



## Perpetual Balanced Growth Fund

June 2010

### Fund facts

**Investment objective:** To provide investors with long term capital growth and income through investment in a diversified portfolio with an emphasis on Australian and international share investments.

**Benchmark:** Balanced Growth Index  
**Mgmt cost:** 1.95%  
**Buy / Sell spread:** 0.31% / 0.00%  
**Investment style:** Active, fundamental, disciplined, value  
**Suggested minimum investment period:** Five years or longer

### Fund benefits

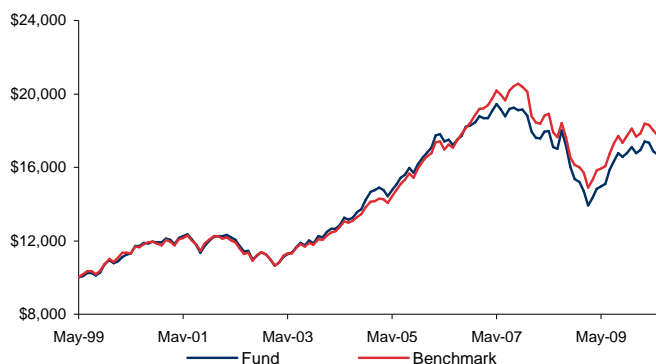
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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

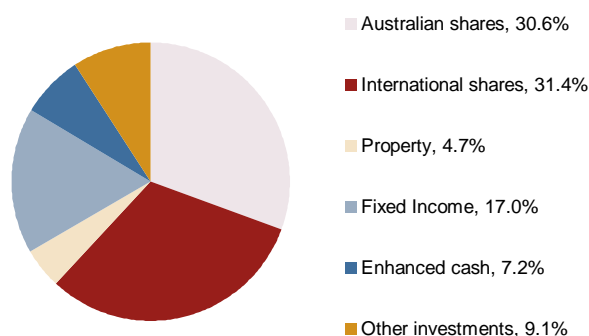
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0100AU	-1.1	-4.0	-2.4	10.5	-4.4	2.1	5.7	3.6
Perp. WealthFocus Investment Advantage	PER0036AU	-0.9	-4.0	-2.6	10.4	-4.7	2.0	5.5	3.4
Perp. WealthFocus Super	PER0017AU	-0.9	-3.6	-2.1	9.9	-3.8	2.3	5.6	3.6
Perp. WealthFocus Pensions	PER0015AU	-1.0	-3.9	-2.3	11.1	-4.0	2.6	6.2	4.0
Perp. WealthFocus Term Allocated Pension	PER0334AU	-1.0	-3.9	-2.3	11.1	-4.0	2.6	6.2	4.0
Balanced Growth Index		-1.4	-3.4	-2.0	10.4	-3.9	3.7	6.6	4.3

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
Westpac Banking Corporation
Commonwealth Bank of Australia
ANZ Banking Group Limited
Telstra Corporation Limited
Coal & Allied Industries Limited
Nestle SA
Campbell Brothers Limited
Westfield Group
Orica Limited

### Asset allocation ranges<sup>1</sup>

	Min.	Target	Max.
Australian shares	10	30	50
International shares	10	30	50
Property	0	5	15
Fixed income	5	15	35
Enhanced cash	0	10	30
Other investments	0	10	30

## Market commentary

Global equities came under pressure due to softening US economic data and increased concerns about European sovereign debt. This more than outweighed positive data from China and the relaxing of the Yuan peg. The relaxation of the Yuan is seen as a positive because it will help address trade imbalances and may aid US growth and lower Chinese inflation.

Our local market was also impacted by the proposed Resources Super Profits Tax (RSPT). Other important events included Telstra signing a non binding heads of agreement with the National Broadband Network and an increase in merger and acquisition activity.

Global economic concerns also drove movements in credit markets. Domestically bonds performed well as investors rotated out of risky assets such as equities. The increased focus on risk also caused credit spreads to widen.

## Asset allocation

TAA was slightly negative with the benefits of our overweight bond position countered by our overweight equity position. We remain overweight Australian bonds due to positive momentum. Key to our neutral view of the bond cycle is declining local economic activity and falling long term US interest rates. These are seen as positive for the cycle and countered the negative effect of rising short term local rates.

## Stock selection

Stock Selection was the key driver of the portfolio's strong returns with most of the underlying portfolios beating their benchmarks. A key holding driving this within the Australian equities portfolio was Campbell Brothers. Campbell Brothers rallied due to an upbeat earnings announcement. The global portfolio also outperformed. It holds quality companies with strong balance sheets and these held up well in the turbulent conditions. Key holdings included Nestle, Novartis, Phillip Morris and Johnson and Johnson. The portfolio also does not hold BP. The credit portfolio performed in line with its benchmark.

## Outlook

The persistence of European sovereign debt problems, the potential slowing of global growth and government intervention across the mining and health care sectors continue to impact sentiment in the local market. Since the fall from its recent peak in mid April 2010, the equities market is now trading at below fair value and this is providing opportunities for investment in selected companies. The market remains particularly sensitive to any news which may impact earnings, and in this environment we continue to search for attractively valued, quality companies with a history of recurring earnings for inclusion into our portfolios.

Our outlook for credit is neutral. Despite the macroeconomic risks prevalent in the EU, economic data locally continues to remain sound and in the US economic data is supportive of a recovery. The credit metrics of domestic corporates continue to remain robust evidenced by ratings upgrades. Recent supply has been constrained and we envisage a strong month of maturities in July which will be a driver of credit demand. Despite a positive macroeconomic outlook and neutral valuations, technicals have turned negative. Recently market momentum has turned decidedly negative with regards to this measure and we cannot see volatility abating in the short term.

## What is...?

Active asset allocation is a portfolio management strategy that changes a portfolio's asset allocation to take advantage of market conditions in the short term. Using a disciplined active asset allocation process offers the potential for both enhanced returns and reduced levels of risk.

## 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 for investing in balanced portfolios is to focus on the fundamental drivers of returns from quality investments rather than on asset classes themselves. We believe investment in internal capability where we have the demonstrated ability to consistently add value is a lower risk and more reliable approach to meeting investors' objectives. We also believe that our focused, active approach to asset allocation and our proven disciplined investment style has the ability to add value to investors over time.

## Did you know?

When making asset allocation decisions, we consider three key indicators being cycle, value and technical. This process evaluates the impact of the earnings cycle on Australian equities, the business cycle on domestic bonds, and analyse valuations, while also incorporating market sentiment through technical analysis. These indicators combine to either increase exposure to an asset class when market conditions become favourable or reduce exposure if market conditions are becoming adverse.

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From 1 May 2006, the Australian Share Fund's investment universe has allowed it to invest from time to time directly or indirectly in stocks listed on exchanges outside of Australia. To help manage the risk profile of the Fund relative to the Australian sharemarket, exposure to stocks listed outside of Australia will be limited to 20% and any non-Australian dollar assets are generally fully hedged to the Australian dollar to the extent reasonably practical. The strategic benchmark and strategic range for investment in international shares shown in this profile do not include this potential additional exposure.

\* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

The following funds are not open to new investment: Perpetual's Balanced Growth Fund Nil Entry Fee Option.

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

INVESTING FOR GENERATIONS



## Further information

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