

Market Update & Outlook

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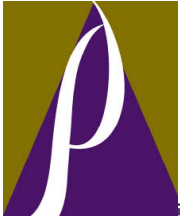


March 2010



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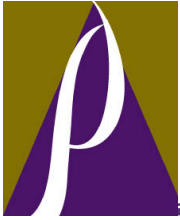


Agenda

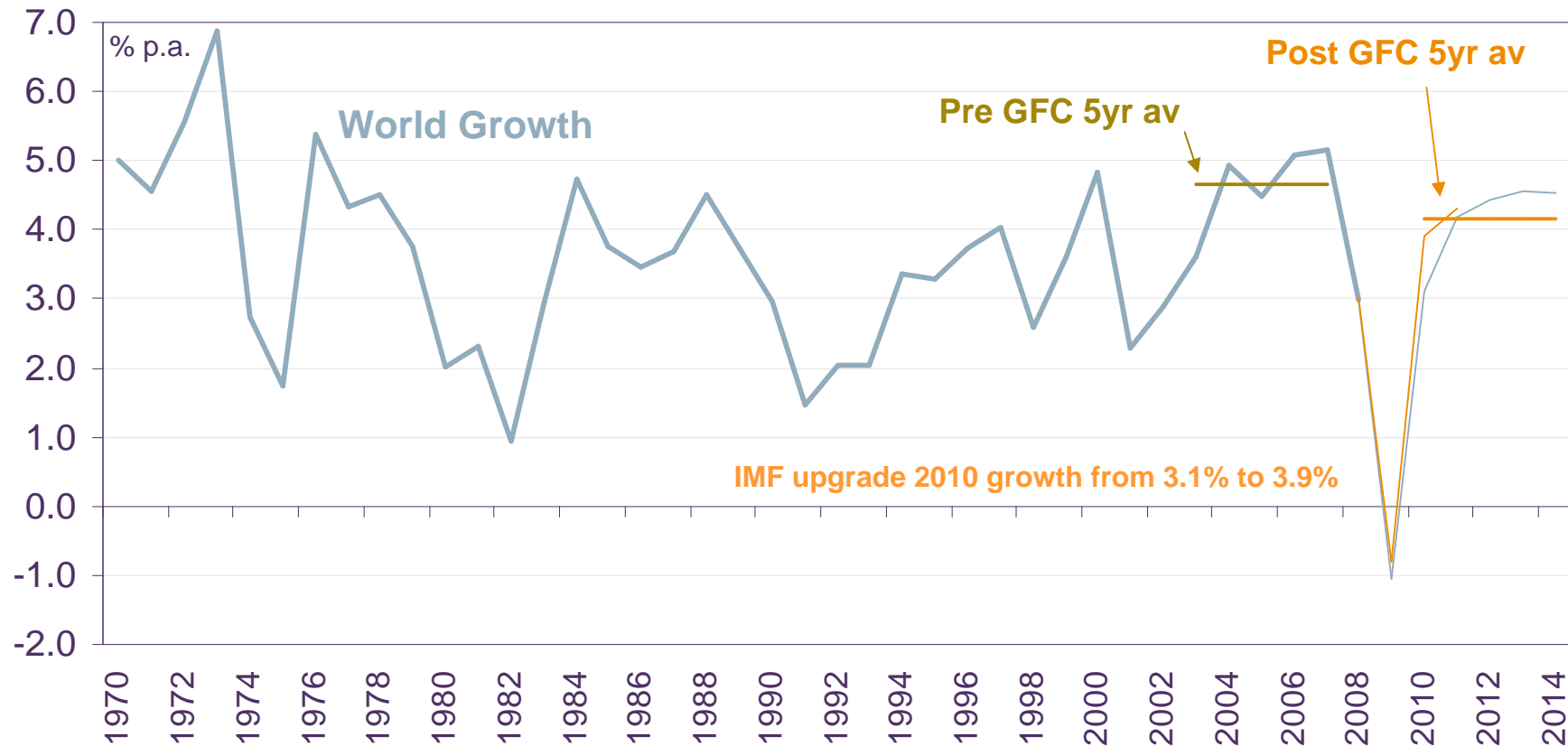
- Economic Update
 - Global Economy
 - Australian Economy
 - Interest Rates
 - Exchange Rate

- Market Outlook
 - Australian Shares

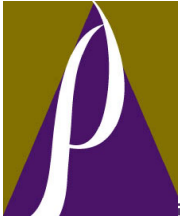
- Fund update
 - Perennial Value Shares Trust



