

Perpetual Institutional Monthly Update

February 2011 For the use of institutional investors only

Perpetual News

Perpetual announced its half-year results in February. First half underlying profit after tax (excluding significant items) was \$41 million, a 13% increase period on period. This is a good outcome, particularly compared to the recent results reported by competitors. The key highlights were the solid improvement in our core investment revenues as a result of stronger markets during the period, the contribution of the Private Wealth acquisitions via both market-linked and non-market revenue and, continued improvement in the mortgage processing business.

Australian Equities

The Australian market, as measured by the S&P/ASX 300 Accumulation Index, rose 2.3% over the month. This was the third consecutive positive month for the Australian Equity market. This is despite a late month sell off due to political instability in the Middle East and the ongoing concern over China's inflation and forward looking growth forecasts. The Australian Equity portfolios generally outperformed during the reporting season. Positive news from key overweight industrial stocks, such as Tabcorp, Newscorp and Fletcher Building assisted returns. Iluka and Campbell Brothers continued their strong run assisting the broader funds who have exposure to resources. The portfolios remain true to style with lower volatility, lower P/E's and higher dividend yields. Performance across the portfolios that have resource exposure is strong relative to peers.

Gross returns for periods ending Feb 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	2.4	5.9	12.4	9.3	26.5	5.9	5.6	12.5	12.7
S&P/ASX 300 Accumulated Index [^]	2.3	6.3	12.3	9.0	25.8	-0.3	4.0	10.0	8.3
Excess	0.1	-0.4	0.1	0.3	0.7	6.2	1.6	2.6	4.4
Wholesale Concentrated Equity Fund	2.0	5.3	8.7	5.7	24.3	6.6	6.3	12.1	13.4
S&P/ASX 300 Accumulated Index [^]	2.3	6.3	12.3	9.0	25.8	-0.3	4.0	10.0	8.3
Excess	-0.3	-1.0	-3.6	-3.3	-1.5	6.8	2.3	2.2	5.1
Wholesale Smaller Companies Fund	3.0	6.8	24.0	34.7	47.3	10.4	10.4	14.4	17.7
S&P/ASX Smaller Companies Accumulated Index	1.3	6.1	20.2	21.6	40.8	-2.4	4.1	9.8	9.0
Excess	1.7	0.7	3.8	13.1	6.5	12.8	6.2	4.5	8.7
Wholesale Ethical SRI Fund	2.5	6.3	9.6	5.8	36.2	8.2	8.0	13.3	-
S&P/ASX 300 Accumulated Index [^]	2.3	6.3	12.3	9.0	25.8	-0.3	4.0	10.0	-
Excess	0.1	0.0	-2.7	-3.2	10.5	8.5	3.9	3.3	-

International Equities

Global equity markets continued their positive start to the calendar year in February, with the MSCI World Accumulation Index (local) gaining 2.9%. Developed markets outperformed emerging markets by a considerable margin (4.3%) amid persistent inflation concerns and an escalation of social unrest across northern Africa and the Middle East. The International Share Fund underperformed in February. Contributors to performance included our holdings in Philip Morris International, Fresenius Medical Care and Gap. Negative returns from Wal-Mart Stores and Hewlett-Packard detracted from the portfolio's performance. The Fund continues to hold a quality portfolio of attractively valued companies with sound balance sheets and resilient free cash flows.

Gross returns for periods ending Feb 2011	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Global Resources Fund [*]	2.6	6.3	25.7	26.3	34.0	9.5	-	-	-
MSCI Custom Resources Index ¹	2.3	7.3	17.3	13.9	22.4	-2.4	-	-	-
Excess	0.3	-0.9	8.4	12.4	11.6	11.9	-	-	-
International Share Fund	0.8	6.0	6.7	-1.5	5.1	-3.4	-4.5	-	-
MSCI World ex Aust. Accumulation Index (\$A)	1.3	7.0	10.1	7.0	8.0	-3.2	-3.8	-	-
Excess	-0.5	-1.1	-3.4	-8.5	-2.9	-0.2	-0.7	-	-
International Concentrated Fund	0.1	4.9	4.3	-3.6	4.4	-4.3	-	-	-
MSCI World ex Aust. Accumulation Index (\$A)	1.3	7.0	10.1	7.0	8.0	-3.2	-	-	-
Excess	-1.2	-2.1	-5.8	-10.6	-3.6	-1.2	-	-	-

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

Diversified Funds

The portfolios outperformed their respective composite benchmarks over the month. The funds are performing strongly on a relative basis over the last 6 months. The overweight position to equities assisted relative return. Also contributing to performance was the outperformance of the income funds. In terms of the Funds current asset allocation the model is overweight Australian equities (+40) and overweight bonds (+20). The fund has recently enhanced the valuation model for Australian equities. The modification is intended to provide a more robust measure of long term value for the market.

Gross returns for periods ending Feb 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	3.3	5.1	7.2	11.0	6.0	5.7	7.4	-
Conservative Growth Index	0.8	2.5	3.7	6.5	9.3	4.0	4.6	6.4	-
Excess	0.3	0.8	1.4	0.8	1.7	2.0	1.1	1.0	-
Wholesale Diversified Growth Fund	1.3	4.1	6.5	7.1	12.9	4.8	4.0	7.3	-
Diversified Growth Index	0.9	3.4	5.5	7.1	11.3	2.6	3.3	6.1	-
Excess	0.4	0.7	1.0	0.0	1.5	2.3	0.8	1.2	-
Wholesale Balanced Growth Fund	1.4	4.4	7.7	6.5	14.7	3.0	2.4	7.3	6.4
Balanced Growth Index	1.2	4.2	7.1	8.0	13.7	1.5	2.8	6.7	4.9
Excess	0.2	0.2	0.6	-1.5	1.0	1.5	-0.4	0.7	1.5

Fixed Income Funds

Notwithstanding the ongoing turmoil in the Middle East threatening to spark the headline driven sell-off, domestic credit market had a relatively constructive month led by generally better than expected US economic data and supportive domestic earnings. Domestic credit spreads remained firm underpinned by bank balance sheet driven demand and the stabilisation of crude-oil futures more broadly as concerns over supply shortages due to the unrest in Libya subsided. The Australian iTraxx ended the month 5 basis points tighter to the closing level of 106.

Gross returns for periods ending Feb 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	0.7	2.1	4.1	7.4	7.5	6.5	6.0	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.8	4.1	5.1	5.7	-	-
Excess	0.3	0.8	1.6	2.6	3.4	1.4	0.3	-	-
High Grade Treasury Fund	0.7	2.1	4.3	7.9	8.5	6.3	5.6	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.8	4.1	5.1	5.7	-	-
Excess	0.3	0.9	1.9	3.1	4.3	1.2	0.0	-	-
Credit Income Fund	0.7	2.3	4.8	8.9	11.3	6.4	4.7	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.8	4.1	5.1	5.7	-	-
Excess	0.3	1.1	2.3	4.1	7.2	1.3	-1.0	-	-
Wholesale Diversified Income Fund	0.8	2.3	4.4	9.0	12.4	6.1	5.1	-	-
UBS Bank Bill Index	0.4	1.2	2.4	4.8	4.1	5.1	5.7	-	-
Excess	0.4	1.1	1.9	4.2	8.2	0.9	-0.6	-	-
Active Fixed Interest Fund	0.7	2.4	2.8	8.6	7.1	8.7	6.4	-	-
UBS Composite Bond Index	0.4	1.4	0.2	5.5	4.5	7.7	5.9	-	-
Excess	0.3	1.1	2.6	3.1	2.6	1.0	0.5	-	-

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.

Equities

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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).

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