

	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	0.5	1.5	5.5	6.5	8.3	8.6	8.0	7.8	6.6
Capital Growth	-3.2	-2.7	1.6	-0.4	-1.4	-2.5	-2.7	-2.2	-0.4
Total Return	-2.7	-1.2	7.1	6.1	6.9	6.1	5.3	5.6	6.2
Franking Credits [#]	0.6	0.6	1.8	2.1	3.3	3.6	3.2	2.9	2.4
Income Distribution including Franking Credits	1.1	2.1	7.3	8.6	11.6	12.2	11.2	10.6	9.0
Benchmark Yield including Franking Credits [*]	0.0	1.7	4.8	5.6	5.8	5.5	5.7	5.8	5.9
Excess Income to Benchmark[#]	1.1	0.4	2.5	3.0	5.8	6.7	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

The global risk rally which began in November, ran into a wall in April. This saw markets correct globally, with most major markets falling over the month. In the US, the S&P500 declined -2.6%, while the NASDAQ fell -2.4%. The Nikkei 225, which had been the star performer over the last 12 months, lost -6.0%. On the positive, the FTSE100 gained +2.4% to a new record high, while the Shanghai Composite, also gained +2.4%.

The Australian market was also weak, with the ASX300 Accumulation Index falling -2.9% over the month, to register its first decline in 6 months.

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 \$20 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

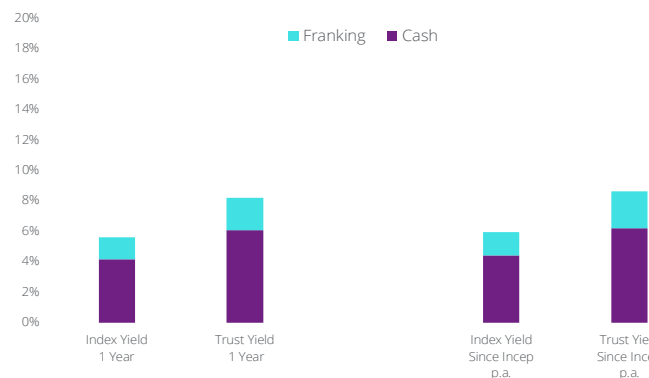
Portfolio Characteristics – FY25	Trust	Market
Price to Earnings (x)	15.4	16.2
Price to Free Cash Flow (x)	11.5	13.9
Gross Yield (%)	5.8	5.1
Price to NTA (x)	2.2	2.5

Source: Perennial Value Management. As at 30 April 2024.

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.

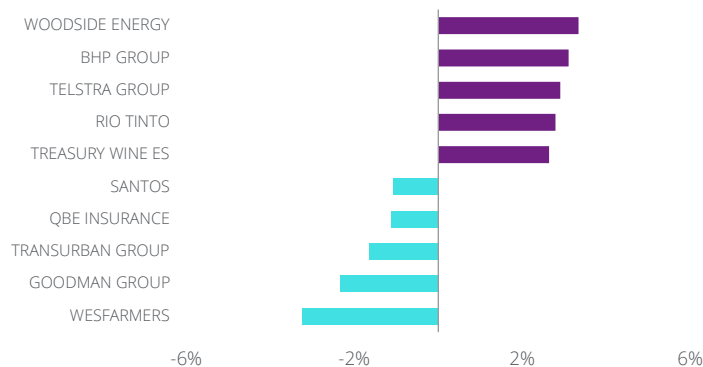
Franking Levels (%)			
FY23	74.3	FY20	94.4
FY22	100.2	FY19	95.1
FY21	90.3	FY18	99.2

Distribution Yield

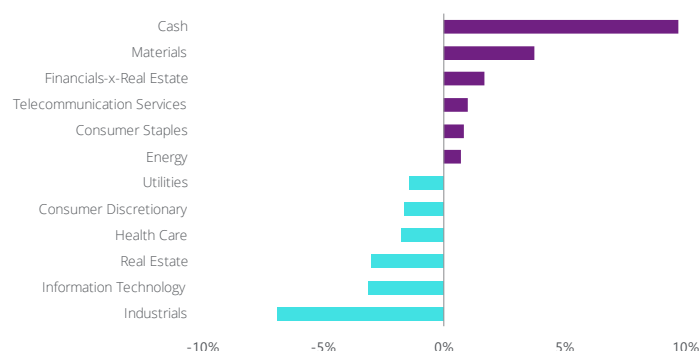


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust returned -2.1%, including franking credits and after-fees in April, outperforming the benchmark by +0.8%.

Key contributors to performance over the month included the Trust's gold miners. The gold price has been very strong in recent times, setting new highs despite rising bond yields and reduced expectations of interest rate cuts. This could potentially be explained by increased central bank buying by certain countries as geopolitical tensions escalate. At the stock specific level, Newmont (+20.6%) rallied sharply after delivering a strong first quarter result, with higher production and lower costs. Northern Star (+4.1%) also outperformed.

Base metals continued to recover, with copper, aluminium, zinc, manganese and nickel, all up strongly over the month. In terms of commodity prices, supply is just as important as demand, and in many commodities, supply is tight. Copper is a good case in point, seeing significant downgrades to global production forecasts. The sum of these cuts is expected to move the market from surplus into deficit this year. This has driven the copper price to well over US\$4/lb, seeing our holding in pure-play copper miner, Sandfire Resources (8.3%), continue to perform well, while diversified base metals producer, South32 (+17.0%) performed very strongly. There were also some signs of life in the pricing of lithium and rare earths, which drove outperformance by Lynas Corporation (+13.0%) and Pilbara Resources (+3.4%) respectively.

The iron ore price also rose modestly, continuing to prove far more resilient than many had expected, seeing Rio Tinto (+7.6%) and Fortescue Metals (-0.1%) also outperform. BHP (-2.9%) was softer, after announcing a takeover offer for Anglo American. This transaction would significantly increase BHP's exposure to copper, which is likely to see strong long-term demand growth, driven by electrification and the energy transition. By contrast, demand for iron ore, the current driver of the business may well slow over the coming years.

The Trust also benefitted from its underweight position in the REITs and consumer facing stocks, which retreated as yields rose and hopes of rate cuts receded.

The main detractors from performance over the month were packaging company, Orora (-19.1%), as investors continue to be concerned about their recent French acquisition. While there are many red flags around the deal, in our view, these have now been largely factored into the share price. Aristocrat Leisure (-7.6%) also underperformed.

Trust Activity

During the month, we sold out of our holding Virgin Money UK, believing it was unlikely that the takeover bid would be increased or that there would be a competing higher bid. At month end, stock numbers were 28 and cash was 9.8%.

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

Globally, inflation continues to moderate, albeit at a slowing pace, as while goods inflation has fallen sharply, services inflation is proving more persistent. While the expected timing of interest rate cuts has been pushed out, the consensus view is that rate cuts are coming, and a soft landing will be achieved.

This would be an excellent outcome. However, history suggests that soft landings are few and far between, so a degree of caution is warranted. Should inflation prove resurgent, then the sentiment could change quickly. Given that much of the market – particularly the Tech sector – is very fully-valued, there is not much margin for error here.


Similarly, the Australian economy continues to look reasonably healthy, boosted by immigration, however, GDP growth is weakening, and per capita GDP growth is negative. While the prospect of RBA interest rate cuts is positive for sentiment and the upcoming tax cuts will also boost disposable income, there are signs the labour market is beginning to soften, leaving us cautious on the consumer.

Despite the Chinese economic woes, demand for most commodities remains healthy and supply is generally constrained. We continue to believe that Resources represent the clear Value opportunity in the market at the present time.

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.

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