



## Perpetual Institutional Monthly Update

June 2010 For the use of institutional investors only

### Perpetual News

In June 2010 Perpetual's Managing Director, **David Deverall** gave notice of his resignation to the Board. After seven years steering the company through considerable evolution and the GFC, he decided it was time for a change. The Board has asked David to stay until a new CEO has been appointed or until 31 March 2011, whichever occurs first. Key members of Perpetual Investments executive leadership team, **Cathy Doyle** – Group Executive Equities and **Richard Brandweiner** – Group Executive Income & Multi Sector continue in their roles. Cathy will also continue to have oversight of sales and distribution as acting Group Executive Distribution until a permanent replacement is found for this role.

### Australian Equities

The S&P/ASX 300 Accumulation Index fell -2.7% over the month of June. Over the financial year the broader market finished +13.1%, small caps rose +11.2%, industrials +14.5% and resources +9.8%. The majority of our funds finished the financial year in positive territory.

Equity markets remain volatile and very sensitive to news from Europe and growth expectations from the US and China. The proposed resolution to the Resource Super Profits tax by our new Prime Minister is a win for the miners, however many argue some damage has already been done to Australia's international reputation.

Unaudited gross returns for periods ending June 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	-1.5	-8.8	-5.8	19.0	-0.9	-3.9	7.0	12.4	11.2
S&P/ASX 300 Accumulated Index <sup>^</sup>	-2.6	-11.2	-10.1	13.1	-5.1	-8.0	4.5	9.7	7.0
Excess	1.2	2.4	4.3	5.9	4.2	4.1	2.5	2.7	4.2
Wholesale Concentrated Equity Fund	-2.0	-9.4	-6.1	15.9	1.0	-2.2	8.3	12.4	12.0
S&P/ASX 300 Accumulated Index <sup>^</sup>	-2.6	-11.2	-10.1	13.1	-5.1	-8.0	4.5	9.7	7.0
Excess	0.6	1.8	4.0	2.8	6.1	5.8	3.8	2.7	5.1
Wholesale Smaller Companies Fund	-1.8	-6.6	-6.4	25.8	-3.2	-8.1	6.9	11.7	14.5
S&P/ASX 300 Smaller Companies Accumulated Index	-3.7	-11.6	-13.0	11.2	-10.9	-14.2	2.7	9.2	6.2
Excess	2.0	5.0	6.6	14.6	7.7	6.1	4.2	2.5	8.3
Wholesale Ethical SRI Fund	-3.9	-9.1	-3.9	38.2	11.2	-3.3	10.0	13.4	-
S&P/ASX 300 Accumulated Index <sup>^</sup>	-2.6	-11.2	-10.1	13.1	-5.1	-8.0	4.5	9.7	-
Excess	-1.2	2.1	6.2	25.2	16.3	4.8	5.5	3.7	-
Wholesale Quantitative Long Short Fund	-1.7	-10.8	-11.0	5.5	-14.7	-11.7	-	-	-
S&P/ASX 300 Accumulated Index <sup>^</sup>	-2.6	-11.2	-10.1	13.1	-5.1	-8.0	-	-	-
Excess	1.0	0.4	-1.0	-7.5	-9.6	-3.7	-	-	-

### International Equities

Global equities in June were impacted by softening US economic data, a sovereign default scare in Hungary along with a cut in Greece's credit rating to "junk" by Moody's. China dropped the peg to the US dollar as investor focus remained on their economic growth prospects as indicators suggest growth is beginning to slow.

The International portfolio outperformed in June, as larger, higher quality companies outperformed. Top performers for the fund were many of the companies we hold with the highest conviction, such as Nestle, Novartis, Phillip Morris, and J&J. The strength of balance sheet in such uncertain environments was a desirable attribute. Not holding BP contributed to relative return, as this stock fell 35.8% in AUD terms as the disaster in the Gulf of Mexico continued to dominate global headlines.

Unaudited gross returns for periods ending June 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	-3.0	-4.9	-3.8	4.7	-2.7	-9.1	-1.0	-	-
MSCI World ex Aust. Accumulation Index (\$A)	-4.1	-4.8	-3.7	5.2	-6.1	-11.5	-2.2	-	-
Excess	1.1	-0.1	-0.1	-0.5	3.4	2.3	1.1	-	-
International Concentrated Fund	0.0	-2.7	-1.5	8.7	-3.2	-8.1	-	-	-
MSCI World ex Aust. Accumulation Index (\$A)	-4.1	-4.8	-3.7	5.2	-6.1	-11.5	-	-	-
Excess	4.1	2.1	2.2	3.5	2.9	3.3	-	-	-
Global Resources Fund*	-4.7	-11.2	-11.1	13.0	-14.4	2.0	-	-	-
MSCI Custom Resources Index <sup>1</sup>	-5.6	-9.5	-9.1	10.5	-15.1	-2.7	-	-	-
Excess	0.9	-1.7	-2.1	2.5	0.7	4.7	-	-	-

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

## Diversified Funds

The balanced fund performed well in June, falling by only 1.0%. Key to the fund's strong result was strong stock selection across the underlying portfolios. TAA was slightly negative with the benefits of our overweight bond position countered by our overweight equity position. We currently hold a small underweight position in Australian equities. While valuations are attractive, the medium term earnings signal has turned negative, as has momentum. Our position in bonds is neutral, with slightly negative valuations offset by positive momentum.

