

	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)	0.2	9.7	0.2	-12.0	0.8	1.7	8.4
S&P/ASX 300 Accumulation Index	0.6	7.8	0.6	-9.7	5.4	5.2	7.5
Value Added (Detracted)	-0.4	1.9	-0.4	-2.3	-4.6	-3.5	0.9

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

Overview

- Global markets were mixed in July, with economic re-openings and positive announcements around vaccine trials, being weighed against a resurgence in COVID-19 infections in many countries.
- The Australian market eked out a small gain in July, with the ASX300 Accumulation Index logging its fourth consecutive positive month, rising +0.6%. This was despite mounting concerns around the second wave of infections in Victoria.
- Since the market's low, the fund has performed strongly, returning +38.4%, outperforming the market by +7.0%, driven by a rotation to value style stocks as well as very strong performances from a number of stocks which we acquired at very attractive prices during the selloff.
- In particular, many of the Trust's mid and small cap holdings performed very well. A strong focus on the ex-Top 20 segments of the market is a key differentiating feature of the Trust and we believe that this will allow us to deliver superior returns by identifying companies with stronger stock-specific growth drivers and which are less impacted by broader macroeconomic conditions.

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 \$677 million
 Andrew King

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

Trust Inception Date Fees
 March 2000 0.92%

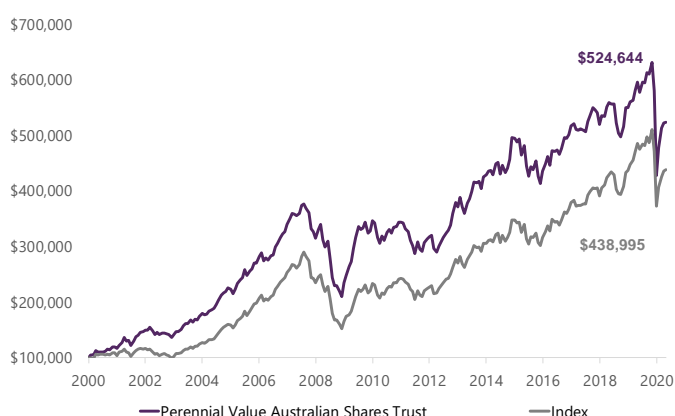
APIR Code
 IOF0200AU

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	13.1	16.5
Price to Free Cash Flow (x)	12.2	16.2
Gross Yield (%)	5.2	4.7
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 31 July 2020

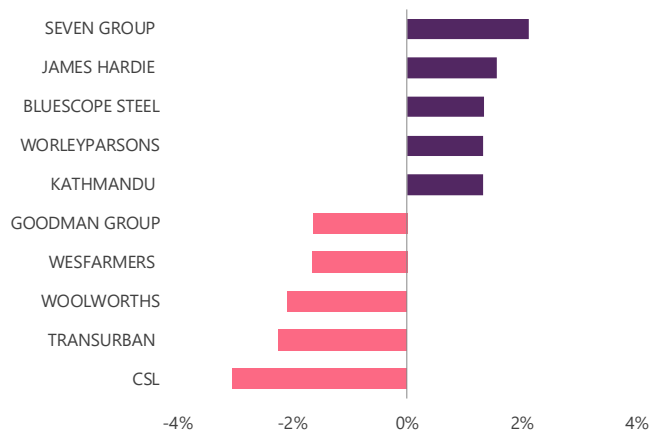
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

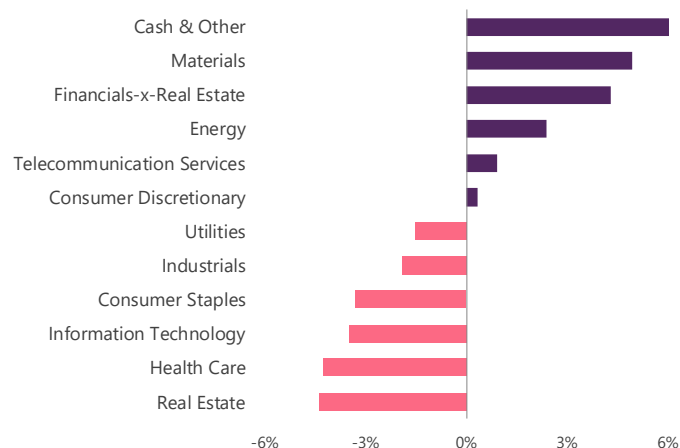


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were mixed in July, with recovering economic activity as re-openings continued and positive announcements around vaccine trials, being weighed against a resurgence in COVID-19 infections in many countries. The Australian market eked out a small gain, with the ASX300 Accumulation Index logging its fourth consecutive positive month, rising +0.6% in July and having now risen +31.4% from its March low.

