



Perpetual Industrial Share Fund

December 2011

Fund facts

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

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

Mgmt cost: 1.95%

Buy / Sell spread: 0.15% / 0.15%

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

Suggested minimum investment period: Five years or longer

Fund benefits

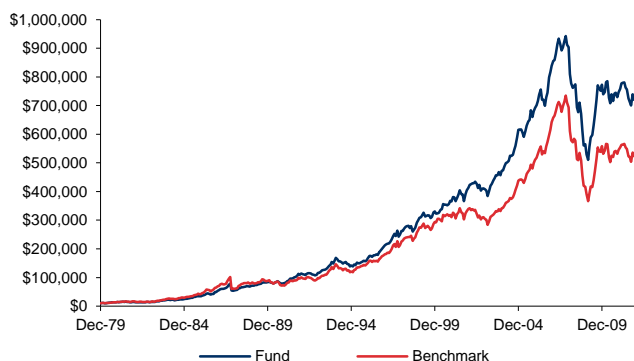
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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

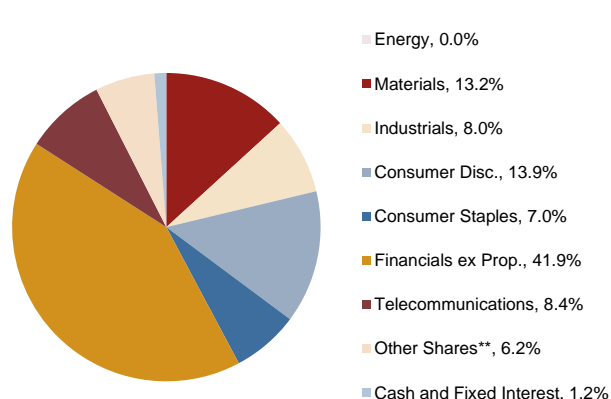
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0011AU	0.0	2.9	-4.8	-3.6	8.4	-3.0	2.3	5.7
Perp. WealthFocus Investment Advantage	PER0028AU	0.0	2.9	-4.7	-3.5	8.4	-3.1	2.1	5.6
Perp. WealthFocus Super	PER0023AU	0.0	2.7	-3.9	-2.0	9.6	-1.2	3.6	6.7
Perp. WealthFocus Pensions	PER0010AU	0.0	3.2	-3.8	-1.6	10.1	-1.2	4.0	7.4
Perp. WealthFocus Term Allocated Pension	PER0342AU	0.0	3.2	-3.8	-1.6	10.1	-1.2	4.0	7.4
S&P/ASX 300 Industrial Accumulation Index [^]		-0.1	4.0	-4.6	-3.8	7.9	-4.0	2.6	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 sectors¹



Top 10 stock holdings¹

Commonwealth Bank of Australia
Westpac Banking Corporation
Telstra Corporation Limited
ANZ Banking Group Limited
Orica Limited
Wesfarmers Limited
National Australia Bank Limited
Washington H Soul Pattinson & Company Limited
Crown Limited
Brickworks Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	11.2	11.1
Dividend yield	6.1%	6.5%
Price / Book	1.4	1.4
Debt / Equity	33.2%	43.5%
Interest cover	8.0	7.3
Return on Equity	13.1%	13.1%

¹Source: Factset

Market commentary

The S&P/ASX 300 Industrial Accumulation Index was flat (-0.1%) outperforming the broader market and resource companies by 1.3% and 4.6% respectively. Global macroeconomic data 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 industrial sectors over the month were the defensives: telecommunications (+5.1%), utilities (+3.8%) and health care (+1.7%). The worst performing industrial sectors were consumer discretionary (-3.9%), property trusts (-2.6%) and materials ex metals and mining (-1.6%). As a group, large industrials (+0.1%) outperformed small industrials (-2.3%).

Portfolio commentary

The Fund's largest overweight positions include chemicals and explosives manufacturer Orica, investment company Washington H. Soul Pattinson and entertainment provider Crown. Orica has a strong balance sheet, great pricing discipline and reduced input costs. Soul Pattinson has never missed a dividend payment and has not had to raise capital in its century long history. The Fund's largest underweight positions include Woolworths, National Australia Bank and Westfield Group (not held).

Our overweight position to telecommunications giant Telstra (+5.4%) contributed to relative performance. Telstra outperformed during December following the submission of its revised Structural Separation Undertaking (SSU) with the Australian Competition & Consumer Commission (ACCC). The revised SSU resulted from extensive consultation between Telstra and the ACCC following the lodgement of the initial SSU in July. The ACCC is anticipated to accept the revised SSU, and Telstra has stated that the changes made through the revision process do not constitute material change in the context of the transaction recently approved by Telstra shareholders. We continue to like Telstra as it is experiencing positive momentum in its retail business and is trading on attractive metrics.

Our overweight position to explosives manufacturer Orica (-4.3%) detracted from relative performance. Orica was allowed to resume production of ammonium nitrate at its Kooragang Island site having successfully demonstrated to the Environmental Protection Authority that the appropriate measures had been taken in response to a vapour release at the site in November. This follows an earlier release of sodium chromate at the site in August. As long term investors in Orica we have assessed the company's environmental and safety management systems as being of high quality and so do not believe these incidents represent systemic issues at the company. The incidents do highlight the inherent risks associated with the chemicals industry and validate the importance we place on sound management teams and robust environmental and safety management systems along with well trained and competent employees.

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...?

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 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?

Telstra was the best performing stock this month. Did you know that during 2010/11, Telstra handled 3.6 billion local calls, 5.4 billion national long distance minutes, 9.9 billion text messages and more than 13 billion mobile voice minutes; provided 8.4 million fixed line and 12.2 million mobile services, including wholesale services; operated and maintained more than 11,000 telephone exchanges; and, completed around 23,000 customer service jobs (new services and fault repairs) a day.

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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 Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Industrials Accumulation Index.

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



Further information

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