

# Perennial Capital Stable Wholesale Trust

Monthly Report as at 31 March 2013

	Month %	3 Months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Net Performance	-0.6	2.8	10.4	6.7	6.3	6.0

^ Since Inception: June 1999. Past performance is not a reliable indicator of future performance.

- Equity markets were again volatile over the month and produced variable outcomes.
- Global central banks remained steadfast in providing highly accommodative policy stances via conventional and non-conventional measures.
- Yields ended the month higher, with an upward shift in monetary policy expectations more than offsetting a rally towards the end of the month on renewed European uncertainty.

## Performance

The Perennial Capital Stable Wholesale Trust finished the month down 0.6%.

## Economic and Policy Trends

Last month, markets were unsettled by the inconclusive Italian election result, this month, the Euro crisis 'du jour' was Cyprus. After coming up with an initial €10 billion bail out package that involved "taxing" all depositors, pushback from voters saw the Cypriot Parliament reject the deal. A final deal was struck late in the month which protected smaller depositors and involved significant financial restructuring and downsizing. The gloss of a crisis averted was undone by comments from Eurogroup head Jeroen Dijsselbloem, who suggested that Cyprus was not a unique case and could be used as a template for other troubled Euro countries. Trust in a country's banking system is a critical tenant of a stable economy, any commentary from a European official undermining that trust is bound to unsettle depositors and markets. Subsequent commentary from the ECB denied that Cyprus was a template for future bailouts, but market unease remained.

Against this backdrop, global central banks remained steadfast in providing highly accommodative policy stances via conventional and non-conventional measures. As in February, this appeared to create a buffer against volatile political developments. Meanwhile, the data flow remained consistent with moderate global growth. Softer European data was offset by stronger US consumer, business and employment data. In China, preliminary March PMI readings point to a lift in activity levels over the month.

In Australia, the Q4 national accounts confirmed that the private sectors of the domestic economy finished the year on a weak note. Thanks to a sharp lift in public final demand and a rebound in export volumes, overall GDP growth posted a respectable 0.6% gain over the quarter and 3.1% over the year. Partial demand indicators for the March quarter point to some tentative improvement in private sector conditions. Retail sales rose by a much stronger than expected 0.9% in January. Labour force data also surprised on the upside, with an unbelievable 71,500 gain in employment over

## Perennial Capital Stable Wholesale Trust Facts:

The Trust aims to grow the value of your investment over the medium to long term by investing in a range of growth and income producing assets, and to provide a total return (after fees) that exceeds the return of its benchmark measured on a rolling three-year basis.

<b>Portfolio Manager:</b> Frank Uhlenbruch	<b>Risk Profile:</b> Moderate
<b>Trust FUM (as at 31/03/13):</b> AUD33.5 million	<b>Minimum Initial Investment:</b> \$25,000
<b>Income Distribution Frequency:</b> Half yearly	<b>APIR code:</b> IOF0100AU
<b>Trust Inception date:</b> June 1999	

February, while the unemployment rate remained unchanged at 5.4%. Consumer sentiment rose again in March, with forward looking components, such as time to buy a house or major appliance, quite buoyant. On the softer side, business surveys reported a fall in forward orders and difficult conditions caused by ongoing currency strength. The latter is likely to help keep inflation low and open the door for further easing in H2.

## Equity Market Trends

Equity markets were again volatile over the month and produced variable outcomes. Better performing regions were Japan and the US, where the Nikkei and S&P500 gained 7.2% and 3.6%, respectively. In Europe, the epicentre of this month's uncertainty, the Euro STOXX 50 edged 0.4% lower. The MSCI World ex-Australia Accumulation Index in Australian dollars ended up 0.61%, with an appreciating Australian currency a significant drag on sector returns. In Australia, the S&P/ASX 300

Accumulation Index gave up some of the bright start to the year, falling 2.3% over March.

### Bond Market Trends

Yields ended the month higher, with an upward shift in monetary policy expectations more than offsetting a rally towards the end of the month on renewed European uncertainty. After rising to as high as 3.15% on stronger than expected labour force data, the yield on a three year government bond ended the month at 2.87%. At the longer end of the yield curve, the ten year government bond yield ended the month 0.07% higher at 3.42%. For the month, the UBS Composite Bond Index fell 0.20%, while the cash sector, as measured by the UBS Bank Bill Index, returned 0.25%.

### Investment Strategy

Tactical asset allocation detracted value over the month as Australian fixed interest outperformed Australian equities. While the modest rise in yields restored some value to the sector, in our view it remains outright expensive. Accordingly, we continue to hold a moderate underweight position.

The fall in Australian equities restored value to the sector and it remains very attractive relative to fixed interest. We continue to hold a moderate overweight position, but have a bias to move back to benchmark on significant further strength.

Sector	Weighting %	Month %		One Year %	
		Perennial*	Benchmark	Perennial*	Benchmark
Value Australian Shares	11.4%	-2.1%	-2.3%	17.9%	19.2%
Growth Australian Shares	11.4%	-2.7%	-2.3%	14.2%	19.2%
International Equities	5.3%	-0.1%	0.6%	7.6%	10.8%
Australian Listed Property	4.9%	-2.6%	-2.7%	31.0%	30.7%
Australian Fixed Interest	32.30%	-0.03%	-0.20%	9.19%	7.04%
Global Property Unhedged	34.69%	0.45%	0.25%	6.45%	3.58%
Cash	11.4%	-2.1%	-2.3%	17.9%	19.2%

\*Past performance is not a reliable indicator of future performance.

Signatory of:



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