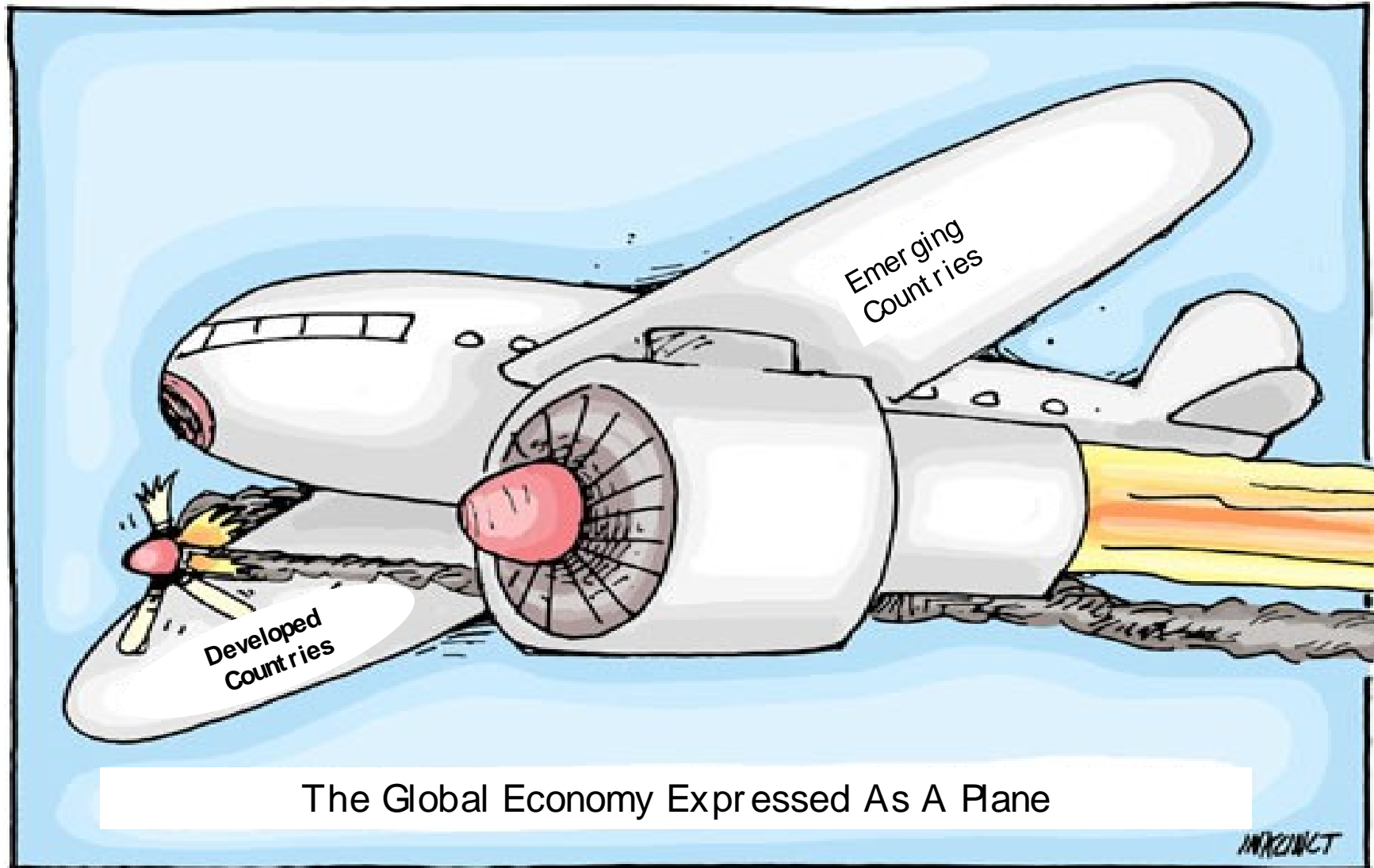
Global Economy

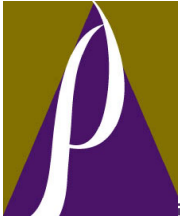


- After spending 5% of world GDP after the GFC on supporting growth, we will see a patchy recovery in 2010.
- Major emerging market economies to do better than GFC affected industrialised countries.
- Danger period mid year as inventory rebuild finishes and fiscal tailwinds begin to fade.
- Policy makers know the risks of removing stimulus too early.



