



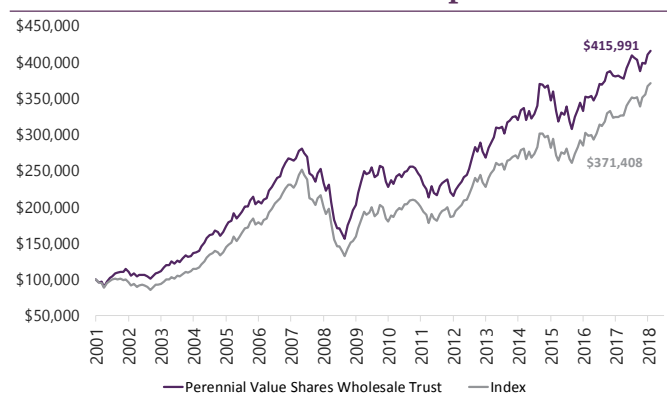
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares Wholesale Trust*	1.3	4.4	1.3	10.2	6.0	9.0	9.5
S&P/ASX300 Accumulation Index	1.3	5.8	1.3	14.7	8.1	9.1	8.0
<b>Value Added (Detracted)</b>	<b>0.0</b>	<b>-1.4</b>	<b>0.0</b>	<b>-4.5</b>	<b>-2.1</b>	<b>-0.1</b>	<b>1.5</b>
Capital Growth	1.2	3.2	1.2	5.8	1.4	4.3	1.7
Income Distribution	0.0	1.0	0.0	3.4	3.6	3.8	7.0
Net Performance	1.2	4.2	1.2	9.2	5.0	8.1	8.7

\*Gross Performance. \*Since inception: June 2001. Past performance is not a reliable indicator of future performance.

## Overview

- The Australian stock market continued its rise, delivering a return of 1.3% for the month of July, bringing the total return for the last 12 months to a healthy 14.7%.
- The market was led higher by the Industrials, up 1.6% with the major banks continuing to recover, while the Resources were largely flat.
- Offshore markets were also positive, with the S&P500 up 3.6%, FTSE100 up 1.5%, Nikkei 225 up 1.1% and Shanghai Composite up 1.0%.

## 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.

## Perennial Value Shares Wholesale Trust

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and tax effective 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 Manager: Trust FUM  
John Murray: AUD \$1.0 billion

Distribution Frequency: Minimum Initial Investment  
Half Yearly: \$25,000

Trust Inception Date: Fees  
June 2001: 0.92%

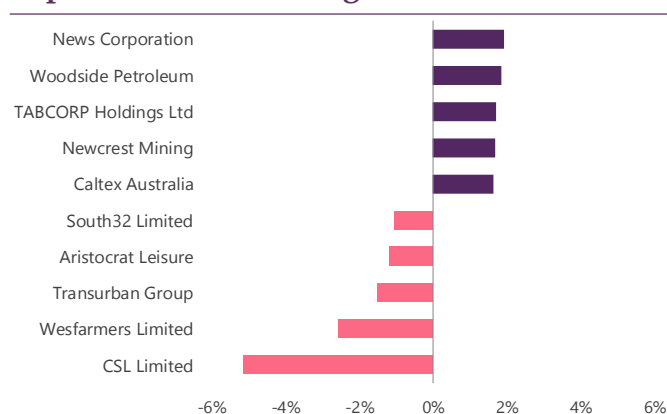
APIR Code: IOF0206AU

Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	14.5	15.9
Price to Free Cash Flow (x)	13.4	15.5
Gross Yield (%)	6.1	5.7
Price to NTA (x)	2.1	2.4

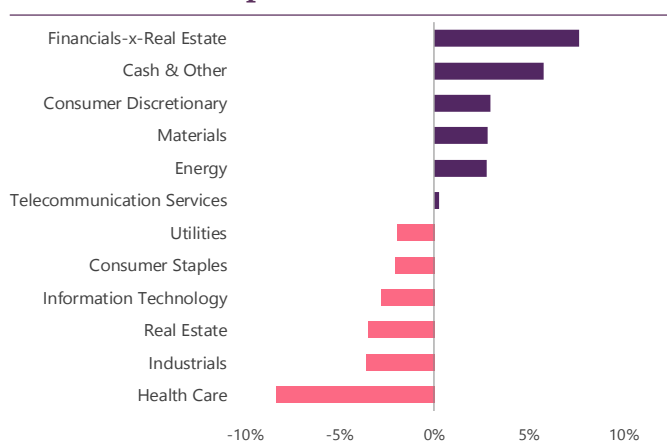
Source: Perennial Value Management. As at 31 July 2018.

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



## Sector Active Exposure



## Trust Review

Better performing holdings over the month included Clydesdale Bank (+7.6%), which rallied as the market became more confident around their takeover of Virgin Money. The merger will entrench Clydesdale's position as the UK's leading challenger bank. Importantly, whereas Clydesdale tends to be a regional brand, adopting the very strong Virgin brand will significantly enhance the group's recognition in the national market. This is on top of the expected cost savings from merging the two businesses.

BHP (+2.8%) outperformed after announcing the sale of its US shale oil operations for US\$10.8bn. The sale represents an important step in BHP refocussing on its core operations in iron ore, copper, coal and conventional petroleum. Given the already strong balance sheet, the bulk of the sale proceeds will be returned to investors through a combination of higher dividends and buy-backs.

The major banks also outperformed, delivering an average return of +2.6%. Sentiment towards the sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

Other stocks which outperformed included Brambles (+11.3%), Perpetual (+4.9%), Tabcorp (+4.7%), Amcor (+4.6%), Stockland (+4.5%) and Vocus Group (+4.3%).

The main detractors from performance were Nufarm (-19.3%) and Graincorp (-3.5%), both of which fell due to the current drought conditions in Australia. While these stocks are subject to seasonal variability, they are very cheap on the basis of normalised earnings. Other detractors over the month were NewsCorp (-2.6%), Origin Energy (-2.6%) and Woolworths (-1.4%), all of which eased after recent strong performances.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.3
Energy	+1.2
Materials	-0.3
Industrials	+3.2
Consumer Discretionary	+1.8
Health Care	+2.2
Financials-x-Real Estate	+2.0
Real Estate	+1.0
Information Technology	-1.1
Telecommunication Services	+7.6
Utilities	-1.4

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## Trust Activity

During the month, we took profits and trimmed our holding in a number of stocks which had performed strongly over recent times including Macquarie Group, Janus Henderson and Woolworths. Proceeds were used to increase our holdings in a number of good value opportunities including Rio Tinto, ANZ, Atlas Arteria and to establish a new position in Ausdrill. At month end, stock numbers were 50 and cash was 5.8%.

## Outlook

While the level of volatility in markets is likely to increase going forward, driven by factors such as ongoing trade policy uncertainty and the recent developments in Italy, the global economic backdrop continues to be positive, with all major regions delivering improved growth. While the domestic economy has been subdued, recent data is increasingly positive. Should this continue, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies which are trading on attractive valuations. This scenario would also see continued upwards pressure on interest rates, which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

**As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.**

## Global, Currency & Commodities (%)

S&P500	+3.6
Nikkei225	+1.1
FTSE100	+1.5
Shanghai Composite	+1.0
RBA Cash Rate	1.50
AUD / USD	+0.6
Iron Ore	+3.8
Oil	-6.5
Gold	-2.3
Copper	-4.5