

	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)	2.5	0.8	4.8	5.1	7.5	5.8	11.0	7.1	5.8	8.9
S&P/ASX 300 Accumulation Index	4.2	4.3	12.1	13.2	13.0	9.3	12.0	9.0	8.1	8.3
Value Added	-1.7	-3.5	-7.3	-8.1	-5.5	-3.5	-1.0	-1.9	-2.3	0.6

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

Overview

Markets continued their recovery in May, supported by easing in trade tensions and the pause in US-China tariffs. All major markets delivered positive returns, with the S&P500 up +6.3%, while the NASDAQ rallied very strongly, up +9.6%, with Tech and AI being strong drivers of returns. The FTSE100 rose +3.8% and the Nikkei 225 gained +5.3%. The Chinese market also lifted, with the Shanghai Composite up +2.2%. Global markets have now substantially recovered from their tariff-induced sell-off, delivering solid returns over the last 12 months.

The Australian market was also strong in May, with the ASX300 Accumulation Index rising +4.2%. The market has now rallied nearly +18% from its April low and has delivered a total return of +13.2% for the last 12 months, bringing it close to its previous all-time high.

Advances were broad-based, with all sectors delivering positive returns. Growth and momentum were the dominant factors in May, with Tech (+18.8%) the best performing sector, supported by RBA rate cuts. Banks continued to grind higher, despite delivering lacklustre half-year results, while Resources lagged, with ongoing negative sentiment towards the Chinese economic outlook offsetting generally positive commodity price movements over the month.

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 \$417 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2000

Fees

0.92% p.a.

APIR Code

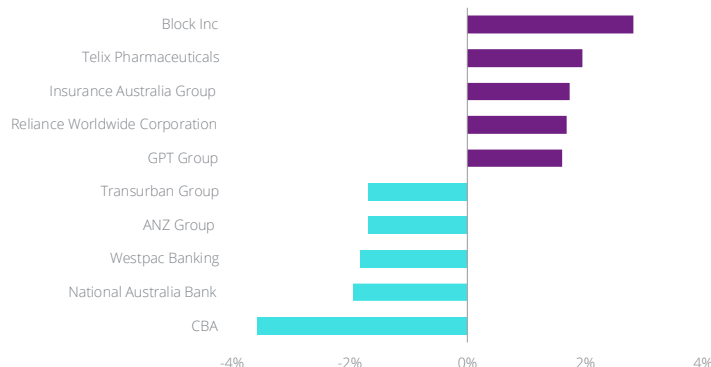
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Portfolio Characteristics – FY26	Trust	Market
Price to Earnings (x)	17.1	17.6
Price to Free Cash Flow (x)	14.7	15.5
Gross Yield (%)	4.6	4.5
Price to NTA (x)	2.3	2.7

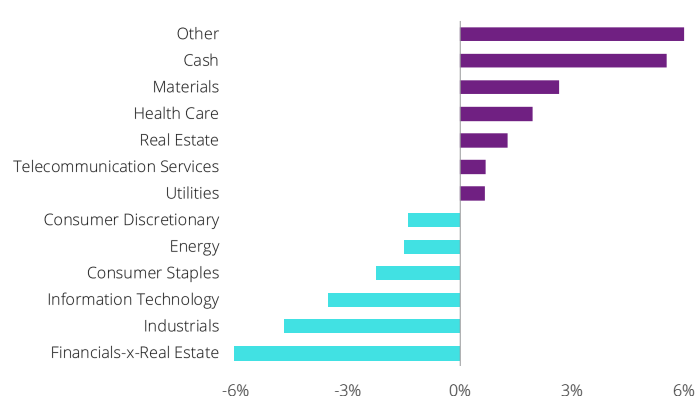
Source: Perennial Value Management. As at 31 May 2025

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

The easing of trade tensions and interest rate cuts drove the market higher, with the ASX300 Accumulation Index up +4.2% in May. The Trust delivered a return of +2.5% after fees, underperforming the Index by -1.7%. Growth and momentum were the dominant drivers of the market, as the money followed the US lead, and poured into sectors such as Tech, while passive flows indiscriminately pushed up the prices of large index weight stocks.

With the market close to regaining its highs, It's worth looking at what's been driving the rally. While sectors such as Tech and Gold have performed strongly, nearly half of the market's +13.2% gain over the last 12 months has been driven by just two stocks - CBA and Wesfarmers. While both are outstanding businesses, "weight of money" from non-fundamental investors has seen their share prices diverge dramatically from both fair value in absolute terms, and relative value compared to the rest of the market. This leaves them very vulnerable as, without valuation support, any reversal of funds flows could see them derated aggressively. As a result, we continue to hold underweight positions in these names.

