

	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)	3.8	3.5	8.7	12.1	8.0	8.9	7.3	7.4	6.9	9.2
S&P/ASX 300 Accumulation Index	4.5	5.0	11.7	15.1	10.8	11.1	7.9	9.2	8.6	8.4
Value Added	-0.7	-1.5	-3.0	-3.0	-2.8	-2.2	-0.6	-1.8	-1.7	0.8

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

Overview

Markets started the year strongly, with investors excited by the prospect of the Trump administration ushering in a more free-wheeling, pro-growth, business-friendly backdrop. Investors were further buoyed by the lack of specific guidance on tariffs post-inauguration, hoping that the threats of these would be walked back (...which soon turned out not to be the case, but that was a problem for next month). Inflation data also continued to trend in the right direction. One fly in the ointment, however, was the announcement by a Chinese firm that they had built an AI model, comparable to those developed by the US tech giants, at a fraction of the cost and without relying on the highest-end chips. This saw a sharp sell-off in NVIDIA and falls in the other Tech names. Despite this, at month-end the S&P 500 was up +2.8%, setting a new high, and the NASDAQ was up +1.7%. The FTSE 100 rose +6.2%, while the Asian markets were weaker, being perceived most at risk from trade tensions.

The Australian market was also very strong, +4.5% to a new record high. A continuing moderation in inflation increased hopes for a February RBA rate cut and combined with anecdotes of healthy Christmas retail spending to see Consumer Discretionary (+6.8%) the best performing sector. Financials (+6.1%) also performed strongly, with the banks continuing to drift higher. The Resources sector also rose (+3.5%), while defensive sectors such as Utilities (-2.4%) and Consumer Staples (+1.3%) tended to lag in the bullish environment.

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 \$453 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2000

Fees

0.92% p.a.

APIR Code

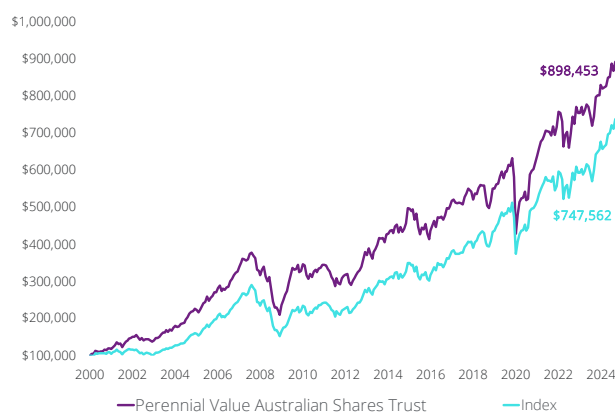
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Portfolio Characteristics – FY26	Trust	Market
Price to Earnings (x)	17.9	18.9
Price to Free Cash Flow (x)	13.5	16.4
Gross Yield (%)	4.5	4.2
Price to NTA (x)	2.4	2.8

Source: Perennial Value Management. As at 31 January 2025

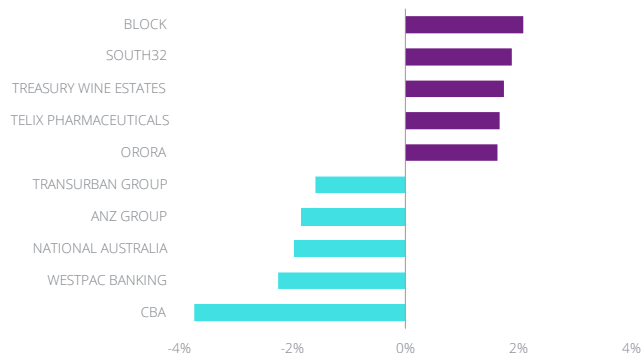
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

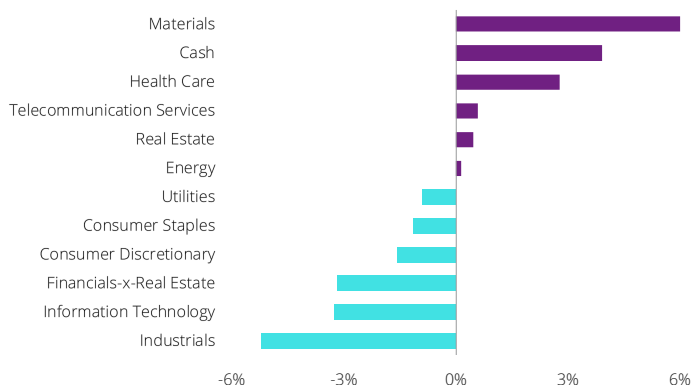


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust returned +3.8%, after-fees in January, and +12.1% over the last 12 months. While the Trust has lagged the market, this is a solid performance in a period where the index has been largely driven by growth and momentum factors. In recent times, it is clear that passive flows and thematic investing have been key determinants of stock performance, with valuation considerations taking a back seat. Examples of this can be seen across the market, from the extreme valuation of certain large cap, passive flow beneficiaries such as CBA (FY25 P/E 26x) and Wesfarmers (FY25 P/E 32x), to the bidding up of quality category leaders, such as retailer JB Hi-Fi (FY25 P/E 24x). While these are undeniably all outstanding businesses, they are trading at valuations dramatically above their historical levels. This is in spite of having generally subdued earnings growth outlooks over the coming period – particularly as we head into an election.

