Perpetual

Quantitative Investments Alpha Core Fund

September 2010

Fund facts

Investment objective: Aims to provide investors with long term capital growth with controlled risk through exposure to Australian industrial and resource shares.

Benchmark: S&P/ASX 300 Accumulation Index
Mgmt cost: 1.75%
Buy / Sell spread: 0.30% / 0.00%
Investment style: Quantitative, value
Suggested minimum investment period: Five years or longer

Fund benefits

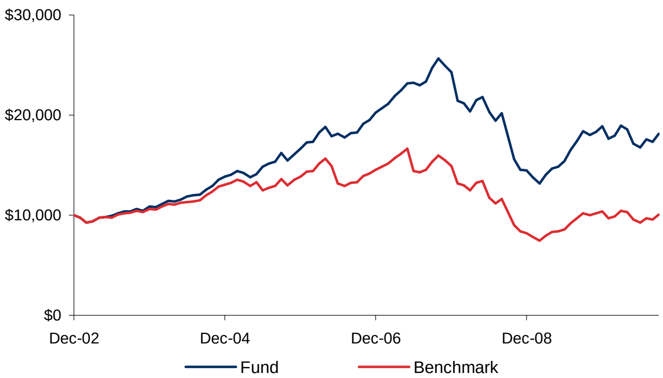
Provides investors with broad market exposure to quality securities at a lower cost than fundamental strategies.

Total returns % (after fees) as at 30 September 2010

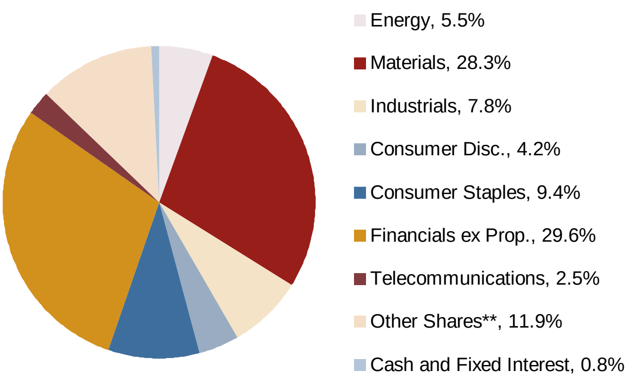
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0141AU	4.9	8.3	-4.2	-1.3	-9.8	2.3	8.3	-
Perp. WealthFocus Investment Advantage	PER0499AU	4.9	8.1	-4.3	-1.3	-	-	-	-
Perp. WealthFocus Super	PER0117AU	4.3	7.4	-3.7	-0.7	-8.1	3.3	8.8	-
Perp. WealthFocus Pensions	PER0126AU	4.8	8.8	-3.9	-0.3	-7.3	4.5	10.6	-
Perp. WealthFocus Term Allocated Pension	PER0346AU	4.8	8.8	-3.9	-0.3	-7.3	4.5	10.6	-
S&P/ASX 300 Accumulation Index		4.8	8.3	-3.8	0.7	-7.3	4.2	10.0	-

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[1]



Top 10 stock holdings[1]

BHP Billiton Limited
Commonwealth Bank of Australia
Westpac Banking Corporation
ANZ Banking Group Limited
Wesfarmers Limited
National Australia Bank Limited
Newcrest Mining Limited
Rio Tinto Limited
Woolworths Limited
Telstra Corporation Limited

Portfolio fundamentals[1]

	Portfolio	Benchmark
Price / Earnings	12.6	12.8
Dividend yield	4.5%	4.7%
Price / Book	1.8	1.8
Debt / Equity	27.6%	33.5%
Interest cover	12.3	9.4
Return on Equity	14.4%	13.5%

*Source: Factset

Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 4.8% over the month, the largest monthly gain since March 2010. Investor risk appetite returned to the market after fears about the growth of the global economy began to subside. Additionally, the prospect of greater liquidity through a second round of quantitative easing in the United States buoyed market sentiment. The Australian dollar reached 97 cents against the US dollar late in the month in keeping with the return in risk appetite, continuing demand for Australian resources and speculation of a further increase in local interest rates. Gold also rose 6.4% in September as investors sought protection from the weak US currency.

The best performing sectors were materials (+7.6%), industrials (+7.6%) and utilities (+7.0%). The underperforming sectors were the defensives such as telecommunications (-4.5%), property trusts (-0.9%) and healthcare (+2.2%). Telecommunications were impacted by concerns of an increase in price competition in the sector. Property trusts were impacted by higher bond yields. As a group, resource stocks (+7.0%) outperformed industrial stocks (3.8%).

In economic news, the Reserve Bank of Australia kept the official cash rate on hold at 4.5% stating that the current setting was appropriate given that growth was likely to be close to trend and the uncertain global outlook. However, strong employment growth and the continuing strength of the mining boom has created expectation of a rate increase to address the significant risk of inflation.

Portfolio commentary

Key gainers were our overweight positions in Mineral Resources (MIN) and Newcrest Mining (NCM). MIN, accumulated through Price Momentum, rallied 25.6% over the month. Its share price was bolstered substantially through appreciating outlook in the oil, gas and mining industries.

NCM's positive ascent came on the back of sizeable movements in the price of gold. Overweight through Earnings Revision, the global demand for precious metals combined with the firm's newfound cost synergies with Lihir Gold has garnered higher earnings potential.

Moderating performance was our portfolio exclusion of Lynas Corporation (LYC). Considerable interest in rare earth metals from China has helped LYC surge 39.3% over the month. Despite failing Quality and Value metrics, rumours of Chinese intent to monopolise rare earth capacity has vaulted LYC prices to historic highs.

What are...?

Quantitative management seeks to use statistical or mathematical methods to create efficient portfolios, with the optimum risk/return trade-off.

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 Quantitative Investments philosophy is a systematic and disciplined quantitative approach to investing in listed Australian equities.

A quantitative mathematical model is used to identify securities that are undervalued and exhibit an improving market sentiment and earnings outlook. Various signals are used in the model and are rigorously back-tested using historical data.

Did you know?

Among the signals that are used in our quantitative models are earnings revision, price momentum, value measures and quality.

* 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 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.

[1] Fund information in this document is relevant to the Wholesale option unless stated.

INVESTING FOR GENERATIONS

Perpetual

Further information

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