The Trust delivered a return of 0.2% in July underperforming the market by 0.4%. Since the market's low in March, however, the fund has performed strongly, returning +38.4%, outperforming the market by +7.0%. This outperformance has been driven by a combination of a rotation to value style stocks as sentiment towards the outlook improved, as well as very strong performances from a number of stocks which we acquired at very attractive prices during the selloff.

Resources (+4.5%) led the market in July, with Metals and Mining (+7.1%) the best performing sector of the market. This was driven by ongoing strength in commodity prices, attributable to a weaker USD as well as ongoing supply disruptions, while demand remained robust, principally driven by China. The Trust holds an overweight position in the resources sector and saw particularly strong performances from holdings in Fortescue Metals (+25.7%) and Oz Minerals (+24.4%). Both of these companies reported strong quarterly production results, with Fortescue shipping a record volume of iron ore in Q4 and Oz Minerals upgrading its full-year production guidance. Iluka Resources (+6.0%), Rio Tinto (+4.1%) and BHP (+2.6%) also outperformed.

The Gold sector, which the Trust is overweight, was another highlight, with the rally in the gold price seeing strong performances from our holdings in Northern Star Resources (+15.7%), Newcrest (+11.6%), St Barbara (+6.3%) and Evolution Mining (+4.1%). Gold is our preferred defensive sector at the moment, as many of the other supposedly defensive sectors such as Healthcare and Infrastructure may not prove as defensive as hoped given the extremely expensive valuations on which they are trading.

Concerns around the economic impact of a renewed lockdown in Victoria saw the banks weaker over the month, down an average of 2.2%. While the ultimate extent of bad debts is hard to determine, the banks have entered this downturn in strong financial shape. Further, during the month, APRA clarified its position regarding banks dividends, indicating that the banks would be able to pay dividends in the current period. The Trust holds a modest overweight position in the major banks, seeing valuation upside on a medium-term view as well as leverage to any improvement in the outlook.

Holdings which performed strongly over the month included women's fashion retailer, City Chic Collective (+17.2%), which undertook a capital raising during the month to fund the acquisition of "Catherines", a US competitor, which had filed for bankruptcy. Under the proposed transaction, all of the retail stores of the acquired company will be closed, with City Chic acquiring the brands and moving to an online only model. This acquisition follows the same template as their previous successful acquisition of the online assets of retailer "avenue". Following this acquisition, City Chic's sales will be over 80% online going forward.

Other strong performers included QBE Insurance (+11.9%) as premium rates continue to rise, Telstra (+7.0%) and Ingenia Communities (+5.8%). James Hardie (+5.3%) continued to rally, with ongoing strength in the North American housing market.

Despite a rise in the oil price, the Energy sector (-6.3%), where the Trust is overweight, lagged the market as uncertainty around the outlook increased. This saw holdings in Woodside Petroleum (-7.6%) and Worley Group (-6.0%) underperform. Energy has been one of the slowest sectors to recover, suggesting that it still has significant upside as demand returns. Other holdings which detracted from performance included Monadelphous (-17.7%), Event Hospitality (-11.7%), Ampol (-10.4%) and Graincorp (-9.5%). We remain comfortable with the outlook for each of these companies.

Trust Activity

During the month, we locked in gains and exited our holdings in Goodman Group and ALS. We also reduced our holdings in a number of stocks which had performed strongly in recent times, including Magellan Financial Group, Rio Tinto, Macquarie Group and James Hardie. Proceeds were used to increase our holding in a range of good value opportunities such as Tabcorp, Dexus and Nufarm and to initiate a new position in Alumina Ltd. In addition to the raising by City Chic mentioned above, the Trust also participated in a raising by Downer to fund the acquisition of the minority interests in Spotless. At month end, stock numbers were 66 and cash was 5.4%.

Outlook

The market has rallied strongly from its March lows, however, is still well down from its previous highs. While the sharp slowing of activity means that forecasting near-term earnings for many companies is difficult, the market's fall means a significant amount of bad news is now factored into the share prices of many companies.

Looking forward, while the current situation is unprecedented, so too has been the response of governments, with coordinated policies covering monetary easing, fiscal stimulus and legislative actions. While the renewed lockdown in Victoria is a clear setback, Australia has, so far, fared very well relative to most other countries, meaning it is reasonable to expect that we are well placed to lead others in terms of a recovery in activity.

Finally, the silver lining of a downturn such as this is that it provides the long-term investor with opportunities to buy quality businesses at very attractive prices. Indeed, we have been taking the opportunity to add a number of new stocks to the portfolio which we are confident will deliver strong returns to investors over time.

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

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Signatory of:



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