Perpetual Wholesale Ethical SRI Fund

February 2010

Fund facts

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

Benchmark: S&P/ASX 300 Accumulation Index
Inception date: April 2002
Size of fund: $273.9 million as at 31 January 2010
APIR: PER0116AU
Mgmt cost: 1.175% pa
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.

Total returns % (after fees) as at 28 February 2010

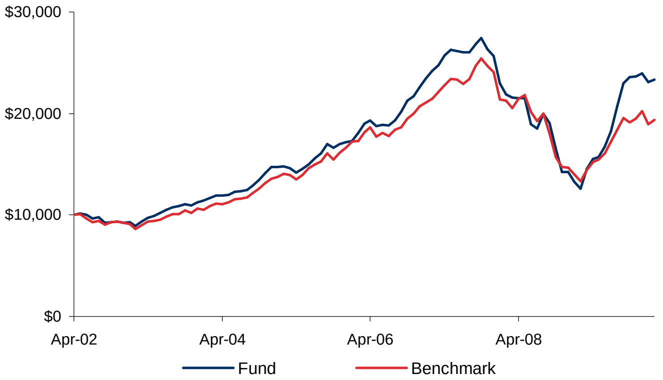
	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	Incept
Perpetual Wholesale Ethical SRI Fund	1.1	-1.2	12.6	85.2	3.3	-1.2	9.6	14.7	11.3
S&P/ASX 300 Accumulation Index	2.0	-0.7	5.2	45.1	-4.6	-3.3	6.6	12.2	8.7

Please note: Performance for Perpetual's complete list of investment funds is available on www.perpetual.com.au. Past performance is not indicative of future performance.

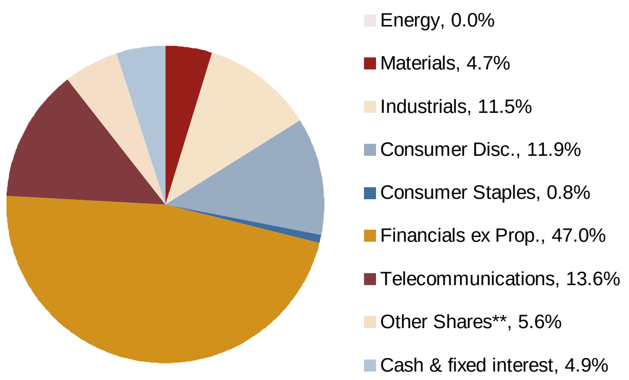
Points of interest

- The Fund underperformed its benchmark for the month, however, maintains a 40.1% excess return over the last 12 months.
- The recent outperformance can be attributed to strong stock picking in the smaller industrial sector.
- An impact of the ethical screening is a reduced investible universe, predominantly resource related companies. This can lead to large performance differences when compared to the broader market.

Growth of $10,000 since inception



Portfolio sectors



Top 10 stock holdings

Westpac Banking Corporation
Commonwealth Bank of Australia
National Australia Bank Limited
TPG Telecom Limited
Telstra Corporation Limited
ANZ Banking Group Limited
QBE Insurance Group Limited
Breville Group Limited
NIB Holdings Limited
McPherson's Limited

Portfolio fundamentals

	Portfolio	Benchmark
Price / Earnings	11.5	13.8
Dividend yield	5.7%	4.0%
Price / Book	1.8	2.3
Debt / Equity	18.7%	34.8%
Interest cover	10.0	11.3
Return on Equity	15.1%	13.6%

*Source: Factset

Market Commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 2.0% over the month, recovering some of the losses experienced in January. The market is now up 53.3% since its low in early March 2009. February saw reporting season deliver a solid set of results on balance with many earnings announcements slightly ahead of expectations. Although the results helped the market, they were not strong enough to overcome concerns in the global economy surrounding Europe and sovereign risk.

The Reserve Bank of Australia surprised many economists by leaving interest rates unchanged at 3.75%, stating in its quarterly statement on monetary policy that inflation was moderating as expected, interest rates were no longer at exceptionally low levels and that relatively little information was available to judge the impact of the increases made in late 2009. Employment increased by 52,700 in January, building on the 141,000 jobs added over the fourth quarter last year. As a result, the unemployment rate fell from 5.5% to 5.3%.

Portfolio Commentary

The Fund underperformed its benchmark, the S&P/ASX 300 Accumulation Index over the month by 1.0% after fees. Over the last 12 months the Fund returned 85.2%, outperforming the benchmark by 40.2% after fees.

Our overweight position to manufacturing company Hills Industries (+33.5%) contributed to relative performance. The company reported net profit of $22.1 million in the half-year to 31 December 2009, up 40%. Revenue was down 8.5% to $601.9 million. The company said the increase in profit was due to decreased expenses, from $617.6 million last year to $566.2 million.

Our overweight position to Australia's oldest bank Westpac Banking Corporation (+9.5%) contributed to relative performance. The company announced that it expects group cash earnings of $1.6 billion for the three months to the end of December 2009, based on unaudited accounts. The increased cash earnings reflected a significant decline in institutional bank impairment charges.

Our underweight position to diversified conglomerate Wesfarmers (+15.1%) detracted from relative performance. During the month the company surprised the market when it released its half-year results for the period ending December 2009 with Kmart and Target demonstrating the biggest improvement in the company's retail sector. Wesfarmers does not pass our ethical screens.

Outlook

With the culmination of the domestic reporting season at the close of the month, there is now more clarity in the market surrounding how companies are fairing in the difficult economic conditions. The main observation taken from the reporting season is that the larger, higher quality companies are in a much better position than a number of their lower quality peers. The return to consistent earnings growth will be easier for these companies. A distinct uncertainty still remains on what will drive earnings growth going forward. This puts greater emphasis on the ability to pick companies rather than picking themes or sector allocation. The market is currently trading at around fair value however opportunities do exist to find value and we continue to search for these quality companies for inclusion into our portfolios.

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 which 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?

This Fund excludes businesses that derive a certain percentage of their revenue from alcohol, tobacco, gambling, uranium, weapons and armaments. It also includes or excludes companies on their performance in areas such as human rights, the environment, animal rights, genetically modified organisms, corporate governance and community awareness.

INVESTING FOR GENERATIONS

Perpetual

ETHICAL INVESTMENT®

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Further information

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