



## Perpetual Concentrated Equity Fund

December 2011

### 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<sup>^</sup>

**Mgmt cost:** 1.95%

**Buy / Sell spread:** 0.30% / 0.00%

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

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

### Fund benefits

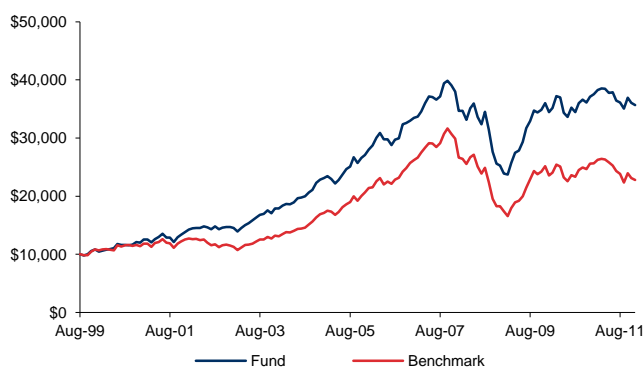
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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

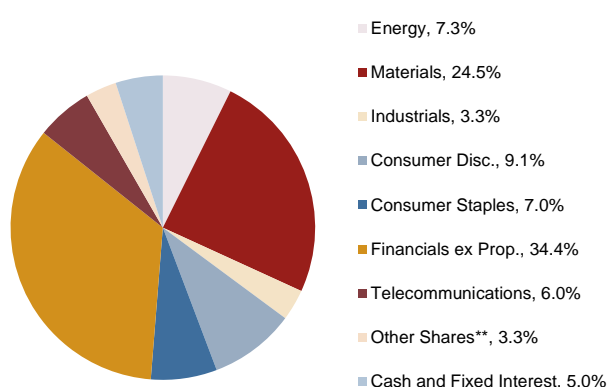
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0237AU	-1.2	1.5	-6.3	-4.7	11.2	0.7	5.6	-
Perp. WealthFocus Investment Advantage	PER0488AU	-1.2	1.4	-6.3	-4.7	11.2	-	-	-
Perp. WealthFocus Super	PER0221AU	-0.8	1.5	-4.5	-2.5	11.6	2.0	6.6	-
Perp. WealthFocus Pensions	PER0145AU	-1.2	1.5	-5.2	-2.9	12.9	2.4	7.2	-
Perp. WealthFocus Term Allocated Pension	PER0336AU	-1.2	1.5	-5.2	-2.9	12.9	2.4	7.2	-
S&P/ASX 300 Accumulation Index <sup>^</sup>		-1.4	2.1	-9.8	-11.0	7.7	-2.4	4.4	-

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 sectors<sup>1</sup>



### Top 10 stock holdings<sup>1</sup>

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

### Portfolio fundamentals<sup>1</sup>

	Portfolio	Benchmark
Price / Earnings	11.5	10.8
Dividend yield	5.1%	5.6%
Price / Book	1.8	1.5
Debt / Equity	24.5%	32.6%
Interest cover	17.5	12.9
Return on Equity	16.1%	14.9%

<sup>1</sup>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's largest overweight positions include explosives manufacturer Orica, entertainment group Crown and coal miner New Hope Corporation. Orica has a strong balance sheet, great pricing discipline and reduced input costs. Crown is poised for an earnings uplift while we expect the large capital expenditure that has taken place over the last few years to slow. The Fund's largest underweight positions include National Australia Bank, Newcrest Mining (not held) and BHP Billiton.

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 is not held in the Fund as it is currently considered expensive relative to other quality companies within our investment universe.

Our overweight position to bauxite miner and aluminium smelter Alumina (-17.7%) detracted from relative performance. The company's share price was impacted by falling aluminium prices during the month. Alumina owns 40% of AWAC, a joint venture between Alumina Limited and Alcoa Inc. AWAC is the world's largest bauxite miner with seven mines, and has eight refineries with 17.2 million tonnes per annum of capacity. The company recently held an investor update, where it highlighted the clear trend of alumina being priced based on its own underlying economics rather than being linked to aluminium prices. This has resulted in an increase in realised alumina prices and is expected to assist earnings growth moving forward.

## 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...?

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 largest overweight, Orica grew from a supplier of explosives to the Victorian gold fields during the 19th century to a global top 30 ASX listed company. Orica consists of Orica Mining Services, offering commercial explosives, initiating systems and blast-based services; Orica Chemicals, a manufacturer, trader and distributor of chemicals and services; and, Minova, a manufacturer and supplier of chemical-based consumables, steel bolts, application and drilling equipment and services.

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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.

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



## Further information

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