A Two Speed Global Economy has emerged

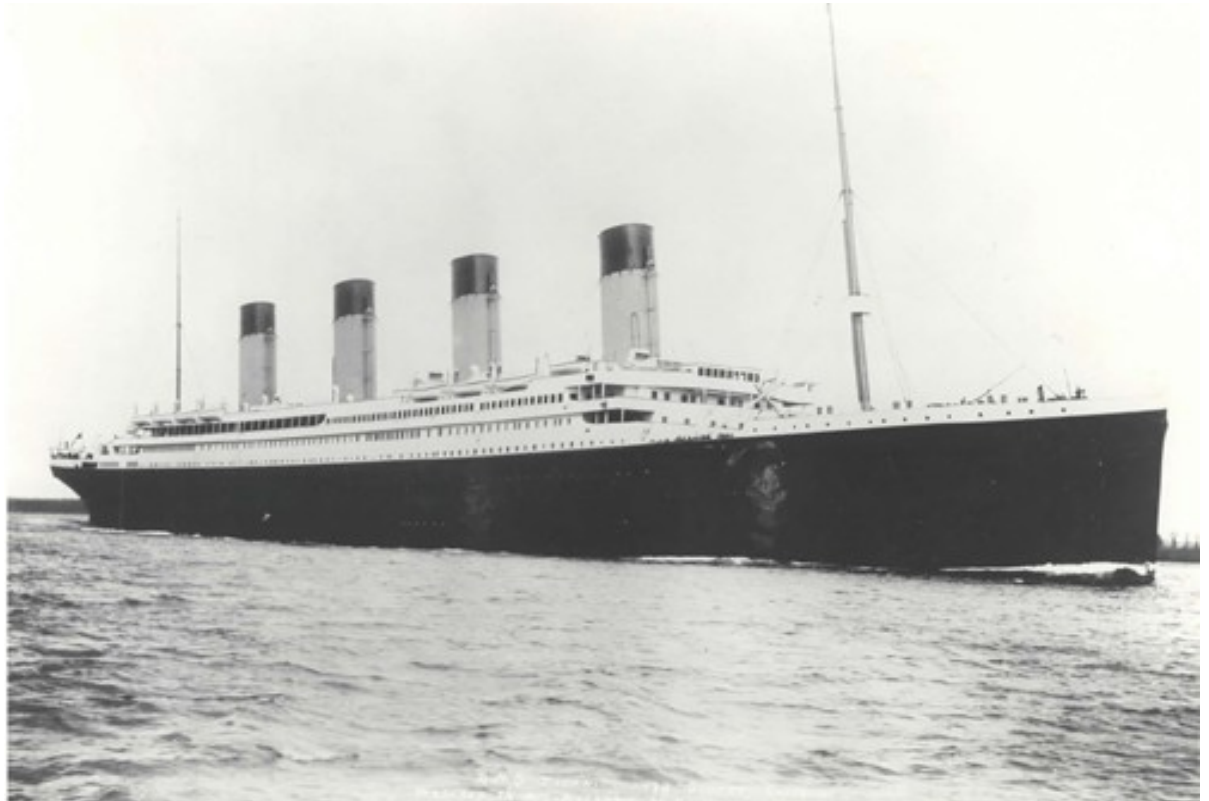


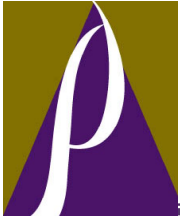


The Collapse of the Global Financial System

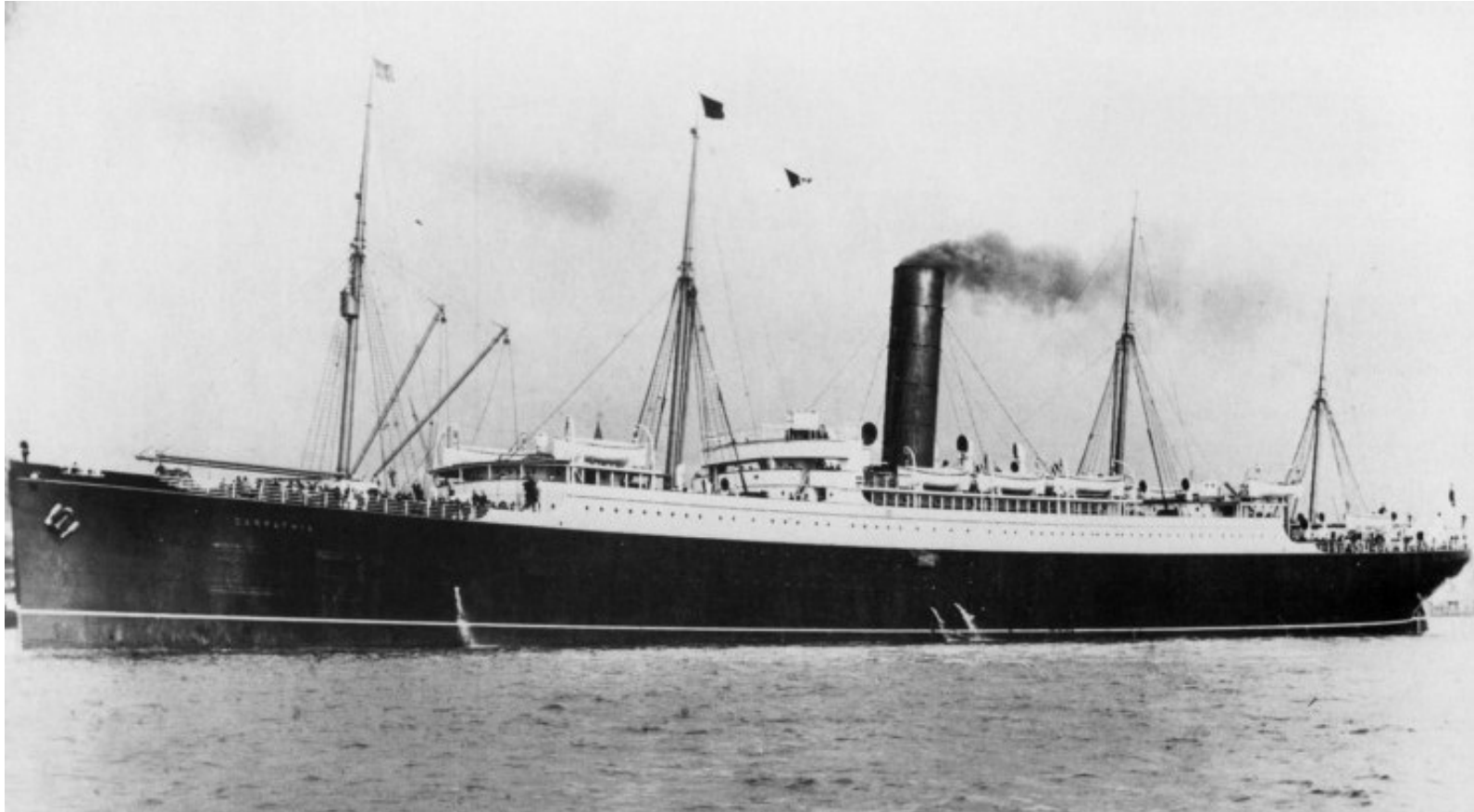
The RMS Titanic Analogy

- Travelling at full speed
 - Attempting to set a new set a new Transatlantic speed record on the ship's maiden voyage
- Badly made
 - Underdesigned due to cost restrictions by White Star Lines
 - no fully watertight compartments
- Not enough life boats
 - Cost cutting episode meant there were 20 lifeboats - capacity for 52% people on board
- Too big to sink
 - Ignored iceberg precautions



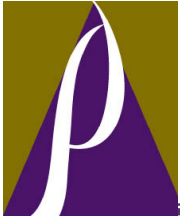


The Rescue of the Global Financial System



RMS Carpathia

- became famous for rescuing the survivors of RMS Titanic
- navigated safely through the icebergs

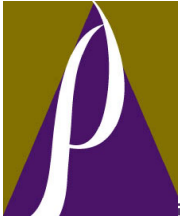


Possible hazards ahead

A gradual exit strategy is necessary

- Massive fiscal deficits
- Low interest rates globally and the need to raise them when fiscal policy is waning
- New financial regulation and possible impacts of this on global banks – possible failure of a major financial institution somewhere
- Federal Reserve balance sheets hold the many and varied unusual securities (rubbish). This has to be reversed and moved back to the private sector.
- Asia is hit harder than we think - as policy is introduced to manage asset bubbles and inflation





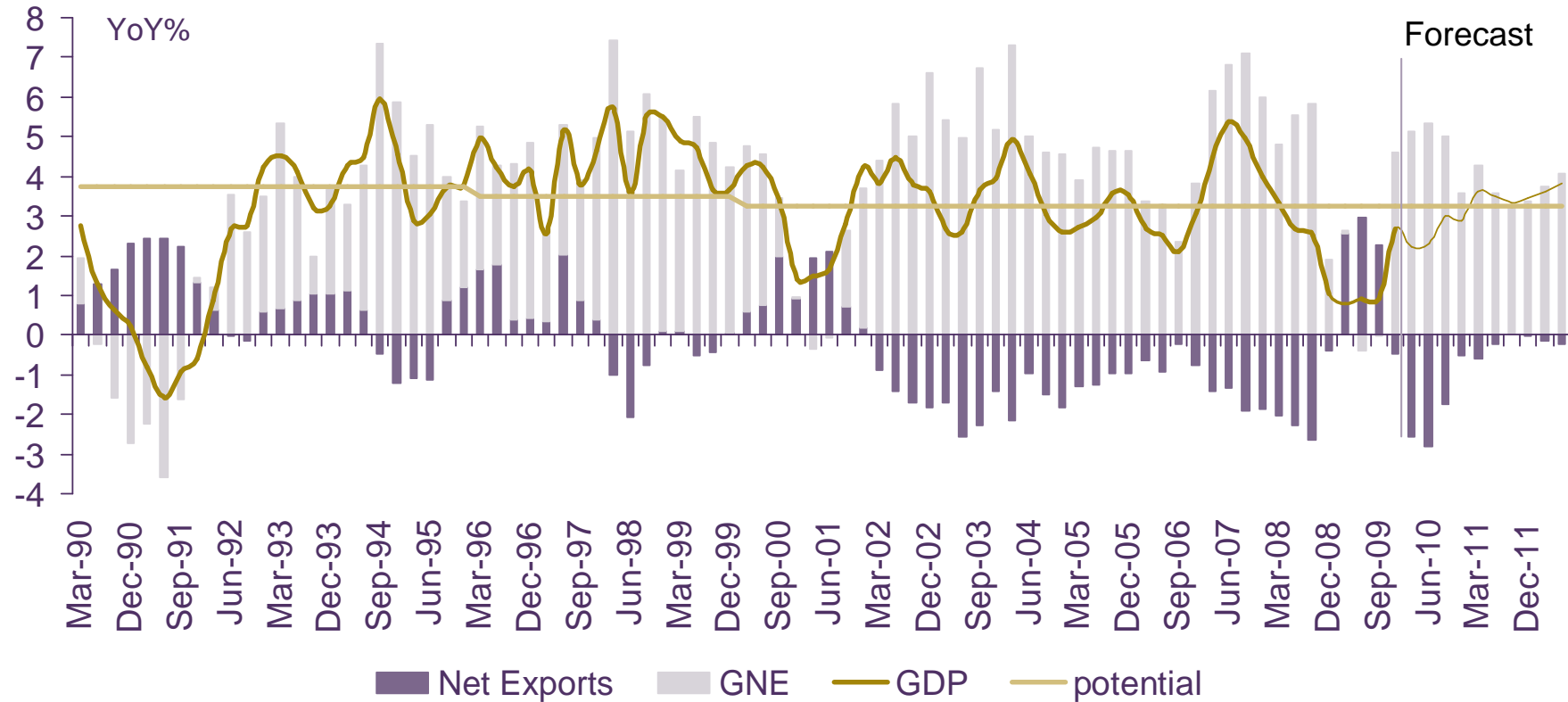
Green shoots

- US productivity is booming
 - This is the counterpart story to the bad news on unemployment in the US
 - This is underpinning earnings outside of the banking sector
- Banks are making strong profits
 - This is a consequence of the environment created for them
 - Zero rates, quarantees that keep funding costs down, etc..
- Deleveraging is in full swing



