



Perpetual Institutional Monthly Update

August 2010 For the use of institutional investors only

Perpetual News

In August 2010 the Perpetual Limited announced a full year profit of \$90.5 million for the 12 months to June 30, 2010, an increase of 140% on the prior year, driven by strong comparative investment performance in actively managed funds, a 7% increase in average Group funds under management (FUM) and a 17% increase in average Group funds under advice (FUA).

Australian Equities

The S&P/ASX 300 Accumulation Index fell 1.1% over the month. Industrials (-0.9%) outperformed resources (-1.5%). Smaller companies continued to outperform the larger caps. The reporting season dominated news flow and investor focus during August. NPAT across the Industrials increased 11% while Resource NPAT was up 43% on this time last year. The Australian market continues to appear attractive on consensus numbers, however, the lack of earnings guidance for FY11 and a hung parliament will add near term uncertainty to the domestic market. Major themes include an increased focus on the growth prospects of China and the likelihood of a sustainable US economic recovery.

Gross returns for periods ending Aug 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Wholesale Australian Share Fund	-2.7	0.3	-1.1	5.6	-0.8	-3.5	6.3	11.7	11.3
S&P/ASX 300 Accumulated Index [^]	-1.1	0.6	-3.0	2.1	-3.1	-7.1	4.2	9.2	7.3
Excess	-1.6	-0.3	1.8	3.5	2.3	3.5	2.1	2.5	3.9
Wholesale Concentrated Equity Fund	-2.0	0.5	-1.5	5.8	0.9	-1.5	7.6	11.8	12.5
S&P/ASX 300 Accumulated Index [^]	-1.1	0.6	-3.0	2.1	-3.1	-7.1	4.2	9.2	7.3
Excess	-0.9	-0.1	1.4	3.7	4.0	5.6	3.4	2.6	5.2
Wholesale Smaller Companies Fund	2.0	5.7	6.0	13.4	-0.7	-4.4	7.0	11.6	14.6
S&P/ASX 300 Smaller Companies Accumulated Index	1.8	3.1	1.2	2.7	-6.0	-10.7	2.5	8.5	6.2
Excess	0.2	2.6	4.9	10.7	5.3	6.3	4.5	3.1	8.3
Wholesale Ethical SRI Fund	-1.4	-1.8	0.5	13.8	9.3	-2.6	8.9	12.9	-
S&P/ASX 300 Accumulated Index [^]	-1.1	0.6	-3.0	2.1	-3.1	-7.1	4.2	9.2	-
Excess	-0.3	-2.5	3.4	11.8	12.4	4.5	4.7	3.7	-
Wholesale Quantitative Long Short Fund	-2.3	1.8	-2.9	0.2	-12.8	-11.5	3.8	-	-
S&P/ASX 300 Accumulated Index [^]	-1.1	0.6	-3.0	2.1	-3.1	-7.1	4.2	-	-
Excess	-1.2	1.2	0.1	-1.9	-9.7	-4.4	-0.4	-	-

International Equities

Global equities fell over the month. Despite 75% of S&P500 companies beating Q2 consensus expectation numbers, weak US economic data showed a slowdown in recovery momentum. The news affected investor sentiment globally, triggering a sell off in sectors leveraged to an economic recovery. The Major indices fell across the board, lead by the Nikkei225 index falling 7.5%. The FTSE100 was the standout performer, falling only 0.6% on the back of Eurozone growth exceeding expectations in Q2. The AUD finished the period weaker, contributing to absolute returns for domestic investors with assets held offshore. The International Share Fund underperformed in August. Defensive sectors such as Health Care and Consumer Staples contributed strongly to performance, lead by Novartis and Philip Morris. The largest detractors came from the IT sector, with companies such as Hewlett-Packard and Cisco declining over 10%.

Gross returns for periods ending Aug 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
International Share Fund	-2.2	-5.9	-5.5	-4.4	-9.3	-10.6	-2.3	-	-
MSCI World ex Aust. Accumulation Index (\$A)	-2.1	-5.5	-2.8	-4.0	-10.1	-12.4	-3.5	-	-
Excess	-0.1	-0.4	-2.6	-0.4	0.7	1.8	1.2	-	-
International Concentrated Fund	-3.3	-5.1	-5.4	-2.1	-10.8	-10.4	-	-	-
MSCI World ex Aust. Accumulation Index (\$A)	-2.1	-5.5	-2.8	-4.0	-10.1	-12.4	-	-	-
Excess	-1.2	0.4	-2.6	1.9	-0.7	2.0	-	-	-
Global Resources Fund*	0.7	2.1	3.1	7.8	-7.4	3.8	-	-	-
MSCI Custom Resources Index ¹	-0.7	-4.7	-2.8	4.9	-9.7	-3.1	-	-	-
Excess	1.4	6.7	6.0	2.8	2.3	6.9	-	-	-

* Please note that this fund is managed by the Australian Equities team.

