

## Perpetual Ethical SRI Fund

April 2012

### Fund facts

**Investment objective:** Aims to provide long-term capital growth and income through investment in quality shares of socially responsible companies.

**Benchmark:** S&P/ASX 300 Accumulation Index  
**Mgmt cost:** 23/10/2003  
**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 access to an actively managed Fund that more closely matches their personal social and ethical beliefs or preferences, without compromising investment returns over the long term.

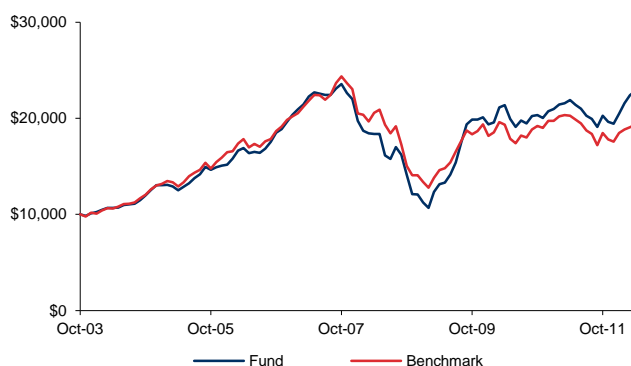
Perpetual is also a signatory to the United Nations Principles for Responsible Investing (UNPRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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

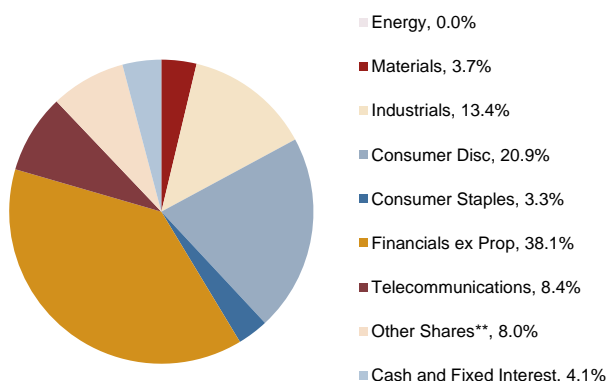
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0243AU	2.1	11.8	12.7	4.4	20.2	0.5	9.0	-
Perp. WealthFocus Investment Advantage	PER0491AU	2.1	11.8	12.7	4.4	20.5	-	-	-
Perp. WealthFocus Super	PER0222AU	1.8	10.3	12.3	5.5	19.2	1.9	9.5	-
Perp. WealthFocus Pensions	PER0146AU	2.1	11.5	13.9	7.1	22.4	2.5	10.7	-
Perp. WealthFocus Term Allocated Pension	PER0340AU	2.1	11.5	13.9	7.1	22.4	2.5	10.7	-
S&P/ASX 300 Accumulation Index		1.3	4.6	4.7	-4.7	9.8	-2.4	5.9	-

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
Telstra Corporation Limited
Breville Group Limited
ANZ Banking Group Limited
MyState Limited
Reckon Limited
National Australia Bank Limited
Insurance Australia Group Limited
NIB Holdings Limited

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

	Portfolio	Benchmark
Price / Earnings	10.8	11.9
Dividend yield	6.2%	5.2%
Price / Book	1.7	1.6
Debt / Equity	33.1%	37.5%
Interest cover	10.3	11.3
Return on Equity	15.3%	14.3%

<sup>1</sup>Source: Factset

## Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 1.3% for the month, the fourth consecutive monthly gain since the turn of the calendar year. 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.

The best performing sectors over April were defensives: telecommunications (+7.2%), property trusts (+5.4%) and financials ex-property (+2.4%). The worst performing sectors were information technology (-3.5%), industrials (-1.0%) and energy (-0.6%). As a whole, industrial stocks (+2.0%) outperformed resource stocks (-0.3%) and large companies (+1.3%) outperformed small companies (-0.9%).

In economic news, the Reserve Bank of Australia left its targeted cash rate unchanged at 4.25%. Economic data releases were mixed. Quarterly inflation surprised to the downside, with heading inflation of 0.1% over the period, whilst unemployment data was stronger than expected, with the economy adding an estimated 44,000 jobs in March. The Australian dollar rose just under 1% against the US dollar, ending the month at \$1.04.

## Portfolio commentary

The Fund's largest overweight positions include small appliance maker Breville Group, accounting software provider Reckon and Tasmanian financial institution MyState. The Fund's largest underweight positions include BHP Billiton, Wesfarmers, and Woolworths. Each of these companies cannot be held as they do not pass the ethical and SRI screening process.

Our overweight position to legal firm Slater & Gordon (+15.6%) contributed to relative performance. The stock rebounded after underperforming in March. The company recently reported its half year results for the six months ended 31 December 2011. Revenues rose 17% to \$99.5 million, however net profit after tax fell 11% to \$11.8 million. Management expect an improved performance in the second half of the financial year as strong levels of client enquiries in the Family Law business are converted into revenues. We like Slater & Gordon as it is a quality business with good visibility on future revenues, and is trading at attractive multiples.

Our overweight position to media organisation Prime Media (-5.5%) detracted from relative performance. In the most recent half, Prime Media achieved \$138.7 million in revenue and \$16.1 million in net profit after tax, both rising 5% on the previous corresponding period. Revenue growth was driven by the growth in digital multi-channels and higher sales representation fees earned from the Seven Network in Queensland. The company's datacasting channel is also performing well. Despite a soft advertising environment, we remain positive on Prime Media as it has a sound balance sheet and is currently trading on attractive multiples.

## Outlook

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. Our investment process, favouring quality companies with strong balance sheets ensures that we are well placed to withstand periods of economic weakness. 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.

## What are...?

Ethical funds vary in their selection processes for including or excluding certain stocks. Generally, they will invest in companies which adhere to certain principles and practices, by screening out those companies that have undesirable characteristics from an ethical perspective. Levels of tolerance can vary between fund managers, depending on the strict guidelines and rigour of their screens and processes.

## 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 strongest performing stocks over the month was Slater & Gordon. William Slater and Hugh Gordon established the firm in Melbourne in 1935 to service the needs of unions and their members, particularly in workers compensation matters. In 2007 it became the first Australian law firm to be listed on the Australian Securities Exchange.

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\*\* 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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