Perennial Value Shares Wholesale Trust

Quarterly Report as at 30 September 2013

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception^ % p.a.
Perennial Value Shares Wholesale Trust*	10.9	27.2	7.8	8.4	10.0
S&P/ASX 300 Accumulation Index	10.3	23.6	8.9	7.1	7.8
Value Added (Detracted)	**0.6**	**3.6**	**-1.1**	**1.3**	**2.2**
Capital Growth	10.6	20.9	2.7	3.2	1.1
Income Distribution	0.0	5.3	4.3	4.3	8.2
Net Performance	10.6	26.2	7.0	7.5	9.3

*Gross Performance. ^Since Inception: June 2001. Past performance is not a reliable indicator of future performance.6.5

- The Trust outperformed the Index return by 0.6% during the quarter.
- Trust holdings which increased dividends during the quarter included Amcor, Asciano, BHP, CBA, Henderson Group, Lend Lease, RIO and Woodside Petroleum.
- The best performing stocks included Henderson Group (up 34.4%), Crown (up 30.0) and Premier Investments (up 29.5%).

The Perennial Value Shares Wholesale Trust (the Trust) delivered a solid September quarter performance in both a relative and absolute sense, finishing up 10.9% and outperforming the S&P/ASX 300 Accumulation Index (the Index) by 0.6%, which was up 10.3%. Pleasingly, this is the fifth consecutive quarter of outperformance for the Trust.

Global equity markets were driven for the most part by news flow out of the US. The US Federal Reserve began to discuss the potential for it to begin tapering its stimulus program as the US economy continues to show signs of a recovery. The S&P500 was up 4.7% for the quarter with the FTSE up 4.0% and Nikkei 225 up 5.7% also strong. The Shanghai Composite rebounded strongly, up 9.9% following several economic indicators pointing to a stabilisation in the economic growth rate in China above the key 7% level. Domestically, a pickup in the housing market has begun to unfold, spurred on by the Reserve Bank of Australia's decision in August to reduce the cash rate by 25 basis points to a record low of 2.5%. House prices, finance approvals and residential construction have all seen growth, although non-residential construction remains weak. The Australian dollar (AUD) ended the quarter at USD0.93, up 3.3 cents.

Resources were the best performing sector (up 17.3%). This is pleasing to see as we increased our holdings in the sector in the preceding quarter following extreme underperformance relative to industrials. We did this primarily through buying more BHP and to a lesser extent RIO on the basis that recent market performance had opened up a significant valuation gap between the resources and industrials sectors and both were under-owned domestically. Both stocks were amongst the

Trust's better performers over the quarter with RIO up 19.7% and BHP up 16.0%.

The September quarter includes the traditionally busy August reporting season period and the overall rise in the market during, and subsequent to, reporting season

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.	
Portfolio Manager: John Murray	**Risk Profile:** High
Trust FUM (as at 30/09/13): AUD1.7 billion	**Income Distribution Frequency:** Half yearly
Team FUM (as at 30/09/13): AUD8.2 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: June 2001	**APIR code:** IOF0206AU
Ratings: Lonsec Highly Recommended, Zenith Recommended and Van Eyk 'BB'. Research House Ratings must be read in conjunction with the appropriate disclaimers available at www.perennial.net.au/Ratings_Disclaimers1.pdf	

indicates that investors in general viewed company profits positively. Reported overall profits were broadly flat, with financials up, resources down and industrials flat. Capital management in the form of higher dividend payments was a feature of this reporting season. Corporate Australia has been able to deliver these higher payments to shareholders due to their strong balance sheets, which is reassuring for investors. Trust holdings which increased dividends included Amcor, Asciano, BHP, CBA, Henderson Group, Lend Lease, RIO and Woodside Petroleum.

The best performing stocks in the Trust included Henderson Group (up 34.4%) following positive momentum in European fund equity inflows and signs of an improving European economic environment; Crown (up 30.0%) after reporting a full-year result in August which highlighted to the market the rapidly growing earnings contribution from the company's investments in Macau. We continue to believe that these investments in Asia will drive significant growth in group earnings over the years to come. Premier Investments (up 29.5%) and WorleyParsons (up 27.4%) also performed strongly.

