



## Perpetual SHARE-PLUS Long-Short Fund

December 2011

### Fund facts

**Investment objective:** Aims to provide long-term capital growth and income through investment in quality shares and taking short positions in selected Australian shares.

**Benchmark:** S&P/ASX 300 Accumulation Index

**Mgmt cost:** 1.95% pa plus performance fee<sup>^</sup>

**Buy / Sell spread:** 0.40% / 0.00%

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

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

### Fund benefits

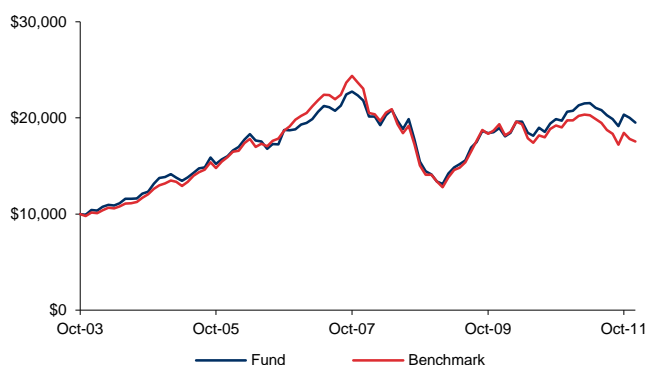
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

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

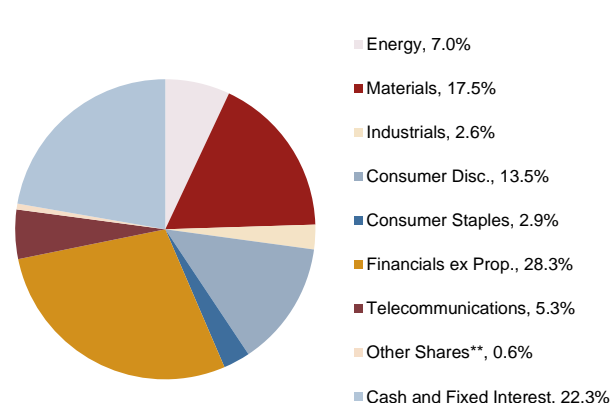
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0242AU	-2.4	1.9	-6.2	-5.4	11.4	0.7	5.1	-
Perp. WealthFocus Investment Advantage	PER0495AU	-2.5	2.0	-6.2	-5.5	11.8	-	-	-
Perp. WealthFocus Super	PER0224AU	-2.2	1.7	-4.9	-3.8	11.9	2.1	5.8	-
Perp. WealthFocus Pensions	PER0148AU	-2.5	1.8	-5.0	-3.7	13.3	2.4	6.4	-
Perp. WealthFocus Term Allocated Pension	PER0347AU	-2.5	1.8	-5.0	-3.7	13.3	2.4	6.4	-
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>

BHP Billiton plc
Commonwealth Bank of Australia
Westpac Banking Corporation
Telstra Corporation Limited
Rio Tinto plc
Orica Limited
ANZ Banking Group Limited
Oil Search Limited
Magellan Financial Group Limited
Insurance Australia Group Limited

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

	Portfolio	Benchmark
Price / Earnings	11.6	10.8
Dividend yield	5.0%	5.6%
Price / Book	1.7	1.5
Debt / Equity	27.8%	32.6%
Interest cover	15.9	12.9
Return on Equity	15.8%	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 fund manager Magellan Financial Group, entertainment group Crown and oil and gas producer Oil Search. 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. Magellan Financial Group is experiencing significant growth in funds under management. The Fund is underweight National Australia Bank and Wesfarmers (not held). The largest short positions in the Fund at the end of the month were Fortescue Metals Group, Westfield Retail Trust and WorleyParsons. At the end of the month, the Fund was position 112% long (including cash) and 12% short.

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 JB Hi-Fi (-27.4%) detracted from relative performance. The company's share price fell heavily during the month following the release of an update on recent trading. Sales gained momentum in the second quarter, resulting in an improvement in comparative store sales growth from -3.5% for the first quarter to -1.8% for the five months to November. Unfortunately for JB Hi-Fi the improved sales performance was unable to offset a reduction in gross margin due to a high level of discounting from competitors. The company anticipates earnings before interest and tax will decline approximately 5% in comparison to the prior year, subject to trading performance in the crucial Christmas season. We have increased our position to JB Hi-Fi following the sell off as the company's valuation has become increasingly attractive.

## 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...?

'Long' positions are those in which stocks are bought with the expectation that the price of the stock will increase over time and can therefore be sold for a profit.

'Short' positions are those in which stocks are borrowed then sold with the expectation that the stock price will fall over time, and therefore the stock can be purchased at a lower price and returned to the lender at a profit.

## 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 Funds largest overweights is resources company, Oil Search. Oil Search is Papua New Guinea's largest oil and gas producer, operating all of Papua New Guinea's producing oil fields. The company also has operations in Yemen, Iraq and Tunisia.

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\*No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

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

^ The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily however will only be paid in the event that the Fund's relative return over the performance fee calculation period is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

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



## Further information

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