



## Perpetual Balanced Growth Fund

December 2011

### Fund facts

**Investment objective:** To provide investors with long term capital growth and income through investment in a diversified portfolio with an emphasis on Australian and international share investments.

**Benchmark:** Balanced Growth Index  
**Mgmt cost:** 1.95%  
**Buy / Sell spread:** 0.34% / 0.00%  
**Investment style:** Active, fundamental, disciplined, value  
**Suggested minimum investment period:** Five years or longer

### Fund benefits

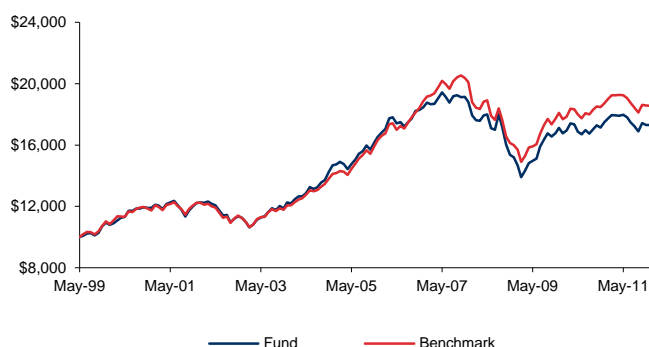
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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

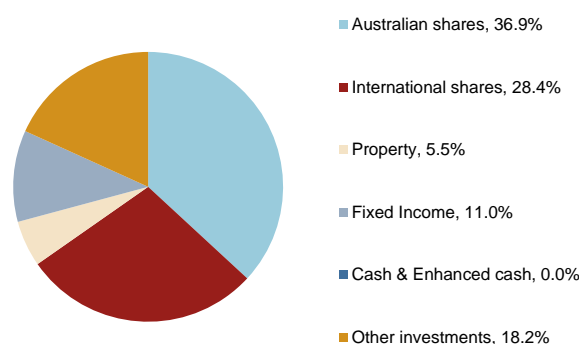
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0100AU	0.0	2.4	-2.8	-1.0	4.5	-1.3	2.4	3.5
Perp. WealthFocus Investment Advantage	PER0036AU	0.0	2.4	-2.8	-1.1	4.4	-1.4	2.3	3.4
Perp. WealthFocus Super	PER0017AU	-0.1	2.2	-2.4	-0.8	4.5	-0.9	2.6	3.6
Perp. WealthFocus Pensions	PER0015AU	-0.1	2.5	-2.7	-0.7	4.9	-0.8	2.9	4.0
Perp. WealthFocus Term Allocated Pension	PER0334AU	-0.1	2.5	-2.7	-0.7	4.9	-0.8	2.9	4.0
Balanced Growth Index		-0.1	2.2	-2.8	-1.0	5.1	-0.3	4.0	4.3

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
Westpac Banking Corporation
BHP Billiton Limited
Telstra Corporation Limited
ANZ Banking Group Limited
Orica Limited
ASX Limited
Rio Tinto Limited
New Hope Corporation Limited
News Corporation

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

	Min.	Target	Max.
Australian shares	10	28	50
International shares	10	28	50
Property	0	5	15
Fixed income	5	10	35
Enhanced cash	0	13	30
Other investments	0	16	30

## Market commentary

The MSCI World ex Australia Accumulation Index rose 0.2% in Australian dollar terms over the month. A series of positive economic data releases from the US provided some positives. In Europe, the European Central Bank (ECB) cut the benchmark rate by 25 basis points to 1% and undertook a Longer-Term Refinancing Operation (LTRO) in an attempt to ease liquidity and funding pressures amongst financial institutions and troubled sovereigns.

The S&P/ASX 300 Accumulation Index fell by 1.4% over the month. Global macroeconomic themes continued to drive equity markets, with resilient economic data releases from the US not enough to offset investor concerns regarding the ongoing European sovereign debt crisis and a number of profit downgrades from companies in the retail sector.

While still showing some volatility, credit markets took on an improved tone in December. This followed successful bond auctions, better than expected macro data release out of Europe and further signs of the resilience of the US economy. Furthermore, the ECB's three-year LTRO funding allotment helped alleviate concerns over a deep recession in Europe.

## Asset allocation

The diversified portfolios had a mixed month. Asset allocation detracted from excess returns in part due to our overweight position to Australian equities. Domestic equities appeared compelling due to attractive valuations and improved earnings momentum. Likewise, fixed income was similarly held overweight. Over the month conditions for bonds appeared favourable with declining local short term and US long term rates in addition to moderating domestic growth. This was offset by relatively discouraging levels of real bond yields leading to a modest overweight allocation to bonds.

## Stock selection

Monthly security selection was positive with strong relative performance from Australian equities, international equities and fixed income. The Australian equity portfolio outperformed in a falling market with overweight position to Australia's largest retail bank, Commonwealth Bank, contributing to relative performance.

The global equity portfolio also outperformed. Contributors to performance included DongFeng Motor Group and Amgen Inc. Chinese automaker, DongFeng, rose following announcement of strong November passenger vehicle sales.

The fixed income portfolio outperformed as credit spreads on aggregate tightened over the month. Superior running yields across all credit and collateralised sectors were also key contributors to performance. However swap spreads pushed wider reflecting continued pressure in the wholesale funding market and the general strength of government bonds.

## Outlook

We continue to expect weaker than normal trend growth in the developed markets. Economic data in the second and third quarters pointed to a slowing of economic activity beyond that caused by the earthquake in Japan. In addition, the extent of negative news, combined with the confidence crisis created by the market downturn and continuing debt issues in Europe and the US, have raised the probability of a recession.

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.

The outlook for credit markets remains cautiously positive. Demand remains soft though a great deal of negative sentiment has already been priced into the market. As such we see some scope in adding risk opportunistically. Our portfolios at present continue to remain defensive, holding elevated amounts of cash and favouring higher rated credits.

## What are...?

Active asset allocation is a portfolio management strategy that changes a portfolio's asset allocation to take advantage of market conditions in the short term. Using a disciplined active asset allocation process offers the potential for both enhanced returns and reduced levels of risk.

## 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 for investing in balanced portfolios is to focus on the fundamental drivers of returns from quality investments rather than on asset classes themselves. We believe investment in internal capability where we have the demonstrated ability to consistently add value is a lower risk and more reliable approach to meeting investors' objectives. We also believe that our focused, active approach to asset allocation and our proven disciplined investment style has the ability to add value to investors over time.

## Did you know?

When making asset allocation decisions, we consider three key indicators being cycle, value and technical. This process evaluates the impact of the earnings cycle on Australian equities, the business cycle on domestic bonds, and analyse valuations, while also incorporating market sentiment through technical analysis. These indicators combine to either increase exposure to an asset class when market conditions become favourable or reduce exposure if market conditions are becoming adverse.

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\* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

The following funds are not open to new investment: Perpetual's Balanced Growth Fund Nil Entry Fee Option.

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



## Further information

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