

	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)	-0.1	-0.2	2.2	13.8	8.5	5.9	9.5
S&P/ASX 300 Accumulation Index	-0.4	-0.8	2.2	19.5	12.5	8.6	8.4
Value Added (Detracted)	0.3	0.6	0.0	-5.7	-4.0	-2.7	1.1

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

Overview

- The Trust delivered a return of -0.1% in October, outperforming the S&P/ASX300 Accumulation Index (the Index) return of -0.4%.
- This was a very pleasing outcome, with some very strong stock performances. This overcame the fact that value, as a style, underperformed in a market which was dominated by the expensive momentum and defensive sectors such as Healthcare and REITs, which we remain underweight on the basis of valuation.
- Holdings which contributed positively included, Clydesdale Bank (+24.5%), showing its leverage to any improvement in sentiment towards a Brexit outcome and Iluka Resources (+17.6%) on speculation they may demerger their iron ore royalty stream.
- Stocks which detracted included Graincorp (-8.6%), Newcrest (-9.9%) and Ooh! Media (-3.5%)
- The portfolio continues to offer good value trading on an FY20 P/E of 14.5x and offering a gross yield of 5.6%.

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 \$870 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2000	0.92%

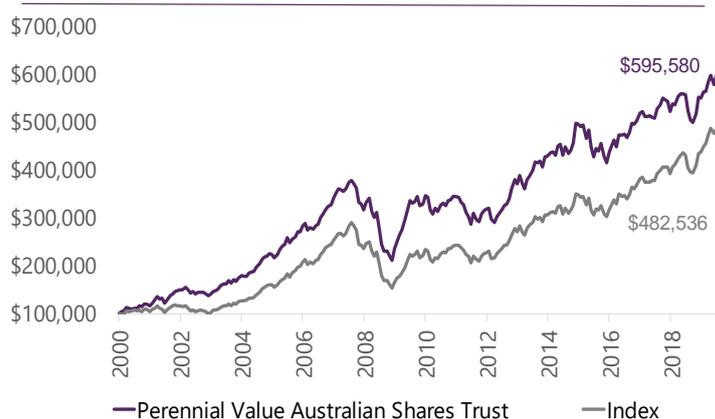
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Portfolio Characteristics – FY20	Trust	Market
Price to Earnings (x)	14.5	16.1
Price to Free Cash Flow (x)	13.0	15.3
Gross Yield (%)	5.6	5.6
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 31 October 2019

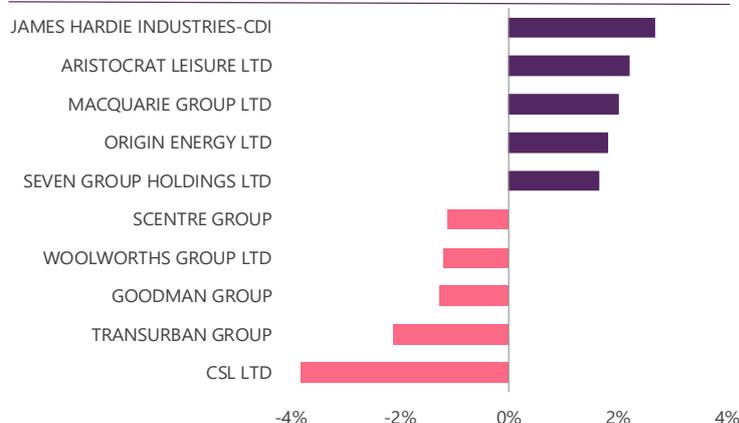
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

