

### Perpetual News

Perpetual has recently appointed a new Managing Director and CEO, Mr Chris Ryan, effective 14 February 2011. Mr Ryan brings over 30 years of financial services experience in the Asia Pacific region. During his career, he led the Asia Pacific asset management businesses of three of the industry's major international players: HSBC, Fidelity International and ING Investment Management. Most recently, he held an advisory role with Citibank's global transaction services business.

### Australian Equities

The S&P/ASX 300 Accumulation Index was flat with a 0.1% gain over the month. Industrials (+1.7%) outperformed resources (-3.1%) for the first time since August 2010, whilst larger caps outperformed the smaller companies. Funds that have exposure to the resource sector have benefitted from the recent rally over the past 12 months. From a valuation perspective, the markets are currently trading at historic P/E levels. From an Industrials perspective, the 1 year forward dividend yield on the sector is currently trading at 5.7%, versus a long term average of 5.0%. The Industrial Share fund is well placed to benefit investors looking to invest for income. The upcoming reporting season in February should bring the market back in line, with particular attention to be paid to how retailers fared over the Christmas.

Gross returns for periods ending Jan 2011	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	1.0	4.9	9.3	13.2	27.5	2.8	6.1	12.7	11.9
S&P/ASX 300 Accumulated Index <sup>^</sup>	0.1	2.9	8.6	8.7	21.4	-1.2	3.7	10.1	8.0
Excess	0.9	2.0	0.7	4.4	6.0	4.0	2.4	2.6	3.9
Wholesale Concentrated Equity Fund	1.3	2.8	7.1	9.8	26.5	3.7	7.0	12.2	12.5
S&P/ASX 300 Accumulated Index <sup>^</sup>	0.1	2.9	8.6	8.7	21.4	-1.2	3.7	10.1	8.0
Excess	1.2	-0.1	-1.5	1.1	5.1	4.9	3.3	2.1	4.5
Wholesale Smaller Companies Fund	0.6	12.1	28.8	32.1	47.1	6.5	11.5	14.3	16.6
S&P/ASX Smaller Companies Accumulated Index	-2.2	5.3	20.8	19.5	35.1	-1.6	4.3	9.9	8.6
Excess	2.8	6.8	8.0	12.6	12.0	8.2	7.2	4.3	8.0
Wholesale Ethical SRI Fund	1.3	3.6	7.1	10.4	39.4	4.2	9.0	13.2	-
S&P/ASX 300 Accumulated Index <sup>^</sup>	0.1	2.9	8.6	8.7	21.4	-1.2	3.7	10.1	-
Excess	1.2	0.7	-1.5	1.7	18.0	5.5	5.3	3.1	-

### International Equities

Global equity markets finished the first month of 2011 higher, with the MSCI World Accumulation index (local) up 1.9%. Developed markets performed well on the back of US 4Q earnings reports which were generally ahead of estimates. Asian market performance was mixed, as investors were faced with the risk of policy tightening. The International Share Fund underperformed in January. Contributors to performance included our holdings in BNP Paribas, Total and AXA. Meanwhile, underperformance from Gap and Nestle detracted from the portfolios returns. The Fund continues to hold a quality portfolio of attractively valued companies. Whilst absolute returns have been impacted by the rising Australian dollar, the fund is well positioned for investors wanting exposure to a potential fall in AUD/USD exchange.

Gross returns for periods ending Jan 2011	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	4.3	2.9	2.8	0.2	-2.8	-4.4	-3.0	-	-
MSCI World ex Aust. Accumulation Index (\$A)	5.3	5.7	6.4	6.2	1.3	-5.3	-3.7	-	-
Excess	-1.1	-2.9	-3.7	-6.0	-4.2	0.9	0.7	-	-
International Concentrated Fund	0.0	-2.1	-3.8	-5.3	-5.1	-6.5	-	-	-
MSCI World ex Aust. Accumulation Index (\$A)	5.3	5.7	6.4	6.2	1.3	-5.3	-	-	-
Excess	-5.3	-7.8	-10.2	-11.5	-6.4	-1.2	-	-	-
Global Resources Fund <sup>*</sup>	1.0	13.8	27.1	30.1	33.4	8.3	-	-	-
MSCI Custom Resources Index <sup>1</sup>	0.6	7.5	13.9	13.9	17.1	0.4	-	-	-
Excess	0.4	6.3	13.2	16.2	16.3	7.9	-	-	-

<sup>\*</sup> Please note that this fund is managed by the Australian Equities team.

