

	Quarter	FYTD	1 year	3 years	5 years	Since Inception*
	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	4.3	16.4	19.6	7.4	11.2	9.8
S&P/ASX 300 Accumulation Index	4.7	15.6	20.2	7.5	10.8	7.9
Value Added (Detracted)	-0.4	0.8	-0.6	-0.1	0.4	1.9
Capital Growth	4.1	13.1	14.2	2.4	6.0	1.7
Income Distribution	0.0	2.6	4.4	4.1	4.3	7.2
Net Performance	4.1	15.7	18.6	6.5	10.3	8.9

*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:

AUD \$1.1 billion

Income distribution frequency:

Half yearly

Team FUM:

AUD \$7.0 billion

Minimum initial investment:

\$25,000

Trust inception date:

March 2000

APIR code:

IOF0200AU

- ▶ **Markets rallied over the March quarter, with the S&P/ASX300 Accumulation Index (the Index) up 4.7%.**
- ▶ **Strength was broad-based, with both industrials (up 5.2%) and resources (up 2.2%), up over the quarter.**
- ▶ **Reporting season saw the market deliver positive earnings growth and record dividends.**

Trust Performance

The Perennial Value Shares Wholesale Trust (the Trust) delivered a return of 4.3% for the March quarter, underperforming the Index by 0.4%.

Global markets were general positive, with the S&P500 up 5.5%, FTSE100 up 2.5% and the Shanghai Composite up 3.8% over the quarter, while the Nikkei 225 eased 1.1%. Commodity prices were mixed with oil down 7.0%, thermal coal down 11.0% and coking coal down 34.0%, while iron ore (up 3.0%), copper (8.0%) and gold (8.0%) all rose. The US Federal Reserve raised rates by 25 basis points, lifting the target range to between 0.75% - 1.00%, while the Reserve Bank of Australia, by contrast, left the cash rate steady at 1.5% and the Australian Dollar rose four cents to 76 US cents.

The better performing sectors over the quarter were healthcare (up 14.7%), utilities (up 10.7%), consumer staples (up 10.6%) and financials (up 6.0%). Telecommunications (down 4.5%), REITs (down 0.1%), materials (up 1.6%), metals and mining (up 2.0%) and energy (up 2.8%) lagged.

Reporting season was the highlight of the quarter. While the results were generally subdued, there was improvement from previous periods, with the overall market delivering positive earnings growth. Market dividends also set a new record level as companies continued to focus on returning cash to shareholders.

Stocks which contributed positively over the quarter included AGL Energy (up 21.2%), which continues to rally on the rising wholesale electricity price. This stock has been a very strong performer for the Trust, with a total return of 47.5% for the last 12 months. Crown Resorts (up 11.9%) rallied as the market welcomed the focus on cost reduction under the new Executive Chairman and the announcement of a large special dividend. Vocus Group (up 11.6%), began to recover from last-year's sell-off as the market became more comfortable with the outlook for the company. Similarly, Boral (up 10.2%) rose as the market began to warm to the acquisition of Headwaters and the US exposure it provides the company, with around 40.0% of revenues now coming from the US. Lendlease (up 8.8%) rose following a strong first half result and QBE Insurance (up 6.4%) rallied on the back of its leverage to rising US interest rates and ongoing operational improvement. Resmed (up 8.4%) rallied after a strong Q2 result and Woodside Petroleum (up 5.0%) rose after delivering a solid full-year result and set out its growth profile over the coming years. The Trust also benefitted from not holding Brambles (down 23.4%).

Holdings which detracted from performance included Clydesdale Bank (down 6.2%) and Henderson Group (down 5.0%) which declined on Brexit concerns. Graincorp (down 4.9%) which eased back after a strong rally in the December quarter, and Event Hospitality & Entertainment (down 4.9%), which delivered a soft first half result due to weak cinema earnings. These companies all offer good value, are underpinned by strong balance sheets and we remain comfortable with the medium-term outlook for each.

Trust Activity

During the quarter, we took profits and reduced our holdings in a number of stocks which had performed strongly over recent months including AGL Energy, QBE Insurance, Woolworths and Orica. Proceeds were used to increase our positions in a number of stocks where we see very good medium-term value, including Caltex, Crown Resorts, Henderson Group and Vocus Group.

At quarter end, stock numbers were 37 and cash was 5.0%.

Environmental, Social and Corporate Governance (ESG)

Perennial Value remains alert and active in ESG matters. During our company meetings following the February reporting season, we took the opportunity to engage with management on a range of ESG issues. Much of the discussion centred on safety performance and environmental considerations. We were pleased to see some creative solutions proposed such as Woodside's aim to develop LNG as a clean alternative to the 3 billion litres of diesel used each year in the Pilbara, as well as potentially as a fuel for the shipping industry.

Outlook

While there is a high level of ongoing uncertainty, the global growth outlook appears to be incrementally improving and markets continue to respond positively to the prospect of more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies where we see attractive valuations. This would also see continued upwards pressure on interest rates which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

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	7.5	9.3
Westpac Banking Corporation	6.2	7.4
BHP Billiton Limited	5.5	4.9
ANZ Banking Group Limited	5.3	5.9
National Australia Bank	4.9	5.6
Macquarie Group Limited	3.8	1.9
Rio Tinto Limited	3.6	1.6
Woodside Petroleum	3.4	1.5
Crown Resorts Limited	3.3	0.3
Henderson Group	3.3	0.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.1	4.3
Materials	18.8	15.6
Industrials	0.0	6.7
Consumer Discretionary	6.6	5.0
Consumer Staples	5.9	7.2
Health Care	4.4	6.8
Financials-x-Real Estate	39.0	38.1
Real Estate	5.3	8.4
Information Technology	0.0	1.3
Telecommunication Services	5.7	4.0
Utilities	2.2	2.7
Cash & Other	5.0	-

Rounding accounts for small +/- from 100%.

**For all other enquiries please contact us on 1300 730 032
or visit www.perennial.net.au.**

Signatory of:



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