Perennial Value Active Plus Shares Trust

MONTHLY REPORT MARCH 2019

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Active Plus Shares Trust (Net) #	-0.2	11.2	0.3	6.7	-	-	-
Active Plus Shares – Strategy in Perennial Value Australian Shares Trust (Net) ^	-	-	-	-	9.3	-	4.9
S&P/ASX300 Accumulation Index	0.7	10.9	3.1	11.7	11.4	-	7.2
Value Added (Detracted)	**-0.9**	**0.3**	**-2.8**	**-5.0**	**-2.1**	**-**	**-2.3**

^Strategy inception: May 2014. #Trust inception date May 2017. The Perennial Value Active Plus Shares Trust has been operating since May 2014.
To give a longer term view of our performance in this asset class, we have shown longer returns for the Strategy in the Perennial Value Active Plus Shares Trust . The Strategy has identical investments and fees. Past performance is not a reliable indicator of future performance.

Overview

- Global equity markets were generally stronger in March, with the S&P500 +1.8%, FTSE 100 +2.9%, Nikkei 225 -0.8% and Shanghai Composite +5.1%. A key theme in global markets was falling bond yields, driving up share prices of "bond proxy" stocks.
- The Australian market consolidated the gains from January and February, finishing the month +0.7%.
- Stocks which performed well included our resources exposures RIO Tinto (+8.0%) and Newcrest (+4.9%). Stocks which detracted included chemicals manufacturer Nufarm (-10.1%), Star Entertainment (-5.6%) and Boral (-5.2%). The Trust was also held back by being underweight the REIT sector (+6.0%) and other bond proxy stocks.

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/ASX300 Accumulation Index measured on a rolling three-year basis.

Portfolio Manager
Dan Bosscher

Trust FUM
AUD $16 million

Distribution Frequency
Half yearly

Minimum Initial Investment
$25,000

Trust Inception Date
May 2017

Strategy Inception Date
May 2014

APIR Code
WPC6780AU

Fees
0.92%

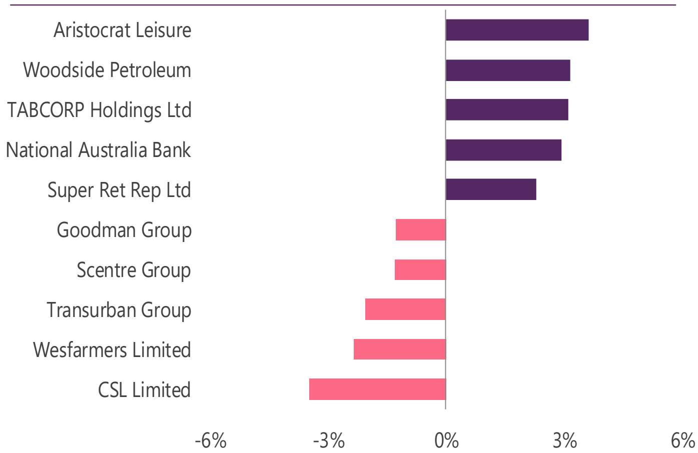
Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	13.1	15.2
Price to Free Cash Flow (x)	12.3	15.0
Gross Yield (%)	6.8	5.9
Price to NTA (x)	2.0	2.3

Source: Perennial Value Management. As at 31 March 2019.

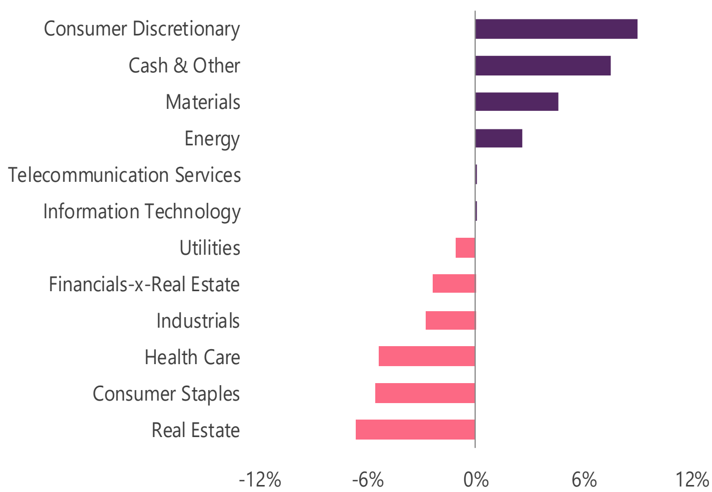
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Trust Thematics	Exposure
Mild Aussie Consumer	Long SUL only
Long Inflation	Woodside, BHP
Long Defensive Hedge	NCM, high cash
Short US10 Yr. Bond	Underweight Utilities

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global equity markets were generally stronger again in March. The Australian market consolidated the gains from January and February, finishing the month up 0.7%.

Two key themes during the month were the countervailing forces of improving sentiment towards China and iron ore stocks and the rally in defensive stocks as the Australian 10 year bond yield fell from 2.1% to 1.7%.

The fall in bond yields, and outperformance of "bond proxy" stocks was a global theme in March. We have for some time been underweight "bond proxy" stocks on the basis that valuations are stretched relative to other opportunities and this valuation dispersion became more pronounced during March.

Our base case continues to be that the Australian economy is likely to continue to grow modestly and a more severe weakening in the economy is likely to be avoided, in part due to the continued strength in commodity prices, mining services activity, growth in the healthcare and education sectors, and infrastructure spend. On this basis, we are generally underweight the more defensive areas of the market which, in our view, remain expensive.

Iron ore stocks performed strongly following the disruptions to the iron ore market following the January tragedy at Vale's Brumadinho mine in Brazil. We have a preference for RIO (+8.0%) in iron ore exposures and the Trust was held back by not holding the strongly-performing Fortescue Metals (+17.3%).

Other Trust holdings that performed well included Newcrest (+4.9%) and Super Retail Group (+8.4%).

Stocks which detracted included chemicals manufacturer Nufarm (-10.1%). Nufarm reported half-yearly results during the month and the outlook was weaker than the market expected although we expect this will represent a cyclical low-point of earnings and remain comfortable with the medium term outlook.

Trust Activity

During the month, we exited our holdings in Alumina and Lend Lease. We added to Telstra and Woolworths, pivoting into slightly more defensive names.

We added Boral, adding US housing exposure (and at 11.4x FY20 P/E and 6.8% gross yield, it represents good value).

At month end the Trust held 26 stocks.

Outlook

The market is currently trading close to its long-term average, with a FY20 P/E of 15.2x and offering an attractive gross dividend yield of 5.9%.

Within the overall market, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

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.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+0.7
Energy	-4.1
Materials	+3.4
Industrials	+2.0
Consumer Discretionary	+1.4
Health Care	+1.3
Financials-x-Real Estate	-2.6
Real Estate	+6.0
Information Technology	+2.6
Telecommunication Services	+3.8
Utilities	+1.3

Global, Currency & Commodities (%)

S&P500	+1.8
Nikkei225	-0.8
FTSE100	+2.9
Shanghai Composite	+5.1
RBA Cash Rate	1.50
AUD / USD	-0.2
Iron Ore	-0.6
Oil	+3.6
Gold	-1.6
Copper	-0.4

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Signatory of: PRI Principles for Responsible Investment

Significant Investor Visa (SIV) Compliant