton Limited
Westpac Banking Corporation
Commonwealth Bank of Australia
ANZ Banking Group Limited
Telstra Corporation Limited
Coal & Allied Industries Limited
Orica Limited
Campbell Brothers Limited
National Australia Bank Limited
Fletcher Building Limited

### Portfolio fundamentals<sup>1</sup>

	Portfolio	Benchmark
Price / Earnings	11.8	12.2
Dividend yield	5.0%	4.8%
Price / Book	1.9	1.7
Debt / Equity	29.9%	38.6%
Interest cover	12.4	8.9
Return on Equity	15.5%	13.6%

<sup>1</sup>Source: 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

The Fund's largest overweight positions include coal miner Coal & Allied Industries, laboratory service provider Campbell Brothers and Australia's oldest bank Westpac. Coal & Allied is attractively valued with a strong balance sheet and sound management. Campbell Brothers offers a strong growth profile at reasonable multiples. The Fund's largest underweight positions include Wesfarmers, BHP Billiton and National Australia Bank.

Our overweight position to mineral sands exploration company Iluka Resources (+18.3%) contributed to relative performance. Iluka provided its quarterly production report with an increase in mineral sands production. The initial contribution was from its two new operations: Jacinth Ambrosia (located in South Australia) and Murray Basin Stage 2 (Victoria & New South Wales). Increased production in Virginia, United States also contributed. In addition, zircon production represented a 79% increase on the previous quarter. We like Iluka as it is entering a period of high cash flow generation and improved earnings margins. Also, both the zircon and ilmenite markets have particularly constrained supply and increasing demand from China.

Our overweight position to property syndicate and development group Peet (-2.5%) detracted from relative performance. The company was impacted by concerns that the residential property market may come under pressure due to increasing interest rates. We like Peet as it offers an attractive pure play exposure to rising land prices particularly in Victoria and Western Australia. The company should also benefit from tight credit market conditions where independent developers have less access to funds.

## 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...?

Broad market share funds generally provide access to a diversified range of industrial and resource companies. These funds can vary between managers when it comes to the type of management (eg. active vs passive or top-down vs bottom-up), investment style (eg. value, growth), number of stocks held and expected volatility.

## 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?

This Fund is managed by two Portfolio Managers, Matthew Williams and John Harbot. Each are responsible for 50% of the Fund.

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\*No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

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

^ Benchmark prior to 1/4/2000 was the ASX All Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

Perpetual's Pooled Superannuation Trust and Wealthfocus Investment, Super and Pension Funds also include an Australian Share Fund / Investment Option and the information in this document, with the exception of performance, is relevant to these Funds / Investment Options unless stated.

<sup>1</sup> Fund information in this document is relevant to the Wholesale option unless stated.

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## Further information

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