

## Perpetual SHARE-PLUS Long-Short Fund

June 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

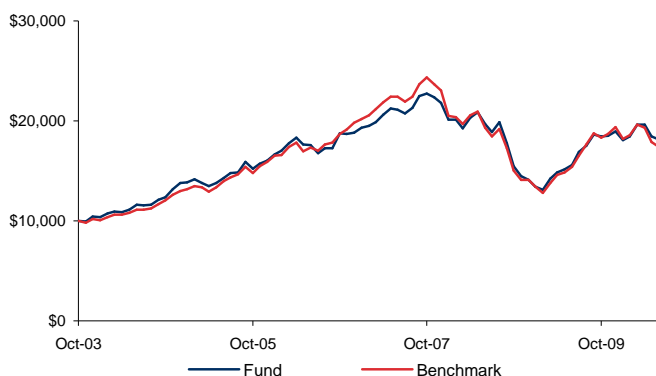
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

### Total returns % (after fees) as at 30 June 2010

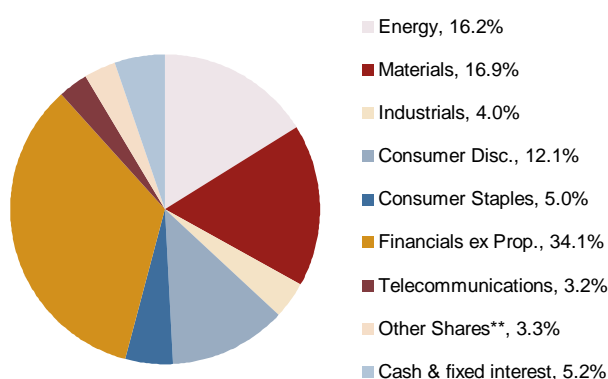
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0242AU	-1.7	-7.4	-4.2	16.4	-4.9	4.9	-	-
Perp. WealthFocus Investment Advantage	PER0495AU	-1.7	-7.4	-4.5	16.2	-	-	-	-
Perp. WealthFocus Super	PER0224AU	-1.5	-6.6	-3.1	16.5	-2.9	5.7	-	-
Perp. WealthFocus Pensions	PER0148AU	-1.7	-7.3	-3.4	18.3	-3.1	6.2	-	-
Perp. WealthFocus Term Allocated Pension	PER0347AU	-1.7	-7.3	-3.4	18.3	-3.1	6.2	-	-
S&P/ASX 300 Accumulation Index <sup>^</sup>		-2.6	-11.2	-10.1	13.1	-8.0	4.5	-	-

Past performance is not indicative of future performance.

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



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



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

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

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

	Portfolio	Benchmark
Price / Earnings	11.4	10.8
Dividend yield	4.9%	4.5%
Price / Book	1.7	2.0
Debt / Equity	32.0%	34.4%
Interest cover	11.7	11.3
Return on Equity	15.0%	14.8%

<sup>1</sup>Source: Factset

## Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index fell by 2.6% over the month, the third consecutive decline since March. Concerns over global growth, particularly the possibility of a slowdown in China and the United States continued to create volatility. Ongoing issues with European sovereign debt also impacted local sentiment. Overall, the market returned 13.1% over the 2009/2010 financial year.

In major news, Kevin Rudd was ousted by Julia Gillard as Australia's new Prime Minister. This quickly led to a compromise on the resources super profits tax and a better outcome for resources and equity markets generally. Telstra reached an agreement with the NBN Co to participate in the rollout of the fixed national broadband network. The transaction is worth \$11 billion and includes payment for the decommissioning of Telstra's copper network and use of its infrastructure.

Most sectors experienced negative returns over the month. Only telecommunications (9.2%), utilities (1.9%) and consumer staples (0.6%) returned positive numbers. The worst performing sectors were industrials (-7.0%), financials (-5.4%) and consumer discretionary (-5.1%). As a group, resource companies (-1.3%) outperformed industrial companies (-3.2%).

## Portfolio commentary

A feature of this product is the ability to hold positions short. This cushioned the fall over the month as several of these positions combined with an average cash weight of 6.0% contributed to positive excess performance. On balance, short positions contributed approximately a third of the excess return.

Stocks the Fund is currently overweight include Coal & Allied Industries, Campbell Brothers and Reece Australia. 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 is underweight Wesfarmers and Rio Tinto, and short Cochlear and Leighton Holdings.

Our short position to investment bank Macquarie Group (-14.3%) contributed to relative performance. The company provided an updated earnings outlook, noting that market conditions were increasingly uncertain and are adversely impacting the activity levels of some businesses. Macquarie is held short in the portfolio due to short term headwinds impacting its current business model.

Not holding gold and copper producer Newcrest Mining (+9.3%) detracted from relative performance. The company performed strongly due to the gold price increase which consolidated above US\$1,200/oz in June. Newcrest also said that it was satisfied with its due diligence on Lihir Gold and the parties are now working together to complete the scheme of arrangement under which the two companies will merge. The company is not held in the portfolio as it is considered too expensive at this time relative to other stocks in our universe.

## Outlook

Value is emerging in the Australian share market with current volatility providing opportunity to acquire selected quality companies at more attractive valuations. However, risks to short term earnings do remain as global growth concerns continue to impact market sentiment. The new deal revealed by the Government on the resources tax is much less onerous for the Australian mining industry. The impact of the tax on valuations is now estimated to be in the range of 0-5% instead of the 10-15% originally forecast. This resolution will provide greater certainty for equity markets. We continue to search for quality companies with strong balance sheets, sound management and a history of recurring earnings 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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\*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 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.

<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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