



Perpetual Smaller Companies Fund

June 2010

Fund facts

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

Benchmark: S&P/ASX Small Ordinaries 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

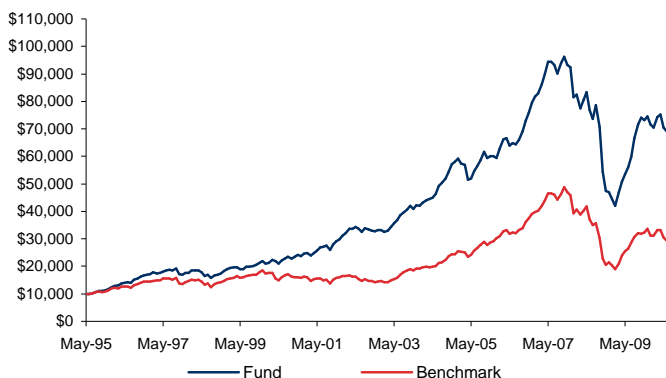
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

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

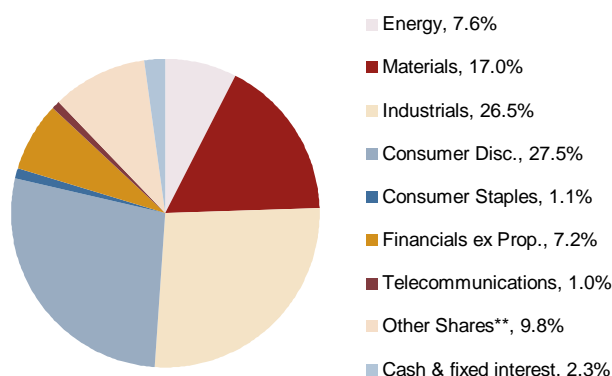
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0113AU	-1.8	-6.9	-7.1	23.7	-9.9	4.8	9.5	-
Perp. WealthFocus Investment Advantage	PER0039AU	-1.9	-7.0	-7.2	23.6	-9.8	4.8	9.4	12.1
Perp. WealthFocus Super	PER0025AU	-1.8	-6.3	-5.9	25.4	-7.5	6.0	10.2	12.5
Perp. WealthFocus Pensions	PER0008AU	-1.9	-7.0	-6.5	24.8	-8.1	6.6	11.2	13.7
Perp. WealthFocus Term Allocated Pension	PER0348AU	-1.9	-7.0	-6.5	24.8	-8.1	6.6	11.2	13.7
S&P/ASX Small Ordinaries Accumulation Index [^]		-3.7	-11.6	-13.0	11.2	-14.2	2.7	9.2	6.2

Past performance is not indicative of future performance.

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



Portfolio sectors¹



Top 10 stock holdings¹

Mineral Resources Limited
OrotonGroup Limited
Brickworks Limited
New Hope Corporation Limited
Oz Minerals Limited
ARB Corporation Limited
Slater & Gordon Limited
Reece Australia Limited
APN News & Media Limited
Iluka Resources Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	10.2	14.6
Dividend yield	5.4%	4.7%
Price / Book	1.3	2.0
Debt / Equity	24.9%	37.4%
Interest cover	10.6	6.0
Return on Equity	12.9%	11.1%

¹Source: Factset

Market commentary

The S&P/ASX Small Ordinaries Accumulation Index fell by 3.7% over the month, the second consecutive decline since April. 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 Index returned 11.2% over the 2009/2010 financial year.

In major news, Julia Gillard ousted Kevin Rudd as Australia's new Prime Minister. This quickly led to a compromise on the resources super profits tax and a better outcome for large resource companies and equity markets generally. The mining companies now have greater certainty around the taxation treatment of future projects.

Most sectors experienced negative returns over the month, with only materials (1.3%) receiving a positive return. Telecommunications (-1.4%) and property trusts (-1.4%) also outperformed. The worst performing sectors were consumer staples (-14.1%), health care (-11.0%) and utilities (-7.9%). As a group, small resource companies (-1.4%) outperformed small industrial companies (-5.0%).

Portfolio commentary

Stocks the Fund is currently overweight include OronGroup, Mineral Resources and Brickworks. Oron is a high quality company within the retail sector with evidence of solid organic growth. Mineral Resources is one of our preferred companies with exposure to resources and a balance sheet well placed to fund future growth. The Fund's underweight positions include ResMed, Ramsay Health Care and Macarthur Coal.

Our overweight position to resource sector goods and services provider Mineral Resources (+16.4%) contributed to relative performance. The company provided an update on its Yilgarn iron ore project, reporting that it has entered into a Heads of Agreement with QR Freight for the transportation of iron ore from the Project to Kwinana Port. Operations are scheduled to commence on January 2011. The agreement represents a key step towards finalising a formal Rail Haulage Agreement for the provision of rail services from the Project in the Central Yilgarn Region of Western Australia to the Kwinana Bulk Terminal south of Perth.

Our overweight position to copper and gold production company Oz Minerals (-10.3%) detracted from relative performance. The company was impacted during the month by the Rudd government's proposed resources super profits tax. The company's chief executive officer said it couldn't approve the planned development of its Western Copper deposit at Prominent Hill in South Australia until the final details of the tax were known. The company plans its projects up to 20 years ahead and said the process was being disrupted by the proposed tax. We like Oz Minerals as it has provided guidance that it has lowered cost, lifted gold and maintained copper production.

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...?

Smaller companies are generally those listed outside the top 100 stocks (by market capitalisation) on the stock exchange. There is generally higher risk with these companies due to limited reliable company information and lower liquidity than larger stocks.

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?

That the S&P/ASX Small Ordinaries Index is the S&P/ASX 300 Index minus the S&P/ASX 100 Index and consists of the 200 companies that account for less than 10% of the market capitalisation of the Australian sharemarket.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.

*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.

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

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