

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Active Plus Shares Trust (Net)	0.6	7.4	0.6	-14.5	-3.2	-	0.6
S&P/ASX300 Accumulation Index	0.6	7.8	0.6	-9.7	1.1	-	5.1
Value Added	0.0	-0.4	0.0	-4.8	-4.3	-	-4.5

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

Overview

- Gold was the big winner in July. In our view the markets globally are expressing a negative view of the US dollar and an increasing expectation of inflation going forward.
- Global markets were mixed in July, with economic re-openings and positive announcements around vaccine trials, being weighed against a resurgence in COVID-19 infections in many countries.
- The Australian market eked out a small gain in July, with the ASX300 Accumulation Index logging its fourth consecutive positive month, rising +0.6%. This was despite mounting concerns around the second wave of infections in Victoria.
- Since the market's low, the fund has performed strongly, returning +36%, outperforming the market by +4.6%, driven by a rotation to value style stocks as well as very strong performances from a number of stocks which we acquired at very attractive prices during the selloff.

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 \$15 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 – FY22	Trust	Market
Price to Earnings (x)	13.8	16.5
Price to Free Cash Flow (x)	13.4	16.2
Gross Yield (%)	5.7	4.7
Price to NTA (x)	1.7	1.8

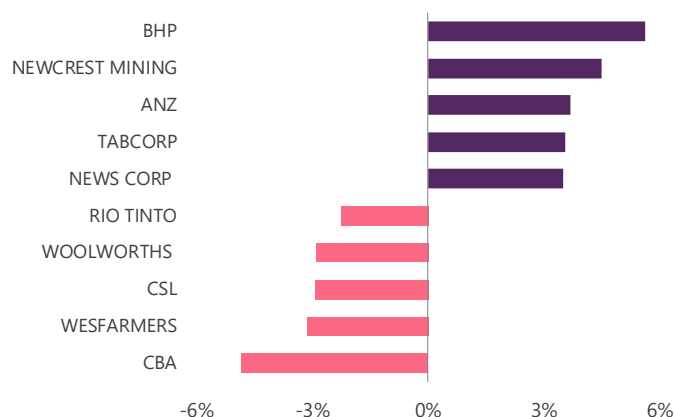
Source: Perennial Value Management. As at 31 July 2020

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.

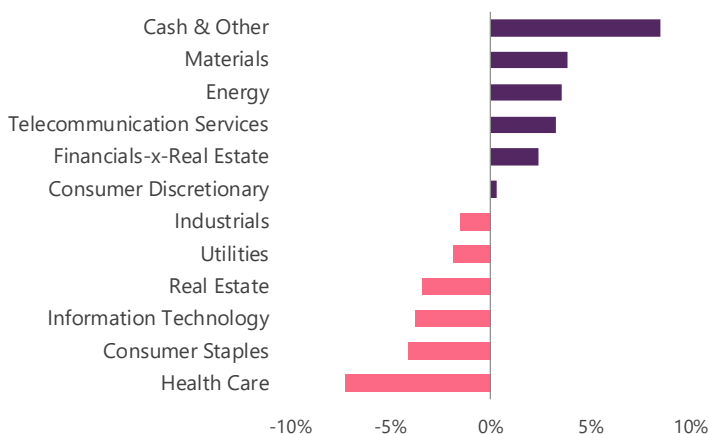
Trust Thematics Exposure

Offshore earners	Aristocrat, James Hardie
Long cyclicals	Origin, BHP, Woodside, Alumina
Defensives	Newcrest Mining, Metcash
Short US10 Yr. Bond	Underweight Utilities

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Resources (+4.5%) led the market in July, with Metals and Mining (+7.1%) the best performing sector of the market. This was driven by ongoing strength in commodity prices, attributable to a weaker USD as well as ongoing supply disruptions, while demand remained robust, principally driven by China. The Trust holds an overweight position in the resources sector and saw particularly strong performances from holdings in BHP (+2.6%) and Newcrest (+11.6%).

The Gold sector, which the Trust is overweight, was a key highlight, with the rally in the gold price surprising the market. There is quite a lot of momentum in this sector at present and we feel confident that our large overweight in Newcrest will continue to do well. Inflation expectations are rising globally and this, if it continues, should bode well for the gold price. Gold is our preferred defensive exposure as Healthcare and Infrastructure are trading on very expensive valuations.

Concerns around the economic impact of a renewed lockdown in Victoria saw the banks weaker over the month, down an average of 2.2%. While the ultimate extent of bad debts is hard to determine, the banks have entered this downturn in strong financial shape. Further, during the month, APRA clarified its position regarding banks dividends, indicating that the banks would be able to pay dividends in the current period. The Trust holds a modest overweight position in the major banks, seeing valuation upside on a medium-term view as well as leverage to any improvement in the outlook.

Other strong performers included QBE Insurance (+11.9%) as premium rates continue to rise, Telstra (+7.0%) and James Hardie (+5.3%) which continued to rally, with ongoing strength in the North American housing market.

Despite a rise in the oil price, the Energy sector (-6.3%), where the Trust is overweight, lagged the market as uncertainty around the outlook increased. This saw holdings in Woodside Petroleum (-7.6%) and Worley Group (-6.0%) underperform. Energy has been one of the slowest sectors to recover, suggesting that it still has significant upside as demand returns.

Trust Activity

During the month we exited positions in Rio Tinto and Coles Group. Both of these stocks have performed strongly and reached our price targets. We took the opportunity to rotate into better value opportunities and have added Bluescope Steel to the portfolio. We like BSL for its strong balance sheet, strong cash flow, good management and US expansion at North Star.

The Trust also participated in a raising by Downer to fund the acquisition of the minority interests in Spotless.

At month end the portfolio comprised 23 names and 8.5% cash.

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Signatory of:



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Outlook

The market has rallied strongly from its March lows, however, is still well down from its previous highs. While the sharp 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 the share prices of many companies.

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. While the renewed lockdown in Victoria is a clear setback, Australia has, so far, fared very well relative to most other countries, meaning it is reasonable to expect that we are well placed to lead others in terms of a recovery in activity.

The portfolio has a good mix of thematics across value and quality styles. We are well positioned for an inflationary outcome if and when it comes. If it does not we still have a solid exposure to high cash generating business and companies with highly defensive attributes.

The Trust continues to exhibit Perennial Value's true-to-label value characteristics with the Trust offering better value than the overall market on all four of our valuation characteristics: price to earnings, price to free cash flow, price to net tangible assets and 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.

Global, Currency & Commodities (%)

S&P500	+5.5
Nikkei225	-2.6
FTSE100	-4.4
Shanghai Composite	+10.9
RBA Cash Rate	0.25
AUD / USD	71.4c
Iron Ore	+4.3
Oil	+1.7
Gold	+7.2
Copper	+1.6

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