Perennial Concentrated Australian Shares Trust

MONTHLY REPORT OCTOBER 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Concentrated Australian Shares Trust (Net)	0.1	-1.5	-0.9	-15.0	-0.9	-	0.1
S&P/ASX300 Accumulation Index	1.9	1.2	1.8	-7.9	4.9	-	5.1
Value Added	**-1.8**	**-2.7**	**-2.7**	**-7.1**	**-5.8**	**-**	**-5.0**

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

Overview

The Perennial Value Active Plus Trust has changed its name to **Perennial Concentrated Australian Shares Trust**. The new name was chosen to have a better reflection of the Trust's investment strategy.

- Global markets were softer in October, with most major indices declining, due to the combination of a growing second wave of COVID-19 infections in Europe, the suspension of several critical vaccine trials and pre-election jitters in the US.
- The Australian market performed better, buoyed by the easing of lockdowns in Victoria, updates from many companies suggesting a generally improving economic outlook and consumer confidence rising strongly.
- The Trust has benefitted from very strong performances from a number of stocks which we acquired at very attractive prices during the selloff. Since the market's low in March, the fund has performed strongly, returning +34.3% and outperforming the market by +1.3%.

Perennial Concentrated Australian 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	Trust FUM
Dan Bosscher	AUD $16 million
Distribution Frequency	**Minimum Initial Investment**
Half yearly	$25,000
Trust Inception Date	**Strategy Inception Date**
May 2017	May 2014
APIR Code	**Fees**
WPC6780AU	0.92%

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	13.7	16.6
Price to Free Cash Flow (x)	13.1	15.3
Gross Yield (%)	6.1	4.7
Price to NTA (x)	1.8	2.2

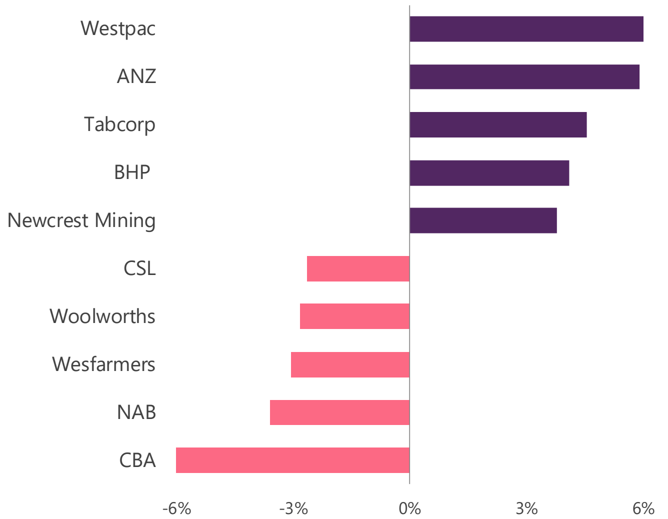
Source: Perennial Value Management. As at 31 October 2020

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.

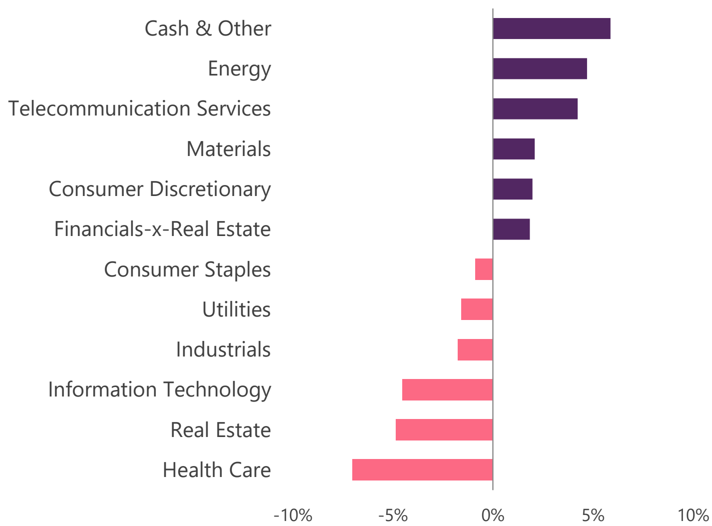
Trust Thematics Exposure

Offshore earners	Aristocrat, NWS
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

Global markets were softer in October, with most major indices declining, due to the a number of factors including a growing second wave of COVID-19 infections in Europe as well as news that trials of several of the key vaccine candidates had been suspended. In addition to a third wave of infections, the US market was dealing with uncertainty leading into the US election.

The Australian market performed better, rising +1.9%, buoyed by the easing of lockdowns in Victoria and updates from many companies suggesting a generally improving economic outlook. In addition, consumer confidence readings rose strongly. Of particular note was the information released relating to loan deferrals by the major banks. Pleasingly, a significant proportion of borrowers who had taken up the option of deferring repayments on either mortgages or business loans have now resumed payments. This is especially positive given that Victoria was still in lockdown over this period. Further, to date, the combined impact of repayment deferrals, low interest rates and first home buyer incentives has seen the property market remain sound, removing a significant risk to the economy.

The Trust delivered a return of 0.1% in October, underperforming the market by 1.8%. Since the market's low in March, however, the fund has performed strongly, returning +34.3% and outperforming the market by +1.3%. Over this period, many of the Trust's 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.

Financials was the best performing sector over the month, with the major banks up an average of +7.2%. The Trust has an overweight position in the sector, as the banks are trading on very attractive medium-term valuations and are likely to deliver significant share price upside as economic conditions normalise. As mentioned above, credit quality appears to be holding up well and, should this continue, the banks earnings will increase as bad debt charges revert to more normal levels. Further, the accelerated shift to online banking will present a cost reduction opportunity for the banks as they increasingly digitalise their operations. In addition, the banks are close to having put their various regulatory issues stemming from the Royal Commission behind them, have sound capital positions and are set to resume paying attractive levels of dividends.

The resources sector was generally weaker during the month, however, a number of our holdings performed well, with Bluescope Steel (+15.4%) rallying after significantly upgrading earnings guidance on the back of strong demand, while Alumina (+4.4%) also outperforming. The Trust currently holds an overweight position in the resources sector, with exposure across a range of commodities.

Trust Activity

During the month, the Trust added Medibank Private, which is experiencing better than expected operating trends. At month end the portfolio comprised 21 names and 7.5% cash.

Outlook

The domestic outlook seems increasingly positive, with COVID largely under control, restrictions being eased and borders set to reopen. Further, the economy is underpinned by historically low interest rates and meaningful fiscal stimulus. If this improvement continues, then corporate earnings and dividends are likely to rebound strongly over the coming year.

Looking internationally, the recovery that was being seen in Europe is being curtailed by the second wave of COVID infections. At the time of writing, the likely election US election outcome – a Biden presidency with a Republican Senate – should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. From an economic point of view, there is likely to be increased fiscal stimulus, although not of the scale originally proposed. Similarly, tax increases are less likely and interest rates are likely to remain low. On balance, this should be positive for economic growth, corporate earnings and markets overall.

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	-2.8
Nikkei225	-0.9
FTSE100	-4.9
Shanghai Composite	+0.2
RBA Cash Rate	0.25
AUD / USD	70.3c
Iron Ore	+0.6
Oil	-9.8
Gold	+1.5
Copper	+2.5

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