



## Perpetual Balanced Growth Fund

July 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

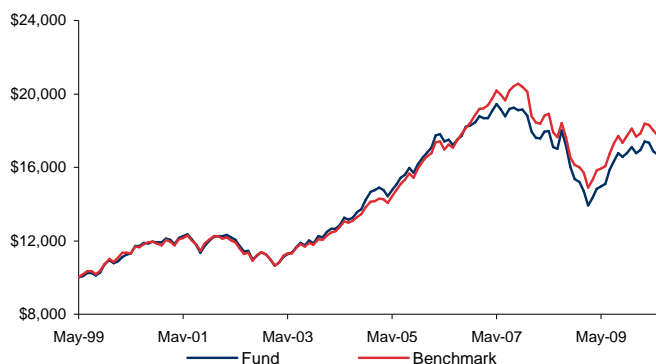
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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

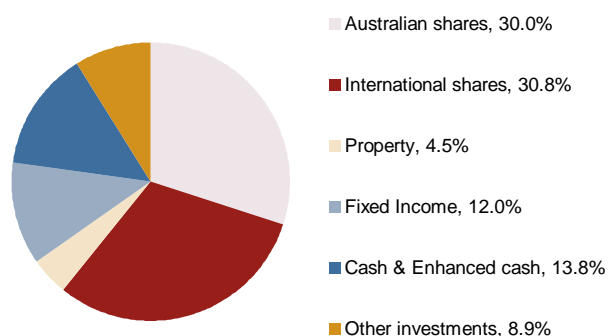
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0100AU	1.5	-2.2	1.1	6.8	-3.3	1.9	5.5	3.8
Perp. WealthFocus Investment Advantage	PER0036AU	1.6	-2.1	1.1	6.8	-3.5	1.8	5.4	3.6
Perp. WealthFocus Super	PER0017AU	1.6	-1.8	1.2	6.5	-2.7	2.2	5.5	3.8
Perp. WealthFocus Pensions	PER0015AU	1.7	-1.9	1.3	7.3	-2.8	2.4	6.2	4.2
Perp. WealthFocus Term Allocated Pension	PER0334AU	1.7	-1.9	1.3	7.3	-2.8	2.4	6.2	4.2
Balanced Growth Index		1.9	-1.3	2.3	8.1	-2.8	3.7	6.5	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>

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

### 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 rose steadily through the month on a gradual unwinding of risk aversion. Most major markets posted a healthy return, with the US and the UK standout performers with Japan lagging behind. Banks outperformed, aided by only seven of ninety-one European banks "failing" the much-anticipated stress tests. Defensive sectors generally underperformed. The strong Australian dollar detracted from absolute returns for domestic investors with assets held offshore.

Events in Europe also helped underpin a strong result from the Australian market which rallied after a period of sustained selling to the end of June 2010. Another factor driving this result was the scrapping of the Resources Super Profits Tax in favour of a Minerals Resource Rent Tax. The best performing sectors were industrials, financials and materials.

Credit markets advanced moderately in July overcoming an initial sell-off. Concerns about European sovereign debt and its potential effects on the banking system and the global economy occupied fixed interest markets early in the month. However, following the results of the European bank stress tests and robust second quarter corporate earnings releases, this was partially reversed.

## Asset allocation

Overall active asset allocation was flat with our underweight position to Australian equities detracting from performance and our underweight position to bonds contributing to performance. We moved to an underweight position in Australian equities early in the month due to a weakening in our cycle metric. This was driven by earnings downgrades. We have since moved to a neutral position as the cycle score has been offset by the sectors attractive value and improving momentum. We moved to an underweight position to bonds early in the month due to changes in the yield being offered by both US and Australian bonds relative to inflation.

## Stock selection

Stock selection was mixed with the Australian equity and fixed income portfolios' outperforming and the global equity portfolio underperforming. A key holding driving this result within the Australian equities portfolio was our overweight position to Orica. Over the month Orica spun off its DuluxGroup paint and garden products business as a separately listed entity. The demerger should allow Orica to concentrate on the mining sector which they perceive as less volatile and with more growth potential. Meanwhile the global portfolio underperformed. It holds quality companies with strong balance sheets. The rally this month was more pronounced in riskier companies, which we tend not to hold. The fixed income portfolio outperformed, benefiting from its overweight positions to credits relative to the benchmark. The best performing credits were the local and offshore banks. Driving this were the above consensus earnings results in the US, and the release of the EU stress tests.

## Outlook

Macro-economic themes such as European sovereign debt and concerns over a possible United States double-dip recession continue to dominate the global equity markets. However, the local market is more vulnerable to the pace of growth in China rather than the issues stemming from Europe. Domestically 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 equity markets were 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 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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