

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Australian Shares Trust (Net)	3.2	2.4	2.4	7.0	7.9	6.7	9.6
S&P/ASX 300 Accumulation Index	1.9	2.6	2.6	12.6	11.9	9.6	8.4
Value Added (Detracted)	1.3	-0.2	-0.2	-5.6	-3.9	-2.8	1.2

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

Overview

- The Trust delivered a strong return of +3.2% in September, outperforming the ASX300 Accumulation Index return of +1.9%.
- Outperformance was driven by a rotation towards value-style stocks, on the back of positive market sentiment, while expensive growth and defensive stocks underperformed.
- Holdings which contributed positively included, SpeedCast (+58.1%), Nufarm (+17.0%), Janus Henderson (+15.6%), Iluka Resources (+12.4%), James Hardie (+10.2%) and NAB (+8.6%).
- Holdings which detracted from performance included Clydesdale Bank (-18.4%), Evolution Mining (-12.5%) and oOh media (-6.8%).
- The portfolio continues to offer good value trading on an FY20 P/E of 14.5x and offering a gross yield of 5.5%.

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 Managers Trust FUM
 Stephen Bruce, Damian Cottier, Andrew King AUD \$887 million

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

Trust Inception Date Fees
 March 2000 0.92%

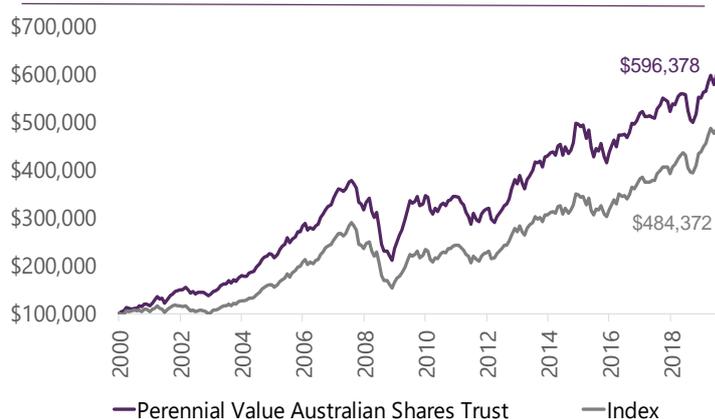
APIR Code
 IOF0200AU

Portfolio Characteristics – FY20	Trust	Market
Price to Earnings (x)	14.5	16.2
Price to Free Cash Flow (x)	13.0	15.1
Gross Yield (%)	5.5	5.4
Price to NTA (x)	2.2	2.5

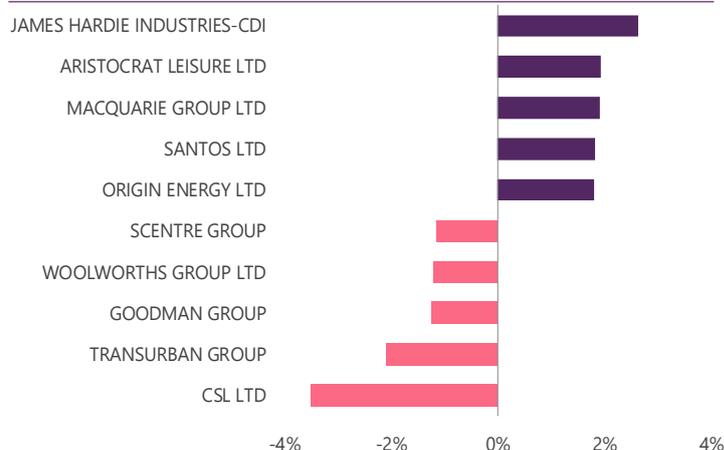
Source: Perennial Value Management. As at 30 September 2019

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.

