

# Perennial Growth Australian Shares Trust

Monthly Report as at 31 July 2010

	Month %	Quarter %	Financial YTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Growth Australian Shares Trust*	3.9	-7.6	3.9	8.0	-6.0	2.3	6.4
S&P/ASX 300 Accumulation Index	4.5	-6.0	4.5	10.0	-6.1	1.6	4.9
Value Added (Detracted)	-0.6	-1.6	-0.6	-2.0	0.1	0.7	1.5
Net Performance	3.8	-7.8	3.8	7.0	-6.7	1.5	5.5

\* Gross Performance Past performance is not a reliable indicator of future performance

- The S&P/ASX300 Accumulation Index had its strongest month since March, closing up 4.5%.
- The strongest performer in July was Intoll Group (up 41.3%).
- Perennial Growth increased exposure to the Materials and Financial sectors in July, adding to existing positions in RIO Tinto, National Australia Bank and Commonwealth Bank.

The S&P/ASX300 Accumulation Index (the Index) had its strongest month since March, closing up 4.5%. The Perennial Growth Australian Shares Trust (the Trust) rose 3.9%. Improving investor confidence pushed markets higher in July following several positive events including strong quarterly reporting results in the US, better than expected European banking stress test results, softening of Basel III banking liquidity/capital rules and the Federal Government's decision to abolish the proposed Resource Super Profits Tax in favour of a less onerous Mineral Resource Rent Tax.

Global equity markets rose in July with China's Shanghai Composite Index up 10.0%, the US Dow Jones up 7.1%, UK's FTSE100 up 6.9%, Tokyo's Nikkei up 1.7% and Hong Kong's Hang Seng up 1.2%. European bank regulators' stress test results revealed 7 out of 91 banks had failed to meet the 6.0% Tier 1 capital threshold, equating to a much lower than expected €3.5 billion capital shortfall. At the close of July, 61% of S&P500 Index companies had reported with 75% of the sample companies beating expectations in the US quarterly reporting season.

Commodity markets were predominately stronger in July as risk appetite returned. On the London Metal Exchange all base metals closed higher with Lead (up 18.7%), Zinc (up 13.0%), Copper (up 12.0%), Aluminium (up 10.0%), and Nickel (up 7.1%). The WTI Crude oil price closed up 3.7% at US\$78.95 per barrel. However, the Chinese iron ore spot price fell 1.9% to US\$136 per tonne and the price of gold fell 4.9% to US\$1,181 an ounce.

Domestically, Industrials (up 7.1%), Financials (up 5.6%) and Materials (up 4.9%) were the strongest performing sectors, whilst Telecommunications (down 0.6%) and Information Technology (down 2.8%) were weaker. On the economic front, the Reserve Bank of Australia kept rates

on hold at 4.5%, whilst 45,900 jobs were added and the unemployment rate fell to 5.1% (previously 5.2%). The AUD rose 7.5% in July to close at US\$0.90.

## Perennial Growth Australian Shares Trust

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and tax effective income, by investing in a diversified portfolio of Australian shares, and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

**Portfolio Manager:**  
Lee Mickelborough

**Trust FUM (as at 31/07/10):**  
AUD \$ 210.1 million

**Team FUM (as at 31/07/10):**  
AUD \$3.4 billion

**Trust Inception date:**  
March 2001

**Risk Profile:**  
High

**Income Distribution Frequency:**  
Half yearly

**Minimum Initial Investment:**  
\$25,000

**APIR code:** IOF0201AU

## Did you know?

That as part of the ongoing evolution of Perennial Growth Management's business, we are pleased to announce 2 changes to the investment team. Nick Sladen has been promoted to the role of Equities Analyst and Chris Collins is joining Perennial Growth in the role of Equities Dealer.

The strongest performer in July was Intoll Group (up 41.3%), which rose sharply after the Canadian Pension Plan Investment Board submitted an indicative, non-binding and conditional proposal to acquire the entire issued capital for AUD\$1.5435 per share.

Other strong contributors included Woolworths (Underweight, down 4.6%), Westpac Bank (up 13.0%) and Macquarie Atlas Group (up 26.3%). Woolworths declined, after reporting weaker than expected quarterly sales. Westpac Bank raised US\$3.0 billion in US debt markets to assist in funding its loan growth, pleasing investors. Macquarie Atlas Group's June quarter traffic report showed improvement on the two key assets (M6 Tollway in UK and Autoroutes Paris – Rhin-Rhone in France).

The Trust's performance was impacted by Nufarm (down 29.1%), after the company revised down its earnings guidance. The downgrade was the result of unfavourable seasonal conditions across Nufarm's key markets which

impacted volume, price and margin. QBE Insurance (down 8.2%) and Newcrest Mining (down 6.8%) also detracted value in July. QBE Insurance advised its insurance margin for first half would be approximately 15.7% after it was impacted by falling investment yields, below the previous guidance of 16%-18%. As risk appetite returned, Newcrest Mining declined in line with the gold price.

Perennial Growth increased exposure to the Materials and Financial sectors in July, adding to existing positions in RIO Tinto, National Australia Bank and Commonwealth Bank. CBH Resources was sold from the Trust, following the successful takeover by Toho Zinc. Holdings were trimmed in Telstra Corporation and Intoll Group (following the takeover bid).

At month end the cash balance was 1.1% and the Trust held 35 stocks.

#### Asset Allocation as at 31 July 2010

Stock Name	Trust Weight %	Index Weight %
Energy	8.42	7.25
Materials	28.21	25.57
Industrials	9.77	6.33
Consumer Discretionary	3.32	4.17
Consumer Staples	1.23	8.63
Health Care	5.31	3.47
Financials-x-Real Estate	39.97	32.18
Real Estate	0.00	6.54
Information Technology	0.05	0.74
Telecommunication Services	2.59	3.76
Utilities	0.00	1.36
Cash	1.14	0.00

Rounding accounts for small +/- from 100%.

#### Top Ten Holdings as at 31 July 2010

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	14.39	12.49
Westpac Banking Corp	8.34	6.65
National Aust. Bank	6.71	4.97
Commonwealth Bank.	5.69	7.55
RIO Tinto Limited	4.59	2.85
ANZ Banking Grp Ltd	3.80	5.47
Woodside Petroleum	3.76	1.98
CSL Limited	3.52	1.77
QBE Insurance Group	3.37	1.60
Newcrest Mining	3.20	1.47
<b>Total</b>	<b>57.37</b>	<b>46.80</b>