Key positive contributors to performance included Sandfire Resources (+15.6%), which rallied on the higher copper price, as did South32 (+10.9%), the prices of whose broad suite of base metals generally rose in May. The outlook for copper over the medium-term is very positive, with demand supported by electrification, while supply remains constrained as new mines are slow to come online. Resources overall was a detractor for the Trust over the month, as despite most commodity prices rising, sentiment towards the demand outlook remains poor, with concerns over the already weak Chinese economy in the face of tariffs etc. This saw underperformance from holdings in BHP (+0.2%), and Rio Tinto (-3.8%), despite the iron ore price remaining at close to US\$100/t, as Chinese steel production continued unabated. At current commodity prices, the major miners are trading on single-digit cash flow multiples and sitting on under-gear balance sheets. Their share prices have lagged significantly over the last year and, from these levels, offer significant upside.

Ramsay Healthcare (15.2%) outperformed on expectations that it will benefit from the travails of competitor Healthscope. The operating environment for private hospitals has been challenged in recent years, with a combination of lower demand and ongoing cost inflation impacting margins. As the strongest operator in the market, Ramsay has been able to weather these conditions, albeit has seen earnings decline. However, many of the weaker players are struggling to remain viable. The situation has come to a head with the disgraceful situation at Healthscope, where private equity firm, Brookfield, has overleveraged and bankrupted the second largest private hospital operator in the country. Given the vital role that private hospitals play in the Australian healthcare system, it is inevitable that there will be changes to the industry which improve sector profitability from which Ramsay will benefit. Further, following a recent change of CEO, the company has formally announced that it is aiming to exit its European operations. These have been a drag on profitability in recent years, and the company will do better to focus on its core Australian operations.

Insurers QBE (+7.3%) and IAG (+5.2%) both outperformed in May, with continuing positive premium growth, generally benign natural perils claims and falling reinsurance costs. Along with Telstra (+6.0%), the insurers provide a reasonably-valued defensive component of the portfolio.

ANZ (+0.1%), NAB (+7.7%) and Westpac (+1.6%) reported their half-year results in May. Overall, the results confirmed that the sector faces sluggish revenue growth and persistent costs pressures, which combine to produce a very subdued earnings growth outlook. Should the RBA rate cut cycle accelerate, this is likely to exacerbate margin pressure, further challenging earnings growth. Despite all this, CBA (+5.6%) continued its upwards march, to now trade on an FY26 P/E of 28x. This not only makes it the most expensive bank in the world but is just shy of NVIDIA's PE of 33x! Unlike NVIDIA which has been delivering dramatic growth, CBA had delivered ~1% p.a. EPS CAGR over the past 10 years and is expected to do ~3% p.a. over the next 3 years – go figure???

The main detractors over the month included Nufarm (-38.2%) which fell after a weak result from its seeds business, while resources stocks Pilbara Resources (-17.6%), Iluka Resources (-11.6%) and Lynas Corporation (-8.0%) all lagged. US-facing cyclical, James Hardie (-4.2%) and Treasury Wines (-5.6%) were also weaker.

Trust Activity

During the month, we took profits and sold out of the last of our holding in Seven Group, with the stock having doubled since we first invested. We also exited our position in Dexu after it became embroiled in a dispute around an infrastructure investment it manages. Proceeds were reinvested across a number of other REITs. Holdings were also increased in Origin Energy, Ramsay Healthcare, Block and Reliance Worldwide. At month end, stock numbers were 55 and cash was 5.6%.

Outlook

At the time of writing, the new month has started off positively. Investors appear keen to buy the market on any signs that tariffs are being walked back and/or trade deals negotiated, particularly on any signs of dialogue between the US and China. Any sustained change in confidence and activity in the US is likely to set the tone for other markets, including ours. Our base case remains that "This too shall pass", and the portfolio is leveraged to a rebound in cyclical stocks that is likely in the event of a permanent de-escalation. Clearly, however, the risks to growth and inflation, as well as the smooth functioning of the global economy in general, have increased markedly. On the positive, Australia seems relatively well-placed, with a moderate 10% tariff on our ~\$24bn of annual exports to the US. Further, looking at the composition of our listed market, the overall direct impact on most of our large companies appears to be fairly limited. This is due to them either having a predominantly domestic focus, or limited exports to the US. Of course, the indirect impacts could be significant, as the Australian economy and stock market would not be immune from the effects of a global downturn. While this outcome is not a foregone conclusion, if it did transpire, we would likely see interest rate cuts brought forward by the RBA and other central banks.

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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Signatory of:



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