

Perpetual Concentrated Equity 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[^]
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

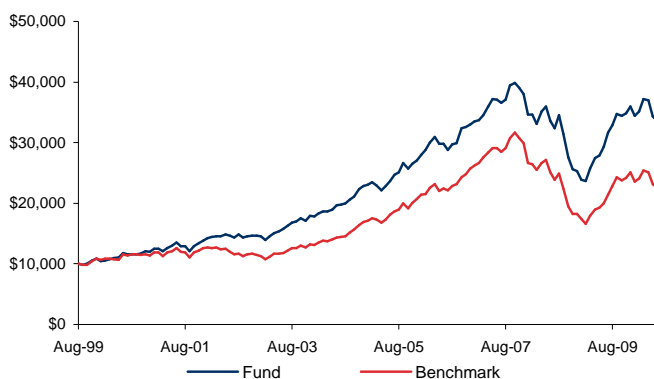
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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

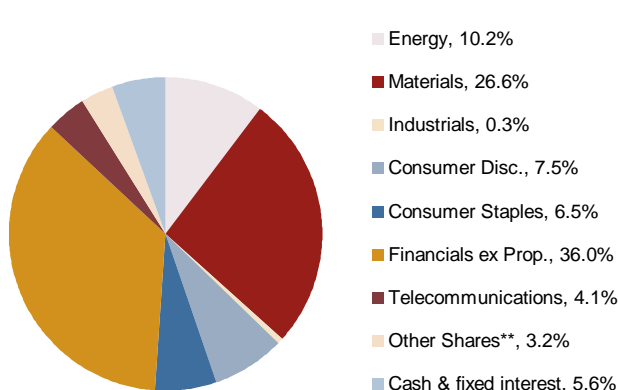
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0237AU	4.6	-5.1	1.7	10.1	-2.2	6.4	-	-
Perp. WealthFocus Investment Advantage	PER0488AU	4.6	-5.1	1.7	9.7	-	-	-	-
Perp. WealthFocus Super	PER0221AU	4.9	-3.9	2.3	10.4	-0.7	7.2	-	-
Perp. WealthFocus Pensions	PER0145AU	5.6	-4.3	2.4	11.5	-0.5	8.0	-	-
Perp. WealthFocus Term Allocated Pension	PER0336AU	5.6	-4.3	2.4	11.5	-0.5	8.0	-	-
S&P/ASX 300 Accumulation Index [^]		4.5	-6.0	0.1	10.0	-6.1	4.9	-	-

Please note: Performance for Perpetual's complete list of investment funds is available on 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 sectors¹



Top 10 stock holdings¹

Commonwealth Bank of Australia
BHP Billiton Limited
Westpac Banking Corporation
Coal & Allied Industries Limited
Orica Limited
Telstra Corporation Limited
Rio Tinto Limited
Computershare Limited
ANZ Banking Group Limited
Foster's Group Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	11.7	12.2
Dividend yield	5.0%	4.8%
Price / Book	2.1	1.7
Debt / Equity	26.6%	38.6%
Interest cover	17.9	8.9
Return on Equity	18.2%	13.6%

*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, chemicals and explosives manufacturer Orica and Australia's largest retail bank Commonwealth Bank of Australia. Coal & Allied is attractively valued with a strong balance sheet and sound management. Orica is well positioned to grow earnings over the next two years and will benefit from greater focus now that the Dulux business has been spun off. The Fund's largest underweight positions include Wesfarmers, National Australia Bank and Westfield Group Australia.

Our overweight position to Australia's oldest bank Westpac (+13.0%) contributed to relative performance. The company rallied alongside the other major banks as credit conditions stabilised after the results of the European bank stress tests failed to deliver any significant issues. This is particularly positive for Westpac as it has grown its home loan book in recent years and as such has a greater wholesale funding requirement. We believe that Westpac is one of the higher quality banks and is well placed to deliver profit and dividend growth into financial year 2011.

Our overweight position to Fletcher Building (-3.5%) detracted from relative performance. The company recently announced that it will incur an unusual expense of NZ \$30 million in its financial results for the 2010 financial year. The expense arises from significant taxation changes announced by the New Zealand Government in its budget in May 2010 which result in the company being required to increase its provision for deferred tax. The changes include the elimination of depreciation on buildings for tax purposes and a reduction in the corporate tax rate from 30% to 28% effective 1 July 2011. We expect Fletcher Building to benefit as New Zealand infrastructure and residential construction begins to recover.

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...?

A concentrated fund typically has a smaller number of stocks than a broader equities fund. The stocks that are invested in are usually those that the portfolio manager has the highest conviction in. A smaller number of stocks may result in a more volatile performance experience.

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?

John Sevier has been the Portfolio Manager for this Fund since its inception. He is one of the most experienced investment managers in Australia and has been with Perpetual for over 15 years. He leads one of the largest and most respected investment teams in the market.

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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 Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

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

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

INVESTING FOR GENERATIONS



Further information

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au