



Perpetual Geared Australian Fund

June 2010

Fund facts

Investment objective: Aims to enhance long-term capital growth through borrowing (gearing) to invest in quality industrial and resource shares and other securities.

Benchmark: S&P/ASX 300 Accumulation Index[^]
Mgmt cost: 1.95%
Buy / Sell spread: 0.75% / 0.00%
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

Fund benefits

Offers investors broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

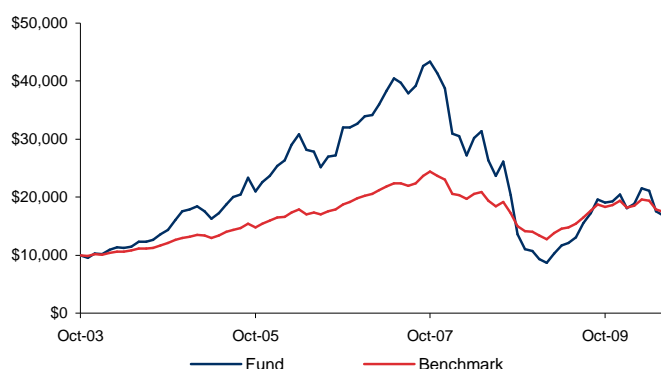
A geared fund has benefits over gearing into a fund because there are no margin calls, no credit checks, no need for collateral or assets as security.

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

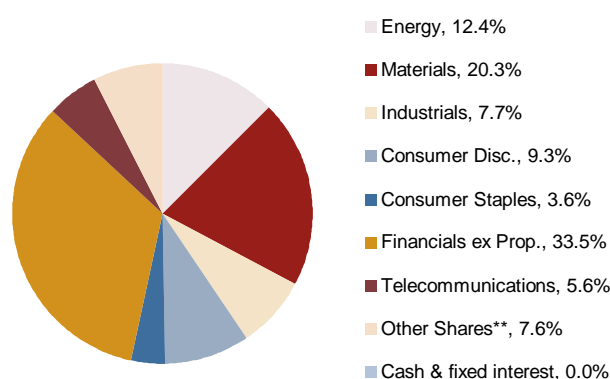
| | APIR | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs pa | 5 yrs pa | 7 yrs pa | 10 yrs pa |
|---|-----------|-------|--------|--------|------|----------|----------|----------|-----------|
| Perp. WealthFocus Investments | PER0244AU | -4.3 | -21.9 | -18.1 | 28.9 | -25.0 | -2.2 | - | - |
| Perp. WealthFocus Investment Advantage | PER0492AU | -4.2 | -21.7 | -18.4 | 28.0 | - | - | - | - |
| Perp. WealthFocus Super | PER0223AU | -3.8 | -19.8 | -15.5 | 26.8 | -20.1 | 1.3 | - | - |
| Perp. WealthFocus Pensions | PER0147AU | -4.2 | -21.8 | -17.1 | 29.9 | -20.9 | 1.6 | - | - |
| Perp. WealthFocus Term Allocated Pension | PER0341AU | -4.2 | -21.8 | -17.1 | 29.9 | -20.9 | 1.6 | - | - |
| S&P/ASX 300 Accumulation Index [^] | | -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 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 |
| Campbell Brothers Limited |
| Orica Limited |
| Woodside Petroleum Limited |
| Fletcher Building Limited |

Portfolio fundamentals¹

| | Portfolio | Benchmark |
|------------------|-----------|-----------|
| Price / Earnings | 11.3 | 10.8 |
| Dividend yield | 5.0% | 4.5% |
| Price / Book | 1.8 | 2.0 |
| Debt / Equity | 29.8% | 34.4% |
| Interest cover | 13.2 | 11.3 |
| Return on Equity | 16.1% | 14.8% |

¹Source: 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

The underlying fund is currently overweight include Coal & Allied Industries, Campbell Brothers and Westpac Banking Group. 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 underweight positions include BHP Billiton, Wesfarmers and Westfield Group Australia.

Our overweight position to analytical laboratory services company Campbell Brothers (+8.4%) contributed to relative performance. During the month the company announced that it expects underlying net profit after tax (NPAT) for the first half of the year ending September 2010 to be within the range of \$63-68 million. This compares favourably to the actual NPAT of \$38 million for the previous corresponding period. The expected result reflects current strong trading conditions for most of the company's operations as well as a solid contribution from Ecowise and PearlStreet which were acquired in the second half of last year.

Our overweight position to Australia's oldest bank Westpac Banking Corporation (-7.5%) detracted from relative performance. Over the month the company was impacted by concerns of net interest margin compression resulting from funding an expanded mortgage book in a market now influenced by liquidity rationing. Despite these headwinds, we feel Westpac is one of the higher quality banks. We are comfortable with our exposure to the company and believe it is well placed to deliver profit and dividend growth into 2011.

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...?

Geared funds have an internal gearing mechanism, which means that instead of borrowing externally to invest, money is borrowed within the workings of the fund, to reinvest into the Fund, to enhance the returns. When markets are up, this magnifies returns. When markets are down, losses are magnified.

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?

The gearing level of the Fund is monitored on a daily basis and is maintained between 55% and 60% of the net asset value 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 Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

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

INVESTING FOR GENERATIONS



Further information

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