

	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)	-0.4	2.6	5.0	22.8	7.1	6.7	9.6
S&P/ASX 300 Accumulation Index	-2.0	0.7	3.3	23.8	10.3	9.1	8.4
Value Added (Detracted)	1.6	1.9	1.7	-1.0	-3.2	-2.4	1.2

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

Overview

- Global markets were buoyant in December, on the back of positive developments in the US-China trade war and the decisive outcome of the UK election, which will likely see an end to the Brexit impasse.
- This positive sentiment saw a move into the more cyclical parts of the market such as resources, while the growth and defensive sectors, such as Healthcare and REITs, sold off. While this depressed the Australian market overall, the Trust was well positioned for this rotation to value and outperformed the market by +1.6%.
- Stocks which contributed to performance included Northern Star Resources (+17.9%), Nufarm (+17.0%), oOh Media (+16.3%), Kathmandu (+11.2%), Ingenia Communities (+5.5%) and Virgin Money UK (+4.2%). The Trust also benefitted from its underweight position in expensive sectors such as Consumer Staples (-7.8%), REITs (-4.2%) and Healthcare (-2.7%).
- The portfolio continues to offer good value trading on an FY21 P/E of 14.7x 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, Andrew King **AUD \$864 million**

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

Trust Inception Date **Fees**
 March 2000 **0.92%**

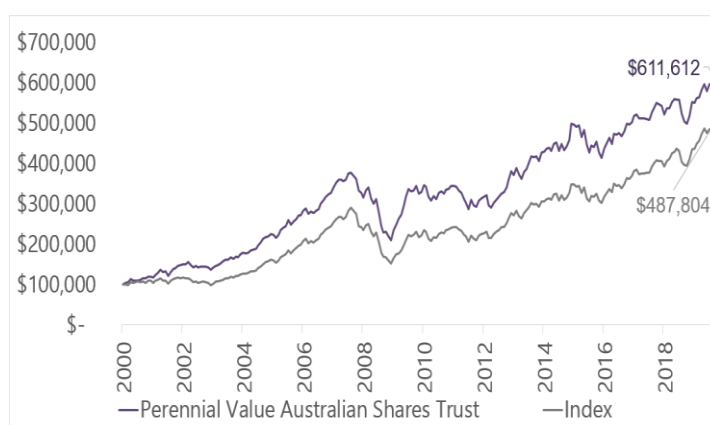
APIR Code
 IOF0200AU

Portfolio Characteristics – FY21	Trust	Market
Price to Earnings (x)	14.7	16.8
Price to Free Cash Flow (x)	13.1	16.0
Gross Yield (%)	5.4	5.3
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 31 December 2019

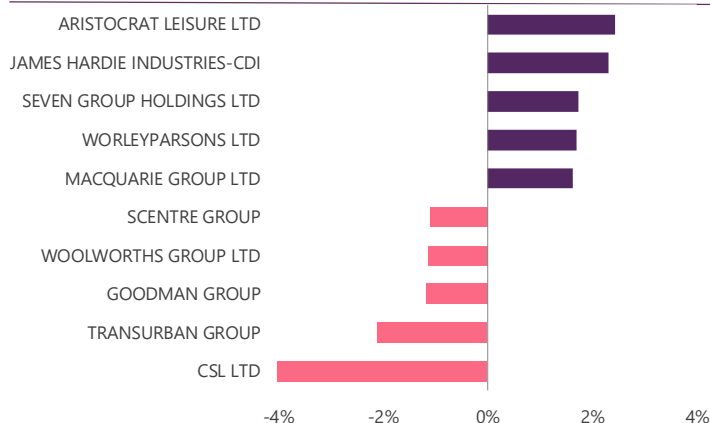
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

