

## Perpetual's Wholesale Split Growth Fund

February 2010

### Fund facts

**Investment objective:** To provide investors with long term capital growth through investment in a mix of international and quality Australian industrial shares, with lower risk than 100% exposure to either asset class.

**Benchmark:** Split Growth Index<sup>^</sup>

**Inception date:** March 1999

**Size of fund:** \$44.7 million as at 31 January 2010

**APIR:** PER0066AU

**Mgmt cost:** 1.160% pa

**Investment style:** Active, fundamental, bottom-up, value

**Suggested minimum investment period:** Five years or longer

### Fund benefits

Provides investors with 100% exposure to long-term growth opportunities across Australian industrial shares and international shares. The fund is run by high quality investment teams.

### Total returns % (after fees) as at 28 February 2010

	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	Incept
Perpetual Wholesale Split Growth Fund	1.0	0.9	2.3	21.5	-3.0	-6.7	1.2	6.1	2.0
Split Growth Index <sup>^</sup>	1.2	1.0	1.6	23.7	-5.8	-9.0	1.0	5.2	1.6

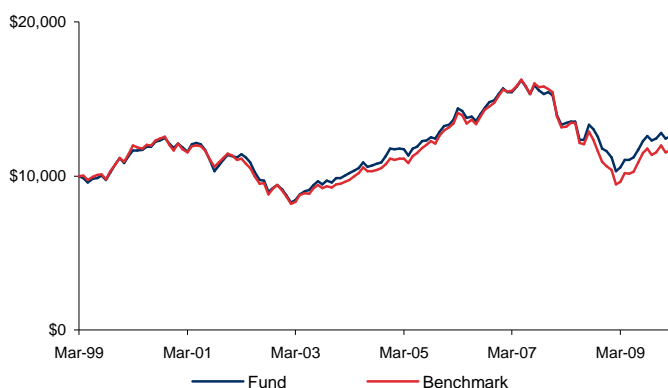
Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

<sup>^</sup> Split Growth Index is a blend of 60% MSCI World ex Aust. Accumulation Index and 40% S&P ASX300 All Industrials Index

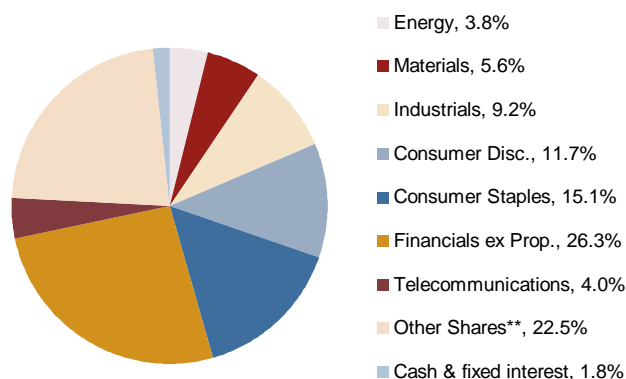
### Points of interest

- The Fund underperformed during the month, returning 1.0% over the month, and 21.5% over the year.
- The Fund was able to outperform in the International space, however, underperformed in the Australian portion of the Fund.

### Growth of \$10,000 since inception



### Portfolio sectors



### Top 10 stock holdings

Westpac Banking Corporation
Commonwealth Bank of Australia
ANZ Banking Group Limited
Telstra Corporation Limited
Nestle SA
Johnson and Johnson
Novartis
Wal Mart Stores Inc
Total SA
Anglo America PLC

### Portfolio fundamentals

	Portfolio	Benchmark
Price / Earnings	12.7	13.3
Dividend yield	4.0%	3.7%
Price / Book	2.0	1.8
Debt / Equity	38.0%	54.3%
Interest cover	12.1	7.6
Return on Equity	15.8%	12.3%

\*Source: Factset, UBS

## Market Commentary

The S&P/ASX 300 Industrials Accumulation Index rose by 2.0% over the month, recovering some of the losses experienced in January. The Index is now up 58.3% since its low in early March 2009. February saw reporting season deliver a solid set of results on balance with many earnings announcements slightly ahead of expectations. Although the results helped the market, they were not strong enough to overcome concerns in the global economy surrounding Europe and sovereign risk.

The MSCI World ex Australia Index rose 0.58% in February. US markets gained early in the month with better than expected reported earnings and good economic indicators (home sales data, ISM index). However, markets turned downward following an unexpected rise in US jobless claims and escalating sovereign debt problems in Europe. Concerns about Greece's plan to reduce its budget and worries about Spain and Portugal unnerved investors, though Germany said that it would consider buying Greek bonds as an emergency measure to help prevent a default in the Eurozone.

## Portfolio Commentary

Our overweight position to Australia's oldest bank Westpac Banking Corporation (+9.5%) contributed to relative performance. The company announced that it expects group cash earnings of \$1.6 billion for the three months to the end of December 2009, based on unaudited accounts. The increased cash earnings reflected a significant decline in institutional bank impairment charges.

Our underweight position to diversified conglomerate Wesfarmers (+15.1%) detracted from relative performance. During the month the company surprised the market when it released its half-year results for the period ending December 2009 with Kmart and Target demonstrating the biggest improvement in the company's retail sector.

Emerson contributed positively to performance over the month as the company reiterated its guidance for the financial year. The company offers a combination of global scale and diversification across consumer, commercial and industrial markets that has enabled the company to steadily gain market share, remain solidly profitable and invest during this and previous recessions.

Negative sentiment towards CRH detracted to the Funds performance. The company was negatively impacted by poor weather conditions across Europe with very little construction activity in the first weeks of the year. CRH currently operates in 32 countries and is much more diversified than in prior downturns. The company has an unbroken 26 year run of increased dividends.

## Outlook

Over the 2009 calendar year the economic outlook improved considerably and this provided a stable foundation for a potential earnings recovery. However, the unwinding of Government stimulus and potential risks such as the debt issues experienced by Dubai and parts of Europe indicate that the effects of the global financial crisis may not be all over just yet. Although markets are expected to continue to rise in 2010, the easy gains have already been made and a stock picker's market still remains evident. Accordingly, we continue to be cautious in our stock selection, from an earnings expectation and valuations perspective and continue to search for companies with high surplus cash flow, dominant market positions, a strong balance sheet and that have reasonable valuations.

## What are...?

Industrial shares are companies that are engaged in the production or sale of goods or services, as distinct from resource or mining stocks. Industrial shares make up approximately two thirds of the Australian sharemarket by market capitalisation.

## 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, 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?

Perpetual's research shows that a portfolio mix of 60% international shares and 40% Australian industrial shares with regular rebalancing can produce a lower risk profile with only a moderate impact on the return compared to an investment of 100% in either asset class. Furthermore our analysis indicates that blending global equities with Australian industrial shares produced both higher returns and lower levels of volatility than using a broader portfolio of Australian shares.

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The following funds are not open to new investment: Nil Entry Split Growth Fund.

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

INVESTING FOR GENERATIONS



## Further information

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