## Diversified Funds

The balanced growth fund returned 1.5%, outperforming the benchmark by 0.1% over the month. Asset allocation detracted from performance over the month, due in part to our overweight position to a flat Australian equities market. Stock selection contributed to performance over the month, with the outperformance in Australian equities and bonds offsetting underperformance in International equities. The fund remains overweight Australian equities, driven by positive value and technical signals. The fixed income allocation has moved to a slight overweight position, with positive cycle scores due to falling growth and short term rate indicators.

Gross returns for periods ending Jan 2011	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	1.1	2.0	4.0	7.0	9.6	5.1	5.8	7.5	-
Conservative Growth Index	1.0	1.7	3.5	6.3	7.6	3.5	4.6	6.5	-
Excess	0.1	0.3	0.5	0.7	2.0	1.6	1.2	1.0	-
Wholesale Diversified Growth Fund	1.4	2.5	4.9	7.7	10.1	3.7	4.4	7.4	-
Diversified Growth Index	1.3	2.2	4.5	6.9	8.5	1.7	3.3	6.2	-
Excess	0.1	0.3	0.4	0.8	1.6	2.0	1.1	1.3	-
Wholesale Balanced Growth Fund	1.6	3.3	5.6	7.8	12.0	1.6	3.1	7.6	5.9
Balanced Growth Index	1.4	2.6	5.5	7.7	10.1	0.5	2.8	6.7	4.7
Excess	0.2	0.6	0.1	0.1	1.9	1.1	0.3	0.8	1.2

## Fixed Income Funds

Credit markets advanced over the month buoyed by upbeat corporate earnings and improving data flow out of US as well as healthy demand for European bond auctions. Credit spreads experienced some intra-month volatility coming from political unrest in Egypt, along with disappointing profit results and softer UK and US GDP readings. The market was also weighted down by a proposal from the European Commission to write down or convert into equity all of banks' senior debtor to ensure solvency.

Gross returns for periods ending Jan 2011	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	1.9	3.9	7.5	6.7	6.0	5.9	-	-
UBS Bank Bill Index	0.4	1.2	2.5	4.7	4.1	5.2	5.7	-	-
Excess	0.2	0.6	1.4	2.7	2.6	0.9	0.2	-	-
High Grade Treasury Fund	0.7	2.1	4.2	8.5	7.6	5.7	5.5	-	-
UBS Bank Bill Index	0.4	1.2	2.5	4.7	4.1	5.2	5.7	-	-
Excess	0.3	0.9	1.8	3.8	3.5	0.5	-0.1	-	-
Credit Income Fund	0.9	2.3	4.9	10.6	9.8	5.5	4.6	-	-
UBS Bank Bill Index	0.4	1.2	2.5	4.7	4.1	5.2	5.7	-	-
Excess	0.4	1.1	2.4	5.8	5.7	0.4	-1.1	-	-
Wholesale Diversified Income Fund	0.8	2.0	4.4	9.8	9.8	5.1	5.0	-	-
UBS Bank Bill Index	0.4	1.2	2.5	4.7	4.1	5.2	5.7	-	-
Excess	0.3	0.8	1.9	5.0	5.8	-0.1	-0.7	-	-
Active Fixed Interest Fund	1.1	1.1	2.8	7.3	5.7	8.3	6.3	-	-
UBS Composite Bond Index	0.9	0.7	1.7	5.6	3.6	7.3	5.9	-	-
Excess	0.2	0.4	1.1	1.8	2.0	0.9	0.3	-	-

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.

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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.

<sup>1</sup> 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).

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