

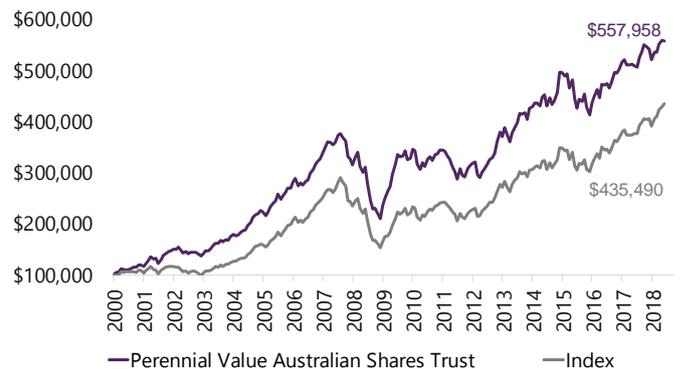
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Australian Shares Trust*	-0.2	4.4	1.1	10.3	8.7	8.5	10.6
S&P/ASX 300 Accumulation Index	1.4	6.0	2.7	15.4	11.5	8.9	8.3
Value Added (Detracted)	-1.6	-1.6	-1.6	-5.1	-2.8	-0.4	2.3
Net Performance	-0.3	4.2	1.0	9.4	7.7	7.6	9.8

*Gross Performance. *Since inception: March 2000. Past performance is not a reliable indicator of future performance.

Overview

- The Australian stock market continued its rise, delivering a return of 1.4% for the month of August, bringing the total return for the last 12 months to a healthy 15.4%.
- The highlight of the month was the company reporting season, with the overall market delivering earnings per share growth of approximately 8.0% for FY18.
- Offshore markets were mixed, with the S&P500 up 3.0% and the Nikkei 225 up 1.4%, while the FTSE100 was down 4.1% and Shanghai Composite was down 5.3%.

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.

Perennial Value Australian Shares Trust

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and tax effective income, by investing in a diversified portfolio of Australian shares, and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

Portfolio Manager: John Murray
Trust FUM: AUD \$1.1 billion

Distribution Frequency: Half yearly
Minimum Initial Investment: \$25,000

Trust Inception Date: March 2000
Fees: 0.92%

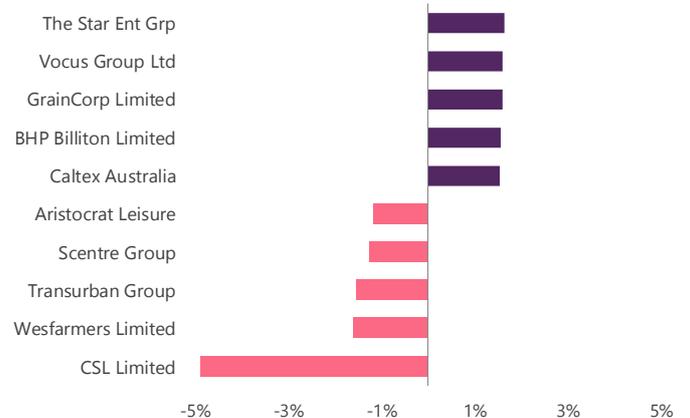
APIR Code: IOF0200AU

Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	14.5	16.0
Price to Free Cash Flow (x)	12.4	15.4
Gross Yield (%)	6.1	5.7
Price to NTA (x)	2.1	2.5

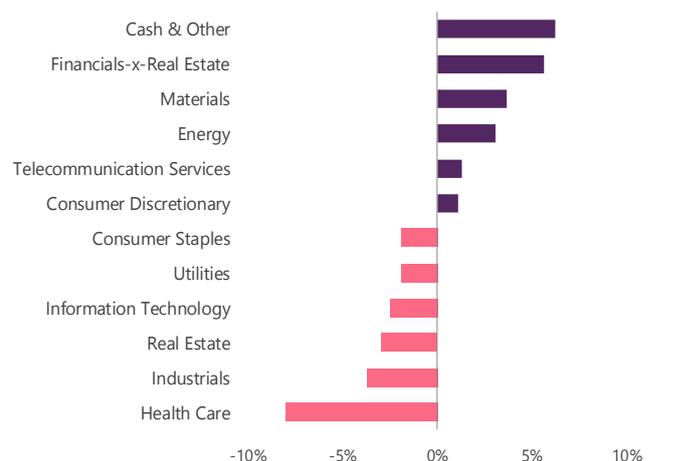
Source: Perennial Value Management. As at 31 August 2018.

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.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The highlight of the month was the company reporting season, which could best be described as solid. The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.

Holdings which performed well over the month included Vocus Communications (+18.3%), which rallied as the market gained confidence in the turnaround strategy under its new CEO. Telstra (+13.0%) rose on the news of a merger between competitors TPG and Hutchison Australia, the operator of the Vodafone network. While the merger will create a stronger third player, it is expected to be significantly better for the competitive dynamic than if TPG had become a fourth entrant in the mobile market. Brickworks (+12.2%) also rose strongly, in line with rises in TPG and New Hope Coal in which it has significant stakes via its interest in Soul Pattinson. QBE (+11.2%) rallied as the business continues to be streamlined and Brambles (+11.0%) rose after delivering a sound result and announcing the demerger of its reusable container business. Star Entertainment (+11.3%) outperformed after reporting a strong increase in International VIP business and Event Hospitality (+10.3%) rose on the back of strong growth in its hotel division.

The major banks underperformed slightly, as CBA (-1.7%) delivered a subdued result and sentiment continues to be impacted by the Royal Commission, while resources stocks were generally softer on trade and tariff concerns.

The main detractors from performance were Origin Energy (-18.6%) which fell after flagging increasing competitive pressure in its energy division, Janus Henderson (-10.0%) after announcing the departure of its well regarded CEO and Newcrest (-9.7%) on the lower gold price. The Trust was also impacted in a relative sense by being underweight very expensive stocks such as CSL and A2 Milk, both of which are trading on over 35x one year forward earnings.

Market Review – Australia (%)

S&P/ASX 300 Accumulation Index	+1.4
Energy	-1.2
Materials	-4.9
Industrials	+3.3
Consumer Discretionary	+3.6
Health Care	+10.4
Financials-x-Real Estate	+0.0
Real Estate	+2.6
Information Technology	+12.2
Telecommunication Services	+13.0
Utilities	+0.6

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Trust Activity

During the month, we took profits and trimmed our holding in a number of stocks which had performed strongly over recent times including Woolworths, Atlas Arteria and Sky City Entertainment. Proceeds were used to increase our holdings in a number of good value opportunities including Clydesdale Bank, Rio Tinto and Telstra as well as participating in the Ausdrill capital raising. At month end, stock numbers were 53 and cash was 6.1%.

Outlook

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions and is supportive of ongoing moderate corporate earnings growth.

While overall market multiples are not far from long-term averages, the level of dispersion between the valuations of the most and least expensive stocks is at historically high levels. Investors appear willing to pay almost any price for stocks perceived to be offering higher earnings growth. By contrast, many solid but lower growth businesses are being shunned. This has proven a headwind to value investors such as ourselves. However, history has shown that these valuation dispersions never last and when the inevitable reversion occurs, value delivers significant outperformance.

In the mean time, the Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

Global, Currency & Commodities (%)

S&P500	+3.0
Nikkei225	+1.4
FTSE100	-4.1
Shanghai Composite	-5.3
RBA Cash Rate	1.50
AUD / USD	-2.7
Iron Ore	-2.2
Oil	+4.3
Gold	-1.7
Copper	-6.4

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Signatory of:



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