Australian Economy

Solid Growth Ahead

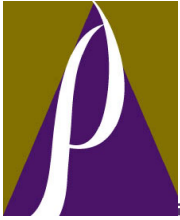


GDP Forecast Round Up	2008/09	2009/10	2010/11	2011/12
• Treasury (yr av basis %)	1.0	1.50	2.75	4.00
• RBA (yr av basis %)	1.5	2.00	3.50	3.50
• Perennial (yr av basis%)	1.5	2.00	3.50	3.50



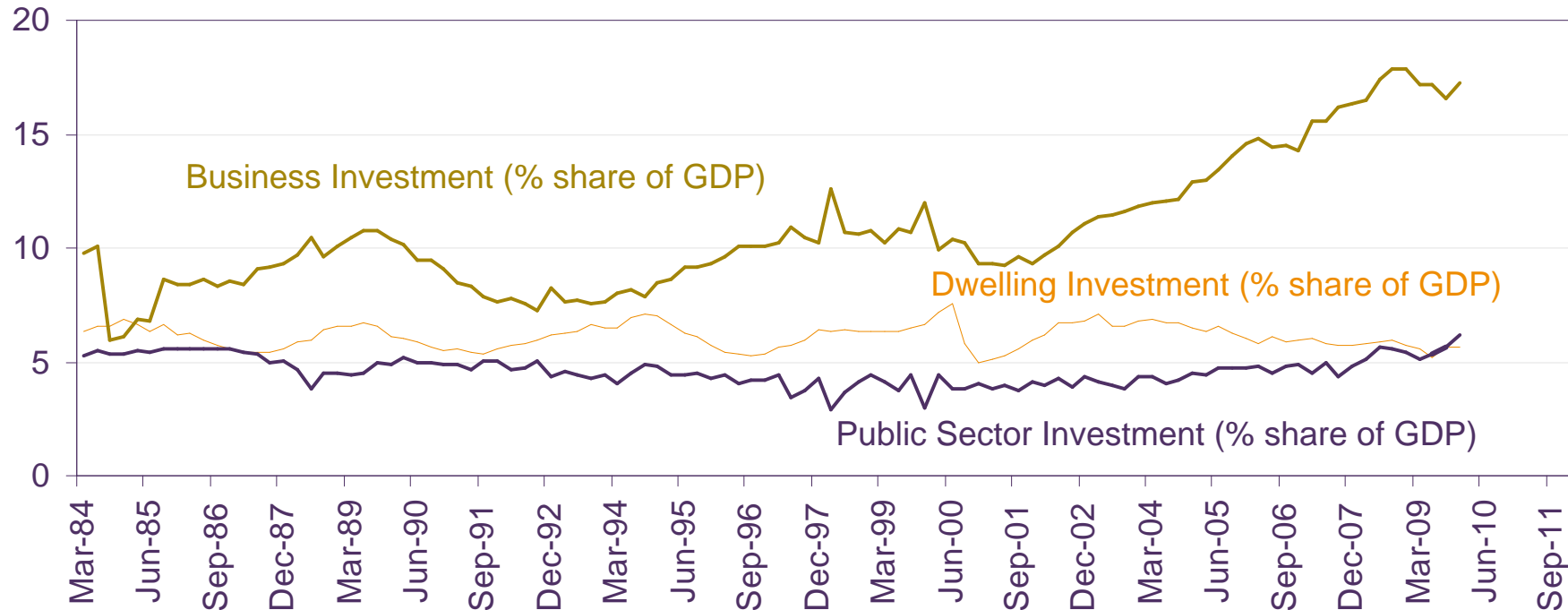
Why is Australia better placed?

- Good Starting Point
 - Budget surplus
 - High interest rates - plenty of room to move
- China
 - Australia is vertically integrated into China
 - China expected to decouple from the West to a large extent
- Four Pillar Banking System
 - Stable, medium-sized oligopolies that did not compete in offshore securities market
- Twin Peaks regulatory structure
 - APRA & ASIC; plus
 - RBA to focus on monetary policy & stability of the payments system
- Investment banking was at the core of the financial crisis
 - Goldmans, Citi, JPM, Morgan Stanley and UBS take the lions share of the market in Australia but the issues were in the US/European regions
- Structure of Macquarie Bank
 - our one big Investment Bank introduced a Non-Operating Holding Company Structure (NOHC) in 2007. This reduced contagion risk amongst affiliates.

