

Perpetual Wholesale Smaller Companies Fund

April 2012

Fund facts

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

Benchmark: S&P/ASX Small Ordinaries Accumulation Index[^]

Inception date: October 1996

Size of fund: \$257.2 million as at 31 March 2012

APIR: PER0048AU

Mgmt cost: 1.250% pa

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Five years or longer

Fund benefits

Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

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

	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	Incept pa
Perpetual Wholesale Smaller Companies Fund	-1.0	7.3	4.9	-4.2	10.1	21.8	0.7	9.3	13.2
S&P/ASX Small Ordinaries Accumulation Index [^]	-0.9	5.7	5.0	-7.0	1.4	12.7	-5.0	5.5	6.0

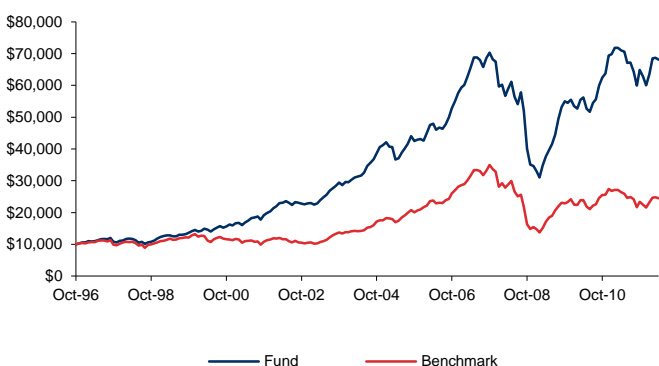
Please note: Performance for Perpetual's complete list of investment funds is available on www.perpetual.com.au.

Past performance is not indicative of future performance.

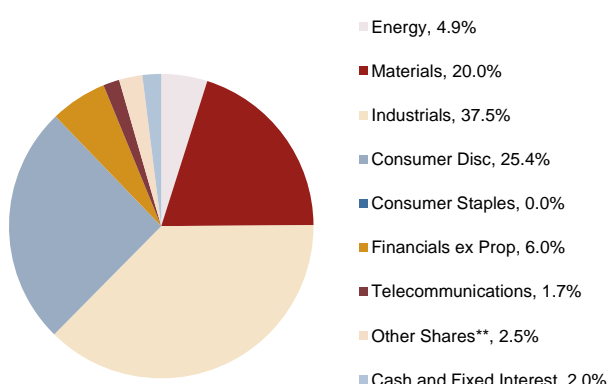
Points of interest

- The S&P/ASX Small Ordinaries Accumulation Index fell 0.9% during the month, underperforming the broader market
- The Fund underperformed the benchmark for the month, but maintains a 2.8% excess return for the last 12 months
- Our overweight position to childcare provider G8 Education (+6.1%) contributed to relative performance
- Our overweight position to engineering services company RCR Tomlinson (-7.7%) detracted from relative performance

Growth of \$10,000 since inception



Portfolio sectors



Top 10 stock holdings

Mineral Resources Limited
New Hope Corporation Limited
SAI Global Limited
G8 Education Limited
Alacer Gold Corp.
Ausdrill Limited
RCR Tomlinson Limited
CSR Limited
STW Communications Group Limited
Henderson Group PLC.

Portfolio fundamentals

	Portfolio	Benchmark
Price / Earnings	11.0	12.6
Dividend yield	4.9%	5.2%
Price / Book	1.5	1.5
Debt / Equity	20.1%	38.1%
Interest cover	9.6	6.2
Return on Equity	13.5%	10.7%

*Source: Factset

Market commentary

The S&P/ASX Small Ordinaries Accumulation Index fell by 0.9% over April, underperforming the broader market by 2.2%. After a strong March quarter, mixed economic news flow saw markets suffer a mild decline in early April before rallying in to month end.

The best performing smaller company sectors over March were property trusts (+5.3%), financials ex-property (+2.8%) and consumer discretionary (+1.7%). The worst performing sectors were utilities (-3.5%), consumer staples (-2.7%) and energy (-2.6%). As a group, small industrials (+0.0%) outperformed small resources (-2.4%).

Portfolio commentary

The Fund fell 1.0% (after fees) over the month, performing in line with the S&P/ASX Small Ordinaries Accumulation Index. It has returned 21.8% pa (after fees) over the last three years, outperforming the index by 9.1% pa.

The Fund's largest overweight positions include coal producer New Hope Corporation, mining services company Mineral Resources and childcare provider G8 Education. The Fund's largest underweight positions include Aurora Oil & Gas, Aristocrat Leisure and SP Ausnet (all not held).

Our overweight position to childcare provider G8 Education (+6.1%) contributed to relative performance. During April the company announced the acquisition of six childcare and education centres in South Eastern Australia. The acquisitions have been conducted via two separate transactions. The first three centres have been purchased for \$10 million, representing four times expected earnings before interest and tax (EBIT) in the year following settlement. The additional three centres have been acquired for \$3 million, which also represents four times expected EBIT, however a further \$500,000 will be payable in 12 months should targeted earnings levels be met. We like G8 as it has good management and its core business is performing well. In addition, the childcare industry is benefiting from a structural growth in demand.

Our overweight position to engineering services company RCR Tomlinson (-7.7%) detracted from relative performance. The stock underperformed over April despite no material news flow. During March, RCR was awarded a turnkey contract to provide a steam boiler plant for Fonterra's Drier 2 Project in New Zealand. The contract entails the design, manufacture, installation and commissioning of a coal-fired steam boiler and associated equipment, and is valued at approximately \$20 million. The project is anticipated to be completed in the third quarter of 2013. We like RCR Tomlinson as it is experiencing growth in revenue, is expanding its underlying margin and continues to reduce its debt.

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, 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...?

Smaller companies are generally those listed outside the top 100 stocks (by market capitalisation) on the stock exchange. There is generally higher risk with these companies due to limited reliable company information and lower liquidity than larger stocks.

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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