

Perpetual Wholesale Ethical SRI Fund

December 2011

Fund facts

Investment objective: Aims to provide long-term capital growth and income through investment in quality shares of socially responsible companies.

Benchmark: S&P/ASX 300 Accumulation Index
Inception date: April 2002
Size of fund: \$285.2 million as at 30 September 2011
APIR: PER0116AU
Mgmt cost: 1.175% pa
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

Fund benefits

Provides investors access to an actively managed Fund that more closely matches their personal social and ethical beliefs or preferences, without compromising investment returns over the long term.

Total returns % (after fees) as at 31 December 2011

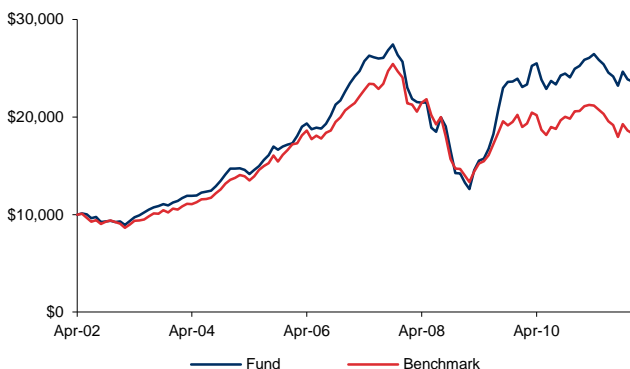
	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	Incept pa
Perpetual Wholesale Ethical SRI Fund	-0.9	1.9	-7.0	-5.3	-0.6	18.5	0.9	7.0	9.2
S&P/ASX 300 Accumulation Index	-1.4	2.1	-9.8	-11.0	-4.8	7.7	-2.4	4.4	6.4

Please note: Performance for Perpetual's complete list of investment funds is available on www.perpetual.com.au. Past performance is not indicative of future performance.

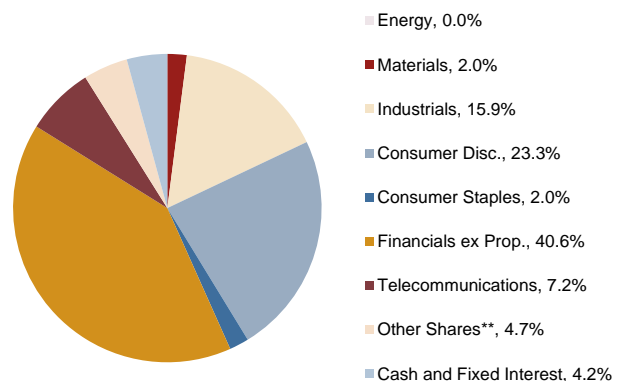
Points of interest

- The Australian market, as measured by the S&P/ASX 300 Accumulation Index, fell 1.4% during the month
- The Fund has returned -5.3% over the last 12 months, outperforming the benchmark by 5.7% over the period
- Not holding gold miner Newcrest Mining (-14.5%) contributed to relative performance
- Our overweight position to Flight Centre (-14.6%) detracted from performance
- The current stocks in the fund are expected to pay dividends with a combined franking level of 89.0% over the next 12 months.

Growth of \$10,000 since inception



Portfolio sectors



Top 10 stock holdings

Commonwealth Bank of Australia
Westpac Banking Corporation
ANZ Banking Group Limited
Breville Group Limited
Telstra Corporation Limited
NIB Holdings Limited
Super Retail Group Limited
ASX Limited
AMP Limited
TPG Telecom Limited

Portfolio fundamentals

	Portfolio	Benchmark
Price / Earnings	9.6	10.8
Dividend yield	6.7%	5.6%
Price / Book	1.5	1.5
Debt / Equity	29.4%	32.6%
Interest cover	12.5	12.9
Return on Equity	15.5%	14.9%

*Source: Factset

Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index fell by 1.4% over the month. Global macroeconomic themes continued to drive equity markets, with investor concerns regarding the ongoing European sovereign debt crisis partially offset by a series of resilient economic data releases from the US. In a move designed to ease liquidity pressures for sovereigns and the European banking system, the European Central Bank undertook an unprecedented Longer-Term Refinancing Operation (LTRO) in which European banks could borrow funds at an attractive rate for a three year period. The operation attracted strong demand, with a total of €490 billion borrowed from the central bank.

