

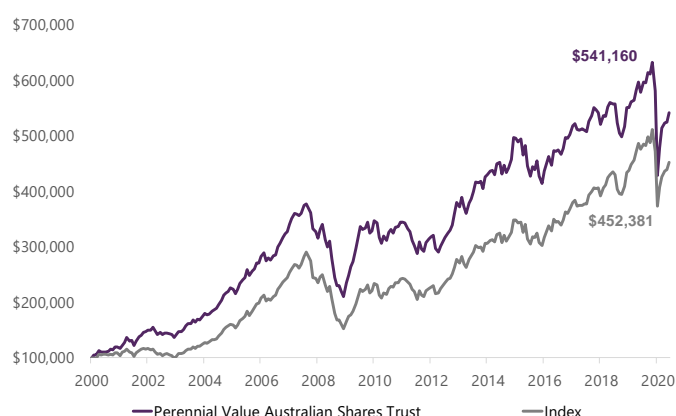
| | Month (%) | Quarter (%) | FYTD (%) | 1 Year (% p.a.) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception (%p.a.) |
|---|------------|-------------|-------------|-----------------|------------------|------------------|-------------------------|
| Perennial Value Australian Shares Trust (Net) | 3.1 | 5.4 | 3.4 | -6.3 | 1.9 | 4.0 | 8.6 |
| S&P/ASX 300 Accumulation Index | 3.0 | 6.2 | 3.7 | -4.8 | 6.2 | 7.6 | 7.7 |
| Value Added (Detracted) | 0.1 | -0.8 | -0.3 | -1.5 | -4.3 | -3.6 | 0.9 |

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

Overview

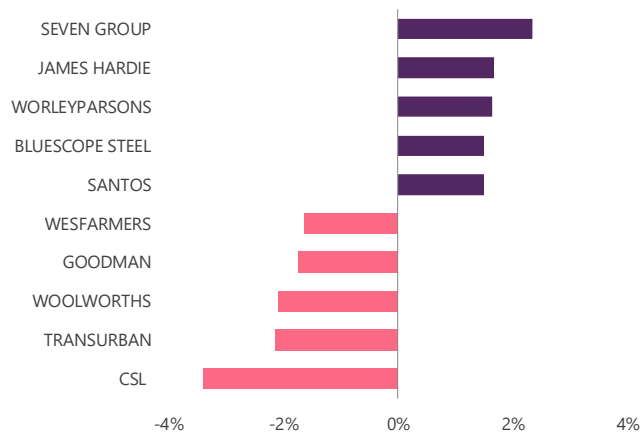
- Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials outweighed concerns around increasing COVID-19 infections in many countries.
- The Australian market also delivered a strong performance, with the ASX300 Accumulation Index logging its fifth consecutive positive month, rising +3.0%. This was achieved despite the impacts of the lockdown in Victoria.
- Since the market's low, the Trust has performed well, returning +42.9% and outperforming the market by +7.5%. Over this period, many holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance.
- In addition, the Trust has benefitted from 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, with strong stock-specific drivers.

Growth of \$100,000 Since Inception

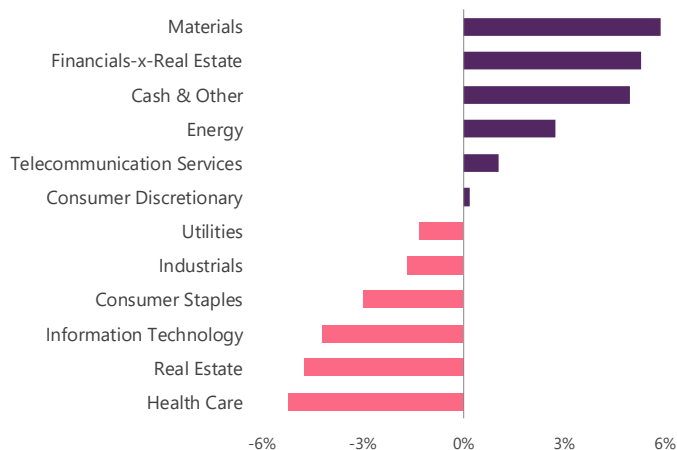


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



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: Stephen Bruce, Damian Cottier, Andrew King
Trust FUM: AUD \$687 million

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

Trust Inception Date: March 2000
Fees: 0.92%

APIR Code: IOF0200AU

| Portfolio Characteristics – FY22 | Trust | Market |
|----------------------------------|-------|--------|
| Price to Earnings (x) | 13.6 | 17.0 |
| Price to Free Cash Flow (x) | 12.8 | 16.5 |
| Gross Yield (%) | 5.1 | 4.5 |
| Price to NTA (x) | 1.8 | 2.2 |

Source: Perennial Value Management. As at 31 August 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.

