

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Active Plus Shares Trust (Net)	2.7	2.0	2.0	10.7	9.5	-	7.5
S&P/ASX300 Accumulation Index	1.9	2.6	2.6	12.6	13.3	-	11.3
<b>Value Added (Detracted)</b>	<b>0.8</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-1.9</b>	<b>-3.8</b>	<b>-</b>	<b>-3.8</b>

Trust inception: May 2017. Past performance is not a reliable indicator of future performance.

## Overview

- A strong month with the Trust up 2.7% net of fees, outperforming the market by +0.8%.
- There was a strong rotation out of Momentum into Value stocks in the US which fed through to the Australian equity market. We saw many poorly performing stocks of late rebound strongly.
- In Australia we saw cyclical sectors outperform, with Energy (+4.5%), Financials (+4.2%), Consumer Discretionary (+3.3%) and Metals and Mining (+2.3%) leading, while defensive sectors such as Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) lagged.
- Global markets rebounded on the back of optimism around trade talks, with the S&P500 +1.7%, FTSE 100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.

## 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 \$18 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%

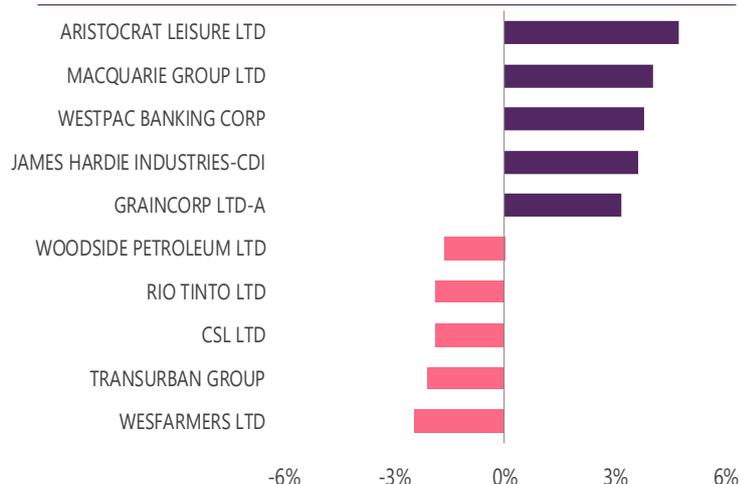
Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	15.0	16.2
Price to Free Cash Flow (x)	14.3	15.1
Gross Yield (%)	5.7	5.4
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 30 September 2019

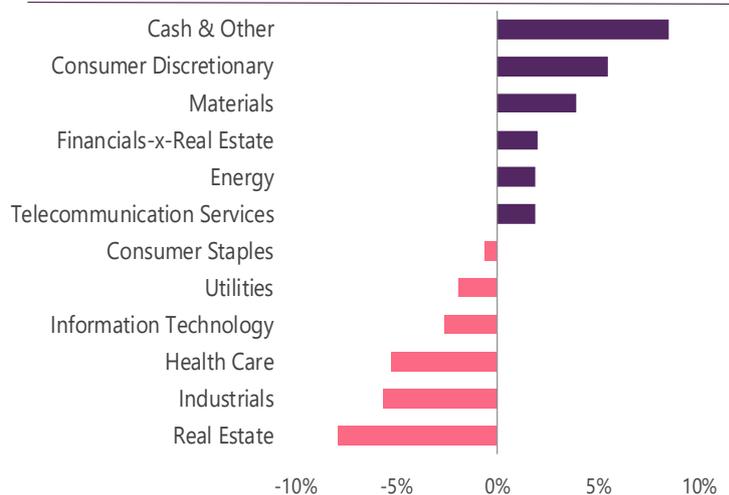
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Trust Themes	Exposure
Mild Aussie Consumer	No discretionary retail
Long Energy	Origin, Santos
Long Defensive Hedge	NCM
Short US10 Yr. Bond	Underweight REITs / Utilities

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

An easing of concerns around the trade war and other macro risks saw global markets resume their rise in September. Most major markets rallied over the month, with the S&P500 +1.7%, FTSE100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.

The Australian market also rallied, with the ASX300 Accumulation Index finishing the month up 1.9%. The Trust delivered a return of +2.7%, outperforming the market by +0.8%.

A key driver of stock and sector performance over the month was the movement in interest rates, as improved investor sentiment saw US bond yields rise modestly. This, in turn, drove a rotation away from "rate-sensitive" sectors of the market, such as expensive growth and defensive yield stocks, with Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) sectors all underperforming.

By contrast, the more cyclical parts of the market outperformed, with Energy (+4.5%), Financials (+4.2%), and Metals and Mining (+2.3%) all rallying. The Trust is overweight in this part of the market as it is where we see the better value opportunities and therefore the greater long-term upside for investors.

In this environment, stocks which performed strongly included Iluka Resources (+12.4%), James Hardie (+10.2%) and Macquarie Group (+5.8%). The major banks also outperformed, up an average of +5.7%, assisted by evidence the housing market has turned.

Holdings which detracted from performance included Clydesdale Bank (-18.4%), which fell on higher remediation provisions and Newcrest (-6.1%) which fell on the lower gold price.

## Trust Activity

During the month, we took profits and reduced our holdings in CBA and NAB following strong share price performances. We added to James Hardie and ANZ.

At month end, stock numbers were 22 and cash was 8.5%.

## Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.2x and offering an attractive gross dividend yield of 5.4%.

Importantly, while there remain segments of the market which are very expensive, we are still seeing many quality companies trading on attractive valuations, which should deliver solid returns to investors from these levels.

While the market has favoured growth and defensive stocks in recent times, the rotation seen in September is a reminder of how quickly things can change and how sudden a reversal back to value can be.

In the meantime, 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	+1.9
Energy	+4.5
Materials	+2.9
Industrials	-0.1
Consumer Discretionary	+3.3
Health Care	-2.2
Financials-x-Real Estate	+4.2
Real Estate	-2.7
Information Technology	+0.1
Telecommunication Services	-2.8
Utilities	+2.0

## Global, Currency & Commodities (%)

S&P500	+1.7
Nikkei225	+5.1
FTSE100	+2.8
Shanghai Composite	+0.7
RBA Cash Rate	1.00
AUD / USD	+0.1
Iron Ore	+9.3
Oil	+0.6
Gold	-3.1
Copper	+1.1

**Invest Online Now**

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