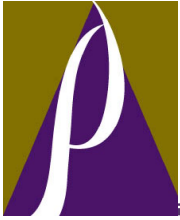


The issue of Managing Prosperity

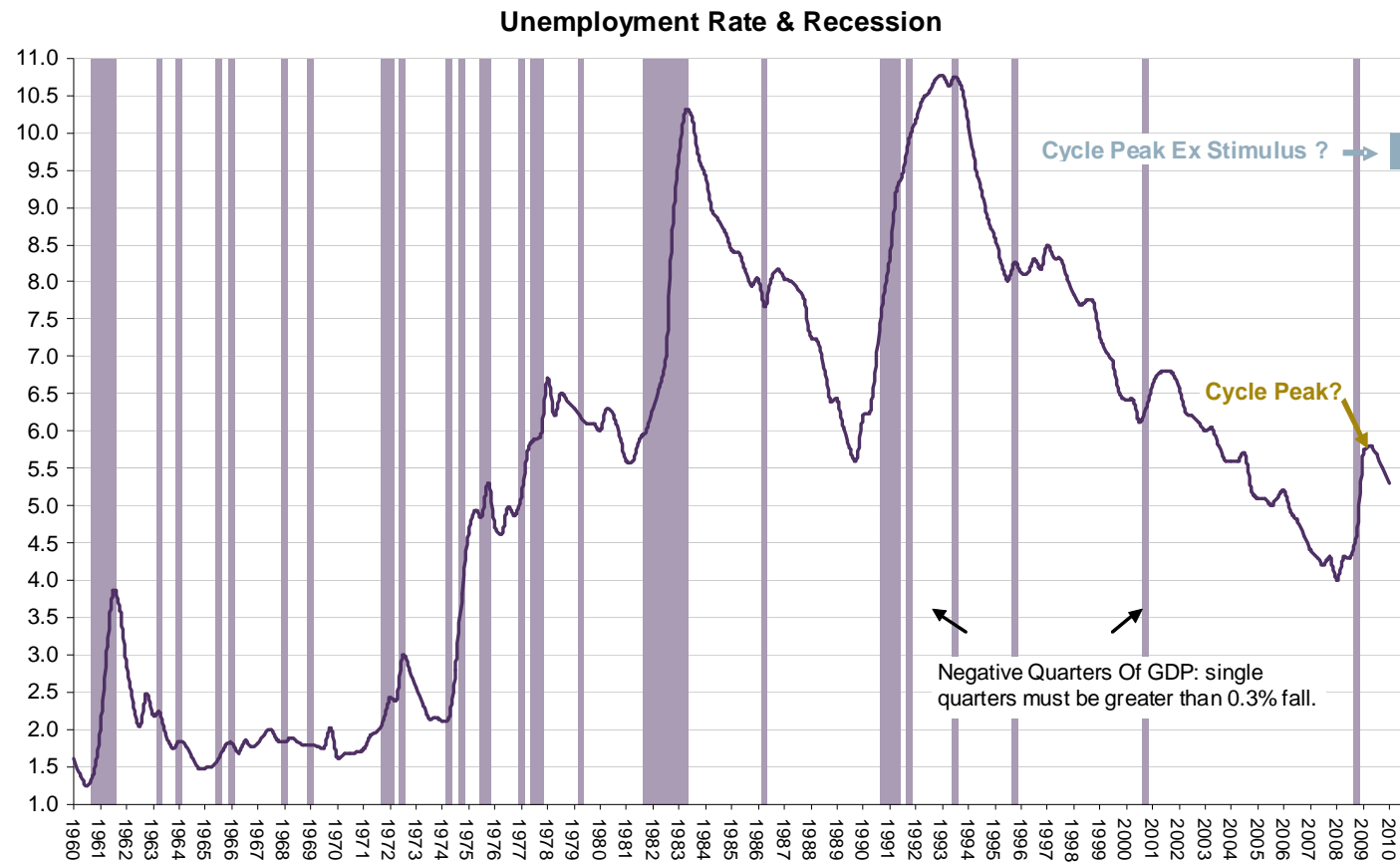
Medium Term Pressures in Australia



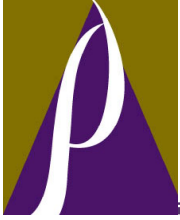
- RBA worried about how the economy will manage with coming resources investment and redressing under building relative to population trends; can both grow without generating inflation.
- Although dwelling investment steady as share of GDP, the number of new homes built is falling as alterations and additions rise, the choice is quality of quantity.
- If we do not adjust preferences, then a greater share of GDP needs to go to housing, if not, prices and rents up.



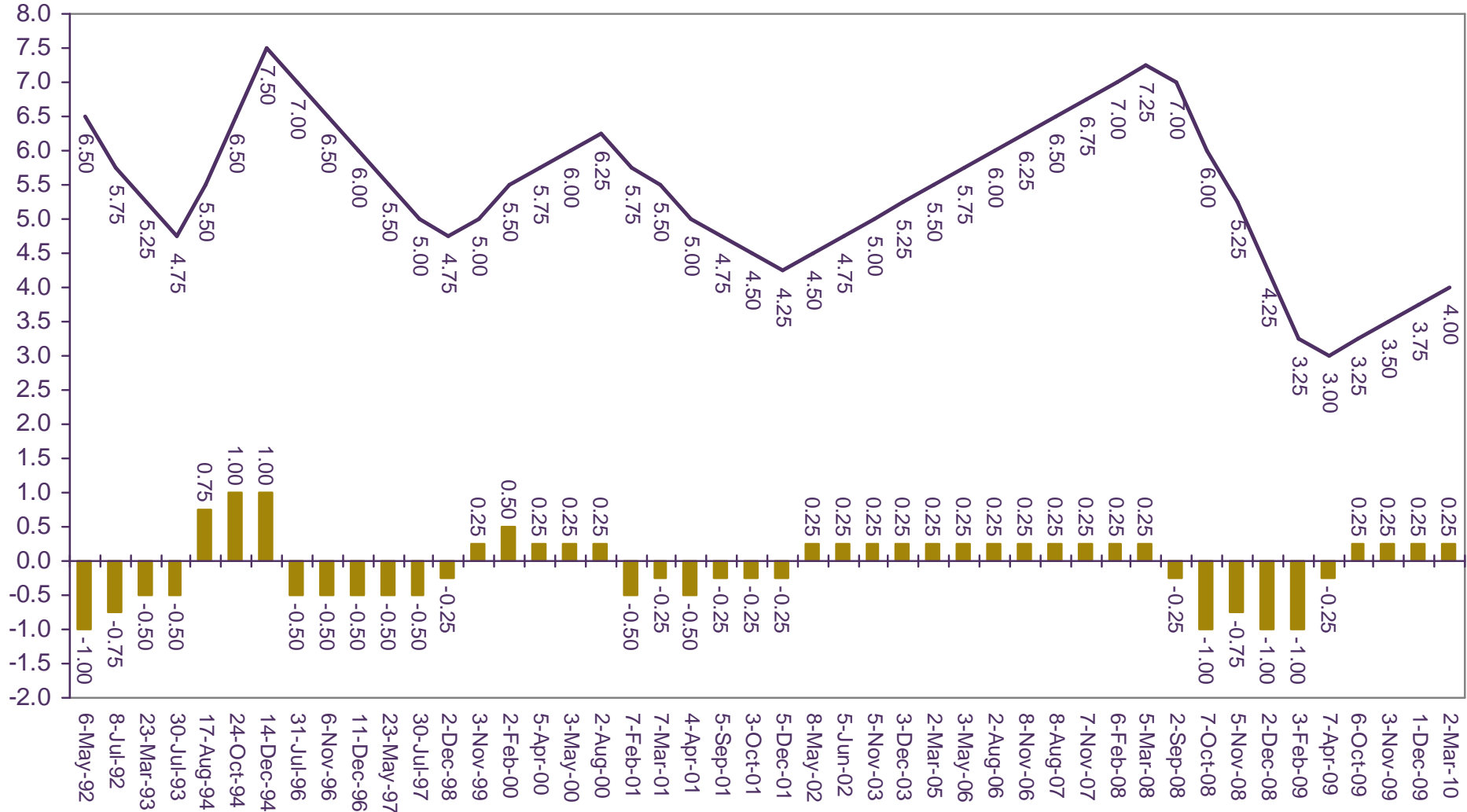
Where Is The Spare Capacity...

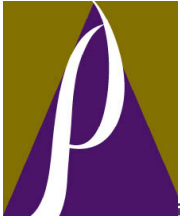


- Fears were for the unemployment to rise to between 7.5% to 9%.
- Looks like we will make a peak below 6%. This is an impressive outcome.
- Employers cut hours rather than jobs hoping to ride out the storm. They did and employment and hours worked are bouncing.

