

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares Wholesale Trust*	-0.3	6.4	11.3	16.8	7.9	11.0	9.5
S&P/ASX 300 Accumulation Index	-0.8	6.4	9.6	17.3	7.4	10.4	7.6
Value Added (Detracted)	0.5	0.0	1.7	-0.5	0.5	0.6	1.9
Capital Growth	-0.4	3.8	8.3	11.6	2.9	5.7	1.4
Income Distribution	0.0	2.4	2.5	4.3	4.1	4.3	7.3
Net Performance	-0.4	6.2	10.8	15.9	7.0	10.0	8.7

*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 January 2017):

AUD \$1.1 billion

Income distribution frequency:

Half yearly

Team FUM (as at 31 January 2017):

AUD \$7.1 billion

Minimum initial investment:

\$25,000

Trust inception date:

June 2001

APIR code:

IOF0206AU

- ▶ The market eased slightly in January, with the S&P/ASX300 Accumulation Index (the Index) down 0.8%.
- ▶ Resources continued their rally (up 5.2%), while Industrials declined (down 1.9%).
- ▶ The Trust outperformed by 0.5%.

Trust Performance

The Perennial Value Shares Wholesale Trust (the Trust) fell slightly in January by 0.3%, outperforming the Index by 0.5%.

Global markets were mixed following their strong recent advances, with the S&P500 and Shanghai Composite both up 1.8%, while the FTSE100 (down 0.6%) and Nikkei 225 (down 0.4%) declined. Commodity prices diverged, with stronger metal prices seeing iron ore (up 3.0%), copper (up 8.0%) and gold (up 5.0%) all rising, while oil (down 2.0%), thermal coal (down 13.0%) and coking coal (down 26.0%) declined. The Reserve Bank of Australia (RBA) left the cash rate steady at 1.5%, while the Australian Dollar (AUD) finished the month strongly, up four cents at 76 US cents.

During January, the better performing sectors included metals & mining (up 6.8%), materials (up 4.8%) and healthcare (up 4.6%), while REITs (down 4.7%), industrials (down 4.4%), consumer discretionary (down 4.3%) and information technology (down 4.2%) lagged.

Trust holdings which performed strongly included resource companies Rio Tinto (up 11.3%) and BHP (up 6.3%), which rallied on continued iron ore price strength. Other strong performers included Event Hospitality & Entertainment (up 7.1%) as Australian box office takings continue to be strong, Newcrest (up 6.3%) on the back of the higher gold price and delivering a positive quarterly production report and Orica (up 6.1%). Resmed (up 4.4%) rallied after its second quarter report showed improving sales momentum following new product launches. This company is the global leader in the treatment of sleep disorder breathing, which is a large and growing market. Further, they are investing heavily to extend their competitive advantage by using technology to embed themselves with clinicians, distributors and patients.

The Trust also benefited from being underweight REITs, which underperformed on expectations of continuing increases in bond yields as well as from not holding Brambles (down 16.0%), which fell sharply after delivering a profit warning during the month. We have long been wary of Brambles, given its full-valuation based on aggressive long-term return targets to be achieved beyond the tenure of the current management team. We are also pleased to have avoided many of the major earnings disappointments over recent times, including Aconex, Bellamy's, Estia and Sirtex, all of which have fallen dramatically.

Stocks which detracted from performance included Henderson Group (down 10.7%), Brickworks (down 6.8%), Westfield (down 6.3%) and Caltex (down 6.0%). These companies are all underpinned by strong balance sheets and we remain comfortable with the outlook for each.

Trust Activity

During the month, we exited our holding in Flight Centre. While we view the long-term outlook for this business positively, the company faces significant near-term headwinds due to the intensifying discounting in international airfares as airlines bring on additional capacity. Proceeds were predominantly used to add to our positions in a number of good value stocks including AMP, Henderson Group, Ansell, Caltex and Woolworths. At month end, stock numbers were 38 and cash was 5.8%.

Outlook

While there is a high level of global uncertainty, markets have responded positively to the US election results and the prospect of this leading to 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 Trust 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	7.6	9.3
BHP Billiton Limited	6.2	5.6
Westpac Banking Corporation	5.8	7.0
ANZ Banking Group Limited	5.0	5.7
National Australia Bank	4.6	5.3
Woolworths Limited	3.7	2.1
AGL Energy Limited	3.7	1.0
Woodside Petroleum	3.3	1.5
Macquarie Group Limited	3.2	1.9
AMP Limited	3.1	1.0

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.4	4.3
Materials	18.9	17.1
Industrials	0.0	6.5
Consumer Discretionary	5.5	5.0
Consumer Staples	7.0	6.8
Health Care	4.2	6.6
Financials-x-Real Estate	37.7	37.2
Real Estate	6.6	8.3
Information Technology	0.0	1.3
Telecommunication Services	4.1	4.4
Utilities	3.7	2.6
Cash & Other	6.0	-

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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