

	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	0.5	20.4	20.4	10.6	10.4	10.1
S&P/ASX 300 Accumulation Index	0.9	17.3	17.3	10.0	10.9	7.8
Value Added (Detracted)	-0.4	3.1	3.1	0.6	-0.5	2.3
Capital Growth	-1.3	15.3	15.3	5.2	5.6	1.4
Income Distribution	1.6	4.1	4.1	4.5	4.0	8.0
Net Performance	0.3	19.4	19.4	9.7	9.6	9.4

*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 30 June 2014):

AUD1.5 billion

Income distribution frequency:

Half yearly

Team FUM (as at 30 June 2014):

AUD8.2 billion

Minimum initial investment:

\$25,000

Trust inception date:

June 2001

APIR code:

IOF0206AU

- ▶ **The Trust has delivered a strong result for the year to 30 June, with the 20.4% return resulting in outperformance of 3.1% over the Index return of 17.3%.**
- ▶ **This quarter saw a strong rally in bond markets.**
- ▶ **The best performing stocks in the Trust included Resmed (up 16.3%); Lend Lease (up 10.4%), Asciano (up 8.3%) Amalgamated Holdings (up 8.4%), Stockland (up 8.1%) and Westfield Corporation (up 6.5% adjusted for the demerger).**

The S&P/ASX 300 Accumulation Index (the Index) was up 0.9% for the quarter. The Perennial Value Shares Wholesale Trust (the Trust) finished the quarter up 0.5%, underperforming the Index return by 0.4%.

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Global markets recorded strong gains with the S&P500 (up 4.7%), Nikkei 225 (up 2.3%), FTSE (up 2.2%) and Shanghai Composite (up 0.7%) finishing higher at end of the quarter. The impact of severe weather conditions in North America saw the US 1Q14 GDP contract at an annual rate of 2.9% quarter on quarter. However, 2Q14 is expected to rebound as manufacturing PMI rose to 55.4, the unemployment rate fell from 6.7% in March to 6.3% in May and nonfarm payrolls grew 499,000 combined in April and May. In Europe, the ECB cut interest rates by 10 basis points and announced a series of credit easing measures in response to low levels of inflation. China posted better than expected 1Q14 GDP of 7.4% year on year and the improvements continued as the HSBC manufacturing PMI expanded to 50.8 in June and Industrial Production increased to 8.8% year on year.

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. The Reserve Bank of Australia (RBA) left the cash rate of 2.5% on hold during the quarter. The AUD/USD ended the quarter at 94.3c, up 1.6c.

This quarter saw a strong rally in bond markets which had a significant macroeconomic impact on sector performance in the domestic market as seen by the outperformance of REITs (up 9.7%) and utilities (up 7.7%). This had a negative impact on the Trust's performance given our underweight position in these sectors on valuation grounds. Other sectors which outperformed included energy (up 6.0%) and financials (up 2.9%). Sectors which lagged included materials (down 2.3%) and healthcare (down 2.0%).

The best performing stocks in the Trust included Resmed (up 16.3%) following a positive third quarter profit announcement, with sales growth ahead of market expectations; Lend Lease (up 10.4%), which announced that it will commence a third office tower at its Barangaroo project and sold its 30% share in the UK based Bluewater Shopping centre for a bullish A\$1.2 billion; Asciano (up 8.3%) provided a positive quarterly update with volumes in the key coal rail business and port containers growing strongly and reiterated guidance. Amalgamated Holdings (up 8.4%), Stockland (up 8.1%) and Westfield Corporation (up 6.5% adjusted for the demerger) also performed well.

Stocks which detracted from performance during the quarter included Iluka (down 16.3%) which reported a weaker than expected quarterly result; QBE (down 14.1%) 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. Other weak performers included BlueScope (down 10.1%), Crown (down 8.4%) and Orica (down 7.8%). We remain comfortable with our holdings in each of these stocks.

During the quarter, we trimmed holdings in AMP, Boral, Brambles, Fairfax, Lend Lease, Orica and RIO. We also sold out of our holding in ASX and Myer. In the case of the ASX, recent market volumes have been poor, particularly SFE derivatives volumes. This represents a much larger component of revenue than cash equities and has been the company's growth engine in recent years. In the case of Myer, we became increasingly cautious at the competition emerging in the mid-tier fashion space. Proceeds were reinvested into existing

holdings including AGK, AMP, Harvey Norman, Origin Energy, Woodside Petroleum (we participated in the Shell sell-down) and Westfield Group. Resmed and Coca Cola Amatil (CCL) were also introduced into the Trust. Coca Cola is currently very much out of favour and should benefit from the recent changeover in CEO and senior management.

Perennial Value remains alert to Environmental, Social and Corporate Governance (ES&G) issues in the Trust. In June, we were pleased to see that the BHP Billiton Sustainable Communities announced that they will play a part to help document the biodiversity of The Kimberley through its support of the Bush Blitz program – a species discovery partnership between the Australian Government, BHP and Earthwatch Australia. To date, BHP Sustainable Communities has invested more than US\$4m in the partnership which has discovered at least 700 new species since its launch in 2010.

At month end, stock numbers were 47 and cash was 1.6%.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
BHP Billiton Limited	9.7	8.5
Westpac Banking Corp	8.4	7.8
ANZ Banking Grp Ltd	7.4	6.7
National Aust. Bank	6.9	5.7
Commonwealth Bank	6.7	9.7
Telstra Corporation.	5.6	4.8
Woodside Petroleum	3.7	2.1
Macquarie Group Ltd	3.2	1.4
Rio Tinto Limited	2.8	1.9
AMP Limited	2.6	1.1

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.8	6.3
Materials	23.0	16.9
Industrials	4.0	6.9
Consumer Discretionary	6.5	4.2
Consumer Staples	2.4	7.9
Health Care	1.6	4.6
Financials-x-Real Estate	39.1	38.2
Real Estate	7.6	7.1
Information Technology	0.0	0.8
Telecommunication Services	5.5	5.2
Utilities	1.7	1.8
Other	1.7	-

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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