

	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)	-4.4	-3.7	4.0	7.1	6.7	6.3	8.1	6.8	5.6	9.0
S&P/ASX 300 Accumulation Index	-3.8	-2.7	7.5	9.7	10.1	8.9	8.8	8.5	7.5	8.2
Value Added	-0.6	-1.1	-3.5	-2.6	-3.4	-2.6	-0.7	-1.7	-1.9	0.8

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

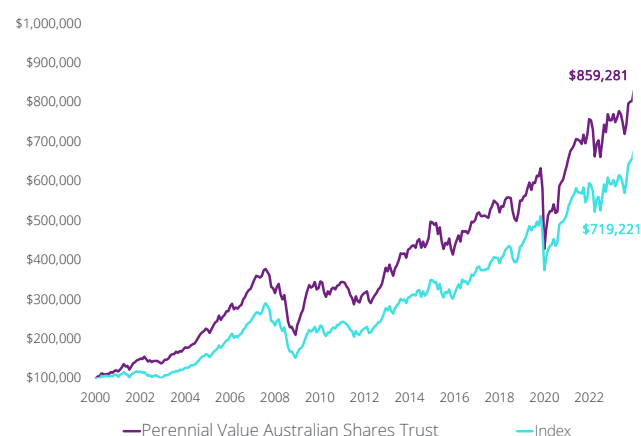
Overview

Markets retreated in February, reversing January's strong gains. The heightened level of economic uncertainty, arising from the constantly changing threats of tariffs, as well as ongoing geopolitical tensions, saw the S&P500 decline -2.9%, and the NASDAQ fall -5.5%. The Japanese market was also weaker, with the Nikkei 225 down -6.0%, while the FTSE100 rose +2.0%.

The Chinese market was stronger, with the Shanghai Composite up +2.2%, despite ongoing weak economic data and the risk to exports associated with potential tariff increases. The key driver of the rally in the Chinese market was the Tech sector, which has performed strongly since the release of the DeepSeek AI model last month. This contrasts with the US Tech sector, which has been weaker recently and is now well off its previous highs.

The Australian market was also weaker, with the ASX300 Accumulation Index falling -3.8%. The Index was weighed down by declines in the IT, Healthcare, REIT, Energy and Financials sectors. The risk-off environment, saw more defensive sectors such as Utilities, Telcos and Consumer Staples outperform over the month. While there were some sharp moves at the individual stock level, company reporting season provided little in the way of surprises around current operating conditions or the subdued near-term outlook.

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 \$430 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2000

Fees

0.92% p.a.

APIR Code

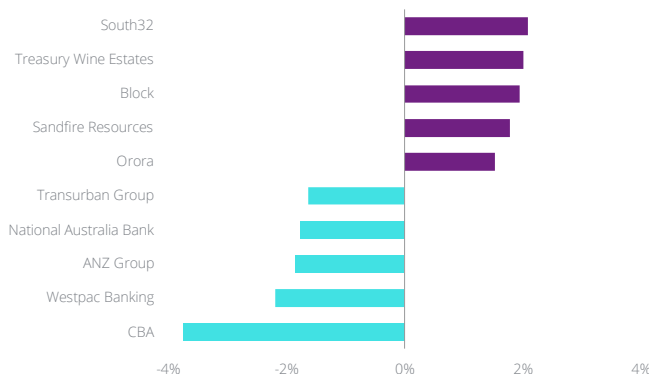
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Portfolio Characteristics – FY26	Trust	Market
Price to Earnings (x)	17.2	18.1
Price to Free Cash Flow (x)	14.0	15.7
Gross Yield (%)	4.7	4.4
Price to NTA (x)	2.3	2.4

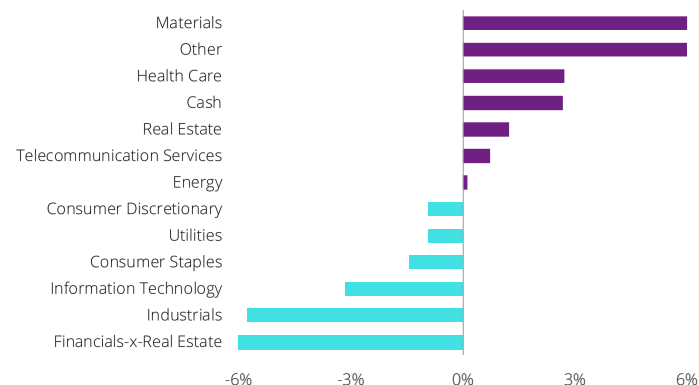
Source: Perennial Value Management. As at 28 February 2025

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.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

February was a very volatile month, with the combined impacts of heightened global macro uncertainty, as well as sharp stock specific moves, on the back of profit reporting. The Trust returned -4.4%, after-fees, in February, underperforming the Index by -0.6%.

