

|  | Month      | Quarter    | FYTD       | 1 year     | 3 years    | 5 years    | Since Inception* |
|--|------------|------------|------------|------------|------------|------------|------------------|
|  | %          | %          | %          | %          | % p.a.     | % p.a.     | % p.a.           |
| Perennial Value Australian Shares Trust* | 0.7        | 3.1        | 19.8       | 16.6       | 8.5        | 13.8       | 11.8             |
| S&P/ASX 300 Accumulation Index           | 0.2        | 2.0        | 16.3       | 13.0       | 8.0        | 13.2       | 8.3              |
| <b>Value Added (Detracted)</b>           | <b>0.5</b> | <b>1.1</b> | <b>3.5</b> | <b>3.6</b> | <b>0.5</b> | <b>0.6</b> | <b>3.5</b>       |
| Net Performance                          | 0.6        | 2.8        | 19.0       | 15.6       | 7.6        | 12.8       | 11.0             |

\*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 March 2014):

AUD1.8 billion

### Income distribution frequency:

Half yearly

### Team FUM (as at 31 March 2014):

AUD8.4 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2000

### APIR code:

IOF0200AU

- ▶ **Global markets were mixed during March as the flow of economic data continued to be affected by seasonal and other distortions.**
- ▶ **Domestically, the better performing sectors during March were Financials, Industrials, Telecommunications and Information Technology.**
- ▶ **Premier Investments was up 21.2% as the market reacted positively to its full year profit announcement, with the company's growth brands continuing their strong revenue growth.**

The Perennial Value Australian Shares Trust (the Trust) delivered a return for the month of 0.7%, resulting in outperformance of 0.5% over the benchmark S&P/ASX300 Accumulation Index (the Index) return of 0.2%.

For the March quarter, the Trust delivered a return of 3.1%, outperforming the S&P/ASX 300 Accumulation Index return of 2.0% by 1.1%. The Trust has now delivered seven consecutive quarters of outperformance. From a financial year to date perspective, the Trust has delivered outperformance of 3.5%, with a return of 19.8% compared to the Index return of 16.3%.

Global markets were mixed as the flow of economic data continued to be affected by seasonal and other distortions. The S&P500 was up 0.7%, however the other major global indices recorded declines for the month. Concerns over a cyclical slowdown in China and the extent of any fiscal response by the central government lead the Shanghai composite down 1.1%. The FTSE declined 3.2% despite European economic indicators pointing to potential upside to GDP growth forecasts and the Nikkei 225 was broadly flat, returning -0.1%. Domestically, the low interest rate environment continues to drive improvements in house prices, residential construction and retail spending. The unemployment rate, however, rose to a 12-year high of 6% as the transition away from mining investment to other sources of economic growth progresses. The RBA kept interest rates steady, while the AUD/USD rose by 3.4c to end the month at 92.7c.

The better performing sectors during March were Financials (up 3.1%), Industrials (up 0.8%), Telecommunications (up 0.8%) and Information Technology (up 0.5%) while Materials (down 3.2%), Consumer Staples (down 2.1%) and Utilities (down 2.1%) underperformed.

A number of holdings performed strongly for the month. Premier Investments was up 21.2% as the market reacted positively to its full year profit announcement, with the company's growth brands continuing their strong revenue growth (Smiggle up 16% and Peter Alexander up 23%). Pleasingly, the company's other core apparel brands also achieved top line growth despite closing underperforming stores, highlighting the turnaround underway within the business. Lend Lease (up 7.0%) announced some positive contract wins during the month including preferred tenderer status on the A\$2.65bn NorthConnex motorway, linking the M2 and F3 motorways, where LLC has partnered with Bouygues Construction from France. Lend Lease offers good value, highlighted by a forecast FY15 P/E of 11.0x and thus comparing favourably to the overall market FY15 P/E of 13.4x. Additionally, we view the company as being a key beneficiary of the stronger residential market and the inevitable increase in domestic infrastructure spending. A number of holdings rose in the range of 5% to 8% including Aristocrat (up 8.0%), Orora (up 7.4%), AWE (up 6.3%), Iluka (up 5.5%), and AMP (up 5.5%).

Macquarie Group (up 3.0%) upgraded FY14 earnings guidance due to a better-than-expected performance from its Fixed Income, Currency and Commodities (FICC) division. Macquarie now expects FY14 earnings to be 40-45% higher than FY13. We continue to believe Macquarie offers further upside and the stock remains one of the largest overweights in the portfolio.

From a Top 20 perspective, the portfolio also benefitted from being underweight in Wesfarmers (down 4.1%), Santos (down 1.0%) and nil holding in CSL (down 2.8%). Woolworths is the portfolio's largest index non-holding and the 0.8% rise worked against the portfolio.

Stocks which detracted from performance during the month included Newcrest (down 12.8%), Myer (down 11.5%) and Orica (down 9.4%).

In terms of portfolio activity, we reduced holdings in stocks including Amcor, Asciano, AWE, Commonwealth Bank and Santos. Proceeds were reinvested into a number of existing holdings, including AGL Energy, AMP, Harvey Norman, Iluka, Sims Group and Westfield Group. AMP offers good value, trading on a forecast FY15 gross yield of 7.9% and this compares favourably to the FY15 overall market gross yield of 6.4%. Additionally, while higher levels of insurance claims in the life and income protection business in recent times have hurt profitability, we believe that the worst is likely to have passed for the company in this regard. We remain attracted to Harvey Norman's exposure to increased residential activity on the east coast as this should lead to increased sales of core products including furniture, bedding and manchester, carpets and flooring over time.

At month end, stock numbers were 41 and cash was 1.4%.

| Top 10 Holdings       |                |                |
|-----------------------|----------------|----------------|
| Stock name            | Trust weight % | Index weight % |
| BHP Billiton Limited  | 9.6            | 8.6            |
| Westpac Banking Corp  | 8.3            | 7.9            |
| ANZ Banking Group Ltd | 7.5            | 6.7            |
| National Aust. Bank   | 7.4            | 6.1            |
| Commonwealth Bank.    | 6.9            | 9.2            |
| Telstra Corporation.  | 5.7            | 4.6            |
| Macquarie Group Ltd   | 3.3            | 1.4            |
| Woodside Petroleum    | 3.0            | 1.8            |
| Rio Tinto Limited     | 2.9            | 2.0            |
| QBE Insurance Group   | 2.7            | 1.2            |

| Asset Allocation           |                |                |
|----------------------------|----------------|----------------|
| Sector                     | Trust weight % | Index weight % |
| Energy                     | 5.7            | 5.8            |
| Materials                  | 24.5           | 17.4           |
| Industrials                | 3.9            | 6.8            |
| Consumer Discretionary     | 7.0            | 4.8            |
| Consumer Staples           | 1.5            | 7.9            |
| Health Care                | 0.7            | 4.7            |
| Financials-x-Real Estate   | 41.4           | 38.2           |
| Real Estate                | 7.2            | 6.7            |
| Information Technology     | 0.0            | 0.8            |
| Telecommunication Services | 5.7            | 5.1            |
| Utilities                  | 0.8            | 1.6            |
| Other                      | 1.4            | -              |

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:



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