

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Concentrated Australian Shares Trust (Net)	2.7	10.6	32.7	34.8	9.0	-	7.5
S&P/ASX300 Accumulation Index	2.3	8.5	25.7	28.7	10.1	-	9.8
Value Added	0.4	2.1	7.0	6.1	-1.1	-	-2.3

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

Overview

- Markets continued their upward trend in May, driven by strong economic data, expectations of further stimulus measures and the accelerating vaccine rollouts. This saw most major indices post positive returns. The market was also helped by a slight pull-back in bond yields.
- The Australian market also performed strongly, with the ASX300 Accumulation Index finishing the month up 2.3%. Sector performance was mixed, with strong performances from both cyclical sectors such as Financials, as well as growth sectors such as Healthcare.
- The Trust delivered a return of +2.7%, outperforming the market by 0.4% after fees. Over the last 12 months, the Trust has returned +34.8%, outperforming the index by +6.1% after fees. This has been driven by strong performances from a large number of our holdings across a range of different sectors.
- Since the market's low in March 2020, the Trust has performed very well, outperforming the market by 14.5% after fees. This performance highlights the Trust's leverage to the post-COVID economic recovery. Historically, value style investing has delivered significant outperformance during economic recoveries.

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 \$20 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)	15.1	17.6
Price to Free Cash Flow (x)	13.3	15.6
Gross Yield (%)	5.9	4.9
Price to NTA (x)	2.3	2.8

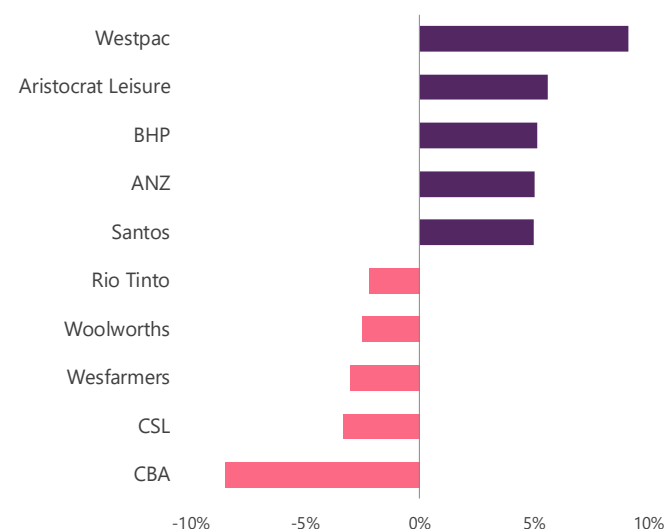
Source: Perennial Value Management. As at 31 May 2021

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.

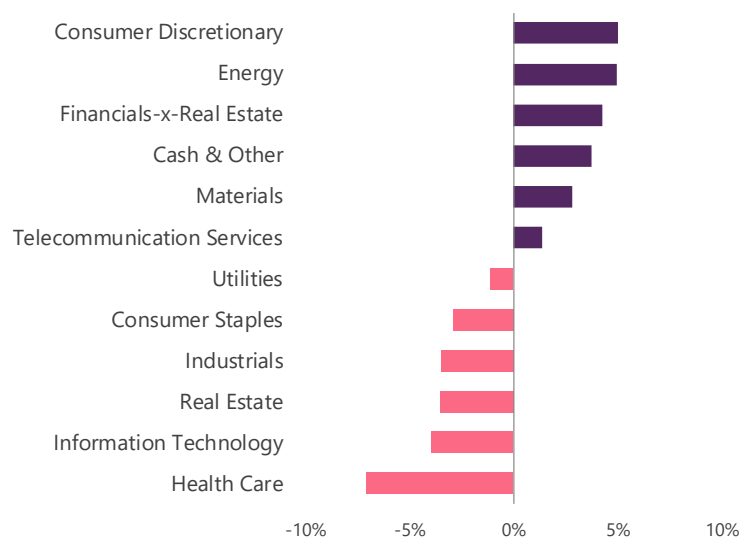
Trust Thematic Exposure

Offshore earners	Aristocrat, Macquarie
Long cyclicals	BHP, Santos, Alumina
Defensives	Newcrest Mining, Charter Hall WALE
Short US10 Yr. Bond	Underweight Utilities

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Stocks which contributed positively over the month included the major banks, which returned an average of +6.4%, after reporting half-year results which demonstrated positive operating trends and saw a significant rebound in dividends. While the banks have faced a raft of challenges over the past several years, many of the headwinds they have experienced are now turning into tailwinds. Credit growth is now starting to pick up, interest margins have stabilised and may well begin to rise, expenses are being brought under control and credit quality has remained very strong despite the impacts of COVID. These factors should combine to return the sector to earnings and dividend growth over the coming years. Further, the banks are well provisioned, having taken large charges early on in the pandemic and have very strong capital positions. As the economic uncertainty recedes, the banks will be able to both release some of these surplus provisions and return some of this surplus capital to shareholders. Combined with their relatively attractive valuations and leverage to rising interest rates, we see further upside for the sector from here.

Aristocrat Leisure (+10.8%) rallied after delivering a result which was well ahead of market expectations, driven by very strong growth in their digital business. The company is diversifying away from its traditional gaming machine business and is now a top 5 global developer of online social games. The company is very well positioned, with a strong balance sheet allowing it to invest heavily into new product development.

News Corp (+4.2%) rallied after delivering a strong Q3 result, with strong growth across all divisions. In particular, the online real estate platform Move, which operates realtor.com in the US, grew revenue strongly. The Wall Street Journal saw record subscription growth, with digital-only subscriptions now accounting for 78% of total subscriptions, as it successfully transitions to a digital model.

Trust Activity

During the month, we returned to Metcash. This company has improved their position in the market substantially over the past two years and now trades at too large a discount to its peers, in our view.

We sold down our long-held position in United Malt group to zero after a very strong period of performance. The share price is now much closer to our long run price target.

At month end, stock numbers were 19 and cash was 3.6%.

Outlook

We believe that 2021 may well mark a significant turning point for the global economy and markets, with the prospects of a near-term rollout 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.

Domestically, key indicators around employment, business confidence 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	+0.5
Nikkei225	+0.2
FTSE100	+0.8
Shanghai Composite	+4.9
RBA Cash Rate	0.10
AUD / USD	77.4c
Iron Ore	+6.1
Oil	+2.8
Gold	+7.5
Copper	+4.4

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