

|   | Month       | Quarter | FYTD | 1 year | 3 years | 5 years | Since Inception <sup>^</sup> |
|---|-------------|---------|------|--------|---------|---------|------------------------------|
|   | %           | %       | %    | %      | % p.a.  | % p.a.  | % p.a.                       |
| Perennial Value Active Plus Shares Trust* | -0.4        | -       | -    | -      | -       | -       | -0.2                         |
| S&P/ASX 300 Accumulation Index            | 0.2         | -       | -    | -      | -       | -       | 0.2                          |
| <b>Value Added (Deducted)</b>             | <b>-0.6</b> | -       | -    | -      | -       | -       | <b>-0.4</b>                  |
| Capital Growth                            | -0.6        | -       | -    | -      | -       | -       | -0.5                         |
| Income Distribution                       | 0.1         | -       | -    | -      | -       | -       | 0.1                          |
| Net Performance                           | -0.5        | -       | -    | -      | -       | -       | -0.4                         |

\*Gross Performance. ^Since inception: May 2005. Past performance is not a reliable indicator of future performance.

### Perennial Value Active Plus Shares Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a concentrated portfolio of Australian companies and to provide a total return that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

#### Portfolio manager

Dan Bosscher

#### Risk profile

High

#### Trust FUM

AUD \$15 million

#### Distribution frequency

Half yearly

#### Team FUM

AUD \$6.9 billion

#### Minimum initial investment

\$25,000

#### Trust inception date

May 2017

#### APIR code

WPC6780AU

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- ▶ **The market rose marginally in June, with the S&P/ASX300 Accumulation Index (the Index) up 0.2%.**
- ▶ **Financials outperformed, while resources lagged.**
- ▶ **US 10 year bond yields have begun to rise again.**

### Market Review

Global markets were generally stronger in June, with the S&P500 up 0.5%, Nikkei 225 up 1.9% and Shanghai Composite up 2.4%, while the FTSE100 declined 2.8%, following the outcome of the UK election. As widely expected, the US Federal Reserve raised interest rates by 25 basis points, moving the target rate to between 1.00% and 1.25%. Commodity prices were mainly stronger, with iron ore rallying strongly 14.0%, thermal coal up 6.0%, copper up 5.0% and coking coal flat. However, oil sold off 5.0% and gold fell 2.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month up 3.0 cents at 77 US cents.

The Index returned 0.2% over the month, with the better performing sectors including healthcare (up 6.1%), information technology (up 1.9%), financials (up 1.7%) and consumer discretionary (up 0.9%). Energy (down 6.8%) was the worst performing sector on the fall in the oil price, while REITs (down 4.5%), utilities (down 2.7%), consumer staples (down 2.4%) and telecommunications (down 1.7%) all lagged.

### Trust Review

The Perennial Value Active Plus Shares Trust (the Trust) slightly fell by 0.4% in June, underperforming the Index by 0.6%.

The best performing stock in the Trust was Vocus Group (up 19.5%), which rallied after receiving a takeover offer of \$3.50 per share from private equity firm, KKR. The Vocus board is currently reviewing the reasonableness of the offer and whether to grant due diligence. In our view, while the company's recent performance has been disappointing, the offer clearly demonstrates the latent value which the market is not currently recognising. Other strong performers included Suncorp (up 7.1%), which stands to benefit from rising insurance premium rates and Janus Henderson Group (up 4.8%), which rallied after the completion of the merger and the transfer of its listing from the London to the New York Stock Exchange. Other holdings which outperformed included AMP (up 2.8%) and Lendlease (up 2.0%). The Trust also benefited, in a relative sense, from its underweight position in REITs and utilities.

Stocks which detracted from performance included Gateway Lifestyle (down 7.1%), as construction of their residential accommodation parks was slowed by wet weather and Woodside Petroleum (down 7.1%), which fell on the declining oil price. Graincorp (down 6.8%) and Caltex Australia (down 4.4%) both eased following strong recent performances.

### Trust Activity

During the month, we took profits and trimmed our holdings in a number of stocks which had performed strongly of late including Crown Resorts and Caltex Australia. Proceeds were used to increase our holdings in Westpac, as their valuations have become more attractive following the recent sell-off. At month end, stock numbers were 23 and cash was 9.7%.

## Outlook

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, 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 % |
|-----------------------------|----------------|----------------|
| BHP Billiton Limited        | 7.9            | 4.8            |
| Westpac Banking Corporation | 7.3            | 6.6            |
| Commonwealth Bank           | 7.1            | 9.3            |
| ANZ Banking Group Limited   | 5.6            | 5.4            |
| Telstra Corporation.        | 4.9            | 3.3            |
| National Australia Bank     | 4.7            | 5.1            |
| Rio Tinto Limited           | 4.4            | 1.7            |
| Lendlease Group             | 4.4            | 0.6            |
| Woodside Petroleum          | 4.2            | 1.4            |
| Suncorp Group Limited       | 3.8            | 1.2            |

## Asset Allocation

| Sector                     | Trust weight % | Index weight % |
|----------------------------|----------------|----------------|
| Energy                     | 7.9            | 4.1            |
| Materials                  | 16.0           | 16.0           |
| Industrials                | 0.0            | 7.4            |
| Consumer Discretionary     | 6.2            | 5.2            |
| Consumer Staples           | 2.4            | 7.1            |
| Health Care                | 0.0            | 7.5            |
| Financials-x-Real Estate   | 40.9           | 36.9           |
| Real Estate                | 9.5            | 8.3            |
| Information Technology     | 0.0            | 1.5            |
| Telecommunication Services | 7.3            | 3.8            |
| Utilities                  | 0.0            | 2.3%           |
| Cash & Other               | 9.8            | -              |

Rounding accounts for small +/- from 100%.

Signatory of:



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