

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception <sup>^</sup> (% p.a.)
Perennial Concentrated Australian Shares Trust (Net)	1.8	1.7	14.6	14.6	4.8	13.5	6.7	6.6
S&P/ASX 300 Accumulation Index	1.7	1.0	14.4	14.4	3.3	11.1	7.1	7.9
<b>Value Added</b>	<b>0.1</b>	<b>0.7</b>	<b>0.2</b>	<b>0.2</b>	<b>1.5</b>	<b>2.4</b>	<b>-0.4</b>	<b>-1.3</b>

<sup>^</sup>Since inception: May 2017. Past performance is not a reliable indicator of future performance.

## Overview

Markets were strong in June, with improving inflation trends and a pause by the Fed, seeing a broadening of the rally in US equities from the Tech sector to other parts of the market. The NASDAQ added +6.6%, while the S&P500 rallied +6.5% on stronger economic data and the hope that the rate rise cycle is over, despite Jerome Powell saying that more rate rises are expected. The Nikkei 225 rose +7.5%, while the FTSE 100 was up a more modest +1.1%. The exception was the Shanghai Composite, which eased -0.1%, on concerns over the faltering Chinese post-COVID recovery.

The Australian market was also strong, with the ASX300 Accumulation Index finishing the month up +1.7%. Despite the RBA lifting the cash rate again, investors took a positive stance as inflation eased and economic data remained robust, with retail sales rebounding, house prices rising and very strong jobs growth in May. However, we would caution that this data is backward looking, and the impact of previous rate increases is still yet to be fully felt. While the economy is proving very resilient, some cracks are starting to appear, with several retailers issuing profit downgrades and building approvals falling sharply.

Metals and Mining (+5.0%) was the best performing sector, with commodity prices generally higher over the month, despite the Chinese growth concerns. Financials (+3.1%) also outperformed, as the major banks found some support. Defensive sectors were weaker as sentiment turned more positive on the economic outlook. Healthcare (-6.4%) was the main detractor, led lower by CSL, while Telcos and REITs also underperformed.

## 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.

<b>Portfolio Manager</b>	<b>Trust FUM</b>
Stephen Bruce	AUD \$22.2 million
<b>Distribution Frequency</b>	<b>Minimum Initial Investment</b>
Half yearly	\$25,000
<b>Trust Inception Date</b>	<b>Fees</b>
May 2017	0.70% p.a. + Performance fee

**APIR Code**  
WPC6780AU

Portfolio Characteristics – FY24	Trust	Market
Price to Earnings (x)	12.4	14.7
Price to Free Cash Flow (x)	10.6	13.4
Gross Yield (%)	6.4	5.6
Price to NTA (x)	2.3	2.5

Source: Perennial Value Management. As at 30 June 2023

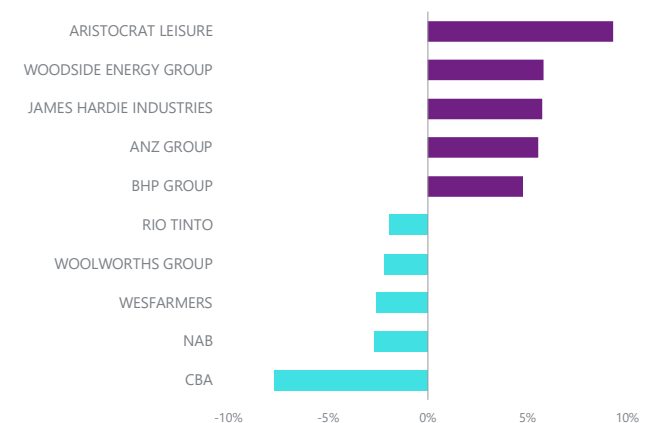
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Growth of \$100,000 Since Inception

