

| | Month | Quarter | FYTD | 1 year | 3 years | 5 years | Since Inception [^] |
|-------------------------------------------|------------|----------|------------|----------|----------|----------|------------------------------|
| | % | % | % | % | % p.a. | % p.a. | % p.a. |
| Perennial Value Active Plus Shares Trust* | 0.7 | - | 0.7 | - | - | - | 0.5 |
| S&P/ASX 300 Accumulation Index | 0.0 | - | 0.0 | - | - | - | 0.2 |
| Value Added (Deducted) | 0.7 | - | 0.7 | - | - | - | 0.3 |
| Capital Growth | 0.7 | - | 0.7 | - | - | - | 0.2 |
| Income Distribution | 0.0 | - | 0.0 | - | - | - | 0.1 |
| Net Performance | 0.7 | - | 0.7 | - | - | - | 0.3 |

*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 \$6.7 billion

Minimum initial investment

\$25,000

Trust inception date

May 2017

APIR code

WPC6780AU

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- ▶ Rising commodity prices lifted resource stocks in July, while the overall market finished flat.
- ▶ Companies with significant offshore earnings lagged during the month, as the Australian Dollar (AUD) rallied strongly.
- ▶ The Perennial Value Active Plus Shares Trust (the Trust) outperformed the S&P/ASX300 Accumulation Index (the Index) by 0.7% in July.

Market Review

Global markets were generally stronger in July, with the S&P500 up 1.9%, FTSE100 up 0.8% and Shanghai Composite up 2.5%, while the Nikkei 225 declined 0.5%. Commodity prices rallied strongly, with iron ore up 13.0%, thermal and coking coal both up 20.0%, copper up 7.0%, oil up 10.0% and gold 2.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar (AUD) finished the month up three cents at 80 US cents.

The Index was flat over the month, with strong gains in resources offsetting a decline in industrials. The better performing sectors included metals and mining (up 6.4%), materials (up 3.5%), financials (up 1.2%), consumer staples (up 1.0%) and energy (up 0.6%). The defensive sectors tended to underperform, with healthcare (down 7.5%) the worst performing sector, while utilities (down 5.3%) and telecommunications (down 4.2%) also lagged.

Trust Review

The Trust delivered a return of 0.7% for July, outperforming the Index by 0.7%.

The better performing stocks in the Trust included BHP (up 11.0%) and Rio Tinto (up 4.0%), which benefitted from the rise in iron ore and other commodity prices. This aside, in our view, both of these stocks offer compelling medium term value as a result of their expected strong cash flow generation as capital expenditure is reduced and the existing suites of assets are worked harder. Further, this will drive an ongoing improvement in their already strong balance sheets, providing opportunities for significant returns of capital to investors. In this respect, we have high hopes for the performance of BHP under the guidance of incoming Chairman, Ken MacKenzie, who demonstrated strong capital discipline in his former role as CEO of Amcor. Ironically, it was poor capital allocation at Rio Tinto, which gave Amcor the opportunity to make the transformative acquisition of the Alcan packaging business at a bottom-of-the-cycle price in 2010.

Other strong performers included AMP (up 3.9%), Crown Resorts (up 3.6%) and Vocus Group (up 3.6%) which received a second indicative takeover offer. The Trust also benefited, in a relative sense, from the sell-off in healthcare and utilities, both sectors in which we hold underweight positions on the basis of valuation.

The major banks outperformed modestly, rising an average of 2.4%, after Australia Prudential Regulation Authority's long-awaited changes to their capital requirements turned out to be more benign than expected. The Trust holds an underweight position in the banks on the basis that, while they are offering attractive dividend yields, they are fully-valued, with a challenged earnings growth outlook and potential downside risks. As a result, we see better value opportunities elsewhere in the market.

Trust Activity

During the month, we took profits and trimmed our holdings in a number of stocks which had performed strongly of late including BHP and Caltex Australia. Proceeds were used to increase our holdings in Graincorp, as its valuation has become more attractive following the recent sell-off. At month end, stock numbers were 21 and cash was 12.1%.

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 and REIT's 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 | 8.7 | 5.4 |
| Commonwealth Bank | 7.2 | 9.3 |
| Westpac Banking Corporation | 6.6 | 7.0 |
| ANZ Banking Group Limited | 5.6 | 5.6 |
| National Australia Bank | 4.7 | 5.2 |
| Telstra Corporation | 4.6 | 3.1 |
| Rio Tinto Limited | 4.6 | 1.8 |
| Lendlease Group | 4.4 | 0.6 |
| Woodside Petroleum | 4.1 | 1.4 |
| AMP Limited | 3.8 | 1.0 |

Asset Allocation

| Sector | Trust weight % | Index weight % |
|----------------------------|----------------|----------------|
| Energy | 7.7 | 4.1 |
| Materials | 16.9 | 16.6 |
| Industrials | 0.0 | 7.2 |
| Consumer Discretionary | 3.7 | 5.2 |
| Consumer Staples | 2.7 | 7.1 |
| Health Care | 0.0 | 6.9 |
| Financials-x-Real Estate | 39.7 | 37.4 |
| Real Estate | 9.4 | 8.3 |
| Information Technology | 0.0 | 1.5 |
| Telecommunication Services | 7.8 | 3.6 |
| Utilities | 0.0 | 2.2 |
| Cash & Other | 12.1 | 0.0 |

Rounding accounts for small +/- from 100%.

Signatory of:



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