

	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)	1.5	2.8	1.5	0.9	3.9	5.7	5.8	6.3	6.9	8.7
S&P/ASX 300 Accumulation Index	2.1	4.0	2.1	5.8	8.8	10.3	7.8	7.8	9.0	8.3
Value Added	-0.6	-1.2	-0.6	-4.9	-4.9	-4.6	-2.0	-1.5	-2.1	0.4

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

Overview

Global markets were mixed in July, as emerging investor scepticism towards the enormous investments in AI-related capex, saw Tech-heavy indices come under pressure, with the NASDAQ declining -3.6%, and the Chinese market falling -5.9%. The Japanese market was also weaker, with the Nikkei 225 down -8.1%, albeit still up a staggering +59.4% for the last 12 months. By contrast, the UK market rose, with the FTSE100 +3.6%, driven by its lack of Tech exposure and heavy index weighting towards Energy and Financials.

The Australian market delivered a positive return, with the ASX300 Accumulation Index +2.1%, bringing the total return for the last 12 months to +5.8%. The threat of renewed hostilities in the Middle East saw the oil price rise sharply, with the Energy sector (+12.1%) leading the market higher. Financials (+5.8%) were also stronger, led by the major banks (average +7.5%). There was no obvious driver of this strength in the banks, other than they benefitted from a rotation out of Resources. Inflation fears, plus the fact that Resources are now being treated as an "AI-proxy" given the expected increase in demand for commodities such as copper, saw the Metals & Mining sector (-0.9%) ease. IT (-4.8%) was the worst-performing sector.

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 \$308 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2000

Fees

0.92% p.a.

APIR Code

IOF0200AU

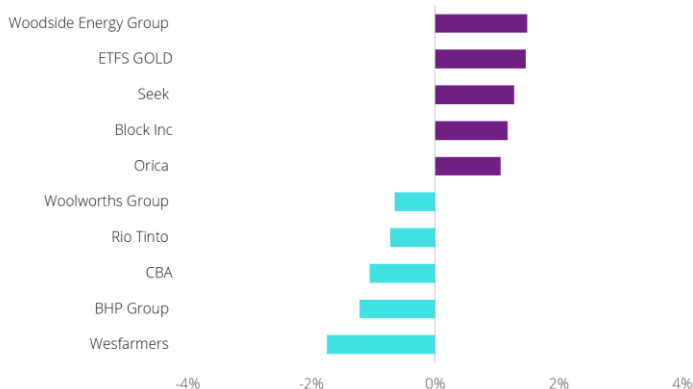
Portfolio Characteristics – FY28	Trust	Market
Price to Earnings (x)	17.2	16.6
Price to Free Cash Flow (x)	13.9	13.5
Gross Yield (%)	4.6	4.4
Price to NTA (x)	2.6	2.6

Note – Portfolio multiples are currently elevated relative to the market due to the underweight in Banks.

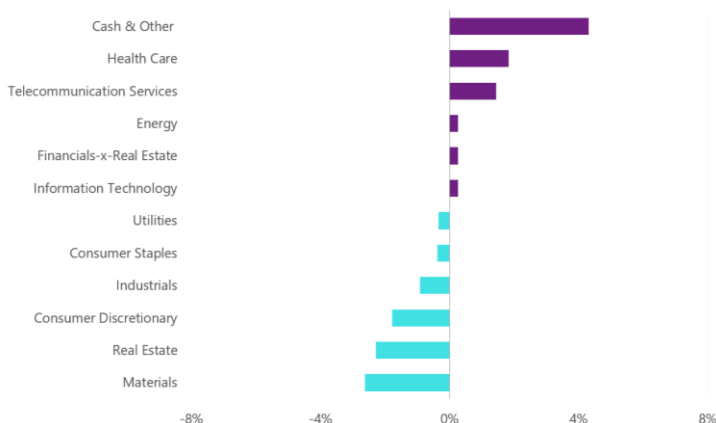
Source: Perennial Value Management. As at 31 July 2026

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 & Market Review

When people look back, July may prove to have been a pivotal month for markets. Following the euphoria around all things AI, July saw investors begin to query whether the vast sums being invested (or at least announced to be invested) in AI-related capex would generate satisfactory returns. Confidence was further tested by the release of more open-source LLMs, which supposedly offer reasonable performance at a fraction of the cost of models from leaders OpenAI and Anthropic, potentially undercutting the revenue on which the AI buildout depends.