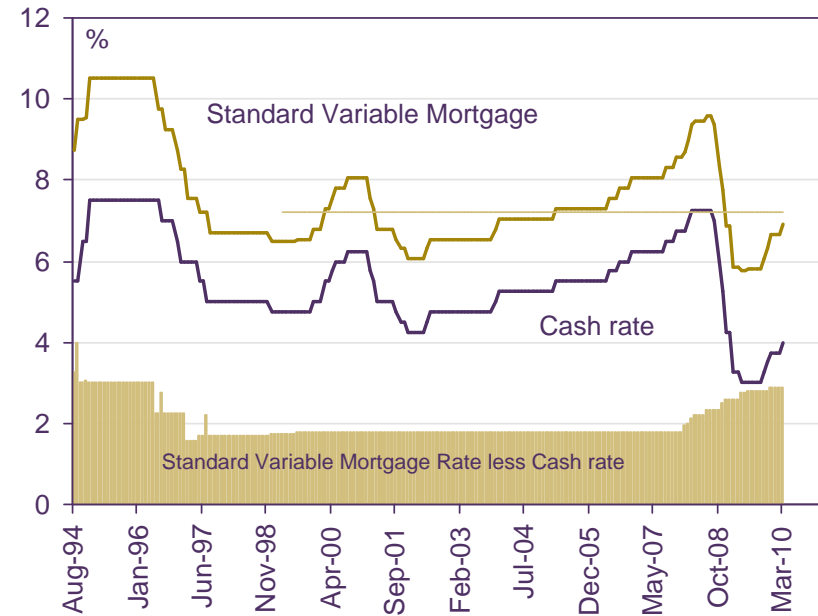
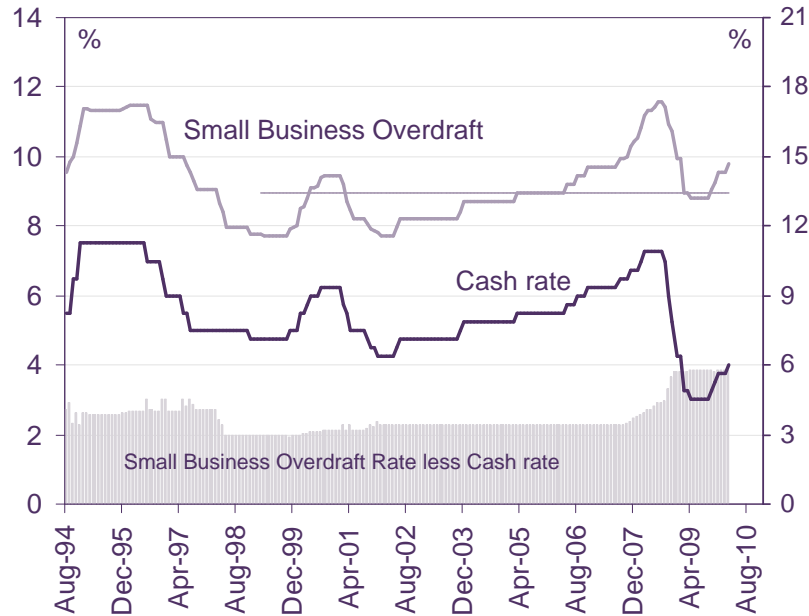


What's ahead for interest rates?





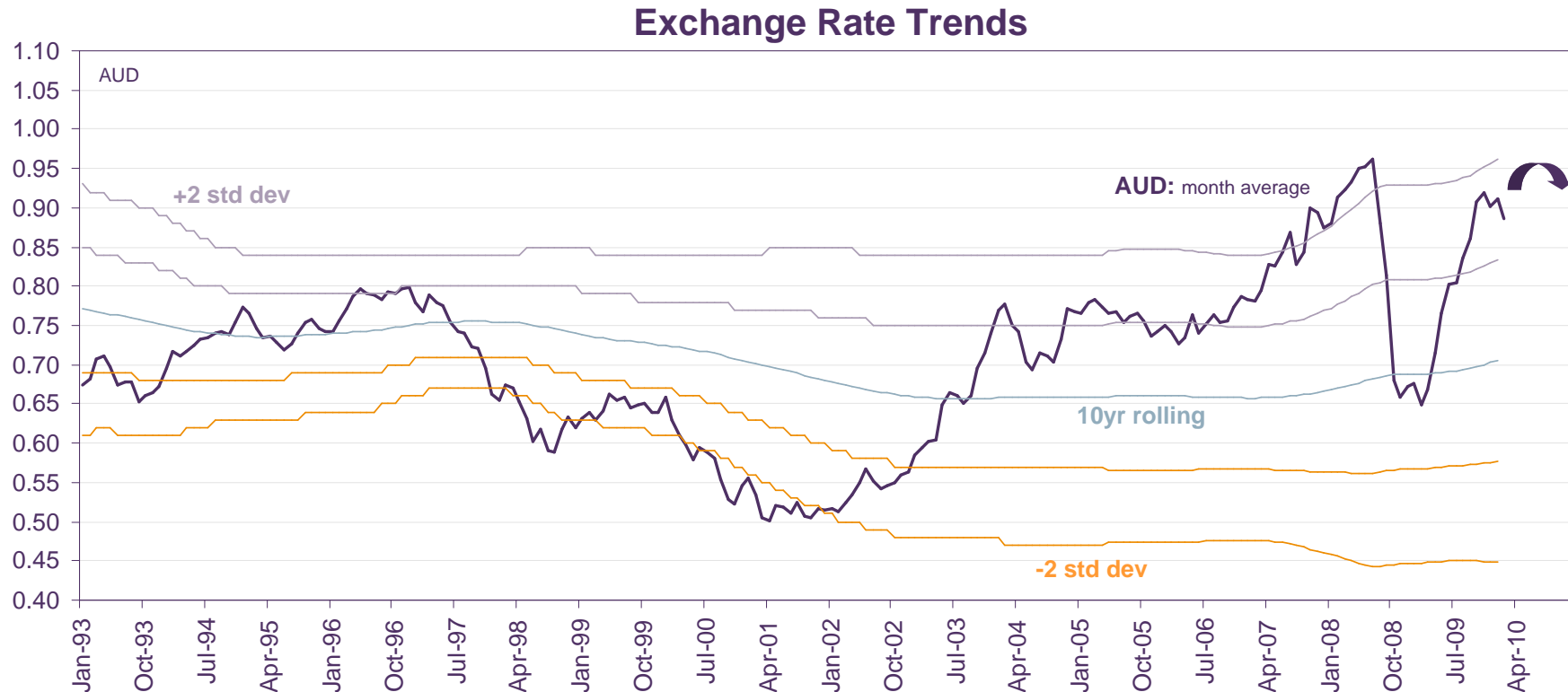
Interest rate rises have more grip



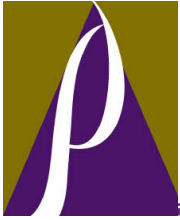
- The GFC has resulted in wider spreads between the cash and lending rates.
- Policy has more grip and is an argument for a more moderate tightening profile.
- A tightening to 4.25% would take the standard variable mortgage rate back to the 10 year average.
- A further tightening would make life tougher for small business.
- Larger business funding through equity and debt raising.



