

Perennial Value Shares Wholesale Trust

Monthly Report as at 28 February 2013

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception [^] % p.a.
Perennial Value Shares Wholesale Trust*	5.6	15.5	31.5	21.9	5.8	3.9	10.0
S&P/ASX 300 Accumulation Index	5.3	14.2	28.3	23.4	7.8	2.7	7.8
Value Added (Deducted)	0.3	1.3	3.2	-1.5	-2.0	1.2	2.2
Capital Growth	5.5	12.2	27.4	15.2	1.0	-3.7	0.9
Income Distribution	0.0	3.1	3.5	5.8	4.0	6.7	8.4
Net Performance	5.5	15.3	30.9	21.0	5.0	3.0	9.3

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

- The Trust finished the month up 5.6%, outperforming the Index.
- Our patience in holding onto Bluescope Steel has been rewarded, with the share price rising some 80% in the last twelve months.
- We trimmed our position in Henderson Group due to continued outperformance and took profits at an average price of \$2.42 per share versus an average purchase price of \$1.89.

The Australian equities market was one of the strongest performers in the world with the S&P/ASX 300 Accumulation Index (the Index) up 5.3%. The Perennial Value Shares Wholesale Trust (the Trust) finished up 5.6%, outperforming the Index return of 5.3% by 0.3%.

Global equity markets continued their rally with the exception of the Shanghai Composite (down 0.8%). The Nikkei 225 continued its strong run, finishing up 3.8% on recent anti-deflationary efforts by the Bank of Japan. The FTSE rose 1.3% despite the inconclusive Italian elections and the S&P500 finished up 1.1%. Domestic economic data showed house prices increased by 1.6% quarter on quarter in the final quarter of 2012 and retail sales in December increased 2.3% year on year. The Reserve Bank of Australia (RBA) kept the official cash rate steady at 3.0% and the Australian dollar finished the month 1.9c lower at USD1.02.

The better performing sectors during February were consumer staples (up 10.8%), financials (up 7.3%) and consumer discretionary (up 6.3%), while materials (down 0.3%) underperformed.

Reporting season was the major focus of our efforts during the month. Overall, it was better compared to the past year or so and this was reflected in the share market's strong performance over the month. The key change was the absence of material profit downgrades which had been a feature of recent years. Overall, the Trust fared well, with solid to strong results being delivered by a number of key holdings, including Amalgamated Holdings (Greater Union theatres, Rydges Hotels and Resorts), AMP, ASX, Brambles, Crown, Lend Lease, RIO, Tattersalls, Telstra and Woodside Petroleum. In addition, a number of Trust holdings either reaffirmed or announced cost reduction programmes, including Amcor, AMP, BHP, Iluka, RIO and Sims Group. Increased dividends were also a feature, with material increases announced by CBA, Lend Lease, RIO and

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

Trust FUM

(as at 28/02/13):

AUD1.7 billion

Team FUM (as at 28/02/13):

AUD8.1 billion

Trust Inception date:

June 2001

Risk Profile:

High

Income Distribution

Frequency:

Half yearly

Minimum Initial Investment:

\$25,000

APIR code:

IOF0206AU

Woodside Petroleum, amongst others. Unsurprisingly, outlook commentaries on future prospects were mixed. Positive commentaries tended to relate to companies with US and/or Asian based operations.

There are signs that the 175bp easing in official cash rates is generating stimulus in the domestic economy and the full impact of this should take hold over the course of this calendar year.

The strongest performer was BlueScope Steel (up 34.2%) which exceeded its own profit guidance and provided encouraging signs for future prospects of the company. Its key Australian steel business showed significantly improved performance due to strong cost control. The joint venture with Nippon Steel Corporation also remains on track to be completed by the end of March. Our patience in holding onto Bluescope Steel has been rewarded, with the share price rising some 80% in the last twelve months.

Harvey Norman (up 27.0%) posted a soft result and also announced subsequent strong Australian sales for the month of January 2013, up 4.1%. The Trust's retail exposure, which includes Premier Investments, should continue to benefit from the delayed effects of lower interest rates. Another beneficiary of any cyclical pick up is Toll Holdings (up 17.3%), which rebounded after being sold down to very low levels and delivered a reasonably good result against weak expectations.

Other strong performers included NAB (up 10.4%) and ANZ (up 8.1%), which both reported positive quarterly trading updates and benefitted from improved sentiment towards the sector after the CBA delivered strong half yearly results. The Trust holds an overweight position in banks. There were a number of other stocks which delivered a return between 7% and 16%, including Sims Metal, Myer, Amcor, Treasury Wine, Brambles, Amalgamated Holdings and Woodside Petroleum.

Weaker performers included Fletcher Building (down 3.9%), Macquarie Group (down 2.0%) and FKP (down 0.6%) which fell despite selling its Chatswood and Brown Plains assets at a slight discount to book value. The stock is currently trading at a 57% discount to NTA. The company also provided outlook during its half year result and reported improved enquiries and sales across all areas of the business.

In terms of Trust activity, we trimmed a number of holdings which continued to outperform of late, including Amcor, Bluescope Steel, Boral, Harvey Norman, Henderson Group, Sims Metal and Treasury Wine Estates. During calendar 2012, we had increased our exposure to a number of these stocks at a time when most of them were very much out of favour. The UK-based fund manager, Henderson is a case in point and we increased the Trust's holding in November 2012 at an average price of \$1.89 per share. During February, we took profits at an average price of \$2.42.

Proceeds were reinvested into a number of existing holdings, including BHP, Newcrest and Westpac. Resources overall have dramatically underperformed industrials in recent months, opening up a valuation gap. Further, whilst the USD spot price for iron ore has increased by 25% since November 2012, BHP's share price has only risen by 7%. Both BHP and Rio announced new CEOs. This changing of the guard could prove very significant for shareholders of both companies as the focus for these companies moves from strong growth to one of working their existing, very substantial, asset bases harder. Indeed, the words from incoming RIO CEO, Sam Walsh, when presenting his first profit result were quite

powerful, to quote, "...we need to run the business as owners, not managers."

At month end, stock numbers were 45 and cash was 1.5%

Top 10 Holdings as at 28 February 2013

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	8.5	9.5
ANZ Banking Grp Ltd	7.7	6.3
National Aust. Bank	7.6	5.6
Commonwealth Bank.	7.4	8.6
Westpac Banking Corp	7.0	7.6
Telstra Corporation.	6.4	4.5
Rio Tinto Limited	3.9	2.3
Woodside Petroleum	3.4	1.9
Brambles Limited	3.0	1.1
Macquarie Group Ltd	2.9	1.0

Asset Allocation as at 28 February 2013

Asset Class	Trust Weight %	Index Weight %
Energy	6.0	6.4
Materials	25.9	20.0
Industrials	4.6	7.0
Consumer Discretionary	9.9	3.8
Consumer Staples	3.9	8.7
Health Care	0.0	4.4
Financials-x-Real Estate	37.7	35.4
Real Estate	3.8	7.1
Information Technology	0.0	0.7
Telecommunication Services	6.4	4.8
Utilities	0.4	1.7
Other	1.5	-

Rounding accounts for small +/- from 100%.

Signatory of:



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