

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception*
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Australian Shares Trust*	4.1	5.1	11.6	10.3	7.0	12.2	10.9
S&P/ASX 300 Accumulation Index	4.3	4.9	10.4	11.8	6.6	11.6	8.0
<b>Value Added (Detracted)</b>	<b>-0.2</b>	<b>0.2</b>	<b>1.2</b>	<b>-1.5</b>	<b>0.4</b>	<b>0.6</b>	<b>2.9</b>
Net Performance	4.1	4.9	11.2	9.4	6.0	11.3	10.0

\*Gross Performance. ^Since inception: March 2000. Past performance is not a reliable indicator of future performance.

## Perennial Value 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.

### Trust manager:

John Murray

### Risk profile:

High

### Trust FUM (as at 31 December 2016):

AUD \$1.3 billion

### Income distribution frequency:

Half yearly

### Team FUM (as at 31 December 2016):

AUD \$7.2 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2000

### APIR code:

IOF0200AU

- ▶ The market rallied in December, with the S&P/ASX300 Accumulation Index (the Index) up 4.3%.
- ▶ Industrials led the market, rising 4.5%, while resources rose 3.7%.
- ▶ The Trust delivered a solid return of 4.1%.

## Trust Performance

The Perennial Value Australian Shares Trust (the Trust) delivered a solid absolute return of 4.1% for December, marginally behind the Index return of 4.3%.

Global markets remained in a buoyant mood, with the S&P500 up 1.8%, Nikkei 225 up 4.4% and FTSE 100 up 5.3%, while the Shanghai Composite declined 4.5%. Commodity prices were generally stronger with oil up 10.0%, iron ore up 10.0% and thermal coal up 14.0%, while coking coal (down 25.0%), copper (down 4.0%) and gold (down 2.0%) declined. As widely expected, the Federal Reserve lifted rates for the first time since the Global Financial Crisis (GFC), raising the Federal Funds Rate by 25 basis points to 0.75%. The Reserve Bank of Australia (RBA) left the cash rate remaining steady at 1.5%, while the Australian Dollar (AUD) finished the month down two cents at 72 US cents.

During December, the better performing sectors included utilities (up 8.7%), REITs (up 6.8%), energy (up 6.1%) and financials (up 5.5%), while telecommunications (up 0.5%), healthcare (up 0.9%) and consumer staples (up 1.2%) lagged.

Trust holdings which performed strongly included QBE Insurance (up 11.2%) with its leverage to rising US interest rates, Graincorp (up 10.4%) as the current east coast grain harvest shapes up to be a record, Ansell (up 9.4%) with its exposure to improving global manufacturing activity and Suncorp (up 8.2%) on evidence of improving premium rates. Other strong performers included Brickworks (up 8.7%), Stockland (up 8.7%), Lend Lease (up 7.4%) and AMP (up 7.2%). The Trust also benefited from being underweight healthcare and infrastructure stocks, which underperformed as bond yields rose.

Stocks which detracted from performance included Vocus Communications (down 7.2%) which continued to fall after last month's disappointing FY17 earnings guidance, Flight Centre (down 6.3%) as heavy discounting continues in the airfare market as a result of new capacity additions, Crown Resorts (down 1.4%) and Event Hospitality and Entertainment (down 0.9%). These companies are all underpinned by strong balance sheets and we remain comfortable with the medium term outlook for each.

## Trust Activity

During the month we took profits and sold out of our holdings in Aristocrat Leisure and Downer. Both of these stocks had been very strong performers for the Trust, having delivered total returns over the past 12 months of 54.3% and 75.8% respectively.

Proceeds were predominantly used to establish a position in Boral. We had previously sold out of this stock in October at an average price of \$6.87. The stock subsequently sold off sharply after announcing the acquisition of US building materials company, Headwaters, funded by a \$2.1 billion capital raising. Following the acquisition, Boral will generate nearly 40.0% of its revenue from the US and is one of the few stocks which give exposure to the improving US housing and construction cycle, which is expected to have a significant time to run. At our entry price of \$5.23, the stock represents good long-term value, trading on a FY18 P/E (Price to earnings ratio) of 13.9 times and gross yield of 5.6%.

The improving US economy is a key driver of markets at present and, in addition to our Boral position, the Trust is well exposed to this theme via its holdings in Ansell, Henderson Group, Lend Lease, Macquarie Group, NewsCorp and Westfield Corporation. At month end, stock numbers were 40 and cash was 6.7%.

## Outlook

Markets have responded positively to the US election results and the prospect of this leading to more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies where we see attractive valuations. This would also see continued upwards pressure on interest rates which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

**As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.**

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
Commonwealth Bank	7.5	9.3
Westpac Banking Corporation	5.9	7.1
BHP Billiton Limited	5.7	5.3
ANZ Banking Group Limited	5.2	5.8
National Australia Bank	4.7	5.3
Macquarie Group Limited	3.6	1.9
AGL Energy Limited	3.5	1.0
Woolworths Limited	3.3	2.0
Woodside Petroleum	3.1	1.5
Crown Resorts Limited	2.7	0.3

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.4	4.2
Materials	17.9	16.2
Industrials	0.0	6.7
Consumer Discretionary	6.3	5.2
Consumer Staples	6.6	6.8
Health Care	3.6	6.2
Financials-x-Real Estate	37.7	37.7
Real Estate	7.1	8.6
Information Technology	0.0	1.4
Telecommunication Services	4.0	4.4
Utilities	3.5	2.5
Cash & Other	6.8	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://www.perennial.net.au).

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).