

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	3.1	5.4	-2.6	-7.3	5.9	6.5	9.3
S&P/ASX 300 Accumulation Index	3.3	6.4	0.3	-4.7	5.0	6.2	7.3
Value Added (Detracted)	-0.2	-1.0	-2.9	-2.6	0.9	0.3	2.0
Capital Growth	3.1	5.2	-5.5	-12.0	1.1	1.5	1.1
Income Distribution	0.0	0.0	2.1	3.9	3.9	4.2	7.4
Net Performance	3.1	5.2	-3.4	-8.1	5.0	5.7	8.5

*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 April 2016):

AUD \$1.2 billion

Income distribution frequency:

Half yearly

Team FUM (as at 30 April 2016):

AUD \$6.4 billion

Minimum initial investment:

\$25,000

Trust inception date:

June 2001

APIR code:

IOF0206AU

- ▶ **Markets rallied in April, with the S&P/ASX300 Accumulation Index (the Index) up 3.3%.**
- ▶ **Resources led the market higher as rising commodity price trends continued.**
- ▶ **The Perennial Value Australian Shares Wholesale Trust (the Trust) returned 3.1%, underperforming the Index by 0.2%.**

Market activity

Globally, markets were mixed with the S&P500 up 0.3%, the FTSE100 up 1.1%, the Nikkei 225 down 0.6% and the Shanghai Composite down 2.2%. The Federal Reserve kept rates unchanged in April. Commodity prices continued to firm, with Brent oil ending the month up 18.0% (closing just below five month highs) and the iron ore price up 22.0%. In Australia, the Reserve Bank of Australia (RBA) left interest rates unchanged at 2.0% for the tenth straight meeting, cautioning that a rising currency could "complicate" the economy's transition away from resources. The weak March quarter consumer price index (CPI) (down 0.2% quarter on quarter) marked the first negative inflation number since December 2008, and drove the Australian Dollar (AUD) down 2.0% on the day. The AUD closed the month at 76 US cents, down 1.0 cent.

Cyclical sectors outperformed over the month with metals and mining (up 19.0%), materials (up 14.3%) and energy (up 7.5%) all up strongly. Weaker sectors included financials (up 1.4%), telecommunications (up 0.5%), utilities (down 0.3%) and consumer discretionary (down 1.7%).

The stronger April returns were dominated by a very strong rebound in resource stocks and the Trust benefitted from this via a mild overweight to this sector. Key portfolio moves comprised BHP Billiton (up 22.7%), Rio Tinto (up 20.8%), and Woodside Petroleum (up 9.2%). Other strong performers included Ansell, CYBG plc which is the demerged Clydesdale Bank, Graincorp and Suncorp, each of which rose 5.0% or more. In recent months, the Trust had added to both Ansell and CYBG plc during share price weakness.

Overall stockmarket sentiment towards the domestic economic outlook weakened over the month, particularly around the outlook for housing and inner city apartments. Consumer discretionary stocks reflected this trend and resulted in a number of portfolio holdings registering negative returns for the month, including Myer (down 11.9%), Flight Centre (down 9.1%), and Harvey Norman (down 4.7%). Other holdings to detract from the Trust included Crown Resorts (down 5.2%) and Aristocrat Leisure (down 2.9%).

Trust Activity

In terms of Trust moves, the key sales were predominantly focussed on reducing the Trust's financials exposure, via reducing holdings in each of Commonwealth Bank, Macquarie Group, National Australia Bank and Westpac. The Trust holds a mild overweight to the banking sector. Sentiment to the banking sector is currently very poor due to concerns over the impact of a slowing housing market and the end of the resources boom. However, at present there is no indication of any broad-based deterioration in credit quality, with the small number of bad debts to date being largely the result of company-specific factors.

Proceeds were reinvested in a small number of existing holdings, including Aristocrat, Henderson Group, QBE Insurance and Wesfarmers.

At month end, stock numbers were 43 and cash was 4.6%.

Outlook

Data points confirm the ongoing transition to the east coast economy. The Trust continues to be exposed to this theme through overweight positions in retail, building, and infrastructure/construction-related stocks. The Trust remains overweight in the large-cap, low-cost, financially-sound resources companies. We remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs. These sectors have become a crowded trade and valuations remain stretched as a result of historically low interest rates. The Trust continues to exhibit Perennial Value’s true to label value characteristics, with it offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cashflow, gross dividend yield and price to net tangible assets.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Commonwealth Bank	8.4	9.0
Westpac Banking Corp	8.3	7.4
National Australia Bank	6.4	5.1
BHP Billiton Limited	6.3	4.7
Telstra Corporation	5.9	4.7
ANZ Banking Group Limited	5.8	5.0
Wesfarmers Limited	4.5	3.4
Woodside Petroleum	3.3	1.4
Woolworths Limited	3.3	2.0
Rio Tinto Limited	2.6	1.6

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	5.6	4.2
Materials	13.7	14.4
Industrials	1.0	8.1
Consumer Discretionary	9.8	5.0
Consumer Staples	9.0	7.1
Health Care	1.8	6.8
Financials-x-Real Estate	41.4	36.3
Real Estate	5.8	8.9
Information Technology	0.0	1.4
Telecommunication Services	6.7	5.3
Utilities	0.5	2.4
Cash & Other	4.7	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
or visit www.perennial.net.au.

Signatory of:



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