

|   | 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) | 3.1         | 6.2         | 5.3         | 21.7            | 8.7              | 7.2              | 9.7                     |
| S&P/ASX 300 Accumulation Index                | 3.2         | 4.8         | 5.4         | 26.0            | 12.7             | 10.0             | 8.5                     |
| <b>Value Added (Detracted)</b>                | <b>-0.1</b> | <b>1.4</b>  | <b>-0.1</b> | <b>-4.3</b>     | <b>-4.0</b>      | <b>-2.8</b>      | <b>1.2</b>              |

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

## Overview

- The ASX300 Accumulation Index delivered a strong return of +3.2% in November, driven by a number of expensive sectors such as IT, Healthcare and Consumer Staples. The Trust did well to keep up in this environment, returning 3.1%.
- Holdings which contributed positively included, Virgin Money UK, (+29.3%), James Hardie (+17.0%) and Aristocrat Leisure (+8.3%), which all delivered better than expected earnings results. Graincorp (+12.4%), rose after the ACCC approved the sale of its terminals business. This paves the way for it realise value by demerging into separate grains and malt businesses.
- Stocks which detracted included Nufarm (-16.4%), with tough seasonal conditions in North America and Perenti (-15.1%) following a security incident at one of its African operations. The major banks declined (down an average of -4.5%), after delivering generally soft results and being impacted by the Westpac AUSTRAC issues.
- The portfolio continues to offer good value trading on an FY21 P/E of 14.9x and offering a gross yield of 5.4%.

## 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,      AUD \$882 million  
 Andrew King

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

Trust Inception Date                      Fees  
 March 2000                                  0.92%

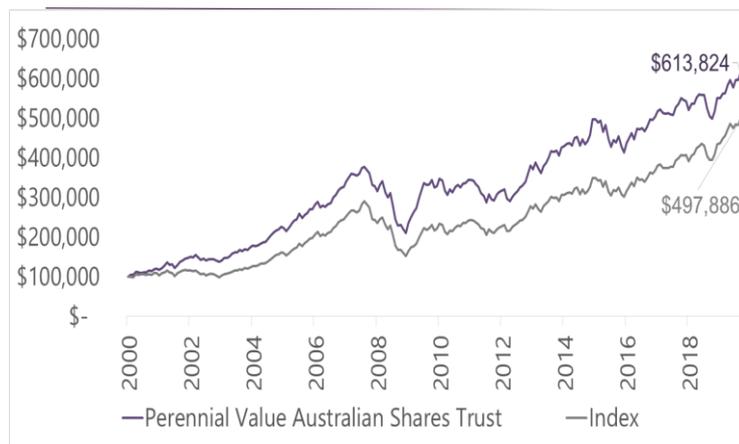
APIR Code  
 IOF0200AU

| Portfolio Characteristics – FY21 | Trust | Market |
|----------------------------------|-------|--------|
| Price to Earnings (x)            | 14.9  | 17.3   |
| Price to Free Cash Flow (x)      | 13.5  | 16.6   |
| Gross Yield (%)                  | 5.4   | 5.2    |
| Price to NTA (x)                 | 2.1   | 2.5    |

Source: Perennial Value Management. As at 30 November 2019

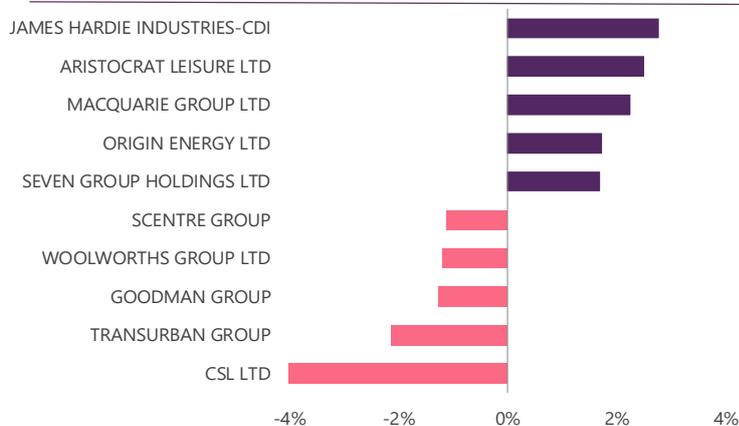
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Growth of \$100,000 Since Inception

