Perennial Concentrated Australian Shares Trust

MONTHLY REPORT JUNE 2021

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Concentrated Australian Shares Trust (Net)	0.4	6.5	33.2	33.2	7.9	-	7.5
S&P/ASX300 Accumulation Index	2.3	8.5	28.5	28.5	9.8	-	10.2
Value Added	**-1.9**	**-2.0**	**4.7**	**4.7**	**-1.9**	**-**	**-2.7**

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

Overview

- Markets continued their upward march in June, with most major indices posting positive returns and having delivered very strong returns over the last 12 months, on the back of the post-COVID economic recovery.
- The Australian market also performed strongly, with the ASX300 Accumulation Index making another record high, finishing the month up 2.3% and bringing the total return for the last 12 months to a very healthy 28.5%.
- Hawkish commentary from the Fed saw some flattening of the yield curve during the month, with bond yields easing. This resulted in a strong rally in the more rate-sensitive sectors of the market such as Tech and defensives, while the more cyclical sectors such as Financials and Resources lagged.
- Since the market's low in March 2020, the Trust has performed very well, outperforming the market by 11.6% 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)	14.3	17.0
Price to Free Cash Flow (x)	12.5	14.9
Gross Yield (%)	6.4	5.2
Price to NTA (x)	2.3	2.8

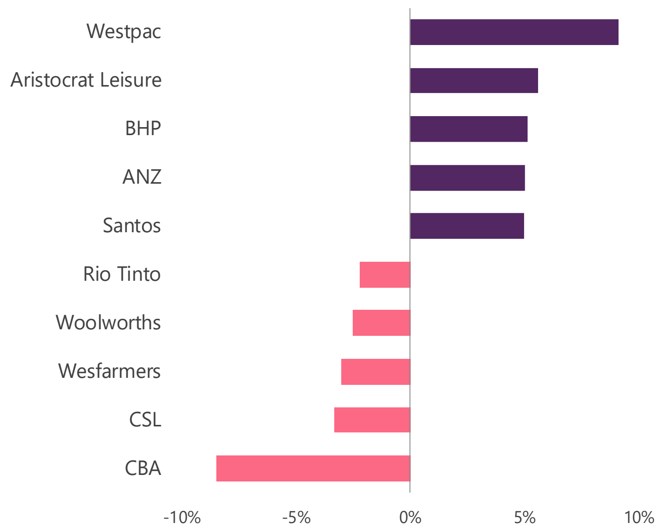
Source: Perennial Value Management. As at 30 June 2021

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.

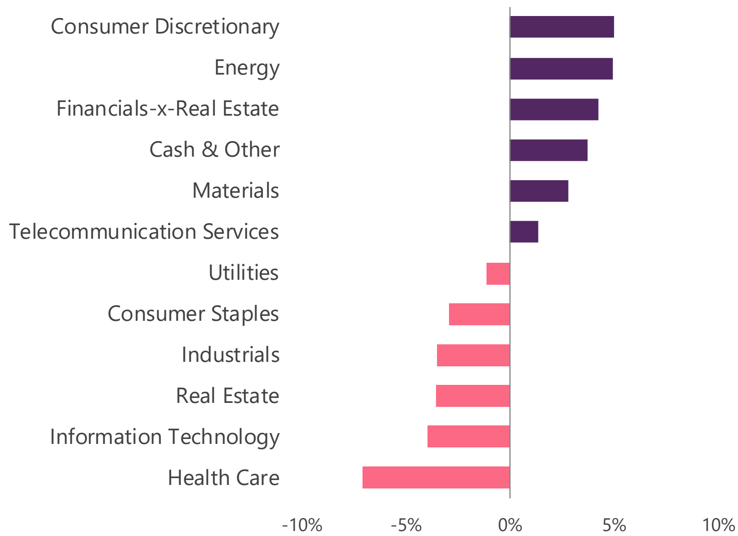
Trust Thematic Exposure

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

Telstra contributed positively to performance over the month (+6.8%). The Telecommunications companies have struggled in recent years, as the NBN roll-out has impacted earnings from their fixed line businesses. However, as this nears completion, these headwinds are abating and their mobile businesses will be able to drive overall earnings growth, assisted by the take up of 5G technology and ever-increasing data needs. Further, the recent merger of TPG with Vodafone has improved the industry structure, effectively locking in a three-player market. This is likely to lead to a rational competitive environment and recent pricing increases suggest this is occurring.

Another factor that makes these companies appealing is that their operating businesses can be separated from their infrastructure assets. During the month, Telstra announced that it had sold a 49% stake in its mobile towers to a consortium of infrastructure investors. While Telstra effectively retained control of the assets, they were able to achieve a very high price for half the earnings, with the sale done at 28x EBITDA. This transaction highlights the prices that cashed-up infrastructure investors are prepared to pay for these sorts of assets and we expect further asset sales over time. Telstra will receive $2.8bn from the sale and will return around half of this to shareholders in FY22. This on top of its already attractive dividend yield. Given these improving sector dynamics, we regard telcos as one of our preferred defensive exposures.

A rise in the oil price saw Energy holdings stronger, with Santos (+4.7%) outperforming. While ultimately demand for fossil fuels will decline as they are replaced by renewable sources, this will be a long-term process. In the near-term, however, cuts to investment spending will likely see a tightening of supply and healthy prices.

Holdings which underperformed during the month included the major banks (down an average of 1.7%) which eased following strong recent performance, as bond yields declined. In our view the operating outlook for these businesses remains very positive. Other detractors included gold holding Newcrest Mining (-10.7%) which weakened on the lower gold price. The Trust was also impacted, in a relative sense, from not holding a number of expensive tech stocks which rallied during the month. We continue to believe that the valuations of these sorts of stocks will become increasingly challenged.

Trust Activity

During the month, we added Ansell to the portfolio. The company has seen higher sales in its Healthcare unit as a result of COVID-19. The company is good value on 16x price to earnings.

At month end, stock numbers were 20 and cash was 3.0%.

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	+2.2
Nikkei225	-0.2
FTSE100	+0.2
Shanghai Composite	-0.7
RBA Cash Rate	0.10
AUD / USD	75.0c
Iron Ore	+10.5
Oil	+11.0
Gold	-4.4
Copper	-5.8

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