Trust Review

Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials, outweighed concerns around increasing COVID-19 infections in many countries. The Australian market also delivered a strong performance, with the ASX300 Accumulation Index logging its fifth consecutive positive month, rising +3.0% in August and having now risen +35.4% from its March low.

The Trust delivered a return of 3.1% in August, outperforming the market by +0.1%. Since the market's low in March, however, the fund has performed strongly, returning +42.9% and outperforming the market by +7.5%. Over this period, many of the Trust's holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance. In particular, many of the Trust's mid and small cap holdings performed very well, with strong stock-specific drivers.

In line with offshore markets, the rally in Tech stocks saw IT (+15.2%) the best performing sector during the month. This was led by Afterpay (+33.4%), which currently has market capitalisation of over \$20bn. This is very impressive for a business generating no earnings and operating in a sector with no barriers to entry. Time will tell if this is justified, but we would argue its true value is closer to zero. Needless to say, this stock does not look like a good investment proposition to us. The Consumer Discretionary sector (+9.7%) also performed well, as spending remained robust, particularly through online channels, while the REIT sector (+7.9%) also made up some of its lost ground. Defensive sectors generally underperformed, with Utilities (-4.8%), Telcos (-3.8%) and Consumer Staples (-0.3%). Metals & Mining (+0.4%) lagged, having performed strongly in recent months, while Financials (+1.3%) also underperformed.

The highlight of the month was the company reporting season. Never before has the market entered a reporting season in such an information vacuum, with virtually all companies having previously withdrawn guidance due to COVID-19 uncertainty. As a broad statement, while many companies are being significantly impacted, results were less bad than feared. After the initial shock of lockdowns, many companies are seeing a reasonable activity levels as economies progressively reopen. Those most impacted, however, are adapting to the current environment by reducing costs, hunkering down and strengthening their balance sheets.

Holdings which outperformed over the month included mining services company Monadelphous (+26.7%), which delivered a better than expected result and has a strong pipeline of work ahead of it, particularly in the iron ore sector. Seven Group Holdings (+12.0%) also delivered a solid result and is also poised to benefit from the ongoing strength in the iron ore sector which its Caterpillar equipment business services. Worley Group (+17.3%), the world's leading engineering firm servicing the oil and gas and chemical sectors, rallied with a very strong long-term demand outlook for their services. In particular, they are very well placed to benefit from the coming investment in the energy transition to renewables.

The resources companies generally delivered strong results, with our overweight positions in mineral sands producer Iluka Resources (+12.0%), copper-gold miner Oz Minerals (+7.3%) and Alumina Ltd (+5.3%) all outperforming on the improving commodity demand outlook. Further, Iluka stands to benefit from the upcoming demerger of its iron ore royalty stream into a separate entity. Consumer Discretionary holdings also performed well, with Event Hospitality (+11.8%), Kathmandu (+10.0%) and Aristocrat Leisure (+8.4%) as economic reopening draws closer.

The Trust currently has a meaningful bias to the mid and small cap segments of the market, as this is an area where we see significant upside.

During the month, many of our ex-100 holdings performed particularly strongly. Examples include medical imaging company, Integral Diagnostics (+21.9%), media company NewsCorp (+16.6%), grain handler Graincorp (+15.3%), investment bank Moelis Australia (+14.8%) and PWR Holdings (+12.1%), a manufacturer of advanced cooling systems for the automotive industry.

The major banks lagged slightly (average +1.1%) in August. The Trust holds a modest overweight position in the sector as we see significant medium-term valuation upside. Further, the sector is highly leveraged to any improvement in the domestic outlook. The Trust's gold holdings eased back after a very strong performance in recent months, with Northern Star Resources (-11.7%), Newcrest Mining (-8.5%) and Evolution Mining (-4.4%). Gold continues to be 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 their extremely expensive valuations. Other stocks which detracted included City Chic Collective (-3.8%), United Malt Group (-2.5%), Smartgroup (-1.2%) and Ampol (-1.0%).

Trust Activity

During the month, the Trust participated in a capital raising by Tabcorp. We see significant upside to Tabcorp through ongoing growth in its lotteries business and the potential to demerge this from its wagering operations. We also locked in gains and continued to reduce our holding in Magellan Financial Group. Proceeds were used to increase our holding in Ampol, which we see as being attractively valued and positively leveraged to increasing activity. Ampol is also a potential takeover target, having recently received an offer from Canadian-based service station operator, Alimentation Couche-Tard. At month end, stock numbers were 65 and cash was 4.2%.

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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