

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (% p.a.)
Perennial Concentrated Australian Shares Trust (Net)	7.2	8.0	14.0	13.7	12.8	5.8	6.7	7.0
S&P/ASX 300 Accumulation Index	6.3	9.5	16.5	11.6	10.6	6.0	8.5	8.9
Value Added	0.9	-1.5	-2.5	2.1	2.2	-0.2	-1.8	-1.9

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

Overview

Early signs of easing inflationary pressures, slightly better economic growth forecasts and a faster than expected reopening of China, combined to boost investor sentiment in January. Markets rallied on hopes that we may be nearing the end of the global interest rate tightening cycle and that a soft landing may be able to be achieved, with inflation falling without a significant increase in unemployment. Time will tell if this is the case.

This saw all major global markets finish sharply higher in January. The more interest rate sensitive NASDAQ led the way, rising +10.7%, while the broader S&P500 finished the month up +6.2%. The FTSE100 rose +4.3%, while the Nikkei 225 gained +4.7%. The Shanghai Composite rose +5.4% as the economy reopened following the sudden abandonment of zero-COVID policies. Following this about face, the extremely rapid spread of infections across the country suggests that normalisation of activity levels will occur rapidly, giving a strong pick up in growth over 2023.

The Australian market was also strong in January, with the ASX300 Accumulation Index finishing the month up +6.3%. All sectors, other than Utilities (-3.0%) delivered positive returns. The prospect of a soft landing, saw Consumer Discretionary (+10.1%) the best performing sector, while the rapid reopening of China, saw the Metals & Mining sector (+9.4%) again perform strongly. The REIT sector (+8.1%) saw a relief rally on the hopes of bond yields peaking.

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 \$22.0 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

May 2017

Fees

0.70% p.a. + Performance fee

APIR Code

WPC6780AU

Portfolio Characteristics – FY24	Trust	Market
Price to Earnings (x)	13.4	15.3
Price to Free Cash Flow (x)	12.2	14.2
Gross Yield (%)	5.8	5.2
Price to NTA (x)	2.4	2.7

Source: Perennial Value Management. As at 31 January 2023

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.

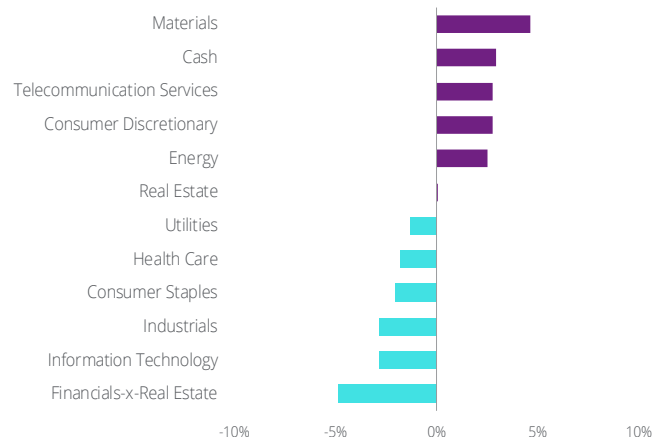
Trust Thematic Exposures

Offshore Earners	Aristocrat Leisure , James Hardie
Long Cyclical	BHP, Woodside
Defensives	Newcrest Mining
Short US10 Yr. Bonds	Underweight Utilities

Top 10 Positions (A -> Z)

ANZ
Aristocrat Leisure
BHP
CSL
Goodman Group
James Hardie Industries
Macquarie Group
Telstra
Westpac
Woodside Energy

Sector Active Exposure vs Index



Trust Review

The Trust returned +7.2%, after-fees in January, outperforming the benchmark by +0.9%. Key positive contributors to performance included the Trust's resources holdings, with the prospects of a Chinese reopening seeing rallies in the prices of iron ore (+9.7%) and other metals, with copper (+10.9%) also up strongly. The bulk miners were all higher, with BHP (+8.2%) a key overweight in the fund adding to performance. Amongst the base metals mineral sands producer Iluka Resources (+13.3%), also outperformed.

