

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception^ (% p.a.)
Income Distribution	0.6	1.6	2.7	6.3	8.2	8.6	8.0	7.7	6.6
Capital Growth	3.2	-3.7	-2.4	-4.4	-0.2	-1.7	-2.4	-2.4	-0.6
Total Return	3.7	-2.1	0.2	1.8	7.9	6.9	5.6	5.3	6.0
Franking Credits [#]	0.3	0.6	0.9	2.0	3.2	3.6	3.2	2.9	2.4
Income Distribution including Franking Credits	0.8	2.2	3.5	8.3	11.4	12.2	11.2	10.6	9.0
Benchmark Yield including Franking Credits*	0.7	1.6	2.6	5.5	5.8	5.6	5.7	5.8	5.9
Excess Income to Benchmark[#]	0.1	0.6	0.9	2.8	5.6	6.6	5.5	4.8	3.1

[^]Since inception: December 2005. Past performance is not a reliable indicator of future performance. [#]Franking credits are an estimate as tax components will only be known with certainty at the end of the financial year. *Benchmark yield including franking credits is calculated as the difference between the return on S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) and the return of the S&P/ASX300 Index.

Overview

Markets broke their losing streak in November, with a sharp fall in bond yields on slightly softer economic data, seeing equities markets roar back to life. All major indices finished higher over the month.

The Australian market was also very strong, with the ASX300 Accumulation Index finishing the month up +5.1%. Australian bond yields followed global yields lower, despite the RBA raising the cash rate at its November meeting. The fall in bond yields saw a strong sector rotation to the more rate-sensitive parts of the market, such as REITS, IT and Healthcare.

The Trust is currently targeting FY24 net monthly distributions of 0.493 CPU. Based on the unit price at the start of the financial year, this equates to an annualised cash distribution yield of 5.3%.

Fund Characteristics

The objective of the Trust is to provide investors with an attractive level of tax effective income, paid via monthly distributions. The Trust aims to provide a gross distribution yield, adjusted for applicable franking credits, above that provided by the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio Manager	Trust FUM	
Stephen Bruce	AUD \$18 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

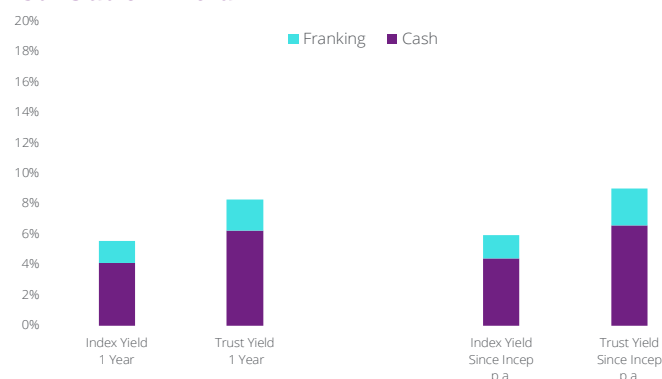
Portfolio Characteristics – FY24	Trust	Market
Price to Earnings (x)	14.3	15.4
Price to Free Cash Flow (x)	13.4	14.5
Gross Yield (%)	5.8	5.3
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 30 November 2023

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.

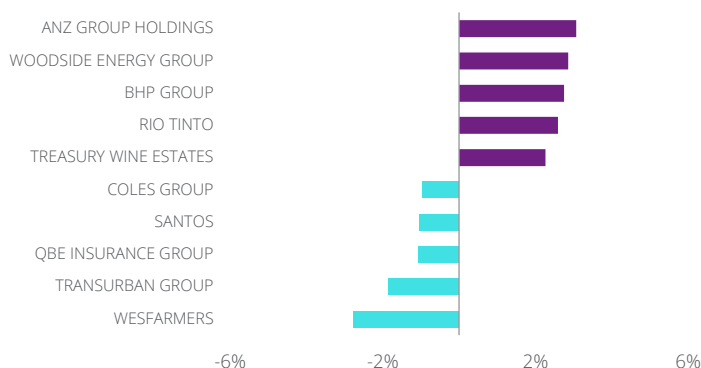
Franking Levels (%)			
FY23	74.3	FY20	94.4
FY22	100.2	FY19	95.1
FY21	90.3	FY18	99.2

Distribution Yield

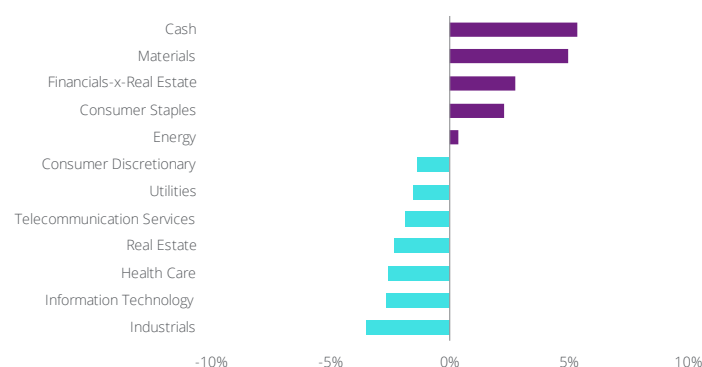


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust returned +3.9%, including franking credits and after-fees in November, underperforming the benchmark by -1.3%.