July also saw the much-anticipated SpaceX IPO. While visionaries should be encouraged, and the actual amount raised by SpaceX wasn't all that much in the larger scheme of things, the fact that the valuation was based on prospectus forecasts which included assessing the total addressable market as greater than the entire US GDP, suggests that this could have been the moment that the market "jumped the shark" so to speak. Time will tell. However, as we stand today, early investors are able to exit and realise massive gains and Wall Street has banked ~US\$500m in fees. By contrast, and fairly predictably, new investors who participated in the IPO finished the month with losses of around -20%.

The month also saw renewed concerns around both the circularity of AI financing and the level of risk that private credit funds were assuming by buying debt issued by the sector. Concerningly, we are starting to see some GFC-style financial engineering emerging around some of this debt as well. Finally, the private equity sector continues to struggle to exit businesses at the valuations they need to meet their promised return hurdles. With the listed market refusing to pay the multiples they want or trust the dressed-up prospectus forecasts, they are instead resorting to a game of pass-the-parcel, selling businesses between themselves. To us, all of the above serves to highlight the appeal of the large, liquid, and understandable businesses which dominate the ASX!

The ASX300 Accumulation Index rose +2.1% in July. The Trust returned +1.5%, after-fees, underperforming the benchmark by -0.6%. Key contributors to performance over the month included platform stocks Seek (+9.2%) and REA Group (+15.5%). The sell-off in these names has been extreme, with both stocks falling by over -50% from their highs in late 2025 to their recent lows. This occurred as investors adopted a "shoot first" approach to the perceived risk that AI would disrupt the business models of these types of companies. At this stage, however, nobody seems to be able to explain exactly how this would occur, and the companies continue to hold dominant market positions, with entrenched network effects, and report very strong operating and financial performance. The sell-off has created a very attractive relative value opportunity to invest in very high-quality businesses at historically low valuations. For example, REA Group is trading on a similar PE multiple to CBA, despite having more than double the forecast EPS growth over the next 3 years. As a result, the Trust has been building positions in these stocks in recent months. Despite the bounce, both these stocks remain over -30% below their previous highs. CAR Group (+0.9%) is another name which fits into this category of high-quality, oversold businesses offering compelling relative valuation.

Other positive contributors included Healthcare names, CSL (+7.3%) and Resmed (+3.2%). The Healthcare sector is currently offering very attractive long-term value, with a number of high-quality businesses having been aggressively sold down over the last 12 months.

While many stocks in this sector have certainly faced earnings headwinds in recent times, they remain global leaders in large and growing markets, with significant unmet patient demand.

Key detractors over the month included Telix Pharmaceuticals (-14.3%), which declined despite delivering a very positive Q2 update which showed continued strong revenue growth and ongoing progress in its R&D pipeline. The company has a number of exciting new products nearing approval, and as these come through, we expect that the stock will re-rate significantly.

The Trust was also impacted by its underweight position to the major banks. The banks have been supported by strong passive flows. However, their earnings are likely to come under increasing pressure as home lending growth slows, and competition increases. We are already seeing signs of this, with discounting picking up in the mortgage market. As a result, we see share price risks skewed to the downside, and far better opportunities elsewhere.

Trust Activity

During the month, we locked in profits and reduced our holding in Woolworths, which had materially outperformed its peer, Coles and was now trading at a large valuation premium. We also increased our underweight in Wesfarmers, and sold our Qube holding into the takeover offer. Proceeds were used to increased holdings in BlueScope Steel and James Hardie. At month end, stock numbers were 69 and cash was 3.6%.

Outlook

Global markets are clearly betting that the Iran situation has largely passed, and that while there are disruptions and inflation impacts yet to be felt, these can be looked through. Let's hope so. However, should disruptions drag on, stagflation becomes a greater risk. Given the level of debt in the global economy, it's hard to see how this would end well. Further, the Tech/AI trade that has fuelled the US market is beginning to show some sign of fatigue, as massive capex programs continue to be announced.

With the market not far from its highs, and cognisant of the risks above, we will remain agile and manage the portfolio accordingly. However, with risk comes opportunity, and the excessive volatility is creating very many good opportunities for longer-term investors such as ourselves.

Industrials have lagged Resources significantly over the last 12 months. As a result, we see excellent medium-term value in sectors such as Healthcare and Tech. Here, some very strong businesses, with leading market positions and/or very strong network effects, have been severely de-rated. While it may take some time to play out, we see the potential for strong future returns from many of these names.

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



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