Telstra (+7.3%), was a key positive contributor over the month, rallying after delivering a solid first half result, highlighting the strong performance of their mobile business, which holds an increasingly dominant position in the market. Combined with good cost management, this saw both earnings and dividends increased +6%, and the announcement of a \$750m on-market buy-back. The company also highlighted the significant investments they are making to capitalise on the growth in demand for data transmission and connectivity, which is expected to increase even faster as AI systems are rolled out by businesses. For example, they have laid over 3,000km of new inter-city fibre since 2023 and are in the process of rolling out 7 new routes, with the first to become operational this year. Telstra remains one of our preferred defensive exposures.

Other holdings which outperformed included MA Financial Group (+25.8%), with strong momentum in its funds management operations, Seven Group (+7.5%), Tabcorp (+5.9%) and Amplitude Energy (+5.0%), with its exposure to the East Coast gas market.

The major banks finally lost momentum in February, with NAB (-12.1%) and Westpac (-5.7%) sold off sharply, while CBA (-1.0%) and ANZ (-2.7%) also fell but managed to outperform the market slightly. The CBA first half result and trading updates from the other banks largely confirmed that, while credit conditions remain benign, the sector is delivering negligible earnings growth. Should there be more interest rate cuts, then bank margins are likely to come under increased pressure, further impacting their earnings growth outlook. The Trust continues to be underweight the banks, seeing them as fully-valued, with risks to the downside.

Overall, the market was in risk-off mode, with the threat of trade disruptions impacting sentiment to the major miners, with BHP (-2.3%) and Rio Tinto (-3.4%), both lower, despite reporting solid results during the month. While earnings were down on the prior period, good cost control, and growth in commodities such as copper and aluminium, partially offset the lower iron ore price. Speaking of the iron ore price, it stubbornly remains over US\$100/t, despite the negative sentiment. By contrast, Lynas (+7.3%) rallied, with the strategic value of its Australian (ie non-China) rare earths operations reinforced by the heightened geopolitical tensions. Sandfire (+5.8%) and South32 (+4.8%) were also stronger. In our view, the Resources sector offers attractive value, and the Trust remains overweight.

US-exposed cyclical were weaker on the risk of tariff-driven inflation and higher interest rates impacting demand. This saw holdings in James Hardie (-7.4%), Reliance Worldwide (-9.7%) and Carsales (-8.6%) all sold off. Each of these have large US operations in the homebuilding, plumbing and automotive industries respectively, which would be impacted by any US slowdown. The same dynamic applied to US fintech, XYZ Ltd (-32%), which fell sharply after delivering a slightly soft quarter, while reiterating guidance for the coming financial year. We believe this is one of the stand-out opportunities in the market at present, trading on an FY25 P/E of only 14.5x. By contrast, Treasury Wines (+1.2%) outperformed, despite being leveraged to both the US and Chinese economies. Treasury delivered a sound half-year profit result and reaffirmed full-year profit guidance.

ESG is back in focus, with February provided several sharp reminders of the pitfalls investors can face when companies and their management fall short in this regard. The most stark example was casino operator, Star Entertainment, which was suspended from trading after failing to lodge accounts due to going concern issues. Corporate governance failings have led the business to face bankruptcy, after extensive money laundering was discovered to be taking place. The stock has fallen -79% over the last year and investors may well face further losses. Another example is Mineral Resources, which fell -35% in February and is down -66% over the last 12 months. There have been numerous "financial entanglements" identified between the company and the founder/CEO and key executives, which have not been effectively disclosed to or monitored by the board. Finally, while the goings on at WiseTech have provided much salacious media fodder, the -28% fall in the share price in February, and ongoing management and board instability, has been costly for investors. The Trust is not invested in any of these companies and consider that they each have significant unresolved governance issues.

Trust Activity

During the month, we took profits and reduced holdings in Telix, QBE, Worley and Seven Group, each of which has performed strongly. Proceeds were used to top up holdings in stocks which had underperformed including, XYZ Ltd and IAG, and to increase our holdings in the REIT sector, where the outlook is improving. At month end, stock numbers were 60 and cash was 2.7%.

Outlook

The market has become increasingly volatile in response to the unpredictable economic and other policy actions in the US. While deregulation is generally positive for economic growth and markets, the risk of disruptive actions is also higher. In particular, the potential unintended consequences of tariffs (should they actually be implemented). 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, versus the Tech sector which has been the recent driver of the market.

Any sustained change in confidence and activity in the US is likely to set the 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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