

Perpetual Concentrated Equity Fund

April 2012

Fund facts

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

Benchmark: S&P/ASX 300 Accumulation Index[^]

Mgmt cost: 23/10/2003

Buy / Sell spread: 0.30% / 0.00%

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

Suggested minimum investment period: Five years or longer

Fund benefits

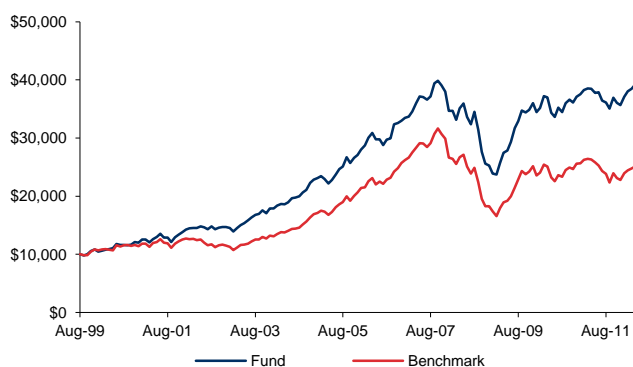
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

Total returns % (after fees) as at 30 April 2012

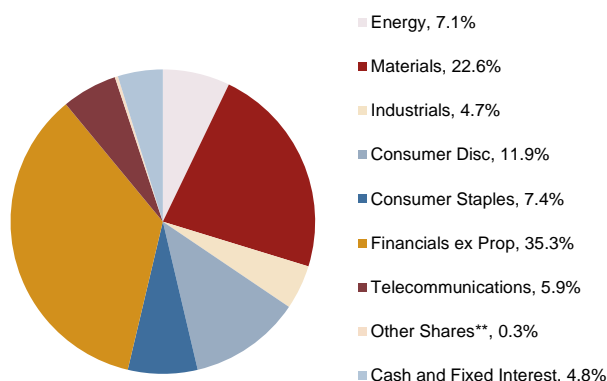
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0237AU	1.7	5.3	5.7	1.0	11.6	0.8	7.5	-
Perp. WealthFocus Investment Advantage	PER0488AU	1.6	5.3	5.6	0.9	11.3	-	-	-
Perp. WealthFocus Super	PER0221AU	1.5	4.9	6.3	3.0	12.0	2.1	8.3	-
Perp. WealthFocus Pensions	PER0145AU	1.7	5.3	6.6	3.0	13.3	2.6	9.2	-
Perp. WealthFocus Term Allocated Pension	PER0336AU	1.7	5.3	6.6	3.0	13.3	2.6	9.2	-
S&P/ASX 300 Accumulation Index [^]		1.3	4.6	4.7	-4.7	9.8	-2.4	5.9	-

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

Growth of \$10,000 since inception (WFI Fund)



Portfolio sectors¹



Top 10 stock holdings¹

BHP Billiton
Commonwealth Bank of Australia
Westpac Banking Corporation
Telstra Corporation Limited
ANZ Banking Group Limited
Rio Tinto
Crown Limited
Oil Search Limited
Insurance Australia Group Limited
New Hope Corporation Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	12.4	11.9
Dividend yield	4.9%	5.2%
Price / Book	1.7	1.6
Debt / Equity	24.0%	37.5%
Interest cover	17.3	11.3
Return on Equity	14.6%	14.3%

¹Source: Factset

Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 1.3% for the month, the fourth consecutive monthly gain since the turn of the calendar year. After a strong March quarter, mixed economic news flow saw markets suffer a mild decline in early April before rallying in to month end. Australian stocks outperformed their developed market counterparts, with the S&P 500 (-0.7%), the Euro Stoxx (-6.9%) and the Nikkei 225 (-5.6%) all ending the period in negative territory in local currency terms.

The best performing sectors over April were defensives: telecommunications (+7.2%), property trusts (+5.4%) and financials ex-property (+2.4%). The worst performing sectors were information technology (-3.5%), industrials (-1.0%) and energy (-0.6%). As a whole, industrial stocks (+2.0%) outperformed resource stocks (-0.3%) and large companies (+1.3%) outperformed small companies (-0.9%).

In economic news, the Reserve Bank of Australia left its targeted cash rate unchanged at 4.25%. Economic data releases were mixed. Quarterly inflation surprised to the downside, with heading inflation of 0.1% over the period, whilst unemployment data was stronger than expected, with the economy adding an estimated 44,000 jobs in March. The Australian dollar rose just under 1% against the US dollar, ending the month at \$1.04.

Portfolio commentary

The Fund's largest overweight positions include casino operator Crown, coal miner New Hope Corporation and oil and gas producer Oil Search. The Fund's largest underweight positions include National Australia Bank, Woodside Petroleum (not held) and Newcrest Mining (not held).

Our overweight position to telecommunications giant Telstra (+7.6%) contributed to relative performance. During April, Telstra held an investor update to discuss its capital management strategy following the conclusion of National Broadband Network (NBN) negotiations. The company anticipates the deal will generate excess free cash flow of between \$2 billion to \$3 billion over the coming three years. In keeping with its three key priorities, namely maximising returns to shareholders, maintaining financial strength and retaining financial flexibility, Telstra expects to return this excess capital by increasing fully franked dividends from the 2014 financial year onwards.

Our overweight position to coal miner New Hope Corporation (-6.8%) detracted from relative performance. New Hope's stock price fell in tandem with declining thermal coal prices over April. The spot price for the commodity has fallen this financial year as a glut of natural gas has seen US producers sell excess supply through the international market. The absence of weather-related disruptions and higher than anticipated Indonesian production have also boosted supply in the Asia-Pacific, placing further pressure on prices. We continue to like New Hope Coal as it has an excellent management team, a high quality balance sheet, and low cost, long-life assets.

Outlook

Recent data has pointed to slowing activity in the domestic economy. Additionally, equity markets globally remain hampered by significant political and economic uncertainty. Despite these concerns, we believe many Australian companies offering fully franked dividends represent good value. These are likely to gather investor attention as term deposit rates appear less attractive on a relative basis, and particularly in light of the recent interest rate cut by the Reserve Bank of Australia. Our investment process, favouring quality companies with strong balance sheets ensures that we are well placed to withstand periods of economic weakness. 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.

What are...?

A concentrated fund typically has a smaller number of stocks than a broader equities fund. The stocks that are invested in are usually those that the portfolio manager has the highest conviction in. A smaller number of stocks may result in a more volatile performance experience.

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?

One of the Fund's top performing stocks over the month was Oil Search. It is an oil and gas exploration company that has been operating in Papua New Guinea since 1929. It currently has exploration activities in Papua New Guinea, Yemen, Iraq and Tunisia.

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** 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.

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

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



Further information

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au