

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	-1.6	2.1	15.4	11.6	6.3	12.5	9.5
S&P/ASX 300 Accumulation Index	-2.7	1.4	13.6	10.8	6.0	11.7	7.6
<b>Value Added (Detracted)</b>	<b>1.1</b>	<b>0.7</b>	<b>1.8</b>	<b>0.8</b>	<b>0.3</b>	<b>0.8</b>	<b>1.9</b>
Capital Growth	-1.8	1.9	11.9	6.6	1.4	7.2	1.6
Income Distribution	0.0	0.0	2.6	4.1	4.0	4.4	7.2
Net Performance	-1.8	1.9	14.5	10.7	5.4	11.6	8.8

\*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

AUD \$1.1 billion

### Distribution frequency:

Half yearly

### Team FUM

AUD \$6.8 billion

### Minimum initial investment

\$25,000

### Trust inception date

June 2001

### APIR code

IOF0206AU

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- ▶ **The Perennial Value Shares Wholesale Trust (the Trust) has delivered a healthy total return of 11.6% for the last 12 months.**
- ▶ **The market declined in May, with the S&P/ASX300 Accumulation Index (the Index) down 2.7%.**
- ▶ **Bank stocks sold off, while resources rose in spite of falling commodity prices.**

### Market Review

Global markets were generally stronger in May, with the S&P500, (up 1.2%) Nikkei 225 (up 2.4%), and FTSE100 (up 4.4%) rising, while the Shanghai Composite (down 1.2%) declined. Commodity prices were softer, moving back to more sustainable levels as generally expected, with oil down 3.0%, iron ore down 17.0%, coking coal down 39.0% as cyclone supply disruptions reversed, thermal coal down 12.0% and copper down 1.0%, while gold was flat. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month down one cent at 74 US cents.

The Index fell 2.7% over the month, with the better performing sectors including industrials (up 4.7%), telecommunications (up 3.4%), energy (up 1.5%), utilities (up 1.0%) and metals & mining (up 0.9%). Financials (down 7.7%) was the worst performing sector as bank shares were sold off, with healthcare (down 2.4%), REITs (down 1.0%), consumer staples (down 0.4%) and consumer discretionary (down 0.3%) also lagging.

### Trust Review

Although the Trust fell 1.6% in May, the return for the last 12 months is a very healthy 11.6%.

The best performing stock in the Trust was Graincorp (up 15.7%), which rallied after delivering a strong H117 result on the back of last season's record east coast grain crop. The result was ahead of market expectations and the large amount of grain still in the system bodes well for the second half of the year and potentially sets them up for a strong FY18 as well. Boral (up 11.2%) rallied after hosting an investor tour of its recently-acquired US operation. The combined business now generates around 40.0% of its earnings from the US, providing a good exposure to generally improving US growth. In particular, their large fly ash business (which is used in concrete) is highly leveraged to any pickup in infrastructure spending. Caltex (up 10.7%) rallied after reporting another month of strong refiner margins, as well as receiving ACCC approval to complete the acquisition of a chain of service stations in Victoria.

Other strong performers included Iluka Resources (up 8.7%) after announcing price increases for its mineral sands products, Orica (up 7.5%) after reporting a positive H117 result which showed that the explosives market has stabilised, Telstra (up 4.5%), Rio Tinto (up 3.9%), NewsCorp (up 3.7%), Crown Resorts (up 3.6%) and Henderson Group (up 2.7%).

The Trust also benefited in a relative sense from its underweight position in the major banks, which declined an average of 10.0%. During the month, the banks reported lacklustre H117 results which highlighted that, while credit conditions remain benign, the revenue growth environment is becoming increasingly challenged as housing credit growth slows, regulation tightens, and measures such as the Bank Levy are imposed. We have been progressively increasing our already underweight positions to the banks in recent months as we have become concerned around their earnings growth outlook

Stocks which detracted from performance included Vocus Group (down 16.3%) which continues to wrestle with the integration of recent acquisitions, Westfield (down 6.6%) with negative sentiment to the retail sector and AMP (down 5.8%).

### Trust Activity

During the month, we took profits and sold out of our holding in AGL Energy. This stock has been a very strong performer, delivering a total return of 45.9% over the past 12 months, with its valuation now becoming full. Proceeds were used to add to our positions in a number of good value opportunities including Telstra and Caltex.

At month end, stock numbers were 41 and cash was 4.2%.

### Outlook

While there is a high level of ongoing uncertainty, the global growth outlook appears to be incrementally improving and markets continue to respond positively to the prospect of more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, the portfolio 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 portfolio through its underweight position in the expensive defensive sectors such as healthcare, 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	7.1	8.9
BHP Billiton Limited	5.9	5.0
Westpac Banking Corporation	5.2	6.6
Caltex Australia	4.1	0.6
Telstra Corporation	4.1	3.4
National Australia Bank	4.1	5.2
Crown Resorts Limited	3.9	0.3
ANZ Banking Group Limited	3.8	5.3
Rio Tinto Limited	3.8	1.7
Janus Henderson Group	3.7	0.2

Signatory of:

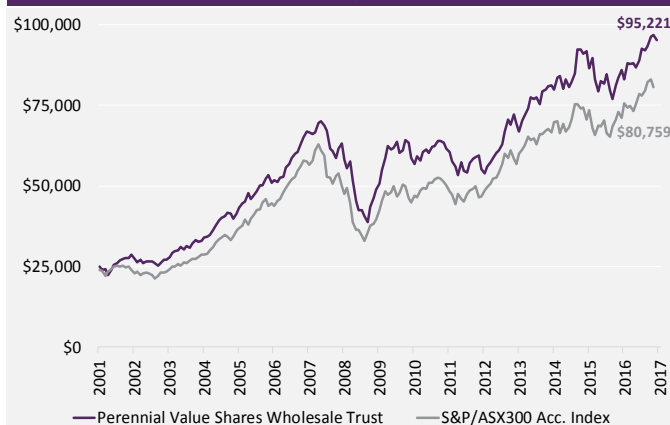


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Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	8.4	4.4
Materials	20.4	16.0
Industrials	0.0	7.5
Consumer Discretionary	10.0	5.2
Consumer Staples	6.2	7.2
Health Care	0.5	7.1
Financials-x-Real Estate	38.6	36.2
Real Estate	5.8	8.8
Information Technology	0.0	1.4
Telecommunication Services	6.0	3.8
Utilities	0.0	2.4
Cash & Other	4.2	-

Rounding accounts for small +/- from 100%.

### Growth of \$25,000 since inception



Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.