Australian Dollar Currency Profile

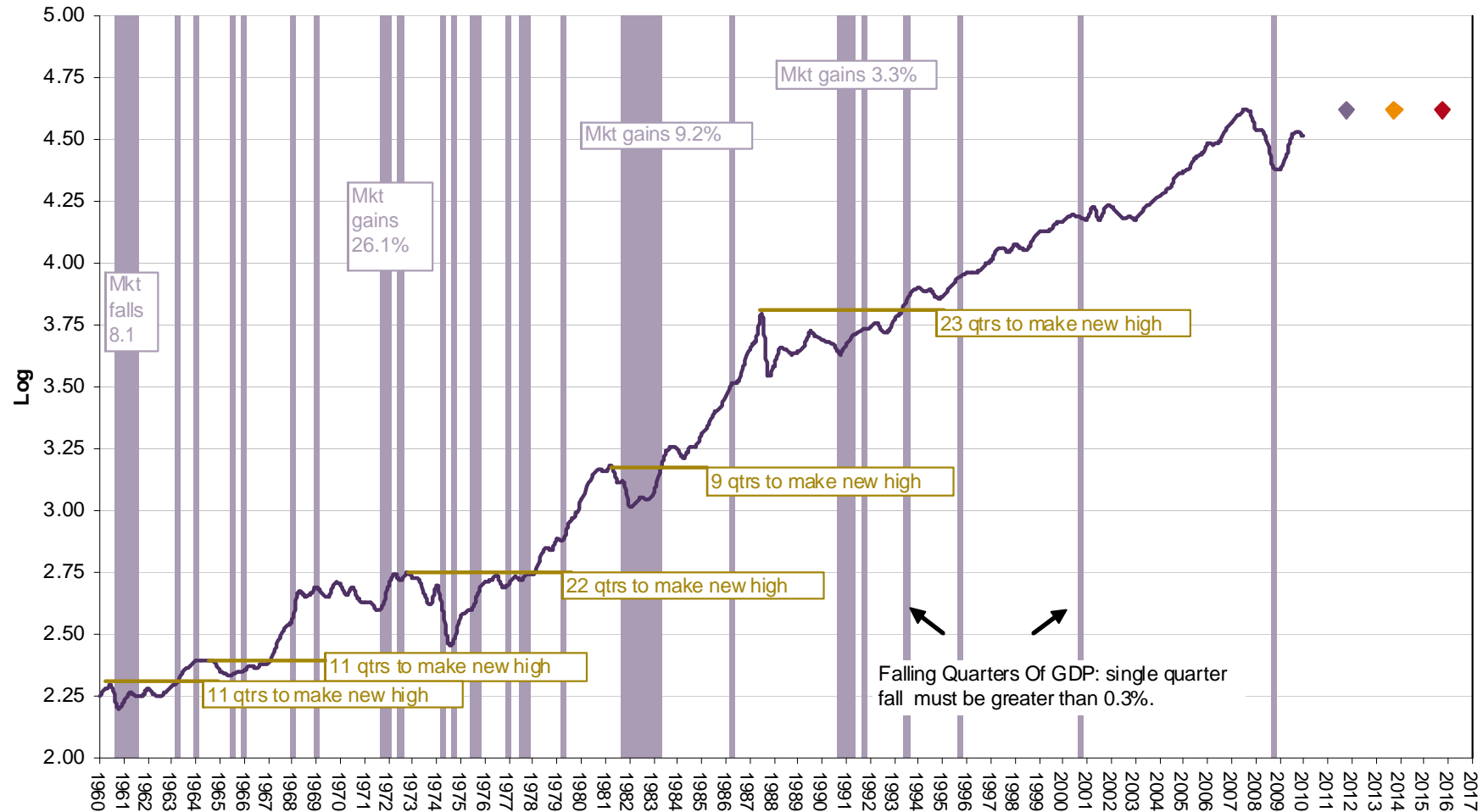


- Our view is that the exchange rate has long term structural support.
- Near term cyclical factors are supportive, but not as supportive as late 09.
- Current pullback limited due to positive structural factors.
- Main risk: exacerbated global growth concerns see sharper pull back despite strong fundamentals.



A Solid Rebound...

Recession & The All Ordinaries Accumulation Index

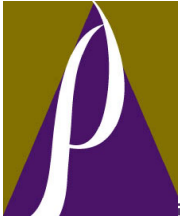


Returns from 6 March 09 low to previous high.

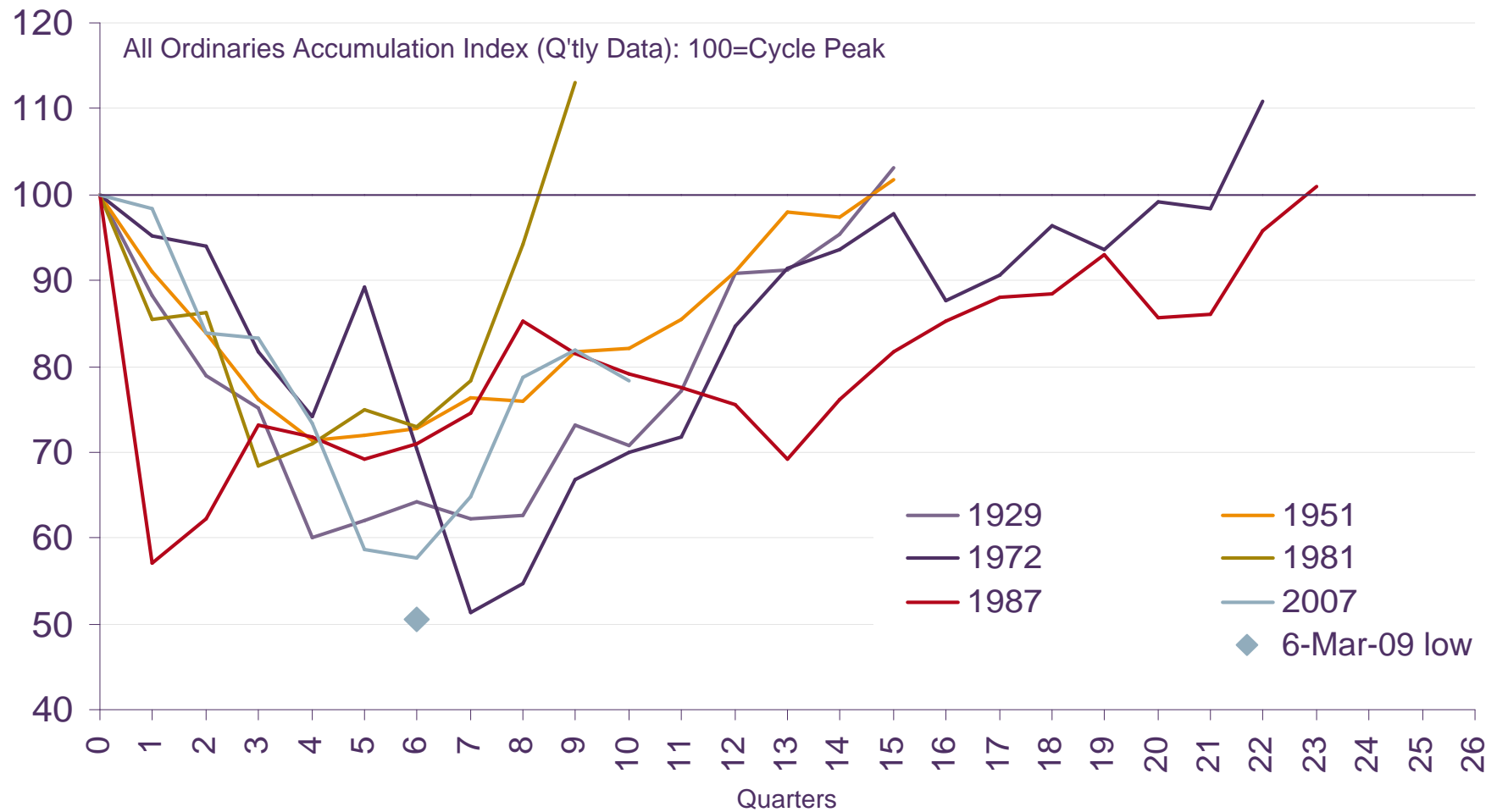
- ◆ 4 yrs to Sep 11: 31.3% p.a.
- ◆ 6 yrs to Sep 13: 16.3% p.a.
- ◆ 8 yrs to Sep 15: 11.0% p.a.

