

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	-2.9	-2.6	12.9	13.5	7.3	14.1	9.9
S&P/ASX 300 Accumulation Index	-3.0	-3.5	10.6	10.6	7.3	12.8	7.6
Value Added (Detracted)	0.1	0.9	2.3	2.9	0.0	1.3	2.3
Capital Growth	-2.9	-4.6	10.2	8.8	2.2	9.1	1.1
Income Distribution	0.0	1.8	2.1	3.8	4.3	4.1	8.1
Net Performance	-2.9	-2.8	12.3	12.6	6.5	13.2	9.2

*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 January 2014):

AUD1.6 billion

Income distribution frequency:

Half yearly

Team FUM (as at 31 January 2014):

AUD8.1 billion

Minimum initial investment:

\$25,000

Trust inception date:

June 2001

APIR code:

IOF0206AU

- ▶ **Newcrest Mining (up 23.7%) was the best performing stock in the Trust for the month.**
- ▶ **The Amcor and Brambles demergers delivered favourable returns for shareholders.**
- ▶ **Overall economic data suggests the Australian economy may be near a positive turning point.**

The Australian market was weaker in January, with the S&P/ASX300 Accumulation Index (the Index) declining 3.0%. The Perennial Value Shares Wholesale Trust (the Trust) declined 2.9%, outperforming the Index return by 0.1%.

Global markets were also weak in January, with the S&P500 (down 3.6%) retreating from December's record high while the FTSE fell 3.5%, the Shanghai Composite fell 3.9% and the Nikkei 225 fell 8.5% after a strong run over the prior 12 months.

For the global economy, the data released over the month was mixed, showing overall improvement in developed economies, but slower activity in emerging markets. There was evidence that growth in China's economy may be slowing, with the manufacturing PMI dropping below the key 50 benchmark. In the US, most data indicated that growth is improving, although the employment report showed job growth to be weaker than expected. Japan's data was consistent with the economy growing strongly and economic data in Europe showed decent improvement. The World Bank raised its forecast for global growth for the first time in three years. At month end, there was concern about the impact of Fed tapering on emerging economies with a number of sharp currency devaluations, notably Argentina and South Africa. In Australia, the December retail sales data was positive and both business confidence and credit growth improved. While employment data is yet to show a significant pick-up in job activity, overall recent economic data suggests the economy may be near a positive turning point. There was no central bank meeting during the month and the AUD/USD fell to 87.4c, briefly touching a four year low during the month.

The more defensive sectors outperformed during the month with the better performing sectors being utilities (up 0.8%), REITs (up 0.4%) and healthcare (up 0.3%) while consumer discretionary (down 4.5%), financials (down 4.6%) and energy (down 3.8%) underperformed.

The best performing stocks in the Trust for the month were Newcrest Mining (up 23.7%) on a rise in the gold price and a better than expected quarterly production report and Orora Limited (up 10.3%), which demerged from Amcor during December. Other strong performers included Fletcher Building (up 9.8%) which is expected to benefit from the strong New Zealand residential housing market, Fairfax Media (up 4.7%), Aveo Group (formerly FKP, up 3.4%) and Iluka Resources (up 1.7%). Boral (down 0.4%) announced that its first half results would be above expectations due to better weather, especially in Queensland where it has major project work and it is seeing the benefit of a stronger residential market. The loss-making building products division is also showing signs of improved performance. The Western Australian housing market, which has had excess capacity, has been very strong and New South Wales, Boral's home market, is experiencing a recovery in the building of detached houses after a prolonged downturn.

The Trust also benefited from being underweight Commonwealth Bank (down 4.6%) and Wesfarmers (down 4.6%).

Weaker performances came from BlueScope Steel (down 7.2%), Premier Investments (down 7.0%) and Treasury Wine Estates (down 24.5%). Treasury announced a large reduction in profit guidance due, in part, to further weakness in the US, softness in its sales in China and a poorly executed domestic Christmas selling season. Fortunately, we had significantly reduced this position in calendar year 2013 at much higher levels with the major part of the selling occurring in November 2013 at an average price of around \$5.00 per share. Taking significant profits in the company at that point mitigated the disappointment of this most recent announcement. After thorough analysis of the reasons for the downgrade, it was decided to sell out of the stock.

Demergers often yield favourable returns for shareholders and so it was with the Amcor and Brambles demergers. The domestic fibre and glass packaging company, Orora, was

demerged from Amcor in mid-December and the Trust has continued to accumulate stock at an average price of \$1.19 per share. This represents a forecast FY15 price to free cashflow multiple of 8.7x, which compares very favourably to the equivalent overall market multiple of 12.9x. The company is well capitalised and is commissioning a \$400 million paper mill at Port Botany which will materially lower its cost structure over time. Global document storage services provider, Recall Holdings, was demerged from Brambles. In contrast to Orora, the share price has performed strongly and the Trust sold out on the basis of overvaluation. Based on the average sale price of \$4.43, this represented a forecast FY15 price to free cashflow multiple of 14.9x.

At month end, stock numbers were 46 and cash was 1.8%.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
BHP Billiton Limited	10.2	9.0
Commonwealth Bank.	7.4	9.2
ANZ Banking Grp Ltd	7.2	6.4
Westpac Banking Corp	7.2	7.4
National Aust. Bank	7.0	6.0
Telstra Corporation.	6.2	4.9
Rio Tinto Limited	3.1	2.2
Macquarie Group Ltd	3.1	1.3
Woodside Petroleum	3.0	1.8
QBE Insurance Group	2.7	1.1

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.0	5.9
Materials	25.9	18.1
Industrials	4.5	6.7
Consumer Discretionary	6.7	4.8
Consumer Staples	1.8	8.2
Health Care	0.1	4.9
Financials-x-Real Estate	39.3	36.8
Real Estate	6.6	6.8
Information Technology	0.0	0.9
Telecommunication Services	6.2	5.4
Utilities	0.3	1.7
Other	1.8	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
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Signatory of:



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