

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception*
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Australian Shares Trust*	0.6	6.2	6.2	12.0	6.8	11.5	10.7
S&P/ASX 300 Accumulation Index	0.5	5.2	5.2	13.5	6.0	11.0	7.8
Value Added (Detracted)	0.1	1.0	1.0	-1.5	0.8	0.5	2.9
Net Performance	0.5	6.1	6.1	11.0	5.9	10.6	9.9

*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 2016):

AUD \$1.3 billion

Income distribution frequency:

Half yearly

Team FUM (as at 30 September 2016):

AUD \$8.7 billion

Minimum initial investment:

\$25,000

Trust inception date:

March 2000

APIR code:

IOF0200AU

- ▶ **The market rose slightly in September, with the Index up 0.5%.**
- ▶ **Resources performed strongly up 5.8%, while defensive sectors underperformed.**
- ▶ **The Trust returned 0.6%, outperforming the market by 0.1%.**

Trust Performance

The Perennial Value Australian Shares Trust (the Trust) delivered a return of 0.6% for September, outperforming the S&P/ASX300 Accumulation Index (the Index) by 0.1%.

The international markets were mixed with the S&P500 down 0.1%, Nikkei 225 down 2.6% and Shanghai Composite down 2.6%, while the FTSE 100 rallied up 1.7%. Metal prices rallied, with nickel up 8.3%, copper up 5.4% and aluminium up 3.7%, while iron ore declined 1.0% over the month. The oil price closed up 7.9% and gold increased 0.5%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia (RBA), with the cash rate remaining steady at 1.5%, while the Australian Dollar (AUD) finished the month up one cent at 77 US cents.

During September, the better performing sectors included metals and mining (up 8.1%), materials (up 5.7%) and consumer staples (up 1.6%), while REITs (down 4.3%), telecommunications (down 4.0%) and utilities (down 3.2%) underperformed.

Stocks within the Trust which performed strongly included miners BHP (up 10.5%) and Rio Tinto (up 8.4%) as well as Downer (up 10.0%) with its mining services exposure and Wesfarmers (up 3.9%) which stands to benefit from the strong recovery in coal prices. We have been increasing our resources exposure in recent times, seeing good medium-term value in the large-cap end of the resources market, with their strong balance sheets, tier one assets and management focus on cost and capex reduction. Should the current strength in commodity prices continue, the sector is likely to see significant upgrades to consensus earnings forecasts. Other strong performers over the month included Crown Resorts (up 2.9%), with some signs of an improvement in Macau and AGL Energy (up 2.7%), which outperformed after announcing a buy-back, increasing the dividend payout ratio and providing positive FY17 earnings guidance at their AGM.

Stocks which detracted from performance tended to have offshore exposures and have been weighed down by the persistently high Australian dollar, including Henderson Group (down 8.2%), QBE Insurance (down 6.4%), CYBG (down 5.8%), Resmed (down 5.5%) and Westfield Corporation (down 4.8%). We remain comfortable with the outlook for each of these stocks.

Trust Activity

During the month we took profits and reduced our holdings in Downer and Harvey Norman. Both these stocks have been very strong performers, delivering total returns of 68.6% and 40.2% over the last twelve months. We also reduced our position in Telstra, where we see increasing competitive pressure building. Proceeds were used to increase our holdings in a number of stocks including Navitas, Macquarie Group, Woolworths and CYBG. At month end, stock numbers were 47 and cash was 3.2%.

Outlook

In recent months, we have become slightly more cautious about domestic economic conditions and have reduced our overweight positions in the building and construction-related stocks and the banking sector. The Trust remains overweight in the large-cap, low-cost, financially-sound resources companies. The Trust remains heavily underweight infrastructure given that sector's high leverage at a time of historically low interest rates.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cash flow, 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	7.0	8.5
BHP Billiton Limited	6.5	4.9
Westpac Banking Corporation	5.7	6.7
ANZ Banking Group Limited	5.5	5.5
National Australia Bank	4.9	5.0
Wesfarmers Limited	4.5	3.4
Macquarie Group Limited	4.2	1.9
Telstra Corporation	3.9	4.3
Woolworths Limited	3.4	2.0
Woodside Petroleum	2.9	1.4

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.9	4.0
Materials	15.3	15.6
Industrials	1.2	7.3
Consumer Discretionary	9.6	5.5
Consumer Staples	9.0	7.2
Health Care	2.9	7.1
Financials-x-Real Estate	36.8	35.4
Real Estate	8.1	9.1
Information Technology	0.0	1.5
Telecommunication Services	4.6	4.9
Utilities	2.3	2.5
Cash & Other	3.4	-

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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