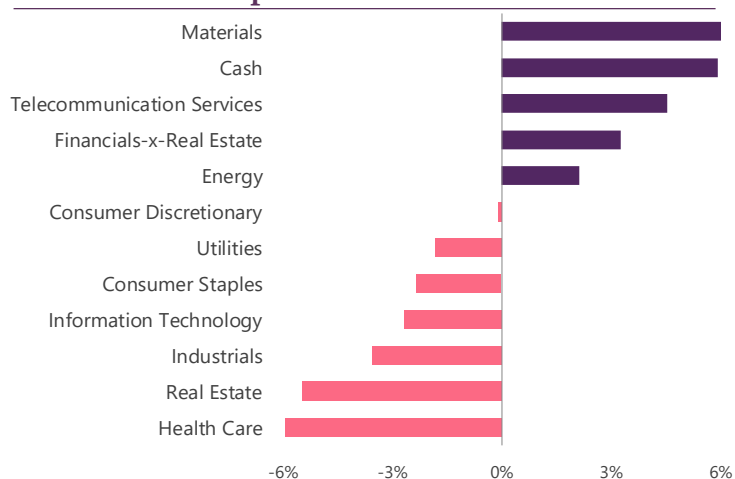


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were generally buoyant in December, on the back of positive developments in the US-China trade war and the decisive outcome of the UK election, which will likely see an end to the Brexit impasse. This saw the S&P500 +2.6%, Nikkei 225 +1.6%, FTSE100 +2.7% and the Shanghai Composite +6.2%.

This positive sentiment saw a move into the more cyclical parts of the market such as resources, while the growth and defensive sectors, such as Healthcare and REITs, sold off. While this depressed the Australian market overall, with the Index finishing the month down -2.0%, the Trust was well positioned for this rotation to value and outperformed the market by +1.6%.

Stocks which contributed to performance included Northern Star Resources (+17.9%), which rallied after announcing the acquisition of 50% of the Kalgoorlie Super Pit for US\$800m. This is very positive transaction, with the company acquiring a half stake as well as operatorship of a major asset in a desirable location.

Other strong performers included Nufarm (+17.0%), which delivered a presentation highlighting the significant upside potential in its seeds business, where it has developed a number of proprietary technologies for the land based production of Omega-3 oils and bio-jet fuels. oOh Media (+16.3%) rallied after upgrading earnings on the back of a stronger than expected pick-up in outdoor advertising bookings, while Kathmandu (+11.2%) and Ingenia Communities (+5.5%), continued to perform strongly post their recent acquisitions. Virgin Money UK (+4.2%), also continued to rally, as the optimism post-UK election added to the momentum following the delivery of a strong full-year result in November.

The Trust also benefitted from its underweight position in expensive sectors such as Consumer Staples (-7.8%), REITs (-4.2%) and Healthcare (-2.7%), which do not meet our valuation criteria.

Stocks which detracted from performance included Perenti (-16.7%) after the termination of a contract at one of its African operations. This followed on from a security incident last month and the market is understandably concerned. However, we continue to see significant upside in the stock at these levels. Janus Henderson (-7.7%) and Graincorp (-6.8%) also declined on no specific news.

Market Review – Australia (%)

S&P/ASX 300 Accumulation Index	-2.0
Materials	+1.8
Utilities	+0.8
Energy	-1.4
Financials-x-Real Estate	-1.6
Consumer Discretionary	-2.2
Health Care	-2.7
Industrials	-3.1
Information Technology	-3.9
Real Estate	-4.2
Telecommunication Services	-5.5
Consumer Staples	-7.8

Trust Activity

During the month, we took profits and reduced our holdings in a number of stocks which had performed strongly in recent times including CBA, Macquarie Group, QBE Insurance, James Hardie, Wesfarmers, Tabcorp and Origin Energy. Proceeds were used to participate in the Northern Star capital raising undertaken to fund the Super Pit acquisition as well as to increase our holdings in Telstra and Atlas Arteria, with these stocks being our preferred defensive exposures at this time. We also increased our holding in Nufarm. At month end, stock numbers were 60 and cash was 5.9%.

Outlook

The market is currently trading slightly above its long-term average, with a FY21 P/E of 16.8x and a gross dividend yield of 5.3%.

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 further resolution of trade tensions, could well see an aggressive rotation back to value. This would be expected to benefit the relative performance of the Trust, as was the case in December.

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	+2.6
Nikkei225	+1.6
FTSE100	+2.7
Shanghai Composite	+6.2
RBA Cash Rate	0.75
AUD / USD	70.2c
Iron Ore	+4.5
Oil	+5.7
Gold	+3.6
Copper	+5.1

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