

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception*
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Australian Shares Trust*	3.5	6.6	-2.0	3.8	11.2	7.2	11.0
S&P/ASX 300 Accumulation Index	2.7	6.5	-0.4	2.8	9.0	6.7	7.8
<b>Value Added (Detracted)</b>	<b>0.8</b>	<b>0.1</b>	<b>-1.6</b>	<b>1.0</b>	<b>2.2</b>	<b>0.5</b>	<b>3.2</b>
<b>Net Performance</b>	<b>3.5</b>	<b>6.4</b>	<b>-2.4</b>	<b>2.9</b>	<b>10.2</b>	<b>6.3</b>	<b>10.1</b>

\*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 31 December 2015):

AUD 1.4 billion

### Income distribution frequency:

Half yearly

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

AUD 6.7 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2000

### APIR code:

IOF0200AU

- ▶ In December, the Trust delivered a return of 3.5%, outperforming the index by 0.8%.
- ▶ The Trust announced a December half-yearly distribution of 3.8 cents per unit (CPU) or 5.4 CPU including franking credits, up 9% on the prior corresponding period.
- ▶ This equates to a half-year distribution yield of 2.1% or 3.0% including franking credits.

## Trust performance

Following a mid-month sell-off, the market rallied into the end of December, with the S&P/ASX300 Accumulation Index (the Index) finishing the month up 2.7%. The Perennial Value Australian Shares Trust (the Trust) delivered a return of 3.5%, outperforming the market by 0.8%.

Globally, markets were dominated by the US Federal Reserve's decision to finally lift interest rates by 0.25%. Markets were generally softer with the S&P500 down 1.8%, FTSE 100 down 1.8% and Nikkei 225 down 3.6%, while the Shanghai Composite rose by 2.7%. In Australia, strong job growth continued, with 71,000 jobs created in November and the unemployment rate falling to 5.8%. This provides further evidence of the economy successfully transitioning post the resources boom. The Reserve Bank of Australia (RBA) left the cash rate steady at 2% and the Australian Dollar (AUD) drifted slightly higher over the month to close at 72.9 US cents.

Better performing sectors over the month included consumer staples (up 7.1%), consumer discretionary (up 6.3%), telecommunications (up 4.3%), REITs (up 4.0%) and IT (up 3.8%), while energy (down 7.5%), industrials (down 0.5%), healthcare (up 0.6%) and metals and mining (up 0.9%) lagged.

Stocks which contributed positively to performance included Newcrest (up 18.9%) which rallied as investors warmed to its falling cash costs, rising production and declining capex profile, Lend Lease (up 11.8%) after announcing the sale of a stake in Tower 1 at Barangaroo to a major international investor, Metcash (up 9.1%) continuing its strong performance of late and Crown Resorts (up 7.4%) amid speculation that James Packer may attempt to privatise the company. The major banks also outperformed, up an average of 4.4%.

The Trust also benefited from not holding stocks such as Aurizon (down 21.4%) which fell after issuing a surprise profit warning, as well as Primary Healthcare (down 27.1%) and Sonic Healthcare (down 12.1%) which both fell after the government unexpectedly cut the bulk-billing rebate. We have previously highlighted the funding risks associated with this sector and the current Medicare review suggests that this may be an ongoing theme.

Stocks which detracted from performance included oil stocks AWE (down 23.1%) and Woodside Petroleum (down 4.6%) on the back of lower oil prices and Suncorp (down 9.3%) after downgrading earnings expectations due to rising claims costs as a result of higher than usual level of weather events in 2015 as well as the lower AUD. While this is disappointing, on the positive, the premium pricing environment appears to be stabilising and the company remains strongly capitalised, supporting an attractive level of dividends.

## Trust Activity

In terms of Trust activity, we took profits and reduced our holdings in a number of stocks which have delivered strong returns, in particular Aristocrat Leisure and Macquarie Group (up 58.2% and up 48.2% respectively over the past 12 months) and Metcash (up 53.8% over the past quarter). Proceeds were used to add to a number of existing holdings where we see attractive value including Wesfarmers, Myer, Flight Centre and Telstra. At month end, stock numbers were 45 and cash was 4.0%.

## Outlook

We continue to hold a cautiously optimistic view on the outlook, expecting ongoing moderate growth in the major economies overall and a continuing transition towards the non-mining sectors of the Australian economy. The Trust is positioned to capture these themes with exposure to a recovering east coast economy through overweight positions in retail, building and infrastructure/construction-related stocks. We also hold modest overweight positions in the major banks where we see attractive dividend yields and in the large-cap, low-cost, financially-sound resources companies where we see long-term value emerging. On the contrary, we remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs, where valuations have become stretched as a result of historically low interest rates.

**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	9.7	10.3
Westpac Banking Corp	9.2	7.9
National Aust. Bank	7.3	5.6
ANZ Banking Grp Ltd.	6.7	5.8
Telstra Corporation	6.0	4.9
BHP Billiton Limited	4.7	4.1
Wesfarmers Limited	3.8	3.3
Woolworths Limited	3.1	2.2
AGL Energy Limited	2.7	0.9
AMP Limited	2.4	1.2

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	2.9	4.0
Materials	13.5	12.1
Industrials	1.8	7.9
Consumer Discretionary	11.7	5.0
Consumer Staples	8.7	7.2
Health Care	0.0	6.8
Financials-x-Real Estate	43.0	39.9
Real Estate	5.2	8.3
Information Technology	0.0	1.2
Telecommunication Services	6.4	5.4
Utilities	2.7	2.3
Cash & Other	4.1	-

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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