

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception*
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Australian Shares Trust*	3.5	2.4	6.7	13.7	15.1	8.0	11.6
S&P/ASX 300 Accumulation Index	3.2	1.9	5.7	12.0	14.0	8.5	8.3
<b>Value Added (Detracted)</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>	<b>1.7</b>	<b>1.1</b>	<b>-0.5</b>	<b>3.3</b>
Net Performance	3.4	2.2	6.2	12.8	14.1	7.0	10.8

\*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 31 January 2015):

AUD1.6 billion

### Income distribution frequency:

Half yearly

### Team FUM (as at 31 January 2015):

AUD7.6 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2000

### APIR code:

IOF0200AU

- ▶ **Global economic data was a mixed.**
- ▶ **The defensive sectors outperformed over the month with telecommunications, REITs and utilities.**
- ▶ **The best performing stock in the Trust for the month was Newcrest Mining.**

The Australian equities market was up strongly in January, with the benchmark S&P/ASX300 Accumulation Index finishing up 3.2%. The Perennial Value Australian Shares Trust (the Trust) delivered a return of 3.5%, outperforming the market by 0.3%. This was a particularly pleasing result as the REIT and Utilities sectors, which the Trust is underweight due to valuation concerns, both delivered solid outperformance.

Global markets were mixed in January, with the S&P500 down 3.1% and the Shanghai Composite down 0.8%, while the FTSE (up 2.8%) and Nikkei 225 (up 1.3%) rose. The European Central Bank announced that it will be implementing quantitative easing at a level exceeding market expectations and the Swiss Central bank abandoned the Swiss Franc's cap against the Euro. The oil price continued to fall with the WTI oil price falling 9% over the month and other commodities were also weak with iron ore and copper both down 13%. Bond yields continued to fall sharply with the US 10 year Treasury yield falling from 2.2% to 1.7% over the month. Global economic data was mixed. US retail sales were weak, China data remained soft and Eurozone deflation was worse than expected. However, more positively, US employment data was strong with the US unemployment rate falling to 5.6% and US consumer confidence jumped to the highest level since 2004.

Domestic economic data was generally positive, employment was stronger than expected in December with the jobless rate unexpectedly falling and housing credit was up 7.1% over the year to December, the strongest growth since December 2010. The Australian cash rate remained unchanged at 2.5% during January and the Australian dollar (AUD) reached a 5 year low against the US dollar (USD), falling from 0.81 to 0.78 USD.

The defensive sectors outperformed over the month with telecommunications (up 8.2%), REITs (up 7.4%) and utilities (up 6.0%). Consumer discretionary (up 5.5%) also outperformed. The worst performing sector was energy (down 6.6%), followed by information technology (down 1.7%) and metals and mining (up 1.2%).

The best performing stock in the Trust for the month was Newcrest Mining (up 24.5%) which was assisted by the 8% rise in the gold price but also announced a strong quarterly production report, raising guidance for full year production at lower costs than previously expected. Other strong performers included Iluka Resources (up 18.8%) reversing recent underperformance and Harvey Norman (up 17.6%) following press reports that the company experienced a surge in sales post-Christmas. Resmed (up 16.4%) rallied after delivering a second quarter result which showed strong sales growth, particularly in the key US market, on the back of their recently released new product range. Henderson Group (up 13.8%) benefitted from strongly European equity markets following the ECB's quantitative easing announcement.

Macquarie Group (up 6.6%) reported that, due to better trading conditions and assistance from the falling AUD, FY 15 earnings will be up 10 to 20%. This represented a significant upgrade from previous guidance of “slightly up on prior corresponding period” and, in our proprietary earnings model, we have increased our FY 15 earnings growth from 6 to 16%. Macquarie has proven to be a very rewarding investment for the Trust over the past three years and remains a core portfolio holding. With 70% of earnings sourced offshore, we believe that the market still under-appreciates the currency tailwinds in this business, the stock remains in an upgrade cycle and valuation is not stretched based on an attractive prospective FY '15 gross yield of 6.8%.

Stocks which detracted from performance tended to be resource and materials related names, with Downer EDI (down 10.8%), Bluescope Steel (down 10.3%), Woodside Petroleum (down 9.8%) and Sims Group (down 9.6%). Origin Energy (down 8.5%) continued to trade lower as oil prices declined and increased market concerns in relation to the company's debt levels. We remain comfortable in relation to Origin's balance sheet as substantial free cash-flow will be generated once the APLNG project is completed. On this front, the company confirmed late in the month that the project remains on track to begin producing LNG in mid-2015.

In terms of portfolio activity, the most significant move was to sell out of Amcor at an average share price during the month of \$13.30. This has been a core long-term holding and we continue to support the business. However, the very strong share price appreciation in the December 2014 quarter resulted in a stretched valuation. At \$13.30, this represented a prospective FY 15 P/E of 20.4x and a very low prospective gross yield of 3.8%. Thus, we believed that Amcor was priced to perfection and this was somewhat confirmed with the share price weakness following the surprising announcement that the highly-regarded CEO Ken MacKenzie will retire. He will step down at the end of the financial year and be succeeded by incumbent CFO Ron Delia.

Holdings in Newcrest, Orora and Resmed were also trimmed following significant recent outperformance.

Proceeds were reinvested into a limited number of stocks including Coca Cola Amatil. Readers will recall that we have been selectively building up this holding in recent months at an average share price of \$9.00.

At month end, stock numbers were 48 and cash was 1.7%.

#### Top 10 Holdings

Stock name	Trust weight %	Index weight %
Westpac Banking Corp	8.6	7.6
National Aust. Bank	8.1	6.1
BHP Billiton Limited	8.1	6.6
Telstra Corporation.	7.2	5.6
Commonwealth Bank.	6.5	10.2
ANZ Banking Grp Ltd	6.2	6.4
Rio Tinto Limited	3.0	1.8
AMP Limited	3.0	1.2
Macquarie Group Ltd	2.9	1.4
Woodside Petroleum	2.6	1.7

#### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	4.9	4.6
Materials	21.6	14.7
Industrials	2.6	7.3
Consumer Discretionary	10.1	4.2
Consumer Staples	3.1	7.4
Health Care	2.5	5.9
Financials-x-Real Estate	39.4	39.0
Real Estate	5.1	8.0
Information Technology	0.0	0.9
Telecommunication Services	7.2	6.1
Utilities	1.8	2.0
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:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 (“Perennial”). Sub Manager: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, reference guides and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).