

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Concentrated Australian Shares Trust (Net)	0.7	14.2	13.1	-4.5	8.8	-	3.8
S&P/ASX300 Accumulation Index	1.3	13.8	13.7	1.7	12.2	-	8.0
Value Added	-0.6	0.4	-0.6	-6.2	-3.4	-	-4.2

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

Overview

- Global markets rose in December, building on November's strong gains, as markets continued to look optimistically towards a post-Trump, post-COVID future, with all major global indices delivering positive returns.
- The Australian market also rose, with the ASX300 Accumulation Index finishing the month up 1.3%, as generally positive economic news and corporate trading updates offset concerns over the COVID outbreak in NSW. Over what has been an extraordinary year, the market has delivered a total return of +1.7% and has recovered to be within 8% of its pre-COVID high.
- Since the market's low, the Trust has performed well, returning +53.5% and outperforming the market by 5.0%. Over this period, many holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance.

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: 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 – FY22	Trust	Market
Price to Earnings (x)	15.9	18.4
Price to Free Cash Flow (x)	14.6	16.5
Gross Yield (%)	5.2	4.3
Price to NTA (x)	2.1	2.5

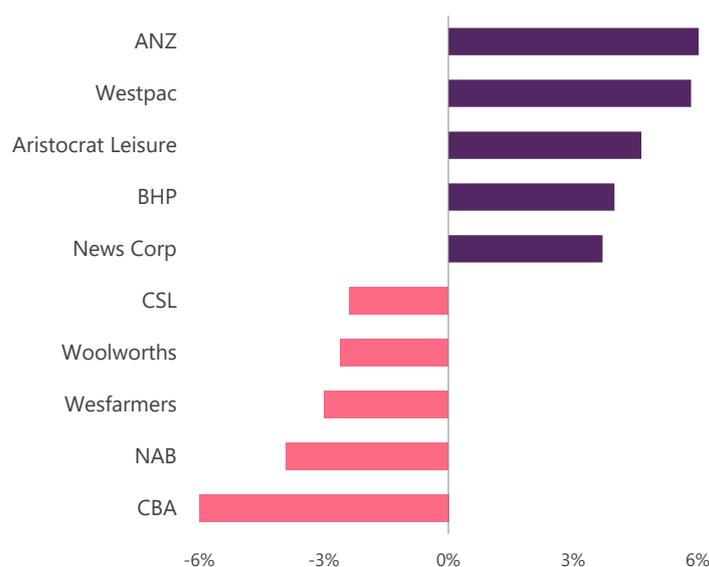
Source: Perennial Value Management. As at 31 December 2020

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.

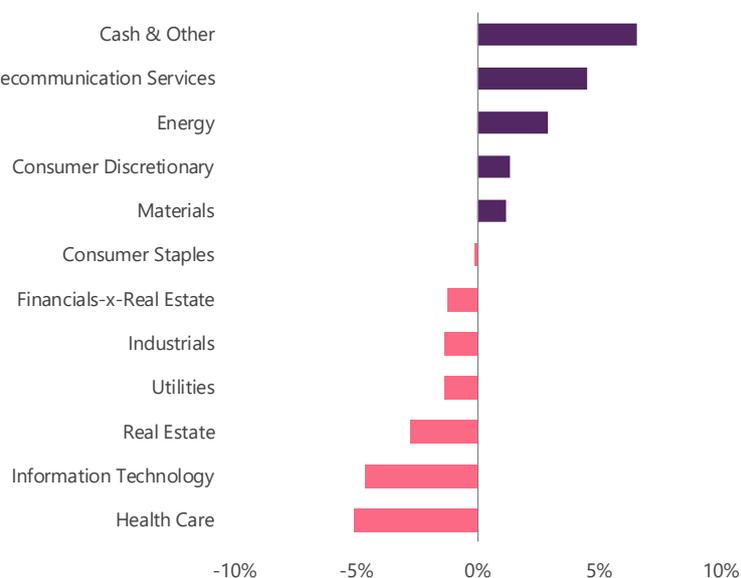
Trust Thematics Exposure

Offshore earners	Aristocrat, NWS
Long cyclicals	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 Australian market rose in December, with the ASX300 Accumulation Index finishing the month up 1.3%, with generally positive economic news and corporate trading updates offsetting concerns over the COVID outbreak in NSW. The Trust delivered a return of +0.7% in December as improving global growth prospects saw an ongoing rotation out of some of the more expensive growth stocks and towards the better value, more cyclical parts of the market.

Metals and Mining (+10.6%) was the best performing sector over the month, as continued strong Chinese steel production drove demand for iron ore. At the same time, global supply expectations were lowered due to ongoing production issues in Brazil. These factors conspired to see the iron ore price up over 22% during the month. The Trust benefited from the strong iron ore price through holdings in miners, Fortescue Metals (+28.5%) and BHP (+11.5%). Other resources holdings which performed well included one of the trusts key holdings, aluminium producer Alumina Ltd (+4.9%).

Grocery wholesaler, Metcash (+17.3%) rallied after delivering a strong first half result which showed significant sales volume growth across each of its grocery, liquor and hardware divisions. Further, the company reported that the strong sales momentum had continued into the second half.

Holdings that detracted from performance included Ampol (-7.3%), United Malt (-6.4%) and News Corporation (-3.9%).

Trust Activity

During the month, the Trust added a position in pathology and diagnostic imaging company, Healius. While near-term earnings are being boosted by COVID testing, there is a medium-term opportunity for operating performance to be significantly improved. Further, the company has an ungeared balance sheet and may well become a takeover target at some point.

The Trust holds call options in Fortescue Metals. During the month these \$18.50 calls were sold and \$21.50 calls were bought in their place. On occasions where single stocks are particularly volatile, we choose to spend a small amount on option premium to limit the downside. In this case, this position has performed well, both covering the index weight of the company and more.

Holdings were also increased in a number of good value opportunities including Aristocrat and Charter Hall Long WALE REIT. This was funded by reducing holdings in Tabcorp and exiting Origin. At month end, stock numbers were 22 and cash was 5.9%.

Outlook

The start of 2021 may well mark a significant turning point for the global economy and markets, with the prospects of a near-term roll-out of an effective COVID vaccine underpinning the reopening of economies and a return to growth. Importantly also, the change of leadership in the US should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. The election result of a Biden win, means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall.

While the recent COVID outbreak in NSW and associated restrictions presents some risk to the positive domestic outlook, it seems to be to be largely under control at present, meaning the impact on activity levels, may not be significant or long-lasting. Further, key indicators around employment, loan deferrals and the property market are all surprising to the upside. Finally, 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.

The Trust is positioned to benefit from an ongoing economic improvement and our focus remains on investing in quality companies with proven business models and strong balance sheets, which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

Global, Currency & Commodities (%)

S&P500	+3.7
Nikkei225	+3.8
FTSE100	+3.1
Shanghai Composite	+2.4
RBA Cash Rate	0.10
AUD / USD	76.9c
Iron Ore	+16.9
Oil	+3.9
Gold	+2.0
Copper	-2.3

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