

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (% p.a.)
Perennial Concentrated Australian Shares Trust (Net)	-0.3	0.2	0.2	34.8	8.0	-	7.1
S&P/ASX 300 Accumulation Index	-1.9	1.8	1.8	30.9	9.9	-	10.1
Value Added	1.6	-1.6	-1.6	3.9	-1.9	-	-3.0

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

Overview

Markets were weak in September, with the S&P500 down -4.8%, as investors became concerned with a number of issues including the prospect of central bank tightening and rising bond yields. Also weighing on market sentiment is increasing inflationary pressures and supply chain disruptions, the US debt ceiling as well as slowing growth and issues in the Chinese property market following the collapse of developer Evergrande.

The Australian market was also lower, with the ASX300 Accumulation experiencing its first negative monthly return in the last 12 months, finishing down 1.9%. Despite this, the index has delivered a total return of +30.9% for the last 12 months and remains above pre-COVID levels.

Pleasingly, the Trust outperformed during the month by 1.6% after fees. Since the market's low in March 2020, the Trust has performed very well, outperforming the market by +9.0% p.a. 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.

Fund Characteristics

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

Fees

0.92%

APIR Code

WPC6780AU

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	13.7	17.2
Price to Free Cash Flow (x)	11.4	15.8
Gross Yield (%)	6.0	4.8
Price to NTA (x)	2.0	2.9

Source: Perennial Value Management. As at 30 September 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 Exposures

Offshore Earners Aristocrat Leisure , Macquarie Group

Long Cyclical BHP, Santos, Alumina

Defensives Newcrest Mining, Charter Hall Wale

Short US10 Yr. Bonds Underweight Utilities

Top 10 Positions (A -> Z)

ANZ

Aristocrat Leisure

BHP

Charter Hall

Insurance Group Australia

Macquarie Group

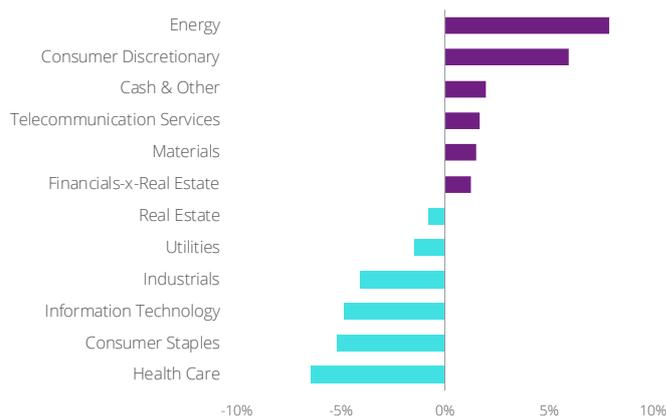
Newcrest Mining

Telstra

Westpac

Woodside Petroleum

Sector Active Exposure vs Index



Trust Review

Resources was the key area of interest in September, with Energy (+15.0%) being the best performing sector, while Metals and Mining (-10.5%) was the worst performer over the month. This divergence highlights the differing fortunes of energy prices and that of iron ore. Throughout the COVID period, strong demand for iron ore, principally from Chinese steelmakers, combined with supply disruptions, saw very strong iron ore prices which recently peaked at over US\$200 per tonne. By contrast, declining activity levels combined with ample supply resulted in a sharp fall in demand for oil, causing prices to fall significantly. This was reflected in the share prices of mining and energy stocks, with the former performing very strong over the last 18 months, while the latter languished.

More recently, however, moves by the Chinese to reduce steel production and cool their property market have seen the iron ore price fall sharply, and with it, the prices of the iron ore miners. While iron ore was weak, aluminium and alumina both rallied strongly, having lagged over the past 12 months. This was driven by tightening supply in China, due to factors such as power availability and environmental issues.

By contrast, a lack of investment by oil producers has impacted supply at the same time as demand has been recovering as economies progressively reopen. These factors, accentuated by some severe weather events, have caused energy prices to reach their highest levels in several years. Our positions in Woodside Petroleum (+22.5%) and Santos (+18.5%) contributed strongly to performance this month.

Other holdings that performed well in the month included Macquarie Group (+9.2%) which rallied after delivering a strong trading update where they indicated that first half profit would be higher than market expectations, with strong asset realisation gains and favourable trading conditions in their Commodities and Markets business.

Trust Activity

During the month we added to our holding in Santos and we also exited our position in Metcash after strong performance. At month end, stock numbers were 22 and cash was 4.5%.

Outlook

The global economy is set to continue its recovery as countries become increasingly vaccinated and markets continue to open. There is a significant risk of persistent inflation in our view but at a moderate level. This should provide a good backdrop for the cyclical exposures in our portfolio.

There is some risk that should inflation spike as supply chain issues continue to be a problem in general, that central banks react aggressively but that is not our base case.

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 can deliver high levels of franked dividend income to investors.

Global, Currency & Commodities (%)

S&P 500	-4.8
Nikkei 225	+4.9
FTSE 100	-0.5
Shanghai Composite	+0.7
RBA Cash Rate	0.10
AUD / USD	72.3c
Iron Ore	-24.3
Oil	+8.9
Gold	-1.9
Copper	-5.4

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