Sharply rising mortgage rates in the US have been impacting the housing market and the share prices of building materials companies. However, the key 10 and 30-year mortgage rates have retreated significantly from their recent highs, seeing an improvement in the outlook for the construction sector. Holdings exposed to US housing, such as James Hardie (+19.1%) and Reliance Worldwide (+18.6%) both rallied strongly. We are very positive on the medium-term outlook for these companies, which hold strong positions in their respective markets, and whose innovative, differentiated products should allow them to grow market share over time. James Hardie in particular has been successful in consumer marketing, driving demand from homeowners based on premiumisation, rather than pushing through builders who would be more price conscious.

Macquarie Group (+12.2%) was strong over the month, as investors began to upgrade earnings expectations on the back of ongoing commodity market volatility, which is likely to drive very strong earnings from their commodities trading division. During the month, it was also noted that various Macquarie entities had completed a number of asset realisations, despite generally tougher market conditions. This was a positive, as ongoing asset sales, from both principal investments and from funds is critical to generating profits and performance fees.

The Trust remains underweight the REIT sector. The sector is facing rental income pressure in retail as spending slows and in offices as companies reduce space as people continue to work from home. Rising interest costs will also present a headwind when debt needs to be refinanced. While reported cap rates have not moved significantly as yet, this is likely only a matter of time, and when this happens, many REIT balance sheets may come under pressure. An exception is Goodman Group (+15.0%), which is in the portfolio. Goodman Group is a high quality business and, unlike other parts of the property market, the industrial sector is experiencing continued demand for logistics and distribution facilities and seeing strong rental growth.

The main detractors over the month were energy stock Woodside (+2.3%) which was held back by the lower oil price.

Trust Activity

During the month we took profits and reduced our holdings in ANZ. Proceeds were reinvested into Macquarie Bank. At month end, stock numbers were 17 and cash was 2.9%.

Outlook

Global growth is clearly slowing, as interest rates rise and economies grapple with the impacts of high inflation and energy supply problems. However, we believe that this will be offset to some extent by the benefits to economies as COVID disruptions continue to recede. While economic data is mixed, and varies greatly from region to region, unemployment rates are very low in most major markets. The Australian economy is performing particularly strongly and will continue to be a key beneficiary of the strength in commodity markets. However, there are a number of potentially significant changes in the global economic and political backdrop, from the return of inflation and the change in the interest rate cycle, to rising geopolitical tensions. As a result, the level of uncertainty is elevated, and a degree of caution is warranted.

This view is expressed in the portfolio through holding a combination of stocks with reopening leverage, as well as stocks with solid defensive characteristics. Importantly, the portfolio is positively leveraged to post-COVID reopening, higher inflation, and higher interest rates. Within the cyclical part of the portfolio, this is achieved through overweight positions in the Diversified Financials, as well as select parts of the Consumer Discretionary and Resources sectors. In the defensive part of the portfolio, this is achieved through holdings in the sectors such as Telcos, Healthcare and Insurance as well as a modest overweight in gold.

Global, Currency & Commodities (%)

S&P 500	+6.2
Nikkei 225	+4.7
FTSE 100	+4.3
Shanghai Composite	+5.4
RBA Cash Rate	3.1
AUD / USD	70.5c
Iron Ore	+9.7
Oil	-1.7
Gold	+5.7
Copper	+10.9

[Invest Online Now](#)

Contact us



Level 27, 88 Phillip Street
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

Signatory of:



Issued by Perennial Value Management Limited (ABN 22 090 879 904, AFSL No. 247293) as the Investment Manager. The Responsible Entity is Perennial Investment Management Limited (ABN 13 108 747 637, AFSL No. 275101). Perennial Partners Limited (ABN 90 612 829 160) is a Corporate Authorised Representative (1293138) of Perennial Value Management Limited. Both the Investment Manager and Responsible Entity form part of Perennial Partners. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation and is not intended to constitute advertising or advice of any kind and you should not construe the contents of promotional statement as legal, tax, investment or other advice. This promotional statement does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should read and consider any relevant offer documentation applicable to any investment product or service and consider obtaining professional investment advice tailored to your specific circumstances before making any investment decision. While every effort has been made to ensure the information in this promotional statement is accurate, its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet, application forms and target market determination can be found on Perennial's website www.perennial.net.au. Use of the information on our website is governed by Australian law and is subject to the terms of use. No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful.