

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception ^ (% p.a.)
Perennial Value Australian Shares Trust (Net)	0.3	-0.4	8.6	8.6	11.6	6.5	7.2	7.2	6.7	9.1
S&P/ASX 300 Accumulation Index	0.9	-1.2	11.9	11.9	13.2	6.1	7.2	8.7	8.0	8.2
Value Added	-0.6	0.8	-3.3	-3.3	-1.6	0.4	0.0	-1.5	-1.3	0.9

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

Overview

Markets were mixed in June, with the US continuing its mega-cap Tech-driven rampage, with the S&P500 up +3.5% and the NASDAQ +6.0% to new highs. The Japanese market was also up, with the Nikkei 225 +2.8% on signs of stirring growth. European markets were generally weaker, on the back of heightened political uncertainty ahead of major elections, seeing the FTSE100 down -1.3%. Each of these markets have delivered strong returns over the last 12 months. The exception is the Chinese market, which has fallen in the face of a range of economic headwinds including the issues in the property market, and risks around exports from increased trade tensions with the US and Europe. This saw the Shanghai Composite down -3.9% for the month and -7.0% for the year.

The Australian market also posted a gain, with the ASX300 Accumulation Index rising +0.9% over the month, to have delivered a return of +11.9% over the last financial year. Financials (+5.1%) led the market, driven by another strong performance from the banks, which benefitted from macro flows. Consumer Staples (+4.6%), Utilities (+4.6%) and Healthcare (+4.2%) also lifted as bond yields eased slightly. Resources underperformed, with Metals & Mining (-7.2%) and Energy (-2.0%) as sentiment around the Chinese economic outlook remained weak.

Fund Characteristics

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and 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, Andrew King

Trust FUM

AUD \$460 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2000

Fees

0.92% p.a.

APIR Code

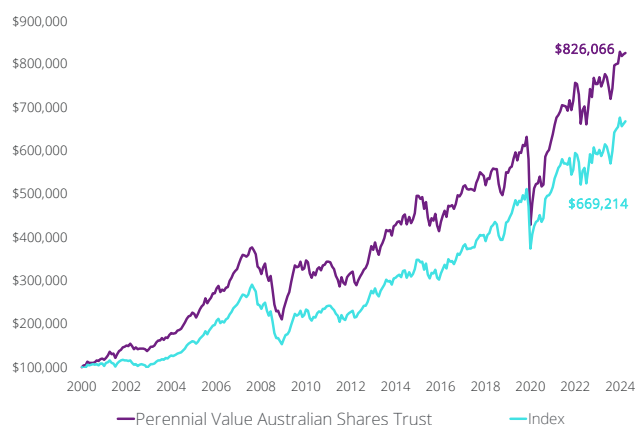
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Portfolio Characteristics – FY25	Trust	Market
Price to Earnings (x)	15.6	16.4
Price to Free Cash Flow (x)	12.6	13.6
Gross Yield (%)	4.9	5.0
Price to NTA (x)	2.3	2.6

Source: Perennial Value Management. As at 30 June 2024

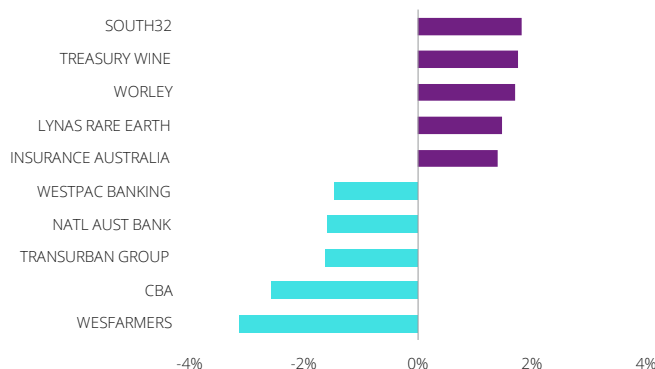
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

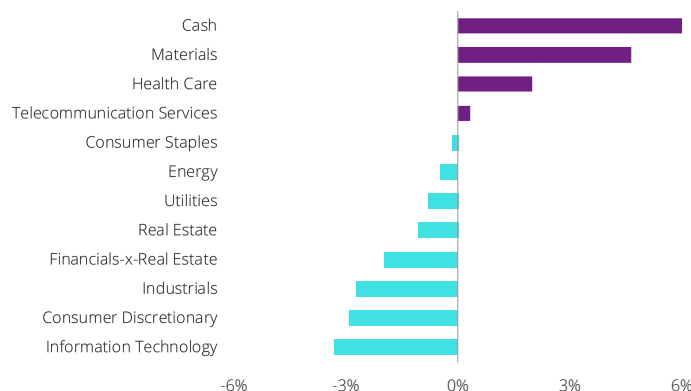


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust returned +0.3%, after-fees in June, underperforming the benchmark by -0.6%.

Key contributors to performance over the month included insurer IAG (+15.2%), which rallied after delivering a positive trading update. Operating conditions for insurance companies continue to be favourable, with strong premium rate increase and healthy earnings on their investment portfolio. We have recently been taking profits and reducing our holding in QBE (-2.3%), which had been a strong performer, and reinvesting the proceeds to increase our holding in IAG, which had been lagging but is now playing catch-up.

Treasury Wine Estates (+9.8%) outperformed after hosting an analyst trip to showcase DAOU, its recently acquired luxury wine business located in Paso Robles, California. The market had been sceptical of this acquisition, however, the feedback from the tour was positive. The company also re-affirmed its earnings guidance and provided a positive update on the Penfolds business and its re-entry into the Chinese market following the lifting of tariffs. Aristocrat Leisure (+10.8%) also continued its upwards momentum following its positive half-year result last month.

The diagnostics sector has faced a number of headwinds in recent years, with the number of pathology tests ordered and imaging scans performed, still lower than expected, in part driven by lower GP attendances due to lower bulk billing rates. At the same time, costs have been elevated due to staff shortages and generally higher inflation. These factors, which have impacted the entire sector, are slowly beginning to abate, and earnings are expected to recover over the coming periods. Further, consolidation is continuing in the industry. This has seen the share prices of our holdings in Healius (+18.1%) and Integral Diagnostics (+9.4%) begin to rally. During the month, Integral announced a proposed merger with smaller imaging company, Capitol Health. If completed, this transaction would add significant scale to the group and deliver improved operational performance. For example, as the number of radiologists and case volumes increases, so does the ability to "load balance" by sharing work across the network as demand varies. This both optimises utilisation, improves service times and allows for greater specialisation amongst the radiologists. Healius has announced that it intends to sell its radiology business and focus on its pathology operations, where it is the number two player nationally. As well as consolidation opportunities amongst operators, these businesses have been attractive to private equity funds in the past. More recently, Ramsay Healthcare (+0.7%), Australia's largest private hospital operator has expressed interest in expanding into the sector. While Ramsay is currently grappling with its own issues, an expansion into the domestic diagnostic sector is quite likely should they succeed in exiting their underperforming European operations.

Challenger (+8.2%) outperformed, as the market pushed out its forecasts for rate cuts. The stock benefits from higher-for-longer interest rates, as these make its annuities more attractive to investors. Along with the insurers, this stock is positively leveraged to higher interest rates and gives good portfolio diversification. Further the stock is trading on an undemanding valuation, and may become a takeover target at some time, with Apollo currently holding a 27% strategic stake in the business.

The major banks continued to grind higher over the month, up an average of +4.5%, bringing their average total return for the financial year to a very strong +36.1%.

While the banks are in very good financial shape, and should continue to pay attractive dividends, it will be difficult for them to deliver any meaningful earnings growth over the coming periods. Credit growth is likely to remain constrained, with ongoing margin pressure, persistent cost inflation and bad debts which are likely to increase off their current extremely low levels. With the sector trading on historically high valuations, we see the upside as limited from here, and are underweight the sector.

The main detractors over the month were our resources holdings, with ongoing negative sentiment towards the Chinese economic outlook. Despite this, however, commodity prices remain generally resilient. For example, iron ore remains well over US\$100/t. Immutep (-33.8%), gave back its recent gains, in what we believe to be an overreaction to some insignificant clinical trial data. We continue to see very large upside potential in this stock.

Trust Activity

During the month, we reduced our holdings in the banks following their outperformance, as well as reducing our gold exposure. Proceeds were used to increase our holdings and move overweight in James Hardie and Telstra, both of which had lagged in recent times and were offering attractive valuations. At month end, stock numbers were 57 and cash was 6.4%.

Outlook

Globally, inflation continues to moderate, albeit at a slowing pace, as while goods inflation has fallen sharply, services inflation is proving more persistent. While the expected timing of interest rate cuts has been pushed out, the consensus view is that rate cuts are coming, and a soft landing will be achieved. This would be an excellent outcome. However, history suggests that soft landings are few and far between, so a degree of caution is warranted. Should inflation prove resurgent, then the sentiment could change quickly. Given that much of the market – particularly the Tech sector – is very fully-valued, there is not much margin for error here.

While corporate earnings have generally proven resilient to date, outside of the US, there is clear evidence that growth is slowing. In Australia, economic growth has stalled, and the economy has been in a per-capita recession for some time now. While the upcoming tax cuts will boost disposable income, there are signs the labour market is beginning to soften, leaving us cautious on the consumer. Further, immigration – a key plank of our growth – has become a political issue and is set to be reduced. In terms of Resources, demand for most commodities remains healthy and supply is generally constrained. However, while the Chinese Government has taken steps towards stabilising the property market, renewed trade tensions and the prospect of new tariffs puts a question over the outlook for growth in their manufacturing sector.

While there is a high level of economic and political uncertainty, our focus remains 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.

Invest Online Now

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