Key contributors to performance over the month included Seven Group (+15.9%), which rallied after upgrading FY24 guidance at their AGM, on the back of strong customer activity and performance across their infrastructure, construction and mining services businesses.

The bulk miners performed well over the month, with Fortescue Metals (+12.1%), Rio Tinto (+6.3%) and BHP (+4.0%). This was driven by the ongoing strength in the iron ore price, which remains over US\$130/t, despite the weakness in reported Chinese economic activity. At current commodity prices, these stocks are trading on very attractive valuations, with P/Es of ~10x, generating very high returns on equity and all sitting with very low levels of gearing. We remain positive on their outlook and expect that there will be ongoing policy measures taken to support activity in China.

Gold holding, Northern Star (+8.9%) outperformed, with ongoing strength in the gold price, which has risen to over US\$2,000/oz. With the relatively low AUD, this translates into very strong margins for the Australian miners.

CSL (+12.9%) was also strong over the month. This stock had been sold down aggressively over the past few months on a range of factors including fears over the impact on the new GLP-1 weight loss drugs on demand for some of their therapies. In our view, this concern is overblown and the sell-off represents an opportunity to acquire an outstanding business at a very attractive price.

The fall in bond yields saw REIT holdings outperform, with GPT (+13.8%), Vicinity Centres (+11.5%), Goodman Group (+9.7%), Scentre Group (+9.1%) and Dexs (+8.6%).

The major banks performed in line with the market in November, reporting their full-year results during the month. On the positive, the results confirmed that credit quality in their loan books remains very strong, reflecting the resilience that the economy has shown to date. However, their operating earnings continue to be under pressure from margin compression due to intense home loan competition. As a result, while credit quality is good, earnings are likely to decline in the year ahead. While the growth outlook is subdued, the sector is in a very strong financial position, with surplus capital and very strong funding and liquidity, and this will underpin healthy dividends to shareholders.

The main detractor from performance was Woodside Energy (-9.5%), which underperformed on the back of the lower oil price. However, given all that is going on in the world at the moment, it would not take much for this to reverse sharply.

Trust Activity

During the month, we took profits and exited our holding in Computershare. Proceeds were used to increase our holdings in the REITs, by adding new positions in Scentre Group, Vicinity Centres and Dexs. We also increased our holding in Macquarie Group, which has been softer of late. At month end, stock numbers were 32 and cash was 2.3%.

Distribution

In order to provide a regular income stream, the Trust pays monthly distributions. We aim to pay equal cash distributions each month, based on our estimate of the dividend income to be generated over the year. Franking credits, surplus income and any realised capital gains will then be distributed, as per usual, with the June distribution.

Looking to the current financial year, while the economic outlook is more uncertain, most companies are in good financial shape, and we expect healthy dividends. The Trust is currently forecasting a flat monthly net cash distribution of 0.493 CPU. Based on the month end unit price, this represents an annualised cash distribution yield of 5.3%.

We do not expect the same level of buy-backs or special dividends in the current year compared to the high levels seen in recent years, as many companies have now restored their balance sheets to their desired gearing ranges.

Outlook

After proving surprisingly resilient in the face of the sharp rise in interest rates and other economic disruptions, there are early signs of softening in key economic US data such as employment growth. The combination of this softening of the labour market with inflation generally tracking in the right direction, has seen yields sold off sharply and a dramatic change in sentiment towards the outlook for interest rates going forward.

The Australian economy continues to look reasonably healthy, however, GDP growth is weakening. While activity is receiving a strong boost from record immigration, per capita GDP growth is negative. On the positive, the Resources and Agricultural sectors continue to experience positive conditions and a stabilisation in interest rates will be positive for sentiment.

Markets are now pricing for significant cuts to interest rates in 2024. However, we suspect it would only take a couple of data points for this to swing back the other way. In terms of positioning, we have adopted a more neutral stance to bond yields. We continue to have a positive view on the Resources sector, with the strong cash flows of the majors and many of the smaller miners having strategically valuable assets.

The Trust continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies with 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. 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.