

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	2.0	8.2	22.2	13.6	9.5	12.9	10.4
S&P/ASX 300 Accumulation Index	1.7	6.9	18.2	10.2	8.8	12.3	8.0
Value Added (Detracted)	0.3	1.3	4.0	3.4	0.7	0.6	2.4
Capital Growth	1.6	7.7	18.7	8.5	4.1	7.9	1.6
Income Distribution	0.0	0.0	2.3	3.8	4.4	4.0	8.0
Net Performance	1.6	7.7	21.0	12.3	8.5	11.9	9.6

*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 30 April 2014):

AUD1.6 billion

Income distribution frequency:

Half yearly

Team FUM (as at 30 April 2014):

AUD8.4 billion

Minimum initial investment:

\$25,000

Trust inception date:

June 2001

APIR code:

IOF0206AU

- ▶ For the financial year to date, the Trust has outperformed the Index by 3.6%, with a return of 21.8%.
- ▶ The recent pull-back in the Resmed share price provided an entry opportunity and we added the stock to the portfolio.
- ▶ Strong performers included Resmed (up 14.1%), Lend Lease (up 9.3%), Fairfax (up 7.1%), and Bluescope Steel (up 5.5%).

The Australian equity market reached a five year high during April, with the S&P/ASX300 Accumulation Index (the Index) returning 1.7%. The Perennial Value Shares Wholesale Trust (the Trust) performed in line with the Index return and was also up 2.0%.

From a financial year to date perspective, the Trust has delivered outperformance of 4.0%, with a return of 22.2% compared to the Index return of 18.2%.

Globally, markets were mixed with the FTSE (up 2.8%) and the S&P500 (up 0.6%) both higher, while the Nikkei (down 3.5%) and Shanghai Composite (down 0.3%) were lower. The month of April brought more evidence that the US economy was lifting, with retail spending and consumer confidence improving while housing indicators continue to lag despite the improved weather. Conditions in Europe also continued to improve while data for China continued to show evidence of a slowdown. Domestically, the data was mixed with a decent bounce in employment which saw the unemployment rate drop back below 6% and residential building approval numbers were also strong. The confidence measures remained subdued and are unlikely to be helped by the government continuing to leak details of proposed budget measures which suggest that the budget will be a tough one. The Reserve Bank of Australia (RBA) kept interest rates steady and suggested that a "period of stability" on interest rates was ahead. The AUD/USD ended the month at 92.9c up slightly over the month.

The in-line performance of the Trust during the month was credible given that the better performing sectors were REITs (up 5.6%), utilities (up 3.4%) and consumer staples (up 3.1%). The Trust is underweight REITs as well as the consumer staple stocks, Wesfarmers (up 3.7%) and Woolworths (up 4.5%), due to overvaluation. For example, Woolworths trades on an approximate 40% P/E premium to the overall market and delivered third quarter sales results which were below market expectations. The laggard sectors included healthcare (down 1.3%), information technology (down 0.2%) and industrials (up 0.3%).

A number of holdings performed strongly for the month. Resmed (up 14.1%) reacted positively to its third quarter profit announcement, with sales growth ahead of market expectations. Resmed, which manufactures and markets respiratory medical devices, was recently added to the portfolio. It is a company with a stellar track record that we have analysed and admired for many years but have never held on the basis of valuation. The recent pull-back in the Resmed share price provided an entry opportunity and we added the stock to the portfolio at an average entry price of \$4.75-\$4.80 which was 19% below its high and compares to the month end price of \$5.42.

Other strong performers included Lend Lease (up 9.3%), which announced that it will commence a third office tower at its Barangaroo project, Westfield (up 6.8%) as it released further details of its demerger proposal, Fairfax (up 7.1%) and Bluescope Steel (up 5.5%). Asciano (up 4.0%) provided a positive quarterly update with volumes

in the key coal rail business and port containers growing strongly, partially offset by weaker than expected volumes in intermodal freight rail and bulk ports. Pleasingly, it reiterated guidance and its expectation of lower capital expenditure and higher dividends in the medium term, which are the key reasons that we hold the stock.

The Trust also benefitted from not holding Coca-Cola Amatil (down 16.1%) which issued an unexpected profit downgrade during the month.

Stocks which detracted from performance during the month included Iluka (down 12.8%) which reported a weaker than expected quarterly result, QBE (down 9.7%) and Aristocrat Leisure (down 6.5%). Henderson Group (down 4.6%) was also weaker despite reporting continuing strong quarterly funds inflows. We remain comfortable with our holdings in each of these stocks.

In terms of portfolio activity, we reduced our holdings in Rio Tinto early in the month as we became increasingly cautious on the outlook for the iron ore price. We also sold out of our holding in Myer as we became increasingly cautious at the competition emerging in the mid-tier fashion space. We used some of the proceeds to add to our position in Harvey Norman which is our preferred retail stock given its exposure to improving housing starts and which, pleasingly, delivered a strong third quarter sales result. We also added to our positions in AMP, Origin Energy and Resmed (which is discussed in more detail above).

At month end, stock numbers were 39 and cash was 1.9%.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
BHP Billiton Limited	9.8	8.8
Westpac Banking Corp	8.3	7.9
ANZ Banking Grp Ltd	7.6	6.8
National Aust. Bank	7.2	6.0
Commonwealth Bank.	6.6	9.2
Telstra Corporation.	5.8	4.7
Macquarie Group Ltd	3.2	1.3
Woodside Petroleum	3.1	1.8
Lend Lease Group	2.6	0.5
AMP Limited	2.5	1.1

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.3	5.94%
Materials	23.3	17.35%
Industrials	3.9	6.73%
Consumer Discretionary	6.7	4.80%
Consumer Staples	1.6	7.98%
Health Care	1.2	4.56%
Financials-x-Real Estate	40.9	38.03%
Real Estate	7.6	6.97%
Information Technology	0.0	0.82%
Telecommunication Services	5.8	5.15%
Utilities	0.9	1.67%
Other	1.9	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
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Signatory of:



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