

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Active Plus Shares Trust (Net)	3.2	5.5	3.8	-9.2	-0.7	-	1.6
S&P/ASX300 Accumulation Index	3.0	6.2	3.7	-4.8	1.9	-	5.9
Value Added	0.2	-0.7	0.1	-4.4	-2.6	-	-4.3

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

Overview

- Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials outweighed concerns around increasing COVID-19 infections in many countries.
- The Australian market also delivered a strong performance, with the ASX300 Accumulation Index logging its fifth consecutive positive month, rising +3.0%. This was achieved despite the impacts of the lockdown in Victoria.
- Since the market's low, the Trust has performed well, returning +40.5% and outperforming the market by +5.1%. Over this period, many holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance.
- In addition, the Trust has benefitted from 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 \$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 – FY22	Trust	Market
Price to Earnings (x)	14.2	17.0
Price to Free Cash Flow (x)	14.1	16.5
Gross Yield (%)	5.6	4.5
Price to NTA (x)	1.8	2.2

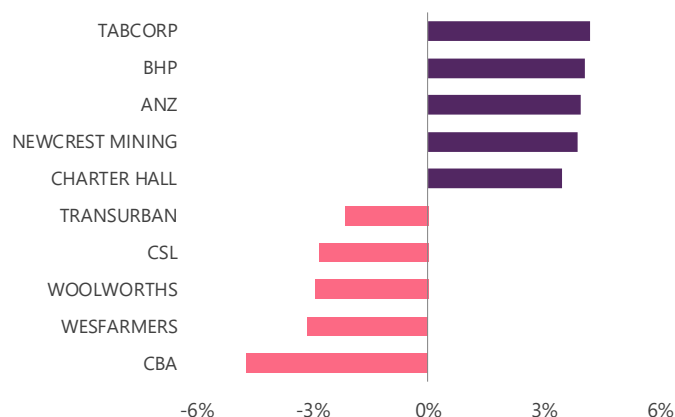
Source: Perennial Value Management. As at 31 August 2020

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.

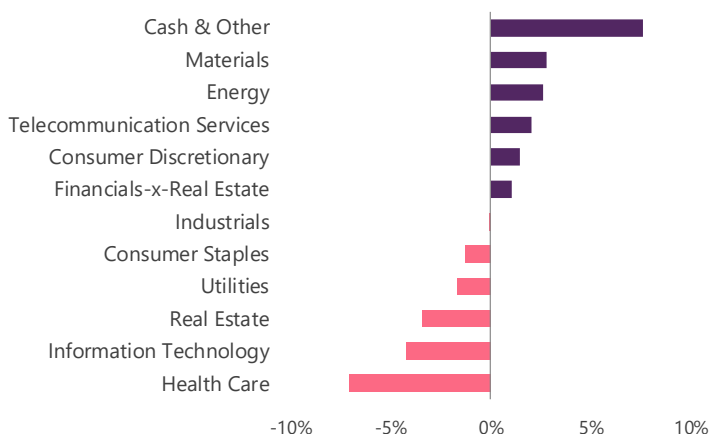
Trust Thematics Exposure

Offshore earners	Aristocrat, Reliance Worldwide
Long cyclicals	Origin, BHP, Santos, 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

The Trust delivered a return of 3.2% in August, outperforming the market by +0.2%.

In line with offshore markets, the rally in Tech stocks saw IT (+15.2%) the best performing sector during the month. This was led by Afterpay (+33.4%), which currently has a market capitalisation of over \$20bn. This is very impressive for a business generating little in the way of earnings and operating in a sector with few barriers to entry. Time will tell if this is justified, but we would argue its true value is much lower. Needless to say, this stock does not look like a good investment proposition to us. The Consumer Discretionary sector (+9.7%) also performed well, as spending remained robust, particularly through online channels, while the REIT sector (+7.9%) also made up some of its lost ground. Defensive sectors generally underperformed, with Utilities (-4.8%), Telcos (-3.8%) and Consumer Staples (-0.3%). Metals & Mining (+0.4%) lagged, having performed strongly in recent months, while Financials (+1.3%) also underperformed.

The highlight of the month was the company reporting season. Never before has the market entered a reporting season in such an information vacuum, with virtually all companies having previously withdrawn guidance due to COVID-19 uncertainty. As a broad statement, while many companies are being significantly impacted, results were less bad than feared. After the initial shock of lockdowns, many companies are seeing reasonable activity levels as economies progressively reopen. Those most impacted, however, are adapting to the current environment by reducing costs, hunkering down and strengthening their balance sheets.

Holdings which outperformed over the month included Reliance Worldwide (+42.5% - see Trust activity), Aristocrat (+8.4%) and News Corporation (+16.6%).

We have been strong supporters of Aristocrat over the years and have been very pleased with the Digital gaming segment in particular. Over the last few months we have also seen the Casino space in the US performing above expectations.

News Corporation has had strong performance as the market is slowly rewarding them for trying to unlock some value from their business through asset sales.

The biggest detractor was Newcrest (-8.5). We remain happy to have a significant gold exposure as the US dollar is under pressure and inflation expectations continue to increase.

Trust Activity

During the month we exited our position in James Hardie and bought Reliance Worldwide. Whilst they are quite different business they are both in the building space with similar drivers, namely the US housing market. This market has been very strong and we have seen the price of James Hardie increase significantly. Reliance was priced at a much lower multiple before it's result which we thought was a good opportunity to switch. This proved to be a good decision with the stock up 42.5% for the month whilst James Hardie was up 6.4%.

At month end the portfolio comprised 23 names and 7.5% cash.

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

✉ invest@perennial.net.au

🌐 www.perennial.net.au

Signatory of:



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Outlook

Reporting season is now nearly finished and the market continues to rally notwithstanding the generally poor results.

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 thematic 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 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	+7.0
Nikkei225	+6.6
FTSE100	+1.1
Shanghai Composite	+2.6
RBA Cash Rate	0.25
AUD / USD	73.8c
Iron Ore	+11.4
Oil	+1.3
Gold	-3.6
Copper	+2.6

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