Perpetual

Perpetual Institutional Monthly Update

November 2010 For the use of institutional investors only

Perpetual News

Over the month, Perpetual was announced **Best Fund Manager of the Year** in the Money magazine Best of the Best Awards 2011. We have won this award four out of the eight years it has been awarded. We were also the Gold Winner for **Best Australian Share Funds**, with our WealthFocus Investment Funds Concentrated Equity Fund in first place, and our WealthFocus Investment Funds Australian Share Fund in equal third place. Similarly, we were also honoured with the award of '**Ethical Investor Fund of the Year**' for our Wholesale Ethical SRI Fund at the 10th Annual Sustainability Awards by Ethical Investor magazine and as judged by Lonsec.

Australian Equities

The S&P/ASX 300 Accumulation Index fell -1.0% over the month. Industrials (-2.0%) underperformed resources (+1.3%), whilst Smaller companies continued to outperform the larger caps. China remained the key focus for investors, with further interest rate increases in response to mounting inflation pressures. Concerns around Ireland's fiscal position and EU's response saw investors remain cautious about financials and bank margins. Companies with recent momentum (mining, materials, energy) and earnings revisions performed well, but those with value and quality characteristics generally underperformed. The market is currently trading at 12.6x, below the 10yr historic average (13.6x).

Gross returns for periods ending Nov 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	-0.6	6.4	6.7	5.3	20.1	-3.0	6.3	12.5	11.7
S&P/ASX 300 Accumulated Index^	-1.0	5.7	6.3	1.8	16.2	-7.0	4.2	9.9	7.8
Excess	0.4	0.8	0.4	3.5	3.9	4.0	2.1	2.5	3.9
Wholesale Concentrated Equity Fund	-1.3	4.9	5.5	4.4	19.8	-1.7	7.3	12.3	12.5
S&P/ASX 300 Accumulated Index^	-1.0	5.7	6.3	1.8	16.2	-7.0	4.2	9.9	7.8
Excess	-0.3	-0.7	-0.8	2.6	3.7	5.4	3.1	2.3	4.7
Wholesale Smaller Companies Fund	2.2	15.1	21.7	18.3	36.5	-1.1	9.3	13.2	15.8
S&P/ASX 300 Smaller Companies Accumulated Index	0.5	13.3	16.8	10.1	31.6	-8.7	4.4	9.7	8.3
Excess	1.6	1.8	4.8	8.2	4.9	7.6	4.9	3.5	7.5
Wholesale Ethical SRI Fund	-1.5	3.4	1.5	2.9	31.2	-1.9	8.4	13.1	-
S&P/ASX 300 Accumulated Index^	-1.0	5.7	6.3	1.8	16.2	-7.0	4.2	9.9	-
Excess	-0.5	-2.3	-4.9	1.1	15.1	5.1	4.1	3.2	-

International Equities

Global equities dealt with a range of issues over the month, including Euro-zone debt concerns from Ireland, tensions in the Korean peninsula and a policy tightening in China. The MSCI World ex Australia index (AUD) was flat with a 0.1% gain, helped in part by the depreciating Australian currency, with mixed results from various countries. Positive economic data helped support the US market, with the S&P500 performing flat over the month (-0.2%). The Euro Stoxx50 and FTSE100 were both down (-6.8% and -2.6%), whilst the Nikkei225 stood out by returning 8.0% due to a weaker yen. The fall in the AUD contributed to performance for Australian investors in international markets.The International Share Fund underperformed in November. Contributors to performance included Gap, Target and Toyota. Meanwhile, our holdings in BNP Paribas, Novartis and Capita Group detracted from the portfolios relative performance.