January is typically a fairly quiet month in markets, with many investors on holidays, corporate activity at a low ebb, and most domestic companies in blackout ahead of the February reporting season. This year was something of an exception, given the excitement and uncertainty around Trump's assumption of power, as well as the shock to the Mega-Tech/AI complex, following the claims by DeepSeek that it had produced a rival LLM at a fraction of the cost. While the veracity of this claim is being disputed, the massive loss in market capitalisation it caused once more highlights the narrowness of the US market rally and its dependence on the Tech sector to deliver earnings growth sufficient to maintain its valuation multiples. Despite it all, both the US and local market set new highs.

Key positive contributors to Trust performance included gold holdings Newmont (+16.2%) and Northern Star (+12.0%), which rallied on the back of a rise in the gold price to over US\$2,800/oz, as softer inflation readings increased the prospect of rate cuts.

Telix Pharmaceuticals (+19.2%), continued its stellar performance. While not your typical "Value" stock, we like to have a small portion of the portfolio allocated to opportunities such as this, which have highly asymmetric payoff profiles. Telix is developing a range of radiopharmaceutical products for the diagnosis and treatment of various cancers. To date, our investment in Telix has nearly quadrupled in value. Over this time, the stock has grown to a market cap of nearly \$10bn, as its existing products have generated strong sales, and its pipeline of new products move forward through development. During the month, Telix announced that it had received European approval to market its key prostate imaging agent, Illucix. This has generated very strong sales growth in the US and is expected to be similarly successful in the European market.

Positivity around the US growth outlook under a more economically liberal Trump regime, saw strong performances from stocks leveraged to the US. Gaming machine manufacturer, Aristocrat Leisure (+10.5%), stands to benefit as it has significant sales into markets which are leveraged to increased oil and gas production. Similarly, James Hardie (+9.1%), outperformed on optimism around the US growth outlook. Of course, if inflationary policies such as tariffs see interest rates stay higher and/or all the construction workers get deported, then this may prove optimistic. We will be watching all this closely. Importantly, though, it is worth noting that the stock is trading well below its historical levels on relative valuation basis. We are always on the lookout for quality stocks which have been sold down to levels which, while not necessarily super cheap relative to the market overall, represent very good value given the quality of business.

Macquarie Group (+8.6%), rallied following strong results from the US investment banks plus its leverage to the "animal spirits" that are being unleashed. Insurance stocks were also strong, with QBE (+9.1%) and IAG (+8.7%) both outperforming.

The banks marginally outperformed over the month, as passive flows pushed them higher. We remain underweight the sector, where we see valuations becoming increasingly divorced from fundamentals.

The main detractors from performance over the month were the Trust's resources holdings which were generally softer on concerns over the potential impact of tariffs and other trade barriers. Interestingly, despite this risk, commodity prices were generally stronger, with iron ore still trading above US\$100/t, despite the gloom surrounding the Chinese outlook.

Other stocks which detracted from performance included Immutep (-5.5%), on no particular news, and Treasury Wine Estates (-4.7%), on Chinese consumer concerns. Defensive holdings such as CSL (-0.4%) and Telstra (-1.5%), also lagged in the risk-on environment.

Trust Activity

During the month, we increased our underweight position in the banks. Proceeds were used to add to our gold exposure, increasing holdings in Newmont and Northern Star, as well as topping up holdings in copper miner, Sandfire Resources and plumbing supplier, Reliance Worldwide. At month end, stock numbers were 64 and cash was 3.9%.

Outlook

So far, the market has responded positively to the flurry of activity and dramatic rhetoric in the first weeks of the Trump administration. While deregulation is generally positive for economic growth and markets, the risk of disruptive actions is also higher. Time will tell how this plays out. However, it seems that the result may be generally higher growth, higher inflation and higher interest rates than would otherwise be the case. Against this backdrop it's plausible that the performance of the market will broaden out, with more cyclical stocks beginning to outperform, rather than the market relying solely on the Tech sector to drive performance.

Any sustained increase in confidence and activity lift in the US is likely to set a positive tone for other markets, including ours. As we stand today, while we face a range of structural issues, and are in a per-capita recession, the consumer is displaying remarkable resilience and the latest inflation data suggests that rate cuts are coming. This should help ease some pressure points. Critical to Australia, of course, is how the Chinese economy performs, and the heightened trade and geopolitical tensions add an extra degree of risk to the outlook.

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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