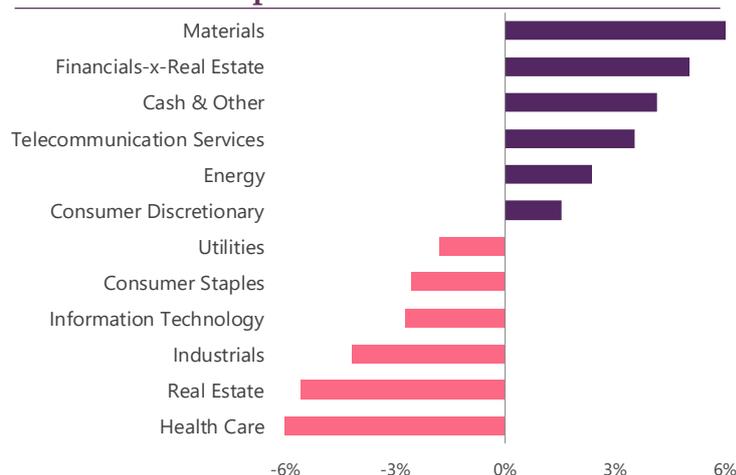


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

Global markets were generally buoyant in November, with the S&P500 +3.4%, Nikkei 225 +1.6% and FTSE100 +1.4%, while the Shanghai Composite declined, -1.9%. The Australian market put in a very strong performance, with the Index finishing the month up +3.2%. All sectors delivered positive returns, other than Financials (-2.0%) and Utilities (-0.5%).

The Trust delivered a return of 3.1% in November, marginally behind the Index. This was a solid result, given the particularly strong returns from a number of sectors which the Trust is underweight on account of valuation, including IT (+10.6%), Healthcare (+8.8%) and Consumer Staples (+8.1%).

Trust holdings which contributed positively included, Virgin Money UK, (+29.3%), James Hardie (+17.0%) and Aristocrat Leisure (+8.3%). Each of these stocks rallied strongly after delivering better than expected earnings results. Both James Hardie and Aristocrat Leisure are expected to continue to deliver strong growth going forward, while Virgin Money UK (formerly known as Clydesdale Bank) is trading on an extremely cheap valuation and is strongly leveraged to any Brexit resolution.

Graincorp (+12.4%), rose after the ACCC approved the sale of its terminals business. This paves the way for it realise value by demerging into separate grains and malt businesses. Origin Energy (+10.4%) rose after a positive investor day, highlighting the strong performance of their APLNG plant.

The major banks declined (down an average of -4.5%), after delivering generally soft full-year results and being impacted by the Westpac AUSTRAC issues. There is absolutely no disputing that the performance of the banks, in relation to conduct and compliance, has been totally unacceptable. However, new management and increased regulatory oversight will ensure that these issues will be remedied. In the mean time, the underlying businesses remain strong and valuations are attractive. Further, this year may well be a turning point in the performance of the sector, as its focus moves from rectifying the errors of the past, towards optimising for the future. As a result, the Trust continues to hold a modest overweight position in the major banks.

Other stocks which detracted from performance included Nufarm (-16.4%), with earnings to be impacted by tough seasonal conditions in North America and Perenti (-15.1%) following a security incident at one of its African operations. We continue to see significant upside in both these stocks.

## Market Review – Australia (%)

|                                |       |
|--------------------------------|-------|
| S&P/ASX 300 Accumulation Index | +3.2  |
| Energy                         | +7.3  |
| Materials                      | +4.4  |
| Industrials                    | +4.0  |
| Consumer Discretionary         | +4.2  |
| Consumer Staples               | +8.1  |
| Health Care                    | +8.8  |
| Financials-x-Real Estate       | -2.0  |
| Real Estate                    | +2.3  |
| Information Technology         | +10.6 |
| Telecommunication Services     | +7.2  |
| Utilities                      | -0.5  |

## Trust Activity

During the month, we increased our holding in Aristocrat Leisure ahead of what we anticipated to be a strong earnings result. We also modified our Energy sector positioning, taking profits and reducing our holding in Santos, which had performed strongly (+48.2% over the last 12 months). Proceeds were used to increase our holding in Worley, which we expect to benefit from the integration of its recent ECR acquisition as well as an increasing backlog of work.

At month end, stock numbers were 62 and cash was 3.7%.

## Outlook

The market is currently trading slightly above its long-term average, with a FY21 P/E of 17.3x and a gross dividend yield of 5.2%.

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 valuation dispersion between these types of stocks and the “value” end of the market is at historically high levels. As a result, the risk-return equation for investors in continuing to hold these stocks is increasingly skewed to the downside. While there is a high level of political uncertainty at present, any sustained improvement in the macro outlook, for example from a cooling of the trade tensions, could well see an aggressive rotation 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             | +3.4  |
| Nikkei225          | +1.6  |
| FTSE100            | +1.4  |
| Shanghai Composite | -1.9  |
| RBA Cash Rate      | 0.75% |
| AUD / USD          | 67.6c |
| Iron Ore           | +4.7  |
| Oil                | +3.7  |
| Gold               | -3.2  |
| Copper             | +0.5  |

**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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