

|                                               | 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) | -2.1        | 2.1         | 5.1         | 20.5        | 11.4             | 7.2              | 7.8              | 7.4              | 6.8               | 9.2                       |
| S&P/ASX 300 Accumulation Index                | -1.3        | 2.2         | 6.4         | 24.9        | 13.1             | 7.6              | 8.1              | 8.9              | 8.3               | 8.3                       |
| <b>Value Added</b>                            | <b>-0.8</b> | <b>-0.1</b> | <b>-1.3</b> | <b>-4.4</b> | <b>-1.7</b>      | <b>-0.4</b>      | <b>-0.3</b>      | <b>-1.5</b>      | <b>-1.5</b>       | <b>0.9</b>                |

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

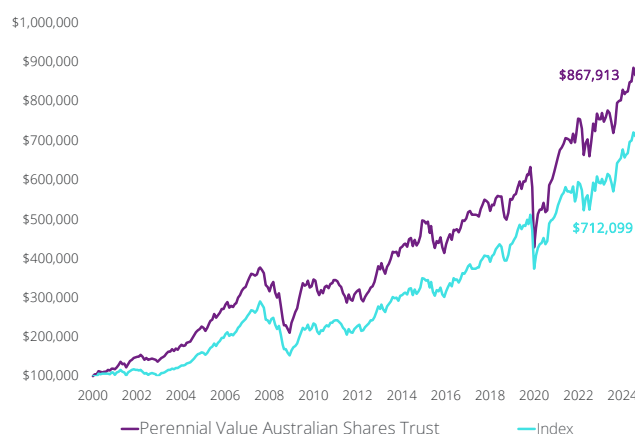
## Overview

Markets were generally softer in October, feeling a combination of pre-election jitters, rising geopolitical risks and resurgent bond yields. While the S&P500 declined -1.0% and the NASDAQ eased -0.5%, they have returned +36.0% and +40.8% respectively over the last 12 months. The FTSE100 gave back -1.5%, and the Shanghai Composite fell -1.7%. The Japanese market performed better, with the Nikkei 225 rallying +3.1%, to be up +26.6% for the year.

The Australian market also ended its winning streak, with the ASX300 Accumulation Index down -1.3% over the month, having delivered a very strong return of +24.9% over the last 12 months. The best performing sector over the month was Financials (+3.2%), with the major banks again outperforming, up an average of +3.2%. Interestingly, the banks seem to be perceived as offering relative safety, despite their stretched valuations. Other sectors which outperformed also had defensive characteristics, with Healthcare (+0.7%) and Telcos (+0.6%).

By contrast, the Resources sector gave back some of September's strong gains, with Metals & Mining and Energy underperforming, both down -4.8%. Consumer facing sectors were also weaker, with Staples (-6.9%) and Discretionary (-3.8%), following soft AGM trading updates.

## 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.

## 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 \$457 million

**Distribution Frequency**  
Half yearly

**Minimum Initial Investment**  
\$25,000

**Trust Inception Date**  
March 2000

**Fees**  
0.92% p.a.

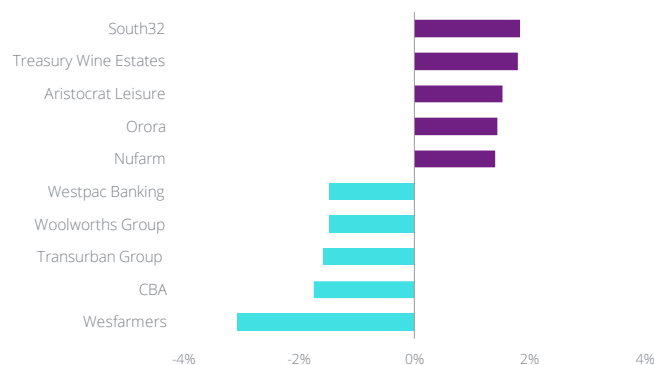
**APIR Code**  
IOF0200AU

| Portfolio Characteristics – FY26 | Trust | Market |
|----------------------------------|-------|--------|
| Price to Earnings (x)            | 17.0  | 17.9   |
| Price to Free Cash Flow (x)      | 13.0  | 15.3   |
| Gross Yield (%)                  | 4.7   | 4.5    |
| Price to NTA (x)                 | 2.3   | 2.7    |

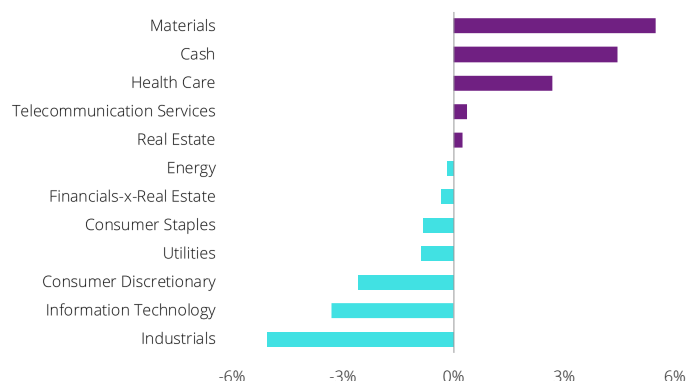
Source: Perennial Value Management. As at 31 October 2024

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.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The Trust returned -2.1%, after-fees in October, underperforming the benchmark by -0.8%.

