



Perpetual Geared Australian Fund

February 2012

Fund facts

Investment objective: Aims to enhance long-term capital growth through borrowing (gearing) to invest in quality shares.

Benchmark: S&P/ASX 300 Accumulation Index^
Mgmt cost: 1.95% pa (GAV)
Buy / Sell spread: 0.75% / 0.00%
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

Fund benefits

Offers investors broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

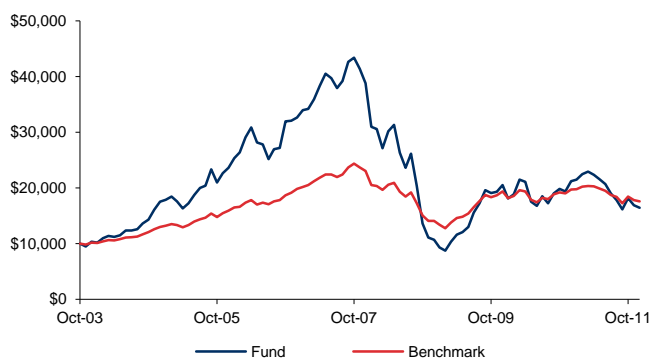
A geared fund has benefits over gearing into a fund because there are no margin calls, no credit checks, no need for collateral or assets as security.

Total returns % (after fees) as at 29 February 2012

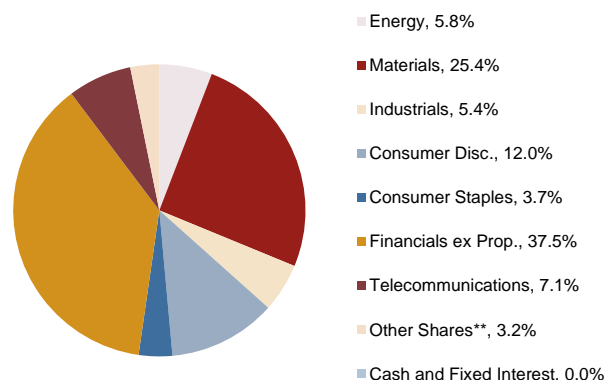
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0244AU	5.5	11.6	5.9	-16.1	29.3	-11.2	0.3	-
Perp. WealthFocus Investment Advantage	PER0492AU	5.4	11.5	5.7	-16.3	29.1	-	-	-
Perp. WealthFocus Super	PER0223AU	5.2	12.8	6.7	-11.9	26.6	-7.2	3.5	-
Perp. WealthFocus Pensions	PER0147AU	5.2	13.6	7.9	-12.6	29.7	-7.0	3.9	-
Perp. WealthFocus Term Allocated Pension	PER0341AU	5.2	13.6	7.9	-12.6	29.7	-7.0	3.9	-
S&P/ASX 300 Accumulation Index^		2.0	5.7	2.6	-6.8	13.8	-1.7	4.9	-

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

Growth of \$10,000 since inception (WFI Fund)



Portfolio sectors¹



Top 10 stock holdings¹

Commonwealth Bank of Australia
BHP Billiton
Westpac Banking Corporation
Telstra Corporation Limited
ANZ Banking Group Limited
Rio Tinto
Orica Limited
ASX Limited
New Hope Corporation Limited
Insurance Australia Group Limited

Portfolio fundamentals¹

	Portfolio	Benchmark
Price / Earnings	12.0	11.7
Dividend yield	5.1%	5.2%
Price / Book	1.7	1.6
Debt / Equity	29.1%	36.9%
Interest cover	15.8	11.8
Return on Equity	15.7%	14.4%

¹Source: Factset

Market commentary

The Australian market, as measured by the S&P/ASX 300 Accumulation Index rose by 2.0% over February, building on January's rise. Domestic investor appetite was aided by gains in global equity markets, driven by continued positive economic data from the United States and the approval of a second bailout package for Greece. Market sentiment was further boosted by easing measures from a number of central banks.

