

	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	6.7	6.7	8.3	7.2	7.7	7.8	6.6
Capital Growth	1.7	-1.2	3.6	3.6	-2.0	-1.1	-1.6	-1.9	-0.3
Total Return	2.2	0.3	10.3	10.3	6.3	6.1	6.1	5.9	6.3
Franking Credits [#]	0.1	0.6	2.0	2.0	3.2	2.9	3.2	2.9	2.4
Income Distribution including Franking Credits	0.6	2.1	8.7	8.7	11.5	10.1	10.9	10.7	9.0
Benchmark Yield including Franking Credits [*]	0.2	0.7	5.7	5.7	5.8	5.4	5.6	5.8	5.9
Excess Income to Benchmark[#]	0.4	1.4	3.0	3.0	5.7	4.7	5.3	4.9	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.

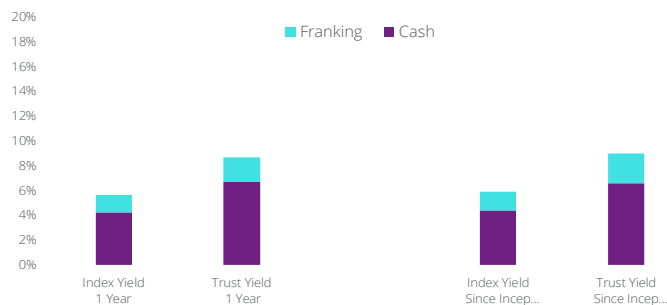
Overview

Markets were mixed in June, with the US continuing its mega-cap Tech-driven rampage, with the S&P500 up +3.5% and the NASDAQ +6.0% to new highs. The Japanese market was also up, with the Nikkei 225 +2.8% on signs of stirring growth. The FTSE100 down -1.3%, while the Shanghai Composite fell -3.9%.

The Australian market also posted a gain, with the ASX300 Accumulation Index rising +0.9% over the month, to have delivered a return of +11.9% over the last financial year.

The Trust has paid 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%.

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.

Trust 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 \$19 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

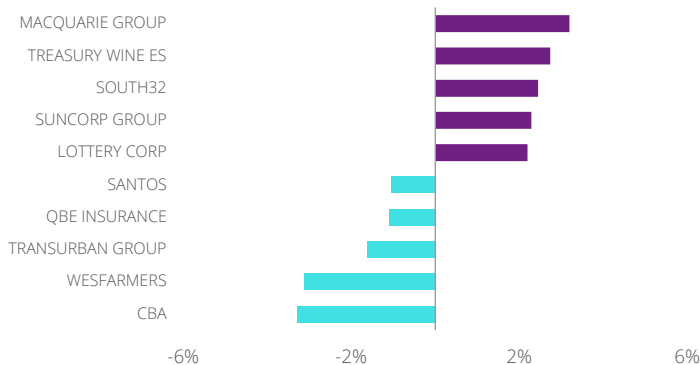
Portfolio Characteristics – FY25	Trust	Market
Price to Earnings (x)	16.0	16.4
Price to Free Cash Flow (x)	11.9	13.6
Gross Yield (%)	5.5	5.0
Price to NTA (x)	2.2	2.6

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

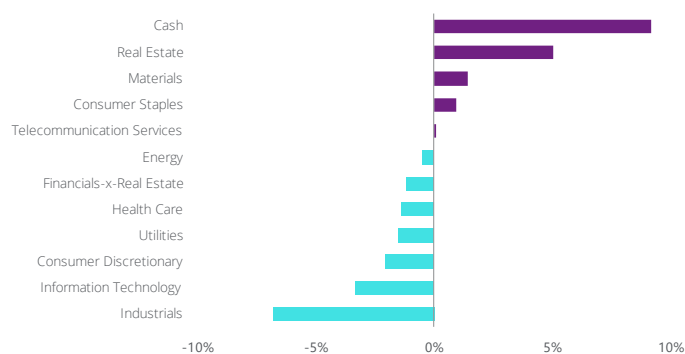
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Franking Levels (%)			
FY24	64.4	FY21	90.3
FY23	74.3	FY20	94.4
FY22	100.2	FY19	95.1

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust returned +2.2%, including franking credits and after-fees in June, outperforming the benchmark by +0.4%.

Key contributors to performance over the month included insurer IAG (+15.2%), which rallied after delivering a positive trading update. Operating conditions for insurance companies continue to be favourable, with strong premium rate increase and healthy earnings on their investment portfolio. Suncorp (+9.4%), also outperformed after ANZ received approval to acquire its banking business. Both of these stocks have returned more than 30% over the past 12 months.

Treasury Wine Estates (+9.8%) outperformed after hosting an analyst trip to showcase DAOU, its recently acquired luxury wine business located in Paso Robles, California. The market had been sceptical of this acquisition, however, the feedback from the tour was positive. The company also re-affirmed its earnings guidance and provided a positive update on the Penfolds business and its re-entry into the Chinese market following the lifting of tariffs.

Aristocrat Leisure (+10.8%) also continued its upwards momentum following its positive half-year result last month. The business continues to perform well and take market share from its competitors.

The major banks continued to grind higher over the month, up an average of +4.5%, bringing their average total return for the financial year to a very strong +36.1%. The banks are in very good financial shape, and while it will be difficult for them to deliver any meaningful earnings growth in the near term, their strong capital positions should allow them to continue to pay attractive dividends.

Challenger (+8.2%) outperformed, as the market pushed out its forecasts for rate cuts. The stock benefits from higher-for-longer interest rates, as these make its annuities more attractive to investors. Along with the insurers, this stock is positively leveraged to higher interest rates and gives good portfolio diversification. Further the stock is trading on an undemanding valuation, and may become a takeover target at some time, with Apollo currently holding a 27% strategic stake in the business.

The main detractors over the month were our resources holdings, with ongoing negative sentiment towards the Chinese economic outlook. Despite this, however, commodity prices remain generally resilient. For example, iron ore remains well over US\$100/t. As a result, cash flow generation from the bulk miners is very strong and valuation multiples are very attractive, particularly given their debt-free balance sheets.

Trust Activity

During the month, we exited our holdings in retail REITs, Scentre Group and Vicinity Centres as the retail outlook deteriorated and reinvested the proceeds into Stockland and Mirvac. We also added James Hardie to the portfolio. At month end, stock numbers were 30 and cash was 9.2%.

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 have continued to pay healthy dividends. The Trust is currently forecasting a flat monthly net cash distribution of 0.4934 CPU. Based on the month end unit price, this represents an annualised cash distribution yield of 5.1%.

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.

While corporate earnings have generally proven resilient to date, outside of the US, there is clear evidence that growth is slowing. In Australia, economic growth has stalled, and the economy has been in a per-capita recession for some time now. While the upcoming tax cuts will boost disposable income, there are signs the labour market is beginning to soften, leaving us cautious on the consumer. Further, immigration – a key plank of our growth – has become a political issue and is set to be reduced. In terms of Resources, demand for most commodities remains healthy and supply is generally constrained. However, while the Chinese Government has taken steps towards stabilising the property market, renewed trade tensions and the prospect of new tariffs puts a question over the outlook for growth in their manufacturing sector.

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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