Perennial Value Shares Wholesale Trust

MONTHLY REPORT NOVEMBER 2018

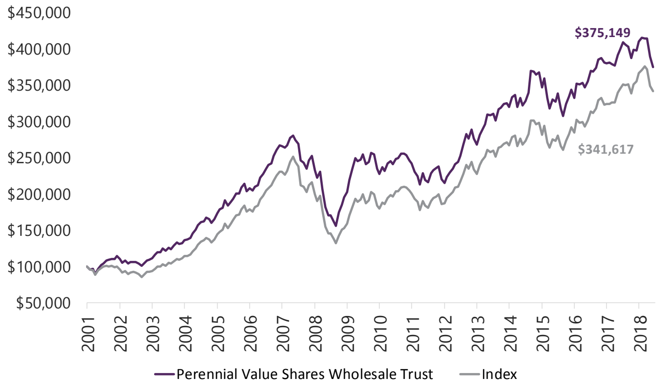
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares Wholesale Trust*	-3.5	-9.3	-8.3	-5.1	5.7	4.9	8.7
S&P/ASX300 Accumulation Index	-2.2	-9.3	-6.8	-1.0	7.7	5.8	7.3
Value Added (Detracted)	**-1.3**	**0.0**	**-1.5**	**-4.1**	**-2.0**	**-0.9**	**1.4**
Capital Growth	-3.6	-9.6	-8.7	-8.9	1.1	0.3	1.1
Income Distribution	0.0	0.0	0.0	2.9	3.6	3.7	6.8
Net Performance	-3.6	-9.6	-8.7	-6.0	4.7	4.0	7.9

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

Overview

- Global markets were mixed in November, with the S&P500 +1.8%, FTSE 100 -2.1%, Nikkei 225 +2.0% and Shanghai Composite -0.6%.
- The Australian market fell, finishing the month down -2.2%, bringing the total return for the last 12 months to -1.0%.
- Financials was the best performing sector, with the banks outperforming as the Royal Commission drew to a close, while the resources sector declined on softer commodity prices, with oil down sharply.
- Following the recent declines, the market is now trading in line with its long-term average forward P/E ratio of 14.5x and offering an attractive gross dividend yield of over 6.0%, with many very good value opportunities available.

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
John Murray

Trust FUM
AUD $794 million

Distribution Frequency
Half Yearly

Minimum Initial Investment
$25,000

Trust Inception Date
June 2001

Fees
0.92%

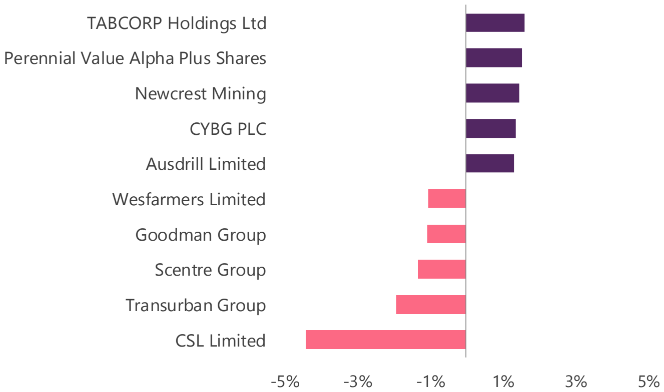
APIR Code
IOF0206AU

Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	13.4	14.5
Price to Free Cash Flow (x)	12.0	14.0
Gross Yield (%)	6.8	6.7
Price to NTA (x)	2.0	2.2

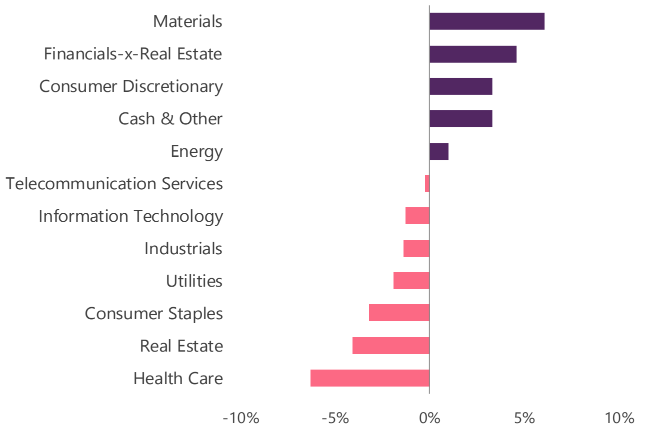
Source: Perennial Value Management. As at 30 November 2018.

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

The market finished the month down -2.2%, with the resources sector the main drag, falling -6.6% on the back of softer commodity prices, with oil in particular falling sharply. Financials was the best performing sector, rising +1.4%.

The major banks performed strongly, delivering an average return of +2.8% as the Royal Commission drew to a close. While the softening housing market and slowing credit growth is leading to a very muted growth outlook for the sector, the banks are trading on attractive valuations and offering compelling and sustainable dividend yields, justifying their overweight position in the Trust.

Other holdings which performed well included Nufarm (+6.4%) as seasonal conditions normalise following the drought and Ingenia Communities (+6.2%) with increasing corporate activity in the retirement living sector. Evolution Gold (+5.4%), Flight Centre (+5.3%), Woolworths (+1.7%), Event Hospitality (+1.5%) and Amcor (+1.0%) also outperformed.

The main detractors from performance were Lendlease (-28.1%), which fell after announcing provisions related to cost overruns in a number of engineering projects and Clydesdale Bank (-25.8%), which was sold off after guiding to lower margins in the recently acquired Virgin Money business. Energy stocks Origin (-11.1%) and Woodside (-10.9%) also fell on a weaker oil price. However, we view this as temporary and have a positive medium-term view on oil and LNG prices and the outlook for both of these companies.

The market is currently responding very aggressively to any disappointing news and marking stocks down sharply over what, in many cases, are overreactions to transient issues. This short-termism often leads to significant mispricing. For example, Graincorp, which is held in the Trust, has seen its share price sold down in recent months due to the drought in Eastern Australia. Shortly after month end, however, the company received an indicative takeover proposal at a 43.0% premium to the current share price, highlighting the opportunities for investors with a longer-term focus.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-2.2
Energy	-10.7
Materials	-4.7
Industrials	-0.6
Consumer Discretionary	-4.5
Health Care	-4.0
Financials-x-Real Estate	+1.4
Real Estate	-0.3
Information Technology	+1.0
Telecommunication Services	-3.1
Utilities	-1.8

Trust Activity

During the month, we took profits and reduced our holdings in IAG and Goodman Group, exited our position in Caltex and trimmed our holding in Lendlease. Proceeds were used to increase our holdings in a number of good value opportunities including the major banks, Bluescope Steel, Woolworths and Flight Centre as well as initiating a new position in Downer EDI. At month end, stock numbers were 66 and cash was 3.3%.

Outlook

Following the recent sell-off, the market is now trading in line with its long-term average, with a one year forward P/E of 14.5x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are currently finding many good value investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain large pockets of expensive growth and momentum style stocks which present significant de-rating risks both as interest rates rise and if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

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	+1.8
Nikkei225	+2.0
FTSE100	-2.1
Shanghai Composite	-0.6
RBA Cash Rate	1.50
AUD / USD	+3.0
Iron Ore	-15.1
Oil	-22.2
Gold	+0.5
Copper	+4.1

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