Domestically investors were focused on the conclusion to reporting season. On the whole, results were mixed with management teams pointing to margin pressures and weakness in domestic conditions. Smaller companies fared better than larger companies, with impressive results coming from Super Retail Group and Webjet in the consumer discretionary space.

The best performing sectors over February were industrials (+6.8%), consumer discretionary (+6.7%) and energy (+6.2%). The worst performing sectors over the month were utilities (-0.4%), materials (+0.1%) and financials ex-property (+0.7%). As a whole, industrial stocks (+2.5%) outperformed resources stocks (+1.0%) and small companies (+6.5%) outperformed large companies (+1.6%).

Portfolio commentary

The Fund's largest overweight positions before gearing include Australia's largest retail bank Commonwealth Bank, chemicals and explosives manufacturer Orica and coal miner New Hope Corporation. The Fund's largest underweight positions include National Australia Bank, Wesfarmers (not held) and Newcrest Mining (not held).

Our overweight position to explosives manufacturer Orica (+9.9%) contributed to relative performance. Late in the month the company announced that ammonia production had resumed at Kooragang Island. The plant closures were estimated to have impacted earnings before interest and taxes by around \$90 million this financial year. However, given strong underlying demand conditions, Orica expects its Group net profit after tax to be higher than that reported for 2011 subject to global economic conditions. We like Orica as it has a strong balance sheet and is a market leader in mining explosives and chemicals.

Our overweight position to financial institution Westpac (-1.2%) detracted from relative performance. During February Westpac provided an update on its trading performance for the first quarter of the new financial year. Statutory net profit was \$1.4 billion, achieved in a difficult operating environment. Total loans grew by 1%, due to soft demand for credit as consumers focused on repaying existing debts. Westpac's net interest margin, a key profitability metric, declined 10 basis points as deposit funding costs rose significantly throughout the December quarter. We continue to like Westpac as it is one of the higher quality banks with a strong and conservative loan book.

Outlook

The outlook for the Australian equity market appears to be improving. The flow of resilient economic data from the United States and efforts by Eurozone leaders to stabilise their economy may drive positive changes in investor sentiment toward risk assets. Chinese monetary easing may also benefit global markets. Despite these positive signs, downside risks to global growth still remain. Our investment process, favouring quality companies with strong balance sheets ensures that we are well placed to withstand any future shocks. We continue to research and invest in companies with sound management, conservative debt and recurring earnings which we believe are well placed to add value over the medium to long-term.

What are...?

Gearred funds have an internal gearing mechanism, which means that instead of borrowing externally to invest, money is borrowed within the workings of the fund, to reinvest into the Fund, to enhance the returns. When markets are up, this magnifies returns. When markets are down, losses are magnified.

Why Perpetual

Perpetual is one of Australia's most experienced investment services groups, with an enduring passion for protecting and growing our clients' wealth.

Founded in Sydney in 1886 as Perpetual Trustees, we've helped generations of Australians invest and manage their wealth through all market conditions.

Perpetual process

Perpetual's investment philosophy is a fundamental, conservative bottom-up approach to stock picking and active management, focusing on identifying quality companies that represent good value.

The process is based on comprehensive internal company research using four filters - sound management, conservative debt, quality of business and recurring earnings. Portfolios are constructed by experienced portfolio managers within a pre-determined risk framework.

Did you know?

Orica has grown from a supplier of explosives to Victorian gold fields during the 19th century to a top 30 ASX listed company. Orica consists of Orica Mining Services, offering commercial explosives, initiating systems and blast-based services to the mining, quarrying and construction industries; Orica Chemicals, a manufacturer, trader and distributor of chemicals and services; and, Minova, a manufacturer, supplier and service provider of chemical-based consumables, steel bolts, application and drilling equipment.

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** Other Shares may include Healthcare, Property Trusts, Information Technology, Utilities and GICS unspecified/international stocks.

^ 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 Fund information in this document is relevant to the Wholesale option unless stated.



Further information

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au