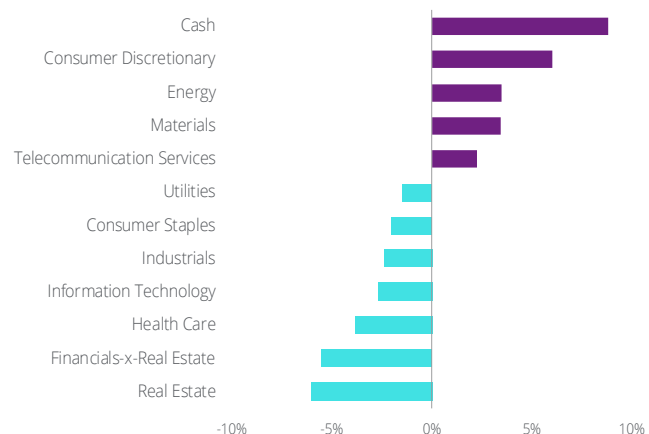


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The Trust returned +1.8%, after-fees in June, outperforming the benchmark by +0.1%. Key positive contributors to performance over the month included the Trust's Resources holdings. Commodity prices were generally stronger over the month as concerns around sluggish Chinese growth were more than offset by speculation that the Central Government would implement stimulus measures. These may be needed to revive the property market and address emerging issues such as high youth unemployment. Further, the better-than-expected US inflation and economic data led to hopes that the rate rise cycle is close to ending and that a soft landing could be achieved, all of which is positive for growth and commodities demand. This saw the bulk miners up strongly, with BHP (+7.1%).

Insurers IAG (+9.8%) and QBE (+7.2%) were both strong, with rate rises boosting their investment earnings and ongoing strong premium increases, which are running ahead of inflation. Should the interest rate increase cycle prove more prolonged than the market currently expects, then the insurers are well-placed to outperform given their positive leverage to higher interest rates, relatively defensive earnings and undemanding valuations.

James Hardie (+4.9%) added to last month's rally, with indications that the US housing market has stabilised after being impacted by the rapid rise in mortgage rates. As is the case in Australia, there is a shortage of housing in the US, with inventories of single family (ie detached) homes well below pre-pandemic levels.

While James Hardie is primarily exposed to the renovation, as opposed to new construction market, this still bodes well for underlying demand. Renovation activity has been impacted by rising interest rates. However, higher mortgage rates are likely to slow the rate of people upgrading to larger homes, as this requires them to refinance existing cheap mortgages to new ones at higher rates. The result is likely to be more people deciding to extend and renovate their current properties. While the company is subject to the cycle, over time it has consistently outgrown the overall market as its premium, differentiated products take share from other building materials. Management continues to focus on investing in the brand and distribution channels and we expect this to drive double-digit earnings growth over the medium term.

Other outperformers included Aristocrat Leisure (+4.1%) and Macquarie Group (+4.0%).

In the more positive environment, defensive stocks were the main detractors to performance. Of particular note, CSL (-9.5%), fell after issuing FY24 guidance which, while strong at +8-13%, was below the expectations of the more bullish analysts in the market. Regardless, in our view, the company is well placed to deliver strong earnings growth and is attractive over the medium-term.

## Trust Activity

There were no significant changes made to the portfolio during the month and at month end, stock numbers were 19 and cash was 8.5%.

## Outlook

The global economy has proven surprisingly resilient in the face of the sharp rise in interest rates and other disruptions. However, the data is becoming increasingly mixed and there are long lags associated with the transmission of monetary policy. On the positive, while inflation is proving sticky, it appears to have peaked, and unemployment rates remain very low in most major markets. The Australian economy continues to perform strongly, and the unemployment rate remains low. The resources and agricultural sectors continue to experience positive conditions and the coming surge in immigration will provide a further boost to activity. However, while house prices are rising again, retail sales are showing volatility and key forward indicators such as building approvals have fallen sharply.

While the backdrop is currently sound, the level of uncertainty is elevated, and it seems that the rate rise cycle is not yet complete. As a result, a degree of caution is warranted and we prefer holding stocks with positive company specific drivers, as opposed to pure cyclical leverage, in addition to stocks with solid defensive characteristics. Importantly, the portfolio is positively leveraged to post-COVID normalisation, higher inflation, and higher interest rates.

**While there is a high level of economic uncertainty, 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.**

**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:



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