

	Month	Quarter	FYTD	1 year	2 years	3 years	5 years
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Socially Responsive Shares Trust*	0.0	2.6	22.7	22.7	21.5	11.0	10.9
S&P/ASX 300 Accumulation Index	-1.4	0.9	17.2	17.2	19.5	9.9	10.9
<b>Value Added (Detracted)</b>	<b>1.4</b>	<b>1.7</b>	<b>5.5</b>	<b>5.5</b>	<b>2.0</b>	<b>1.1</b>	<b>0.0</b>
Net Performance	-0.1	2.4	21.5	21.5	20.4	10.0	9.9

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

### Perennial Socially Responsive Shares Trust

The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis, by investing in a selection of listed companies which also embrace and engender social performance in their corporate culture.

#### Portfolio manager:

Lee Mickelborough

#### Risk profile:

High

#### Trust FUM (as at 30 June 2014):

AUD49.0 million

#### Income distribution frequency:

Half yearly

#### Team FUM (as at 30 June 2014):

AUD2.4 billion

#### Minimum initial investment:

\$25,000

#### Trust inception date:

December 2001

#### APIR code:

IOF0117AU

- ▶ **The Trust outperformed the Index by 1.4% in June.**
- ▶ **The top contributors during the month were Karoon Gas (up 24.8%) and Worley Parsons (up 8.4%).**
- ▶ **Globally, equity markets posted mixed returns in June.**

### Trust performance overview

The Perennial Growth Socially Responsive Shares Trust (the Trust) outperformed the S&P/ASX300 Accumulation Index (the Index) by 1.4% in June, closing largely flat, with the Index finishing down 1.4% for the month.

Financials (up 2.9%) was the only sector to close in positive territory, with defensive sectors such as Consumer Staples (down 4.5%), Healthcare (down 3.2%) and Telcos (down 2.7%) all dragging the index lower in June.

The top performer in June was Karoon Gas (up 24.8%). Karoon was a significant outperformer over the month after they announced the sale of their Poseidon asset to Origin Energy for between US\$600- 800million depending on project milestones achieved. At the lower end of the payments this represented approximately 103% of Karoon's pre-suspension market capitalisation highlighting the significantly undervalued nature of these assets. We believe this validates the quality of the Poseidon asset and now provides the company with the funding required to pursue the Kangaroo appraisal drilling in Brazil as well as providing a better negotiating position with respect to future farm-outs. Once the payment is received we expect the company to announce a significant return of capital most likely through an on-market buyback. We remain excited about the Kangaroo appraisal program and believe that there are a number of catalysts over the coming months that will see the stock better reflect the underlying value we see in their assets.

Worley Parsons (up 8.4%) continued its pattern of month-to-month share price volatility, more than recovering the share price weakness from May. The company announced two important contracts during the month: Phase 2 (upstream) for the QLNG project in Gladstone and an extension of a major Brazilian Iron Ore upgrade for Vale. They key reason for the share price strength, however, was that the company got through to the end of the financial year without revising its outlook after profit downgrades in May and November last year. This validated our view that the November 2013 downgrade was largely attributable to non-recurring items (notably a problem fabrication contract in Canada and staff restructuring costs). We have reduced our position at higher levels but continue to hold the stock in the portfolio. We believe the stock is undervalued and is exposed to attractive international oil and gas and North American capital expenditure cycles and now has a renewed focus on cost discipline.

Woolworths (not held, down 6.2%) added value after falling on limited specific company news flow. The broader consumer sector was under pressure following a number of subdued trading updates from listed retailers highlighting difficult trading conditions, weak consumer confidence post the Federal Budget and unseasonal warm weather impacting sales, particularly in apparel.

Mayne Pharma (down 8.1%) detracted value after giving back all of May's gains. Late in the month the company announced it had completed the out-licensing of its SUBA Itraconazole intellectual property (IP) to US-based HedgePath Pharmaceuticals, Inc which will see it work on clinical development, registration and commercialisation of patented oral formulation of SUBA for the treatment of a variety of cancers in the US.

CSL (down 5.7%) underperformed in line with a generally weaker healthcare sector and defensive stocks more broadly. There was no company specific news, and the unexpected resilience of the Australian dollar also weighed on share price performance. We continue to be attracted to CSL's above-average growth profile and ROIC and took advantage of the weakness to add to our position.

### Market overview

Equity markets posted mixed returns in June with Japan's Nikkei225 (up 3.6%), the US S&P500 (up 1.9%), China's Shanghai Composite (up 0.5%) and Hong Kong's Hang Seng (up 0.5%) all finishing higher, while concerns about deflation in the Eurozone weighed on the UK's FTSE100 (down 1.5%) and Germany's DAX (down 1.1%).

Globally, the European Central Bank (ECB) cut interest rates and introduced new liquidity measures for banks designed to fend off the threat of deflation. The US Fed's Chair Janet Yellen announced another US\$10 billion in tapering of asset purchases to a monthly pace of US\$35 billion while also noting that there was no rush to withdraw monetary policy support for the economy, and in China the HSBC manufacturing flash PMI increased in June to 50.8, rising above the key 50 level for the first time since December 2013. US economic data was mixed with the FOMC's 2014 GDP forecasts revised down to 2.2% and retail sales (up 0.3%) below expectations, whilst non-farm payrolls came in slightly above expectations at 217,000.

Domestically, economic data was weaker in June with the Westpac Consumer Confidence Index rising only 0.2% following a 7% fall in the previous month, May building approvals fell 5.6% with revisions down for March and April, and retail sales rose 0.2% which was below expectations. In more positive news, GDP posted its strongest quarterly gain since 1Q12, rising 1.1%. The Australian Dollar (AUD) saw solid gains against the USD rising 1.3% to 0.9432 following the comments from Fed Chair Yellen which drove a rise in the carry trade despite weaker domestic economic fundamentals and soft commodity markets in recent months.

Continued concerns over the supply in bulk commodity markets and the sustainability of Chinese demand in recent months has impacted prices, however in June the price of iron ore bounced 2.2% off its lows. Elsewhere in commodity markets, the price of oil (Brent up 2.7% / WTI up 2.6%) rose as concerns increased that the conflict in Iraq could disrupt global supply. Base metals were stronger in June despite concerns about Chinese growth, with zinc (up 6.4%), lead (up 1.7%), and copper (up 1.5%) all stronger. Recent unrest in Iraq and Ukraine combined with the comments from the US Fed on monetary policy provided an attractive backdrop for gold which rallied 6.2% in June to close at US\$1316/oz.

### Top 10 Holdings

Stock name	Trust weight %	Index weight %
ANZ Banking Grp Ltd	8.3	6.7
Commonwealth Bank.	7.6	9.7
Westpac Banking Corp	6.8	7.8
National Aust. Bank	5.9	5.7
CSL Limited	4.6	2.3
Lend Lease Group	3.4	0.5
ResMed Inc.	3.2	0.3
Santos Ltd	2.8	1.0
QBE Insurance Group	2.8	1.0
Transurban Group	2.7	1.0

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	10.8	6.3
Materials	7.4	16.9
Industrials	11.6	6.9
Consumer Discretionary	2.6	4.2
Consumer Staples	0.7	7.9
Healthcare	10.0	4.6
Financials-x-Real Estate	41.0	38.2
Real Estate	5.8	7.1
Information Technology	0.7	0.8
Telecommunication Services	3.6	5.2
Utilities	2.3	1.8
Cash	3.3	-

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).

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