

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Concentrated Australian Shares Trust (Net)	1.0	15.2	14.1	-7.1	6.9	-	4.0
S&P/ASX300 Accumulation Index	0.3	12.1	14.1	-2.7	10.3	-	7.9
<b>Value Added</b>	<b>0.7</b>	<b>3.1</b>	<b>0.0</b>	<b>-4.4</b>	<b>-3.4</b>	<b>-</b>	<b>-3.9</b>

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

## Overview

- Global markets began the month strongly, driven by continuing positive sentiment around vaccine rollouts and the prospect of larger stimulus in the US, following the Democratic wins in the Senate. However, a sell-off later in the month saw most major global indices finish the month largely flat.
- The Australian market followed a similar path, rallying early in the month before pulling back, with the ASX300 Accumulation Index finishing the month up +0.3%. The consumer-facing sectors, along with the financials, led the market, while defensive, rate-sensitive sectors lagged.
- The Trust delivered a return of +1.0%, outperforming the market by +0.7%, as ongoing strong domestic economic data supported the outlook for many of our good value cyclical holdings, which are leveraged to an improvement in the broader economy.
- Since the market's low in March, the Trust has performed well, returning +55.1% and outperforming the market by 6.1%.

## 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 \$18 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)	15.5	17.8
Price to Free Cash Flow (x)	13.9	15.6
Gross Yield (%)	5.4	4.5
Price to NTA (x)	2.0	2.5

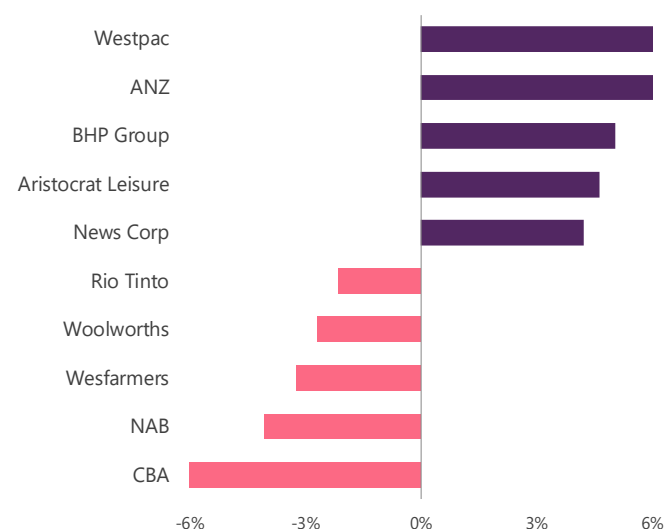
Source: Perennial Value Management. As at 31 January 2021

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.

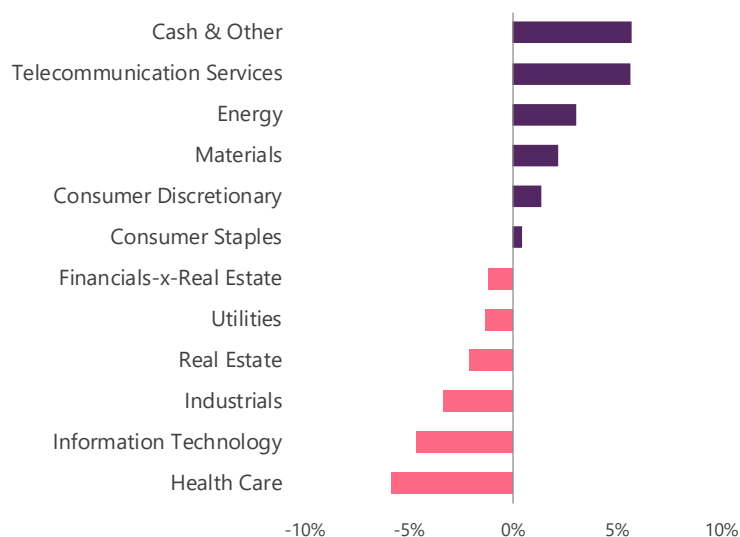
## Trust Thematics Exposure

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

Increasing inflation expectations and a rise in bond yields likely weighed on markets, along with profit-taking after the recent strong run. In addition, the social media-engineered short squeezes may also have led to some degree of de-risking in parts of the market.

In Australia the consumer-facing sectors and financials led the market, while defensive, rate-sensitive sectors lagged as bond yields rose. The Trust delivered a return of +0.8%, outperforming the market by 0.5%, as ongoing strong domestic economic data supported the outlook for many of our good value cyclical holdings, which are leveraged to an improvement in the broader economy.

The Telco sector performed well, led by Telstra (+4.7%). The company stands to benefit from the rollout of its 5G network and has significant opportunities to realise value through the sale of network assets over the coming years. These types of assets, such as mobile phone towers, can attract very high valuations from infrastructure investors.

The Financials were also a beneficiary of the strong domestic economic data, with the major banks all outperforming, rising an average of +4.9%. House prices are rising and borrowing for new housing has picked up on the back of government incentives. The improving employment market, along with the strength in the property market means that the bad debt outcomes are likely to be significantly better than initially feared. The banks are well-provisioned and well-capitalised, meaning that they will be able to significantly increase their dividends over the coming years. Further, the banks will soon be in a position to focus on their cost bases, once the post-Royal Commission compliance spend begins to abate.

Our two bank holdings performed well, with Westpac (+9.1%) and ANZ (+4.4%) rallying in the month.

## Trust Activity

During the month, the Trust increased positions in Bluescope Steel and Westpac. This was funded from selling in Downer, QBE and Healius. At month end, stock numbers were 19 and cash was 5.1%.

## 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 global 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 presidency and Democratic Senate means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall.

Fortunately, the recent COVID outbreak in NSW seems to have been brought under control, with restrictions having now been eased, 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, 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	-1.1
Nikkei225	+0.8
FTSE100	-0.8
Shanghai Composite	+0.3
RBA Cash Rate	0.10
AUD / USD	76.4c
Iron Ore	-0.6
Oil	+8.6
Gold	-2.0
Copper	+1.7

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