Key contributors to performance included Block (+15.9%). This stock is a recent addition to the portfolio and is best known in Australia for its "Square" point of sale payments system – and for its disastrous US\$29bn acquisition of Afterpay. While this was an enormously value destructive transaction (and one of the greatest exits in history!), with the share price down some -75% from its peak, this is well and truly factored into current valuations. Going forward, the stock offers a dynamic, well-established Fintech exposure to the US market, trading on an attractive FY25 P/E multiple of 16x. Despite having a market cap of over US\$40bn, the stock only has a small index weight in Australia, as its primary listing is in the US.

Rapidly growing asset manager, MA Financial (+21.0%), performed strongly, after reporting record fund inflows in the September quarter, with the company successfully launching a number of credit and real estate funds. The company also continues to rapidly grow scale across its MA Money mortgage lending and Finsure mortgage aggregation platforms. The business has a very entrepreneurial culture, with a number of earnings drivers, and we expect strong growth to continue.

Medical Imaging company, Integral Diagnostics (+5.4%), continued to see a recovery in its share price after reporting solid first quarter revenue growth at its AGM update. We think Integral is well placed to deliver solid earnings growth over the coming years as staffing cost pressures experienced across the sector abate, and margins recover. In addition, the merger with Capitol Health, will result in a step-change in scale and deliver significant cost and revenue benefits.

The Banking sector resumed its upward grind in October, with the majors rising an average of +3.2%. It seems to us, that the sector is attracting flows due to being perceived as relatively "safe" compared to some other sectors of the market, with ongoing concerns around China and some questions over the outlook for the consumer. This thinking could explain why the banks continue to trade on record valuations, despite offering negligible earnings growth. While we generally agree with this assessment of the Banks' relative earnings certainty, it's important to remember that bad debts have been running at an exceptionally low level relative to any historical period. In the event that the economic outlook did take a turn for the worse, for whatever reason, then the Banks could quickly become regarded, not as safe havens, but rather as the highly-leveraged, economic proxies that they actually are. The Trust continues to hold a modest underweight position in the sector.

Insurance stocks QBE (+4.1%) and IAG (+1.9%) both outperformed, with the sector continuing to experience healthy premium rate growth across most business lines. Further, resurgent bond yields augur well for earnings from their investment portfolios. In contrast to the Banks, we feel that the insurers have attractive defensive characteristics, while not trading on particularly demanding valuations.

CEOs behaving badly was another theme of the month. The Trust was a net beneficiary of this, as not holding Wisetech (-13.8%) more than offset the impact of our very small overweight position in Mineral Resources (-24.3%). While "founder-led" businesses can have many positives, it's important the founder is subject to effective oversight!

October is traditionally when many companies hold their AGMs and give trading updates. Overall, the updates have been skewed to the downside, with retailers in particular, highlighting more challenging conditions due to cost-of-living pressures etc. While some companies bucked the trend, such as JB Hi-Fi (+2.6%), weakness was seen in Coles (-2.6%), Wesfarmers (-4.5%), Woolworths (-10.0%) and Metcash (-14.5%). The Trust is underweight the consumer facing sectors.

The key driver of underperformance over the month was the Trust's overweight position in Resources stocks. In our view, Resources represent the clear value trade in the market at the present time. At current prices for iron ore (still >US\$100/t!), copper and aluminium, the bulk miners are generating very strong cash flows. Further, other commodities such as rare earths, lithium and mineral sands are showing signs of having bottomed, with their equities having very considerable upside from these levels.

## Trust Activity

During the month, we sold out of our holding in Wesfarmers and reinvested the proceeds to increase our overweight position in the iron ore miners and base metals producer, South32. At month end, stock numbers were 62 and cash was 4.2%.

## Outlook

Globally, inflation continues to moderate, albeit at a slowing pace. The long-awaited US rate cutting cycle has begun, and this has been well-received by markets. Further, the step-up in Chinese stimulus measures is also positive for the global outlook. While the timing of cuts has been pushed out, there will likely be no further rate rises in Australia. As a result, the consensus view is that a soft landing will be achieved. This would be an excellent outcome. However, history suggests that soft landings are few and far between. Should inflation prove resurgent, then the sentiment could change quickly. In addition, it could be argued that factors such as the AI boom have driven a divergence between valuations and fundamentals, leaving large components of the market very fully-valued. Overall, we feel a degree of caution is warranted.

Corporate earnings have generally proven resilient to date, however, 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 tax cuts will boost disposable income, the consumer remains under pressure, and there are numerous stress points in the economy. This all leaves us cautious on discretionary sectors.

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**

## Contact us



Level 27, 88 Phillip Street  
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

Signatory of:



Issued by Perennial Value Management Limited (ABN 22 090 879 904, AFSL No. 247293) as the Investment Manager. The Responsible Entity is Perennial Investment Management Limited (ABN 13 108 747 637, AFSL No. 275101). Perennial Partners Limited (ABN 90 612 829 160) is a Corporate Authorised Representative (1293138) of Perennial Value Management Limited. Both the Investment Manager and Responsible Entity form part of Perennial Partners. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation and is not intended to constitute advertising or advice of any kind and you should not construe the contents of promotional statement as legal, tax, investment or other advice. This promotional statement does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should read and consider any relevant offer documentation applicable to any investment product or service and consider obtaining professional investment advice tailored to your specific circumstances before making any investment decision. While every effort has been made to ensure the information in this promotional statement is accurate, its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet, application forms and target market determination can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au). Use of the information on our website is governed by Australian law and is subject to the terms of use. No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful.