

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	0.9	-0.4	15.6	13.8	19.5	10.2	10.6
S&P/ASX 300 Accumulation Index	0.4	-1.3	11.5	9.9	17.0	10.1	8.2
<b>Value Added (Detracted)</b>	<b>0.5</b>	<b>0.9</b>	<b>4.1</b>	<b>3.9</b>	<b>2.5</b>	<b>0.1</b>	<b>2.4</b>
Capital Growth	0.9	-0.6	12.5	9.0	13.9	5.3	2.1
Income Distribution	0.0	0.0	2.3	4.0	4.6	4.0	7.7
Net Performance	0.9	-0.6	14.8	13.0	18.5	9.3	9.8

\*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 31 May 2015):

AUD1.4 billion

### Income distribution frequency:

Half yearly

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

AUD8.6 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

June 2001

### APIR code:

IOF0206AU

- ▶ **Globally, conditions in the emerging world continued to be soft.**
- ▶ **The RBA's rate cut and the unthreatening budget helped lift consumer confidence.**
- ▶ **The four major banks sold off during the month on the likelihood that the regulator will force them to hold higher capital levels.**

After a soft start to the month, the Australian equity market recovered to close up 0.4%. The Perennial Value Shares Wholesale Trust (the Trust) performed well for the month finishing up 0.9%, outperforming the S&P/ASX300 Accumulation Index (the Index) by 0.5%.

On a financial year-to-date basis, the Trust continues to perform strongly (up 15.6%), some 4.1% ahead of the Index return of 11.5%.

Globally, conditions in the emerging world continued to be soft with trade flows, particularly from Asia, unexpectedly weak in response to muted growth in developed market demand in the first quarter. In fact, the US economy looks likely to have contracted in the first quarter, as it did at the same time last year. China announced more stimulus measures during the month, aimed at lifting growth back up towards the official target. Anxiety about Greece remained a key source of uncertainty, with some important payments to the International Monetary Fund looming in early June. Despite this, global indices were generally positive with the Nikkei 225 (up 5.3%), Shanghai Composite (up 3.8%) and S&P 500 (up 1.0%) all stronger, while the FTSE closed flat and the Hang Seng Index (down 2.5%) fell after a strong prior month.

In Australia, the month of May included some important policy developments, with the Reserve Bank of Australia (RBA) trimming the cash rate again and Treasurer Joe Hockey releasing his second budget. In contrast to last year, the reaction to the budget was broadly positive. The RBA's rate cut and the unthreatening budget helped lift consumer confidence, but business confidence held steady at depressed levels. Most of the other data released during May was on the softer side, with employment falling and the jobless rate rising marginally, and firms reducing their investment intentions. Activity in housing remained strong, with auction clearance rates in Sydney staying close to 90%, boosted by the RBA's latest rate cut. The Australian dollar (AUD) closed the month at US dollar (USD) 0.76 (down 3.8%).

The better performing sectors during the month were Industrials (up 5.4%), IT (up 4.0%), REITs (up 2.7%) and Health Care (up 2.6%). Sectors which underperformed included Consumer Staples (down 2.1%), Financials (down 1.7%), and Telecommunications (down 0.2%).

The four major banks sold off during the month on the likelihood that the regulator will force them to hold higher capital levels. The Trust remains slightly underweight the major banks as a group, with a preference for National Australia Bank (down 2.6%). During the month, NAB undertook a \$5.5 billion capital raising by way of a rights issue. The capital raised was used firstly to fund contingent liabilities in the UK, thereby allowing an IPO of the business later in the calendar year, and secondly to lift NAB's overall capital levels to the highest in the sector. We view this development positively

as securing a final exit from the UK is an important step for NAB in returning its focus to its core Australian operations. In addition, it is likely that the bank will be required to hold incrementally higher capital levels going forward and NAB is now ahead of the game in this respect. The rights issue was done at \$28.50 and was well-received by the market, with the stock finishing the month at \$34.32.

The best performing stock in the portfolio for the month was Downer (up 16.3%) following a strategy day which highlighted the progress of its infrastructure business. CIMIC Group (up 14.9%) rallied after announcing contract wins and Orica (up 10.3%) rose after delivering a better than expected earnings result. Other solid performers included Iluka (up 10.3%), Henderson (up 9.2%) and Myer (up 8.7%).

Stocks which detracted from performance included Westpac (down 5.4%), Aristocrat Leisure (down 5.3%) despite releasing a strong first half result and Stockland (down 2.3%).

In terms of portfolio activity, we secured profits and reduced holdings in some of the stocks which have performed strongly in recent times including Ansell, Aristocrat Leisure, Boral, Fairfax, Lend Lease, Orora and Sandfire Resources. Funds were reinvested into existing holdings in AGL, Orica and NewsCorp.

During the month, the Trust received shares in South 32 following its spin-off from BHP. South 32 comprises a suite of assets, principally located in Australia and South Africa, which were deemed to be non-core by BHP. These assets include silver, lead, zinc, manganese, alumina, aluminium and coal. The business is attractive as many of these commodities are likely to currently be close to the bottom of their cycles with limited new supply coming onto the market. In addition, the company has a debt-free balance sheet which will give it flexibility to make acquisitions or undertake capital management. In addition, at the month-end price of \$2.19, the stock is offering a forecast FY16 gross dividend yield of 5.2%.

At month end, stock numbers were 46 and cash was 2.3%.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
Westpac Banking Corp	7.9	7.0
National Aust. Bank	7.9	6.0
BHP Billiton Limited	7.6	6.3
Commonwealth Bank.	6.8	9.2
ANZ Banking Grp Ltd	6.0	6.1
Telstra Corporation.	6.0	5.1
Macquarie Group Ltd	3.2	1.8
QBE Insurance Group	3.0	1.3
AMP Limited	2.9	1.3
Woodside Petroleum	2.8	1.7

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	5.6	5.1
Materials	21.0	15.3
Industrials	4.0	7.4
Consumer Discretionary	10.6	4.6
Consumer Staples	4.5	6.7
Health Care	0.7	6.1
Financials-x-Real Estate	39.1	38.1
Real Estate	3.8	7.9
Information Technology	0.0	1.0
Telecommunication Services	6.0	5.6
Utilities	2.3	2.1
Other	2.3	-

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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