

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	0.4	2.8	22.3	18.6	10.5	11.6	10.3
S&P/ASX 300 Accumulation Index	0.7	2.5	19.0	16.1	9.7	12.1	8.0
<b>Value Added (Detracted)</b>	<b>-0.3</b>	<b>0.3</b>	<b>3.3</b>	<b>2.5</b>	<b>0.8</b>	<b>-0.5</b>	<b>2.3</b>
Capital Growth	0.3	2.6	19.0	13.6	5.2	6.8	1.6
Income Distribution	0.0	0.0	2.3	4.0	4.4	4.0	7.9
Net Performance	0.3	2.6	21.3	17.6	9.6	10.7	9.6

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

## 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

### Risk profile:

High

### Trust FUM (as at 31 May 2014):

AUD1.8 billion

### Income distribution frequency:

Half yearly

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

AUD8.4 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

June 2001

### APIR code:

IOF0206AU

- ▶ **Financial year to date, the Trust has returned 22.3%, 3.3% ahead of the benchmark return of 19.0%.**
- ▶ **The best performing holdings for the month included AWE (up 13.4%), Amalgamated Holdings (up 9.0%), Macquarie Group (up 6.8%), Aristocrat Leisure (up 5.6%) and AMP (up 4.8%).**
- ▶ **ANZ, NAB and Westpac delivered positive first half results, with CBA also providing a favourable trading update.**

The Australian equity market reversed the trend of recent years by rising in May, with the benchmark S&P/ASX300 Accumulation Index (the Index) returning 0.7%. The Perennial Value Shares Wholesale Trust (the Trust) rose 0.4%, underperforming the Index by 0.3%.

With eleven months of the financial year having passed, the Trust is on track to deliver strong outperformance above the benchmark. Financial year to date, the Trust has returned 22.3%, 3.3% ahead of the benchmark return of 19.0%.

Globally, all major markets ended the month higher with the S&P500 (up 2.3%) leading the way, while the FTSE (up 0.3%), Nikkei (up 1.2%) and Shanghai Composite (up 0.6%) also rose. US economic data continued to show signs of recovery from weather impacts earlier in the year. In Europe, tentative signs of a recovery continued with Q1 GDP growth steady. Domestically, the Federal budget was handed down, revealing a path to surplus over the coming years broadly at the expense of households. As a result, consumer confidence fell sharply following the Budget announcement. Data on construction work completed showed an uplift in residential construction, but non-residential and engineering were soft. The unemployment rate was unchanged at 5.8% due to a fall in participation. The RBA held interest rates steady with its neutral bias unchanged. The AUD/USD ended the month at 93c, in line with the prior month.

A strong rally in bond markets during the month had a significant macro impact on sector performance in the domestic market as seen by the outperformance of Utilities (up 2.8%) and Consumer Staples (up 1.8%). This had a detrimental impact on the Trust's performance given our underweight position in these sectors on valuation grounds. Other sectors which outperformed included Energy (up 2.9%) and Healthcare (up 2.7%). Sectors which lagged included Metals and Mining (down 3.0%) and Consumer Discretionary (down 0.9%).

The best performing holdings for the month included AWE (up 13.4%), Amalgamated Holdings (up 9.0%), Macquarie Group (up 6.8%), Aristocrat Leisure (up 5.6%) and AMP (up 4.8%).

From a company news perspective, the most significant announcement was Macquarie Group's full year profit to March 2014 of \$1,265m. This result was up 49% on the prior year and above management's previous guidance range of 40-45%. Each of Macquarie's businesses continue to perform well. The portfolio has benefitted handsomely over the past year as Macquarie has delivered a total return of 47.6%. Whilst significant profits have been realised at various points in the past year, we continue to see further growth options across the group. The balance sheet also remains in a capital surplus position relative to its regulatory obligations.

Aristocrat reported its March-end 2014 interim profit and this was greeted favourably by the market. Both revenue and profits grew strongly as a strong game product pipeline lead to increased market shares in both Australia (no. 1 supplier in NSW and Qld) and North America (predominantly USA).

During the month ANZ, NAB and Westpac delivered their first half results and CBA gave a Q3 trading update. Overall the results were positive, with modest revenue growth being complemented by declining bad debts charges to deliver average EPS growth of 9% over the previous corresponding period. This EPS growth was matched by average dividend growth of 9%, with the major banks currently offering an average FY15 gross yield of 8.0%.

Stocks which detracted from performance during the month included Bluescope Steel (down 9.7%), Orica (down 8.3%), Boral (down 6.9%), NAB (down 2.3%) and QBE (down 1.7%). Orica delivered an interim result which was slightly below expectations due to subdued demand conditions in many mining markets. Management is responding by re-shaping the business to increase the proportion of value added services

they provide as well as reducing operating costs. While current conditions are challenging, this business is well-placed longer term to benefit from the ongoing increases in global mining volumes. QBE also underperformed as strength in the US bond market dampened expectations that the company will benefit in the short term from rising short term interest rates. The persistently high Australian dollar is also hindering any translation benefits from its exposure to offshore earnings. QBE's cost saving program is running ahead of expectations and incidence of catastrophes has, to date, been low, and we retain confidence in the company.

In terms of portfolio activity, we reduced our exposure to a small number of companies, including Fairfax and Lend Lease. Significant profits were realised in both companies. Lend Lease for example, has delivered a total return of 39.3% in the past year compared to the benchmark return of 16.1%. Sale proceeds were mainly left in cash.

At month end, stock numbers were 47 and cash was 2.7%.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
BHP Billiton Limited	9.8	8.6
Westpac Banking Corp	8.2	7.8
ANZ Banking Grp Ltd	7.3	6.7
National Aust. Bank	6.9	5.7
Commonwealth Bank.	6.8	9.6
Telstra Corporation.	5.7	4.8
Macquarie Group Ltd	3.2	1.4
Woodside Petroleum	3.1	1.9
QBE Insurance Group	2.7	1.0
AMP Limited	2.6	1.1

Asset Allocation			
Sector	Trust weight %	Index weight %	
Energy	6.3	6.0	
Materials	22.3	16.9	
Industrials	4.4	7.0	
Consumer Discretionary	6.3	4.2	
Consumer Staples	1.7	8.2	
Health Care	1.6	4.7	
Financials-x-Real Estate	40.8	38.0	
Real Estate	7.4	7.0	
Information Technology	0.0	0.8	
Telecommunication Services	5.7	5.3	
Utilities	0.8	1.7	
Other	2.7	-	

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 Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. 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. 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, reference guides and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).