

|  | Month      | Quarter    | FYTD       | 1 year     | 3 years    | 5 years     | Since Inception* |
|--|------------|------------|------------|------------|------------|-------------|------------------|
|  | %          | %          | %          | %          | % p.a.     | % p.a.      | % p.a.           |
| Perennial Value Australian Shares Trust* | -4.8       | 0.3        | 0.3        | 8.9        | 15.5       | 6.0         | 11.4             |
| S&P/ASX 300 Accumulation Index           | -5.4       | -0.6       | -0.6       | 5.7        | 14.4       | 6.6         | 8.0              |
| <b>Value Added (Detracted)</b>           | <b>0.6</b> | <b>0.9</b> | <b>0.9</b> | <b>3.2</b> | <b>1.1</b> | <b>-0.6</b> | <b>3.4</b>       |
| Net Performance                          | -4.8       | 0.1        | 0.1        | 8.0        | 14.5       | 5.1         | 10.6             |

\*Gross Performance. ^Since inception: March 2000. Past performance is not a reliable indicator of future performance.

## Perennial Value Australian Shares 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 September 2014):

AUD1.6 billion

### Income distribution frequency:

Half yearly

### Team FUM (as at 30 September 2014):

AUD7.6 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2000

### APIR code:

IOF0200AU

- ▶ **The Trust outperformed the Index by 0.6%.**
- ▶ **The Australian market underperformed global markets during September.**
- ▶ **Stocks which performed well during the month included Aristocrat (up 5.6%), Lend Lease (up 3.7%), Harvey Norman (up 2.3%).**

During September, the Australian equities market gave back the returns from July and August with the benchmark finishing the month down 5.4%. The Perennial Value Australian Shares Trust (the Trust) was down 4.8%, outperforming by 0.6%.

Over the quarter and year to 30 September 2014, the Trust delivered a total return of 0.3% and 8.9% respectively. This has resulted in outperformance of the Index by 0.9% over the quarter and 3.2% over the year.

The Australian market underperformed global markets with the S&P500 and FTSE down 1.6% and 2.9% respectively during September. The Nikkei 225 and Shanghai Composite were more positive being up 4.8% and 6.6% respectively. The underperformance of the Australian market was driven, in part, by the weakening Australian dollar (AUD) relative to the USD with the AUD/USD ending the month at 87.5c, down 5.5c on the 93c close from August. This provided a short-term headwind for markets in September as offshore investors sold as the AUD weakened, however, it will benefit the Australian economy over the medium term.

Both globally and domestically, macro data was mixed. In the US, second quarter GDP growth was revised upwards to 4.6% on an annualised basis albeit other data, including employment growth data, was underwhelming. In China, the latest round of data indicates that growth is falling short of the official target, which prompted the announcement of additional bank liquidity measures to help stimulate growth. In Europe, the European Central Bank (ECB) also announced additional stimulus measures as growth remains barely positive. Domestically there was a huge gain in employment in August – the largest ever reported – which caused the unemployment rate to fall back to 6.1%. Housing data was strong, albeit retail sales growth, business and consumer confidence numbers were a little weak. The Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.5% but hinted that it may be considering counter-cyclical credit controls to cool the extremely strong housing market.

The better performing sectors during the month were healthcare (down 0.1%), utilities (down 2.5%) and consumer staples (down 3.4%). Metals and mining (down 5.0%) was the worst performing sector as the iron ore price declined by 11.8% over the month, followed by financials (down 6.4%), and energy (down 5.7%).

The Trust benefitted from being underweight banks during the month. Having moved to a mild underweight in the banks some six months ago, we have continued to reduce the overall bank weightings in recent months to a more meaningful underweight. However, our forecast FY '15 sector gross yield of 8.4% is such that we don't believe it prudent to adopt an overly aggressive underweight to this sector. Our negative view on the sector has been driven by a number of factors, including ongoing regulatory intervention to increase capital levels and relatively less attractive yields relative to rising bond yields. Most recently, the sector appears to have borne the brunt of offshore selling as the AUD weakened.

Being underweight the healthcare sector on valuation grounds detracted from performance.

Stocks which performed well during the month included Aristocrat (up 5.6%), Lend Lease (up 3.7%), Harvey Norman (up 2.3%), Brambles (up 1.6%), Amcor (up 1.3%), QBE (up 1.2%) and Orora (up 1.2%), each of which delivered a positive total return despite the market's 5.4% decline.

Detractors included Crown (down 11.5%), Fairfax (down 10.4%), Downer (down 9.4%) and Henderson Group (down 8.7%).

In terms of portfolio activity, there were no significant moves. Rather, we trimmed a number of existing holdings, including ANZ, Bluescope Steel, Westpac and Harvey Norman (at an average sale price of \$3.67 versus purchase price of \$3.14 on

stock bought in August prior to the very-well received annual profit result). Proceeds were reinvested into a number of existing holdings, including Ansell, Aristocrat, BHP, Coca Cola Amatil, Downer EDI and Iluka. BHP announced a demerger of 'non-core' assets. The assets represent a unique and high quality suite of commodity exposures (manganese, silver, alumina, aluminium, nickel, coking and thermal coal), the outlook for these commodities is broadly positive, the balance sheet will be investment grade, ie. low debt levels, and a more focused management team will bring greater attention to the demerged business. We therefore believe that the proposed demerger should be a medium-term positive for BHP shareholders.

At month end, stock numbers were 46 and cash was 1.4%.

#### Top 10 Holdings

| Stock name           | Trust weight % | Index weight % |
|----------------------|----------------|----------------|
| BHP Billiton Limited | 9.4            | 8.1            |
| Westpac Banking Corp | 7.6            | 7.4            |
| National Aust. Bank  | 6.8            | 5.7            |
| ANZ Banking Grp Ltd  | 6.5            | 6.3            |
| Telstra Corporation. | 5.8            | 4.9            |
| Commonwealth Bank.   | 5.3            | 9.1            |
| Woodside Petroleum   | 3.5            | 2.1            |
| Rio Tinto Limited    | 3.1            | 1.9            |
| Macquarie Group Ltd  | 3.1            | 1.4            |
| QBE Insurance Group  | 3.0            | 1.2            |

#### Asset Allocation

| Sector                     | Trust weight % | Index weight % |
|----------------------------|----------------|----------------|
| Energy                     | 6.3            | 6.4            |
| Materials                  | 23.8           | 16.4           |
| Industrials                | 4.8            | 7.1            |
| Consumer Discretionary     | 7.6            | 4.2            |
| Consumer Staples           | 2.3            | 7.9            |
| Health Care                | 3.1            | 5.1            |
| Financials-x-Real Estate   | 36.5           | 37.4           |
| Real Estate                | 6.9            | 7.2            |
| Information Technology     | 0.0            | 1.0            |
| Telecommunication Services | 5.8            | 5.4            |
| Utilities                  | 1.7            | 1.8            |
| Other                      | 1.4            | -              |

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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