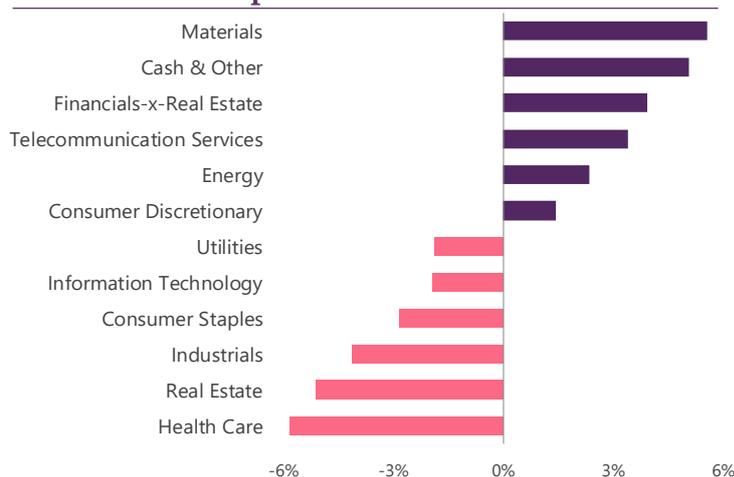


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were generally positive in October, with the S&P500 +2.0%, Nikkei 225 +5.4% and the Shanghai Composite +0.8%, while the FTSE100 declined -2.2%. The Australian market lagged, with the Index finishing the month down -0.4%, weighed down by the banks, which fell as RBA interest rate cuts pressure their margins, and the major miners, which were weaker on softer iron ore prices.

The Trust delivered a return of -0.1% in October, outperforming the Index return of -0.4%. This was a very pleasing outcome, with some very strong stock performances. This overcame the fact that value, as a style, underperformed during the month. Overall, the market was dominated by the expensive momentum and defensive sectors such as Healthcare and REITs, which we remain underweight on the basis of valuation.

Stocks which contributed to performance included Clydesdale Bank (+24.5%), which rallied strongly on optimism towards a Brexit resolution. This stock is extremely cheap and could re-rate strongly should sentiment towards the UK improve. Iluka Resources (+17.6%) rose on speculation that they may move to spin out the royalty stream they receive from BHP in connection with its iron ore operations, potentially realising significant value for shareholders. Other strong performers included BlueScope Steel (+11.0%), Integral Diagnostics (+10.7%), Ingenia Communities (+9.8%) and Seven Group (+7.7%).

Recent Trust addition, Kathmandu (+7.1%), rallied after announcing the acquisition of surf brand Rip Curl, a transaction which is expected to create significant value over time.

The Trust also benefited from not holding a number of tech stocks whose lofty valuations have begun to be questioned by the market. Examples include Wisetech Global (-24.6%) and Afterpay (-19.5%), both of which still trade on very expensive valuations despite the sharp sell-offs.

Holdings which detracted from performance included Graincorp (-8.6%), which declined as the ACCC delayed the sale of its terminals business. This, in turn, delayed its proposed demerger into separate grains and malt business, a transaction which we believe may be the catalyst to recognising significant value in the business.

Market Review – Australia (%)

S&P/ASX 300 Accumulation Index	-0.4
Energy	+0.3
Materials	-1.8
Industrials	+2.9
Consumer Discretionary	+0.5
Health Care	+7.3
Financials-x-Real Estate	-2.9
Real Estate	+1.4
Information Technology	-3.2
Telecommunication Services	-1.4
Utilities	+1.2

Trust Activity

During the month, we took profits and reduced our holdings in ALS, Tabcorp, Iluka Resources and Santos, all of which had performed well in recent times.

Proceeds were used increase our holding in Aristocrat Leisure and to participate in the capital raisings undertaken by Kathmandu to fund the acquisition of Rip Curl and Ingenia Communities to fund the acquisition of additional retirement communities.

At month end, stock numbers were 61 and cash was 5.1%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.1x and offering an attractive gross dividend yield of 5.6%.

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 expensive growth and defensive stocks in recent times, the rotation seen in September was a reminder of how quickly things can change and how sudden a reversal back to value can be.

In October, we saw a sell-off in a number of high-growth stocks, as well as the cancellation of a number of planned IPOs due to lack of demand at the proposed valuations. This suggests that the market is becoming more discerning around what it will pay for stocks and this may well be a precursor to a sustained move back to value.

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	+2.0
Nikkei225	+5.4
FTSE100	-2.2
Shanghai Composite	+0.8
RBA Cash Rate	0.75
AUD / USD	+2.1
Iron Ore	-9.6
Oil	-0.9
Gold	+2.8
Copper	+2.3

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Signatory of:
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