Gross returns for periods ending Nov 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	-1.0	1.2	-4.8	-2.5	-6.5	-8.5	-3.1	-	-
MSCI World ex Aust. Accumulation Index ($A)	0.1	2.9	-2.8	1.2	-3.2	-10.1	-3.9	-	-
Excess	-1.0	-1.7	-2.0	-3.7	-3.4	1.6	0.9	-	-
International Concentrated Fund	0.0	1.6	-3.6	-2.1	-5.3	-8.5	-	-	-
MSCI World ex Aust. Accumulation Index ($A)	0.1	2.9	-2.8	1.2	-3.2	-10.1	-	-	-
Excess	-0.1	-1.3	-0.8	-3.2	-2.2	1.5	-	-	-
Global Resources Fund*	4.4	15.8	18.2	14.8	27.3	2.9	-	-	-
MSCI Custom Resources Index¹	2.5	9.3	4.2	4.8	15.5	-5.2	-	-	-
Excess	1.9	6.5	14.0	10.1	11.8	8.2	-	-	-

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

Diversified Funds

The balanced growth fund returned -0.7%, underperforming the benchmark by 0.5% over the month. Asset allocation detracted from performance over the month, due in part to our overweight position to Australian Equities. Stock selection also detracted from performance over the month, with the outperformance in Australian equities being offset by underperformance in International equities. The fund remains overweight Australian equities, driven by positive value signals showing fair value at around 5000. The fixed income allocation has moved to a neutral position, with positive cycle scores offset by technical signals following the recent sell off in bonds.

Gross returns for periods ending Nov 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	1.4	2.8	5.5	7.8	3.8	5.8	7.5	-
Conservative Growh Index	-0.1	1.1	2.7	5.0	6.3	1.7	4.7	6.5	-
Excess	-0.1	0.2	0.1	0.6	1.6	2.1	1.1	1.0	-
Wholesale Diversified Growth Fund	-0.5	2.2	2.8	5.0	7.2	1.5	4.5	7.4	-
Diversified Growh Index	-0.2	2.0	2.7	4.5	6.2	-1.1	3.4	6.1	-
Excess	-0.3	0.1	0.0	0.5	1.0	2.6	1.0	1.2	-
Wholesale Balanced Growth Fund	-0.6	2.9	2.5	4.1	7.6	-1.8	3.2	7.4	5.7
Balanced Growth Index	-0.2	2.8	2.7	4.5	7.1	-3.2	3.0	6.7	4.5
Excess	-0.4	0.1	-0.2	-0.3	0.6	1.4	0.1	0.8	1.2

Fixed Income Funds

Credit markets started the month with a positive note with tightening in spreads reflecting the benefits of the Federal Reserve's much anticipated quantitative easing package (QE2), supported by robust corporate earnings results and broadly positive economic data released in the United States. However, geopolitical tensions in the Korean peninsula, contagion fears in Europe and policy tightening in China saw the iTraxx index blow out to the closing level of 118 points after trading within a broader range of 22 points, with the cost of buying insurance on the affected countries' government bonds reaching record highs. Parallel to this, physical spreads also moved wider.

Gross returns for periods ending Nov 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	0.5	1.8	3.6	7.5	6.1	5.8	5.8	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.6	4.1	5.3	5.7	-	-
Excess	0.1	0.7	1.2	2.9	2.0	0.6	0.1	-	-
High Grade Treasury Fund	0.5	2.0	3.9	8.5	6.5	5.4	5.4	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.6	4.1	5.3	5.7	-	-
Excess	0.1	0.8	1.5	4.0	2.4	0.1	-0.3	-	-
Credit Income Fund	0.5	2.4	4.7	11.5	7.5	5.0	4.4	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.6	4.1	5.3	5.7	-	-
Excess	0.1	1.2	2.3	6.9	3.5	-0.3	-1.3	-	-
Wholesale Diversified Income Fund	0.4	2.0	4.6	10.7	7.7	4.6	4.9	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.6	4.1	5.3	5.7	-	-
Excess	0.0	0.8	2.2	6.1	3.6	-0.7	-0.8	-	-
Active Fixed Interest Fund	-0.2	-0.5	3.4	7.3	6.5	8.0	6.2	-	-
UBS Composite Bond Index	-0.2	-1.1	2.4	5.6	4.5	7.4	6.0	-	-
Excess	0.0	0.6	1.0	1.7	2.0	0.7	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.
[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).