The best performing sectors over the month were the defensives: telecommunications (+5.1%), utilities (+3.8%) and health care (+1.7%). The worst performing sectors were energy (-5.1%), materials (-4.1%) and consumer discretionary (-3.9%). As a group, industrial stocks (-0.1%) outperformed resource stocks (-4.7%) and large companies (-1.2%) outperformed smaller companies (-4.3%).

Portfolio commentary

The Fund fell 0.9% (after fees) over the month, outperforming the S&P/ASX 300 Accumulation Index by 0.5%. It has returned 7.0% pa (net of fees) over the last 10 years, outperforming the index by 2.6% pa.

A feature of this Fund is that has strict ethical and socially responsible (SRI) criteria and therefore a screened investment universe. The Fund's largest overweight positions include small appliance maker Breville Group, health care provider NIB Holdings and leisure retailer Super Retail Group. Breville has strong brand names and prudent capital management. NIB is a well-capitalised business that is growing above industry trends. The Fund's largest underweight positions include BHP Billiton, National Australia Bank and Wesfarmers. BHP Billiton and Wesfarmers cannot be held as they do not pass the ethical and SRI screening process.

Not holding gold miner Newcrest Mining (-14.5%) contributed to relative performance. During the month Newcrest announced a reduction in production guidance for the 2012 financial year to 2.43 – 2.55 million ounces of gold. The downgrade was driven by continuing production disruptions at the company's Cadia Valley and Lihir sites, in addition to lower feed grades and recoveries from the Telfer mine. Newcrest cannot be held in the Fund as it does not pass our ethical and SRI screening process due to environmental concerns.

Our overweight position to travel agency Flight Centre (-14.6%) detracted from performance. During the month Flight Centre announced the settlement of legal action against Datalex (Ireland) Limited and its parent company, Datalex PLC. The settlement resolves a dispute dating back to November 2009, though is not material to Flight Centre's financial results. Flight Centre recently held its AGM, flagging solid first quarter results driven by the Australian business in a difficult domestic tourism environment. Management anticipates an underlying result of between \$265 million and \$275 million for the full year in the absence of any abnormal items that may arise.

Outlook

The Australian sharemarket continues to be impacted by the ongoing sovereign debt issues in Europe and global economic uncertainty. Our investment process, favouring quality companies with strong balance sheets ensures that we are well placed to withstand any future shocks. We continue to research and invest in companies with sound management, conservative debt and recurring earnings which we believe are well placed to add value over the medium to long-term. On a separate note, the recent interest rate cuts by the RBA indicate that on a relative basis, many companies offering fully franked dividends represent good value. These are likely to gather investor attention as term deposit rates appear less attractive.

What are...?

Ethical funds vary in their selection processes for including or excluding certain stocks. Generally, they will invest in companies which adhere to certain principles and practices, by screening out those companies that have undesirable characteristics from an ethical perspective. Levels of tolerance can vary between fund managers, depending on the strict guidelines and rigour of their screens and processes.

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?

This Fund excludes businesses that derive a certain percentage of their revenue from alcohol, tobacco, gambling, uranium, weapons and armaments. It also includes or excludes companies on their performance in areas such as human rights, the environment, animal rights, genetically modified organisms, corporate governance and community awareness.

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** Other Shares may include Healthcare, Property Trusts, Information Technology, Utilities and GICS unspecified/international stocks.

Perpetual's Wealthfocus Investment, Super and Pension Funds also include an Ethical SRI Fund / Investment Option and the information in this document, with the exception of performance, is relevant to these Funds / Investment Options unless stated.



Further information

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