

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	-1.5	0.5	20.4	20.4	10.6	10.4	10.1
S&P/ASX 300 Accumulation Index	-1.4	0.9	17.3	17.3	10.0	10.9	7.8
<b>Value Added (Detracted)</b>	<b>-0.1</b>	<b>-0.4</b>	<b>3.1</b>	<b>3.1</b>	<b>0.6</b>	<b>-0.5</b>	<b>2.3</b>
Capital Growth	-3.2	-1.3	15.3	15.3	5.2	5.6	1.4
Income Distribution	1.6	1.6	4.1	4.1	4.5	4.0	8.0
Net Performance	-1.6	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

- ▶ **Financial year to date, the Trust has returned 20.4%, 3.1% ahead of the benchmark return of 17.3%.**
- ▶ **The best performing holdings for the month included Westfield Corporation (up 6.5% adjusted for the demerger), Aveo Group (formerly FKP, up 2.9%), Stockland (up 2.6%) and Orora (up 2.5%).**
- ▶ **Domestically data was mixed, with a number of retailers announcing earnings downgrades during the month.**

The Australian equity market declined in June, with the benchmark S&P/ASX300 Accumulation Index (the Index) down 1.4%. The Perennial Value Shares Wholesale Trust (the Trust) was down 1.5%, underperforming the Index by 0.1%.

The Trust has delivered a strong result for the year to 30 June, with a 20.4% return resulting in outperformance of 3.1% over the benchmark return of 17.3%.

Global markets were strong in June, with the Nikkei 225 (up 3.6%), the S&P500 (up 1.9%) and the Shanghai Composite (up 0.5%) rising during the month, while the FTSE fell (down 1.5%). The US Federal Reserve remained upbeat on the outlook, noting that economic activity has rebounded in recent months and indicated that short term interest rates may rise in 2015/16. 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 continued to show slight improvements, with HSBC manufacturing PMI in May expanding to 50.8 and Industrial Production increased 8.8% year on year.

Domestically data was mixed, with a number of retailers announcing earnings downgrades during the month on the back of an unseasonably warm winter and a decline in consumer confidence post the Federal Budget. GDP expanded 1.1% quarter on quarter in 1Q 2014 with the annual rate of economic growth accelerating to 3.5% year on year. The RBA left the cash rate unchanged at 2.5%, retaining its neutral bias. The AUD/USD rose by 1.2c to end the month at 94.3c.

The better performing sectors during June were REITs (up 3.3%), boosted by the Westfield restructuring and Utilities (up 1.1%), assisted by lower bond yields. Financials (down 1.1%) and Energy (down 1.2%) also outperformed. Consumer staples (down 4.5%) was the worst performing sector, followed by Healthcare (down 3.2%) and Telecommunications (down 2.7%).

The best performing stock in the portfolio for the month was Westfield Corporation (up 6.5% adjusted for the demerger), which commenced trading post the restructure of Westfield Group (WDC) and Westfield Retail (WRT). Under the transaction, the Australian and New Zealand business formed a new entity known as Scentre Group and the international business became Westfield Corporation. Westfield Corporation holds a number of high quality assets and offers earnings exposure to the US and UK. Other strong performers included Aveo Group (formerly FKP, up 2.9%), Stockland (up 2.6%) and Orora (up 2.5%).

Stocks which detracted from performance during the month included Fairfax (down 11.3%), BlueScope (down 7.2%), Crown (down 7.0%) and Iluka (down 6.6%). We remain comfortable with our holdings in each of these stocks.

In terms of portfolio activity, we trimmed holdings in a small number of stocks, including AMP, Boral, Brambles, Orica and RIO. The most significant move was to sell out of 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. The portfolio's other diversified financial holdings, being Henderson and Macquarie Groups, represent better value. ASX trades on a prospective FY15 P/E of 17.0x versus respective multiples for Henderson and Macquarie of 13.1x and 14.9x. Brambles was sold down on an FY15 P/E multiple of 18.1x.

Proceeds were reinvested in existing holdings, including AGK, Woodside Petroleum (we participated in the Shell sell-down)

and Westfield Group. Coca Cola Amatil (CCL) was also introduced into the portfolio. In contrast to Brambles, this company is currently very much out of favour and should benefit from the recent changeover in CEO and senior management.

The net effect of the above transactions has further enhanced the underlying valuation characteristics of the portfolio. This is highlighted by CCL's prospective FY15 P/E of 14.6x (predicated on our forecasting of a higher profit than market consensus due to cost cutting) and Woodside's prospective FY15 gross yield of 9.9%.

At month end, stock numbers were 47 and cash was 1.7%.

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  
or visit [www.perennial.net.au](http://www.perennial.net.au).

Signatory of:



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