

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Active Plus Shares Trust (Net)	-25.1	-29.0	-26.9	-20.8	-8.1	-	-5.3
S&P/ASX300 Accumulation Index	-20.8	-23.4	-20.9	-14.5	-2.3	-	0.0
Value Added	-4.3	-5.6	-6.0	-6.3	-5.8	-	-5.3

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

Overview

The escalating coronavirus crisis saw markets fall sharply in March, with the ASX300 Accumulation Index declining -20.8%, bringing the market's total decline since its February high to -28.6%.

In what was a very tough month for Value style investing globally, the stock portfolio delivered a return of -25.1%, underperforming the market by -4.3%. Many of our holdings were sold down sharply to very low levels, despite continuing to have strong medium-term prospects.

We have a high degree of confidence in the stocks we hold and expect positive alpha contribution going forward.

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 \$17 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	Market
Price to Earnings (x)	12.5	14.3
Price to Free Cash Flow (x)	12.1	13.3
Gross Yield (%)	6.6	6.2
Price to NTA (x)	1.5	1.9

Source: Perennial Value Management. As at 31 March 2020

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

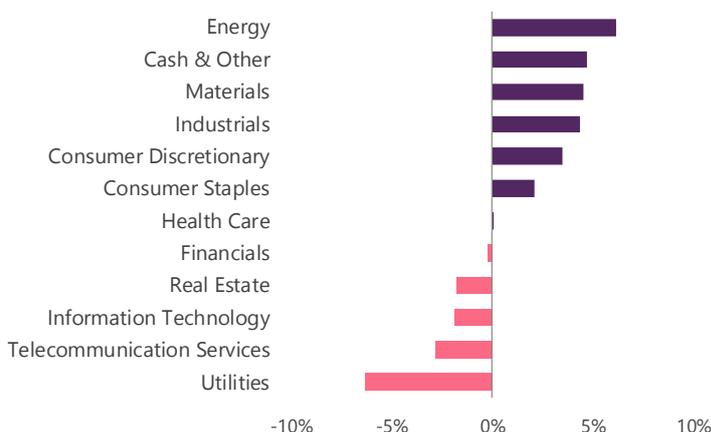
Exposure

Mining services	Worley, Downer
Long Energy	Origin, BHP, Woodside
Long Defensive Hedge	NCM
Short US10 Yr. Bond	Infrastructure / Utilities

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The escalating coronavirus crisis saw markets fall sharply in March, with the ASX300 Accumulation Index declining -20.8%, as investors factored in the impact of a very sharp, but potentially short, disruption to the global economy.

All other sectors delivered negative returns, with many large companies experiencing share price falls of up to -50% in what appeared, in many cases, to be panic selling.

This panic selling was felt across the portfolio, as many of our key holdings were sold down sharply to very low levels, despite continuing to have very strong medium-term prospects.

Examples of stocks caught up in this selling included Macquarie Group (-36.4%) and Aristocrat Leisure (-35.5%). While near-term earnings will be impacted, both of these companies will emerge from this disruption in even stronger positions. Macquarie has shown an unwavering ability to seize the opportunities presented in a crisis and will no doubt use this to acquire assets and businesses at prices which will deliver outstanding profits for years to come. Similarly, Aristocrat has been gaining market share from competitors by investing heavily in new product development. This advantage will only grow stronger as Aristocrat has a very strong balance sheet and will easily weather the downturn; its key competitors are struggling under mountains of debt and this will curtail their ability to invest and compete going forward.

The Trust benefited from its overweight position in the Metals and Mining sector, which outperformed on the resilience of the iron ore price, with Rio Tinto (+0.9%) and BHP (-10.8%) both holding up well. The iron ore miners are well-placed going forward, with their strong balance sheets and the expectation of Chinese stimulus measures.

By contrast, the Energy sector (-37.9%) fell, as oil prices collapsed due to a decline in demand compounded by the Saudi-Russia price war. This impacted the Trust, which is overweight the sector, with holdings in Woodside Petroleum (-34.8%) and Origin Energy (-35.1%). Oil is currently trading at unsustainably low levels and will likely rise at some point over the coming months. In the meantime, we remain comfortable with our holdings on account of their strong balance sheets and low production costs. Engineering company Worley (-50.9%) was caught up in this selloff, despite the fact that only 20% of its earnings are related to upstream oil and gas. Importantly, the company has a highly flexible cost base and a very strong liquidity position. We see very significant upside from these levels in all of these stocks.

The Trust was also impacted by its valuation-driven underweight to the Healthcare sector, with CSL (+1.5%) outperforming and now having a market cap greater than CBA (albeit based on a sky-high multiple of 40x current year earnings).

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

✉ invest@perennial.net.au

🌐 www.perennial.net.au

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.

Trust Activity

We have been very active in March.

Through the month we added Goodman Group and Charter Hall WALE REIT. We believe these companies are good additions to the portfolio in a world with persistently low interest rates. Goodman Group adds a REIT exposure with exposure to Industrial property which will continue to benefit from logistic facilities demand. Charter Hall WALE REIT adds long term lease income to shareholders.

We have taken the opportunity to add to our highest conviction calls. Purchases were made in Aristocrat, James Hardie and BHP Group. To fund this we increase our underweight in CBA and take profits in Telstra.

At month end the portfolio comprised of 24 names and 3.5% cash.

Outlook

The fall in March brings the market's total decline since its February high to -28.6%, making it one of the sharpest selloffs on record. While the slowing of activity means that forecasting near term earnings for many companies is difficult, the market's fall means a significant amount of bad news is now factored into share prices.

It was a very tough month for Value style investing globally. However there is precedent for Value outperforming after major sell-offs including the tech wreck of 2000 and the GFC where Value outperformed substantially after March 2009.

Looking forward, while the current situation is unprecedented, so too has been the response of governments, with coordinated policies covering monetary easing, fiscal stimulus and legislative actions. Australia's relatively low levels of infection and recent move to more stringent isolation measures sees us well-placed versus other parts of the world to weather this storm.

The Trust continued to exhibit Perennial Value's true to label value characteristics with the Trust offering better value than the overall market on three of our four valuation characteristics: price to earnings, price to free cash flow, price to net tangible assets and similar value in gross yield (%).

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.

Invest Online Now