Unaudited gross returns for periods ending June 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	0.2	0.0	2.0	10.8	5.3	3.6	6.2	-	-
Conservative Growth Index	-0.1	-0.1	1.2	8.9	3.5	1.6	5.0	-	-
Excess	0.2	0.2	0.8	1.9	1.8	1.9	1.2	-	-
Wholesale Diversified Growth Fund	-0.5	-1.9	0.1	11.5	3.3	0.7	5.0	7.3	-
Diversified Growth Index	-0.9	-2.1	-0.8	9.6	1.2	-1.6	3.9	6.0	-
Excess	0.4	0.2	0.9	1.9	2.1	2.3	1.1	1.3	-
Wholesale Balanced Growth Fund	-0.9	-3.6	-1.7	12.5	0.7	-2.6	4.1	7.7	5.6
Balanced Growth Index	-1.4	-3.4	-2.0	10.4	-0.5	-3.9	3.7	6.6	4.3
Excess	0.5	-0.2	0.4	2.1	1.2	1.3	0.3	1.1	1.3

## Fixed Income Funds

June was another volatile month for the financial markets. The same concerns continued to plague the markets:

- the solvency of the EU peripheral nations
- the EC bank exposures to EU peripheral nations
- regulatory changes to the US banking system.

Mid month the market stabilised some what. This was due to the release of some positive economic data out of Asia and successful sovereign debt auctions from the PIIGS (albeit at higher rates). Just as markets were beginning to recover risk aversion re-emerged. This resulted in another sell off in risk assets into the financial year end close.

Unaudited gross returns for periods ending June 2010	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Credit Enhanced Cash Fund (AA)	0.4	1.2	3.4	7.6	5.6	5.2	5.7	-	-
UBS Bank Bill Index	0.4	1.1	2.2	3.9	4.7	5.6	5.8	-	-
Excess	0.0	0.1	1.3	3.8	0.9	-0.3	-0.1	-	-
Credit Enhanced Cash Fund (A)	0.4	1.2	4.1	8.9	4.9	4.5	5.2	-	-
UBS Bank Bill Index	0.4	1.1	2.2	3.9	4.7	5.6	5.8	-	-
Excess	0.0	0.1	1.9	5.0	0.2	-1.1	-0.5	-	-
Credit Income Fund	0.6	1.2	5.9	12.9	4.4	2.5	4.1	-	-
UBS Bank Bill Index	0.4	1.1	2.2	3.9	4.7	5.6	5.8	-	-
Excess	0.2	0.1	3.7	9.0	-0.3	-3.1	-1.7	-	-
Wholesale Diversified Income Fund	0.9	1.9	5.6	13.5	4.3	3.0	-	-	-
UBS Bank Bill Index	0.4	1.1	2.2	3.9	4.7	5.6	-	-	-
Excess	0.5	0.8	3.4	9.6	-0.4	-2.6	-	-	-
Active Fixed Interest Fund	1.4	3.7	5.4	9.6	10.2	7.7	6.2	-	-
UBS Composite Bond Index	1.4	3.6	4.9	7.9	9.3	7.7	6.1	-	-
Excess	0.0	0.1	0.5	1.8	0.9	0.0	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

**Gemma Dooley**

+612 9229 9803

[gemma.dooley@perpetual.com.au](mailto:gemma.dooley@perpetual.com.au)

[www.perpetual.com.au/institutions.aspx](http://www.perpetual.com.au/institutions.aspx)

### Fixed Income & Diversified

**Warwick Boys**

+612 9229 3528

[warwick.boys@perpetual.com.au](mailto:warwick.boys@perpetual.com.au)

[www.perpetual.com.au/institutions.aspx](http://www.perpetual.com.au/institutions.aspx)

### International Equities

**Daniel Campbell**

+612 9229 9019

[daniel.campbell@perpetual.com.au](mailto:daniel.campbell@perpetual.com.au)

[www.perpetual.com.au/institutions.aspx](http://www.perpetual.com.au/institutions.aspx)

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 for Institutional Investors only. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au).

No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

^ 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).

INVESTING FOR GENERATIONS