The Trust also benefitted from being under to nil weighting in Top 20 stocks, including QBE (down 1.5%), CSL (up 4.9%), CBA (up 5.8%) and Wesfarmers (up 6.5%).

Poorer performing stocks in the Trust included Treasury Wine Estates (down 22.9%), after announcing the departure of its CEO, effective immediately with the Board attributing the decision to the poor recent performance and write-downs in the US business which were announced earlier in the quarter. We remain of the view that Treasury Wine Estates has significant value within its winery and vineyard asset base and that its portfolio of brands should allow it to increase earnings from the sale of its growing level of high quality long-term wine inventory. Orica (down 2.9%) finished lower, although by the end of the quarter had recovered a significant proportion of the share price decline that followed its earnings guidance downgrade in July as demand for its services and explosives reduced. Brambles (down 1.0%) announced a slightly weaker than expected result and the stock struggled to keep pace with the market following significant outperformance over recent quarters. We reduced our holding in the stock during the quarter following these recent gains.

We also reduced a number of other holdings following significant outperformance including Telstra, CBA, Macquarie Bank, Crown and Tatts Group. Proceeds were used to increase a number of existing holdings, including Asciano, BHP, Newcrest and bank stocks NAB and Westpac, which look better relative value than Commonwealth Bank.

We added Origin Energy, Santos and QBE Insurance during the quarter. Origin and Santos are both exposed to the rapidly expanding LNG sector. To-date the market has been broadly cautious on these projects given the risk around delays and cost over-runs. Looking on a two to three year view, our proprietary modelling suggests that these projects will generate a significant amount of free cashflow once operating. With the key Queensland projects (Australia Pacific LNG for Origin and Gladstone LNG for Santos) now over 50% complete, project risk is now significantly reduced, and we believe that these stocks are likely to see a period of outperformance as they continue to approach first gas production in 2015. In relation to QBE, we are attracted to the cost reduction and business rationalisation opportunity under new CEO John Neal. QBE also brings an additional exposure to the USD when the AUD is still relatively high and, in the medium term, earnings should benefit from higher US short term rates.

We remain alert to environmental, social and corporate governance (ESG) issues in the Trust. During the quarter, the carbon price mechanism came back into focus as the Coalition lead by Tony Abbott won the federal election. A key policy platform that the Coalition ran through the election was an intention to repeal the current carbon tax legislation. A review of our Trust, in conjunction with Citigroup research on the likely impacts on the major ASX-listed stocks, highlights the sectors most likely to be impacted include utilities and building materials. We used our post-result meetings with the CEOs of Origin and AGL to discuss the carbon tax repeal. Both CEOs believe it would be a net positive for their firms, although AGL would see a short term impact on earnings from the discontinuation of compensation payments for its Loy Yang A brown-coal generation asset.

At quarter end, stock numbers stood at 47 with cash at 1.2%.

Asset Allocation as at 30 September 2013

Asset Class	Trust Weight %	Index Weight %
Energy	7.2%	6.3%
Materials	25.0%	17.4%
Industrials	4.4%	6.8%
Consumer Discretionary	8.5%	4.8%
Consumer Staples	3.2%	8.3%
Health Care	0.0%	4.6%
Financials-x-Real Estate	38.3%	37.2%
Real Estate	5.8%	6.9%
Information Technology	0.0%	0.8%
Telecommunication Services	5.9%	5.2%
Utilities	0.3%	1.7%
Other	1.4%	-

Top 10 Holdings as at 30 September 2013

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	9.6%	8.8%
National Aust. Bank	8.7%	6.2%
ANZ Banking Grp Ltd	7.7%	6.5%
Westpac Banking Corp	7.1%	7.8%
Commonwealth Bank.	6.9%	8.8%
Telstra Corporation.	5.9%	4.8%
Macquarie Group Ltd	3.8%	1.3%
Rio Tinto Limited	3.5%	2.1%
Woodside Petroleum	3.0%	1.8%
Brambles Limited	2.5%	1.1%