

	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	-5.9	9.1	9.1	18.1	9.6	10.0
S&P/ASX 300 Accumulation Index	-6.5	5.6	5.6	14.7	9.4	7.7
<b>Value Added (Detracted)</b>	<b>0.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>0.2</b>	<b>2.3</b>
Capital Growth	-8.1	3.9	3.9	12.6	4.5	1.6
Income Distribution	2.0	4.4	4.4	4.6	4.3	7.7
Net Performance	-6.1	8.3	8.3	17.2	8.8	9.3

\*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 2015):

AUD1.3 billion

### Income distribution frequency:

Half yearly

### Team FUM (as at 30 June 2015):

AUD8.1 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

June 2001

### APIR code:

IOF0206AU

- ▶ **The one constant in Australia throughout the June quarter was the exceptional strength in Sydney's housing market.**
- ▶ **The Australian equity market sold off in the June quarter, driven lower by concerns over the Greek financial situation and a sell-off in the major banks.**
- ▶ **In a more defensive environment, the better performing sectors during the quarter were Energy (up 0.3%), Industrials (down 2.1%), REITs (down 2.3%), Utilities (down 2.4%) and Telcos.**

The Australian equity market sold off in the June quarter, driven lower by concerns over the Greek financial situation and a sell-off in the major banks, with the S&P/ASX300 Accumulation Index (the Index) returning -6.5% for the quarter. The Perennial Value Shares Wholesale Trust (the Trust) returned -5.9%, outperforming the Index by 0.6%.

For FY15, the Trust delivered a return of 9.1%, approximately 3.5% ahead of the Index return of 5.6%. This marks the Trust's third consecutive financial year of delivering in excess of 300 basis points outperformance.

Globally, data was mixed over the quarter. The major markets were mixed, with the S&P 500 down 1.1% and the FTSE 100 down 5.4%, while the Nikkei rose 4.3% and the Shanghai Composite rose 13.0%. Debate about the timing of the US Federal Reserve's monetary tightening policy continued, with the market shifting its expectations from June to September as the quarter progressed. Negotiations with Greece captured the market's attention as the 30 June deadline for payment to the International Monetary Fund approached. Europe and Japan each reported solid activity outcomes through April and May, only for momentum to fade as the quarter ended, particularly in Japan. Policy easing was a theme over the quarter, with the People's Bank of China cutting benchmark 1 year lending and deposit rates by 0.25% and the bank's reserve requirement ratio by 0.5%. Oil prices rose over the quarter, as did most commodity prices, which contributed to a mild increase in inflation.

The one constant in Australia throughout the June quarter was the exceptional strength in Sydney's housing market. The regulators increased pressure on the banks to curb lending to residential investors, although the impact was not clear in the credit data. The employment figures were solid with unemployment falling to 6.0% in May. Retail sales results were somewhat disappointing, as consumer confidence stayed low and faded after an initial increase post the Federal budget. The Reserve Bank of Australia trimmed the cash rate by another 25 basis points in May to 2.0% and the Australian dollar closed the month at 77 US cents, up 1 cent over the quarter.

In a more defensive environment, the better performing sectors during the quarter were Energy (up 0.3%), Industrials (down 2.1%), REITs (down 2.3%), Utilities (down 2.4%) and Telcos (down 2.4%). Sectors which underperformed included Consumer Staples (down 10.0%) led down by Woolworths, Consumer Discretionary (down 9.1%) and Financials (down 8.4%) led down by the major banks.

The best performing stock in the Trust for the quarter was Sandfire Resources (up 30.1%) following positive drilling results adjacent to its copper mine in Western Australia, and sell-downs by strategic shareholders which have left the register of this low-cost copper miner wide open. Macquarie Group (up 8.8%) performed strongly

after delivering a solid FY15 result which showed strong growth in profits, dividends and return on equity. Other outperformers included Orica (up 8.3%) after delivering a better than expected earnings result and Amalgamated Holdings (up 6.8%) with its leverage to improving domestic tourism. Origin energy (up 5.8%) also performed well as its APLNG plant nears completion.

Stocks which detracted from performance included BlueScope Steel (down 28.2%) and Sims Metal (down 15.8%) after their Q3 trading update showed that constrained scrap generation and a weak export market resulted in lower scrap volumes. Coca-Cola Amatil (down 15.1%), Fairfax (down 14.7%) and Ansell (down 12.6%) also underperformed on no particular news. Flight Centre (down 14.7%) fell after indicating that its profit would come in at the lower end of its previous guidance range.

During the quarter, the Trust received shares in South 32 following its separation from BHP. South 32 comprises a suite of assets, principally located in Australia and South Africa, which were non-core to BHP. These assets include silver, lead, zinc, manganese, alumina, aluminium and coal. The business is attractive as many of these commodities are likely to be close to the bottom of their cycles with limited new supply coming onto the market. In addition, the company has a debt-

free balance sheet which will give it flexibility to make acquisitions or undertake capital management. In addition, at the month end price of \$1.79, the stock is offering a forecast FY16 gross dividend yield of 6.3%.

In terms of portfolio movements, we locked in profits and reduced holdings in some of the stocks which have performed strongly in recent times including Ansell, Aristocrat Leisure, Boral, Fairfax, Harvey Norman, Orora, Macquarie Group and Sandfire Resources. Funds were reinvested into a number of stocks including AGL, CIMIC Group, Flight Centre, Orica, Origin Energy, NAB and NewsCorp.

Perennial Value Management remains alert to Environmental, Social and Corporate Governance (ES&G) issues in the Trust. During the quarter, we attended Asciano's site tour of Port Botany. We were pleased to see the safety benefits of the Port Botany automation project where Asciano estimates that the Lost Time Injury Frequency Rate (LTIFR) at Port Botany should drop by 40% immediately and potentially reach a 90% reduction should the results mirror the Port of Brisbane automation project. So far, there have been no lost time injuries since they switched over to automated container handling.

At month end, stock numbers were 46 and cash was 3.1%.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
National Aust. Bank	7.8	6.2
Westpac Banking Corp	7.8	7.1
Commonwealth Bank.	7.4	9.8
BHP Billiton Limited	7.2	6.1
Telstra Corporation.	6.2	5.3
ANZ Banking Grp Ltd	6.2	6.3
Macquarie Group Ltd	3.3	1.9
QBE Insurance Group	2.9	1.3
AMP Limited	2.8	1.3
Woodside Petroleum	2.7	1.7

Asset Allocation			
Sector	Trust weight %	Index weight %	
Energy	5.6	5.1	
Materials	20.2	14.8	
Industrials	4.1	7.2	
Consumer Discretionary	9.7	4.3	
Consumer Staples	4.8	6.5	
Health Care	0.7	6.0	
Financials-x-Real Estate	39.3	39.2	
Real Estate	3.7	7.9	
Information Technology	0.0	1.0	
Telecommunication Services	6.2	5.9	
Utilities	2.4	2.0	
Other	3.3	-	

Rounding accounts for small +/- from 100%.

Signatory of:



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