

# Perennial Value Shares Wholesale Trust

Monthly Report as at 31 January 2013

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception <sup>^</sup> % p.a.
Perennial Value Shares Wholesale Trust*	6.2	11.0	24.6	18.0	4.4	2.5	9.6
S&P/ASX 300 Accumulation Index	5.0	8.9	21.9	19.6	6.7	1.5	7.4
<b>Value Added (Detracted)</b>	<b>1.2</b>	<b>2.1</b>	<b>2.7</b>	<b>-1.6</b>	<b>-2.3</b>	<b>1.0</b>	<b>2.2</b>
Capital Growth	6.1	7.8	20.8	11.5	-0.5	-4.9	0.4
Income Distribution	0.0	3.0	3.4	5.6	4.0	6.6	8.4
Net Performance	6.1	10.8	24.1	17.1	3.5	1.6	8.9

\*Gross Performance. ^Since inception: June 2001. Past performance is not a reliable indicator of future performance.

- The Trust outperformed the Index return by 1.2%.
- The better performing sectors during the month were information technology (up 14.7%), consumer discretionary (up 8.6%) and financials (up 6.5%).
- The strongest performer during the month was FKP Property Group (up 52.2%).

In what has been another strong month for the market, the Perennial Value Shares Wholesale Trust (the Trust) finished up 6.2%, outperforming the S&P/ASX Accumulation Index (the Index) return of 5.0% by 1.2%. Pleasingly, a considerable range of stocks contributed to the outperformance, as discussed below.

Globally, equity markets all finished strongly in January. In the US, the S&P500 had its best start to the year since 1997, closing up 5.0%. Europe saw some reprieve in the negative news flow that has plagued it in recent times, with the FTSE up 6.4%. Japan had a particularly strong month with the Nikkei 225 up 7.1% as the Bank of Japan took aggressive measures to reflate the economy.

Domestic economic data showed a contraction in employment leading to a 20 basis points rise in the unemployment rate to 5.4%. The Reserve Bank of Australia left interest rates unchanged at 3.0%, having cut the official cash rate by 1.75% between November 2011 and December 2012. The Australian dollar finished the month 0.2 cents higher at USD1.042.

The better performing sectors during the month were information technology (up 14.7%), consumer discretionary (up 8.6%) and financials (up 6.5%). Materials (up 1.5%), utilities (up 2.6%) and healthcare (up 3.1%) underperformed.

The strongest performer during the month was FKP Property Group (up 52.2%). The share price has been very depressed for quite some time and readers will recall

## Perennial Value Shares Wholesale 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

### Trust FUM

(as at 31/01/13):

AUD1.6 billion

### Team FUM (as at 31/01/13):

AUD7.9 billion

### Trust Inception date:

June 2001

### Risk Profile:

High

### Income Distribution

#### Frequency:

Half yearly

#### Minimum Initial Investment:

\$25,000

#### APIR code:

IOF0206AU

in previous commentaries that we held our ground in this stock on the basis that it was very cheap, trading at a 70% discount to a credible net tangible assets. Our patience in holding a classic contrarian value stock is now being rewarded. The discount has started to close as the market becomes more upbeat towards the housing market and after the group has taken steps to rationalise its asset base.

There were a number of stocks which delivered a return of between 10% and 20%, including Aristocrat, Henderson Group, Fletcher Building, Toll, Myer, Premier, Amalgamated Holdings, Billabong, Boral, ASX, Lend Lease and AMP. In the second half of last calendar year, we had increased our holding in a number of these stocks, including Henderson Group and Myer and introduced ASX on the basis that they were oversold and simply too cheap.

Henderson Group (up 16.1%) rallied on positive market sentiment, particularly in European investment markets where the majority of Henderson's funds under management reside. The company also announced the resolution of legal action related to one of its legacy funds which is a positive for the company. Boral (up 12.4%) moved higher with the company announcing a \$90 million cost reduction program to align its cost base with the current uncertain building environment, particularly in Australia. The company subsequently announced an updated interim profit number ahead of market expectations, due to the early benefits of efficiency actions undertaken so far and better weather conditions.

Weaker performers included copper producer PanAust (down 11.7%) after a disappointing quarterly update and subdued 2013 production guidance and AngloGold Ashanti (down 10.1%) with the gold price lower for the month.

In terms of Trust activity, we trimmed our exposure to a number of stocks which have run hard of late, including Bluescope Steel, Boral, Brambles, Henderson Group and Myer. In the case of some, such as Boral and Bluescope, it is possible that its share prices have moved a little too far ahead of earnings, at least in the short term. Proceeds were reinvested into existing holdings, including BHP, PanAust, RIO and Worley. The resignation of CEO Tom Albanese from RIO should see greater capital management and cost disciplines under new CEO, Sam Walsh. These purchases had the effect of reducing the Trust's underweight exposure to resources.

At month end, stock numbers stood at 45 with cash at 1.6%.

#### Top 10 Holdings as at 31 January 2013

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	7.8%	10.0%
ANZ Banking Grp Ltd	7.5%	6.0%
Commonwealth Bank.	7.4%	8.6%
National Aust. Bank	7.2%	5.3%
Telstra Corporation.	6.8%	4.8%
Westpac Banking Corp	6.6%	7.2%
Rio Tinto Limited	4.0%	2.4%
Woodside Petroleum	3.4%	1.8%
Macquarie Group Ltd	3.2%	1.1%
Brambles Limited	2.9%	1.0%

#### Asset Allocation as at 31 January 2013

Asset Class	Trust Weight %	Index Weight %
Energy	5.9%	6.5%
Materials	26.0%	21.0%
Industrials	4.4%	6.8%
Consumer Discretionary	9.8%	3.8%
Consumer Staples	3.8%	8.3%
Health Care	0.0%	4.4%
Financials-x-Real Estate	37.5%	34.5%
Real Estate	3.8%	7.3%
Information Technology	0.0%	0.7%
Telecommunication Services	6.8%	5.0%
Utilities	0.4%	1.7%
Other	1.6%	-

Signatory of:



Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial Growth Management Pty Limited ABN 41 099 336 384 and Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. 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. Whilst 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 the application form attached to the current product disclosure statement. The current product disclosure statement can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).