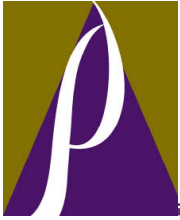
Returns to February 26 10, after 54.9% rally off March 09 low, to previous high.

- ◆ 4 yrs to Sep 11: 17.6% p.a.
- ◆ 6 yrs to Sep 13: 7.2% p.a.
- ◆ 8 yrs to Sep 15: 4.7% p.a.

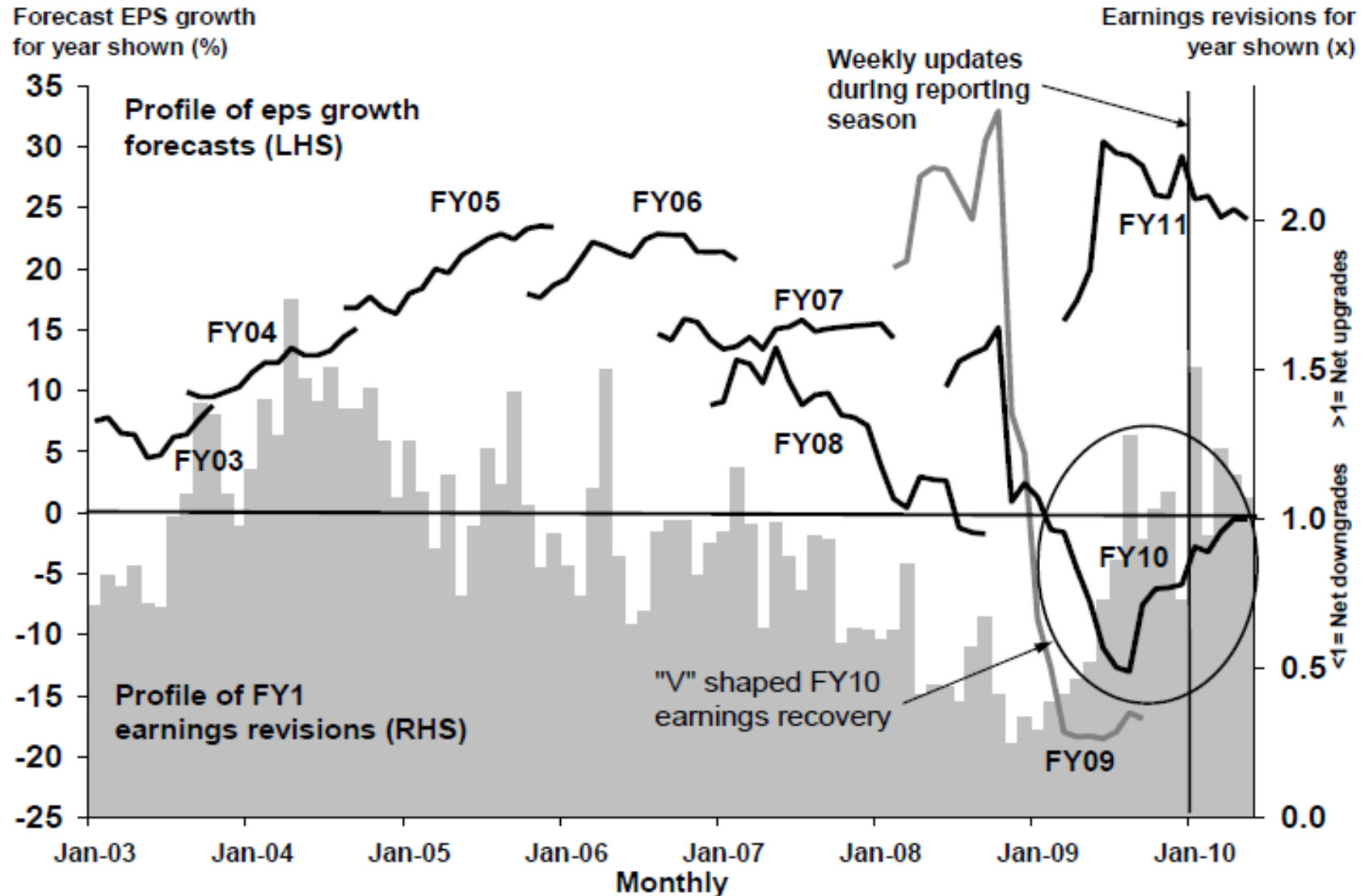


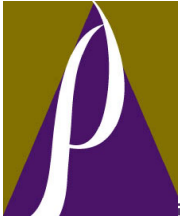
Various Bear Market Cycles





Solid Reporting Season



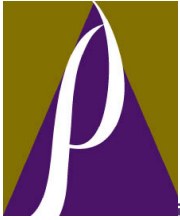


Perennial Value Shares

Results

Period to 28 February 2010	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	PVAST Since Inception* (% p.a.)
Perennial Value Australian Shares Trust	57.9	1.1	8.7	13.6
S&P/ASX 300 Accumulation Index	45.1	-3.3	6.6	8.3
Value Added/Detracted	12.8	4.4	2.1	5.3

Source: Perennial Investment Partners. *Perennial Value Australian Shares Trust inception date was 31 March 2000. Past performance is not reliable indicator of future performance. Gross performance (shown) does not include any applicable management fees.

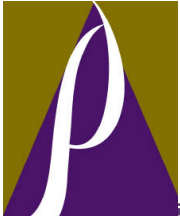


Return on \$100,000 Investment

Nine years and 10 months to 31 January 2010	\$ Return
Perennial Value Australian Shares Trust (net after fees)	\$325,079
S&P/ASX 300 Accumulation Index (Gross)	\$216,637
Extra \$ return for investors	\$108,442

As the following chart shows, the Trust has been consistently ahead of the S&P/ASX 300 Accumulation Index over shorter periods too.

Source: Perennial Investment Partners. Perennial Value Australian Shares Trust inception date was 31 March 2000.



Wrap Up

- An unprecedented shock met by an unprecedented response.
- Global economy responding to stimulus: 2 speed recovery over 2010.
- Australian economy back at “trend” growth rates. Upside risk.
- RBA remain in ‘tightening’ phase for interest rates
 - Cash rate of 4.75% end 2010.
- Early 2010 Australian share pull back has restored value and the sector is looking attractive on a medium term outlook.
- The Australian currency has both cyclical and structural support.

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