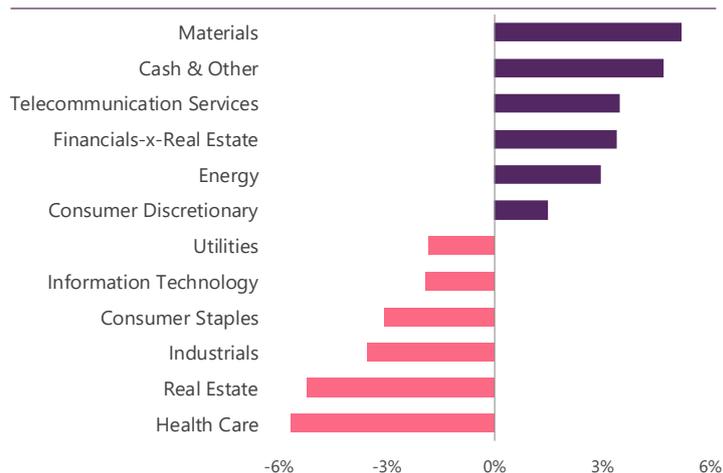
Growth of \$100,000 Since Inception



Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

An easing of concerns around the trade war and other macro risks saw global markets resume their rise in September. Most major markets rallied over the month, with the S&P500 +1.7%, FTSE100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.

The Australian market also rallied, with the ASX300 Accumulation Index finishing the month up +1.9%. The Trust delivered a return of +3.2%, outperforming the market by +1.3%.

A key driver of stock and sector performance over the month was the movement in interest rates, as improved investor sentiment saw US bond yields rise modestly. This, in turn, drove a rotation away from "rate-sensitive" sectors of the market, such as expensive growth and defensive yield stocks, with Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) sectors all underperforming.

The current valuations of these styles of stocks are heavily dependent on the assumption that interest rates will remain very low for a very long time. This makes them highly susceptible to being sold off sharply should interest rates begin to rise from their current record low levels and is the reason that the Trust continues to avoid these types of stocks.

By contrast, the more cyclical parts of the market outperformed, with Energy (+4.5%), Financials (+4.2%), Consumer Discretionary (+3.3%) and Metals and Mining (+2.3%) all rallying. The Trust is overweight this part of the market as it is where we see the better value opportunities and therefore the greater long-term upside for investors. In this environment, stocks which performed strongly included SpeedCast (+58.1%), which rebounded after being sold off last month, Nufarm (+17.0%) after announcing the sale of its Latin American operations for a very good price, Janus Henderson (+15.6%), Iluka Resources (+12.4%), James Hardie (+10.2%) and Macquarie Group (+5.8%). The major banks also outperformed, up an average of +5.7%, assisted by evidence that the housing market has turned.

Holdings which detracted from performance included Clydesdale Bank (-18.4%), which fell on higher remediation provisions and oOh Media! (-6.8%). Gold stocks Evolution Mining (-12.5%), Northern Star (-7.2%) and Newcrest (-6.1%) all fell on the lower gold price.

Market Review – Australia (%)

S&P/ASX 300 Accumulation Index	+1.9
Energy	+4.5
Materials	+2.9
Industrials	-0.1
Consumer Discretionary	+3.3
Health Care	-2.2
Financials-x-Real Estate	+4.2
Real Estate	-2.7
Information Technology	+0.1
Telecommunication Services	-2.8
Utilities	+2.0

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Signatory of:
 Principles for Responsible Investment



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Trust Activity

During the month, we took profits and reduced our holdings in Tabcorp and Woolworths following strong share price performances and also exited our holding in Star Entertainment.

Proceeds were used to establish a new position in outdoor retailer Kathmandu Holdings. This well-managed, sustainability-focused company is trading on an attractive valuation and has solid growth prospects, with a recent acquisition providing a platform for measured growth offshore.

We also bought back into Oz Minerals, having traded out of our position last month at significantly higher prices and increased our holding in gold miner, Northern Star, having also taken profits previously at higher prices. At month end, stock numbers were 59 and cash was 4.7%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.2x and offering an attractive gross dividend yield of 5.4%.

Importantly, while there remain segments of the market which are very expensive, we are still seeing many quality companies trading on attractive valuations, which should deliver solid returns to investors from these levels.

While the market has favoured growth and defensive stocks in recent times, the rotation seen in September is a reminder of how quickly things can change and how sudden a reversal back to value can be.

In the meantime, 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	+1.7
Nikkei225	+5.1
FTSE100	+2.8
Shanghai Composite	+0.7
RBA Cash Rate	1.00
AUD / USD	+0.1
Iron Ore	+9.3
Oil	+0.6
Gold	-3.1
Copper	+1.1

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