



## Perpetual Split Growth Fund

April 2012

### Fund facts

**Investment objective:** To provide investors with long term capital growth through investment in a mix of international and quality Australian industrial shares, in order to diversify risk between asset classes.

**Benchmark:** Split Growth Index<sup>^</sup>  
**Mgmt cost:** 2.10%  
**Buy / Sell spread:** 0.42% / 0.00%  
**Investment style:** Active, fundamental, disciplined, 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.

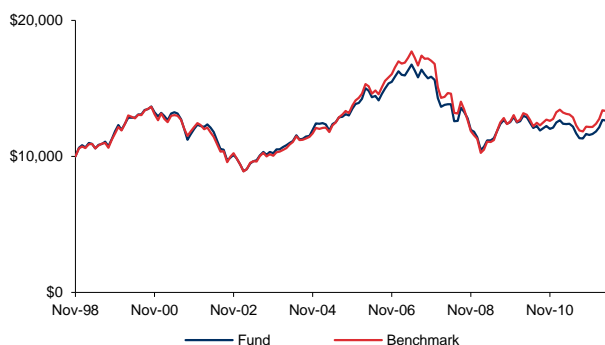
### Total returns % (after fees) as at 30 April 2012

	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0064AU	-0.3	6.7	8.4	2.1	4.2	-5.0	0.8	0.4
Perp. WealthFocus Investment Advantage	PER0496AU	-0.2	6.7	8.5	1.7	4.2	-	-	-
Perp. WealthFocus Super	PER0109AU	0.2	6.5	8.0	3.2	4.9	-3.7	1.6	1.2
Perp. WealthFocus Pensions	PER0108AU	0.3	7.3	9.0	3.7	5.2	-4.1	1.6	1.2
Perp. WealthFocus Term Allocated Pension	PER0349AU	0.3	7.3	9.0	3.7	5.2	-4.1	1.6	1.2
Split Growth Index <sup>^</sup>		-0.3	7.7	9.4	1.6	6.4	-5.0	1.8	1.3

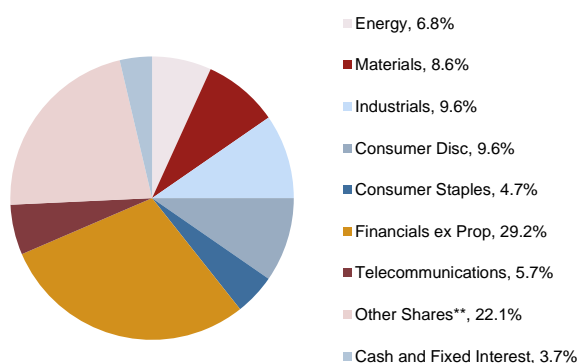
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

<sup>^</sup> Split Growth Index is a blend of 60% MSCI World ex Aust. Accumulation Index and 40% S&P/ASX 300 Industrials Accumulation Index

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



### Portfolio sectors<sup>1</sup>



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

Commonwealth Bank of Australia
Telstra Corporation Limited
Westpac Banking Corporation
ANZ Banking Group Limited
Wesfarmers Limited
National Australia Bank Limited
Wells Fargo & Company
Orica Limited
Crown Limited
News Corporation

### Asset allocation<sup>1</sup>

	Portfolio	Benchmark
International Shares	56.7%	60.0%
Australian Share	39.6%	40.0%
Liquidity	3.7%	0.0%
Total	100.0%	100.0%

## Market commentary

Global equity markets, as measured by the MSCI World ex Australia Accumulation Index fell 1.7% in Australian dollar terms over the month. United States economic data releases were softer than recent months, leading to a reduction in risk sentiment towards equities in favour of treasury bonds. In addition to European sovereign debt fears, Francois Hollande's anticipated victory in the upcoming French election may add to further European instability, given his desire to renegotiate the European Union fiscal compact toward growth and away from austerity.

The Australian market, as measured by the S&P/ASX 300 Industrials Accumulation Index rose by 2.0% for the month, outperforming the broader market. 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.

## Portfolio commentary

Our position to Atlanta-based Delta Air Lines (+10.0%) contributed to relative performance. During the month Delta released its quarterly results. For the March quarter, the company reported a net loss excluding special items of \$US39 million, in line with expectations. Passenger revenue increased 10% on the previous corresponding period to \$US7.2 billion, however higher fuel costs (up 14%) detracted from the result. Despite the loss, the company has recently experienced strong momentum in demand, particularly in the corporate segment. This is expected to lead to increased ticket prices and significant growth in unit revenue as Delta returns to profitability.

Our overweight position to medical device manufacturer Resmed (+9.0%) contributed to relative performance. The stock was buoyed after the company achieved record revenue and profitability in the March quarter. Total revenue increased 11% on the previous corresponding quarter to \$US349.1 million. Net income rose 21% to \$US64.6 million. Whilst sales grew globally, growth was highest in the Americas, rising 18% to \$US189.9 million. From an individual product perspective, both mask sales and flow generator sales were strong. The return of American flow generator sales to double digit growth was a key driver behind the company's performance. Resmed is company with a large market share, a pristine balance sheet and an excellent growth profile.

Our position to wireless communications company NII Holdings (-24.0%) detracted from relative performance. Operating as Nextel, NII provides mobile communication services across Latin America. The company's share price fell after reporting a first quarter profit 89% lower than the previous corresponding period and well short of expectations. Despite continuing to add to the subscriber base, a decline in average revenue per subscriber and increased customer churn rates negatively impacted profits. Rising costs, driven by 3G network rollouts and intense market competition were further detractors from the result.

Our overweight position to building materials company Brickworks (-2.2%) detracted from relative performance. Brickworks' building materials business continues to be impacted by subdued construction activity. Management have responded to the difficult industry conditions by restructuring operations and reducing brick production capacity. Whilst monthly dwelling approvals have been running at historic lows, management are confident that a bottom in the cycle is approaching and that the company is well placed to capitalise on an upswing in activity.

## Outlook

Globally, macroeconomic data continues to indicate a gradual economic recovery, although performance by region varies. US data continues to improve, emerging markets continue to grow albeit at a slower pace, and Europe struggles with austerity measures and uneven performance among its larger economies. We expect growth to continue, but at a subpar recovery rate. While central banks remain biased towards low policy rates, even where inflation is rising, the prospects for additional monetary stimulus are fading in most parts of the world.

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.

## 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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No company in the Perpetual Group\* 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 taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

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.

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

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



## Further information

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