Diversified Funds

The Balanced Growth fund fell 1.3% over the month, underperforming the benchmark by 0.8% over the month. The underperformance was driven by weak stock selection in Australian equities. Our underweight position to a strong bond rally also detracted from performance, as we continue to hold an underweight position in bonds due to the value factor continuing to be negative. The fund is now underweight Australian equities, with positive value signals being countered by negative technical and cycle scores due to deteriorating earnings revisions. The Conservative Growth Fund underperformed its benchmark however posted a positive absolute return.

Gross returns for periods ending Aug 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Wholesale Conservative Growth Fund	0.4	1.4	2.6	7.0	3.9	3.7	6.0	-	-
Conservative Growth Index	0.6	1.6	2.6	6.1	3.1	1.8	4.9	-	-
Excess	-0.2	-0.2	-0.1	0.9	0.8	1.9	1.1	-	-
Wholesale Diversified Growth Fund	-0.3	0.6	1.4	5.6	1.2	0.7	4.6	7.0	-
Diversified Growth Index	0.1	0.7	1.5	4.9	0.5	-1.5	3.6	5.8	-
Excess	-0.4	-0.1	-0.1	0.7	0.7	2.3	1.0	1.3	-
Wholesale Balanced Growth Fund	-1.2	-0.4	-0.2	4.3	-1.7	-2.6	3.4	7.1	5.5
Balanced Growth Index	-0.5	0.0	0.8	4.0	-1.1	-3.8	3.2	6.2	4.3
Excess	-0.7	-0.3	-1.0	0.2	-0.6	1.1	0.1	0.9	1.2

Fixed Income Funds

Credit markets continued to improve as month-end profit takers started to diminish and banks reported better than expected Q2 earnings results. Favourable developments in Europe and the relaxation of Basel III by Bank for International Settlements (BIS) also helped boost investors confidence. August saw average spreads of 'A' rated securities tighten by 4 basis points while synthetic spreads as measured by the iTraxx 5-year index finished the month up 14 basis points after trading within a 21 basis points range. Albeit relatively small, the corporate spreads also pushed wider intra month on increased issuance in the primary market and sluggish US employment data. The prospect of a 'double-dip' recession and further rounds of quantitative easing (QE) by the US Federal Reserve drove US treasuries higher putting downward pressure on Australian yields.

Gross returns for periods ending Aug 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Premium Treasury Fund	0.6	1.7	3.1	7.5	5.6	5.5	5.7	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.2	4.4	5.5	5.7	-	-
Excess	0.2	0.5	0.8	3.3	1.1	0.0	0.0	-	-
High Grade Treasury Fund	0.6	1.9	3.4	8.6	5.1	4.9	5.3	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.2	4.4	5.5	5.7	-	-
Excess	0.2	0.7	1.1	4.4	0.6	-0.6	-0.4	-	-
Credit Income Fund	0.5	2.3	4.0	12.4	4.8	3.6	4.2	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.2	4.4	5.5	5.7	-	-
Excess	0.1	1.0	1.7	8.1	0.4	-1.9	-1.5	-	-
Wholesale Diversified Income Fund	0.7	2.5	4.5	12.3	4.6	3.8	-	-	-
UBS Bank Bill Index	0.4	1.2	2.3	4.2	4.4	5.5	-	-	-
Excess	0.3	1.3	2.2	8.1	0.2	-1.6	-	-	-
Active Fixed Interest Fund	2.0	3.9	5.9	10.9	9.2	8.1	6.4	-	-
UBS Composite Bond Index	1.9	3.6	5.3	9.1	8.4	7.9	6.3	-	-
Excess	0.1	0.3	0.6	1.8	0.8	0.2	0.2	-	-

Returns shown for the funds have been calculated using exit prices and assuming the re-investment of distributions with no allowance made for contribution or withdrawal fees or taxation. For institutional investor purposes, no allowance has also been made for management fees. Past performance is not indicative of future performance.

Australian Equities & Global Resources

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^ Benchmark prior to 1/4/2000 was the ASX All Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

¹ The MSCI Custom Resource Index is comprised of 75% Metals and Mining / Coal and Consumable Fuels, and 25% Energy Equipment and Services and Industry / Gas and Consumable Fuels (excluding Coal and Consumable Fuels). It is based on free float adjusted market capitalisation (unhedged in AUD).

INVESTING FOR GENERATIONS

