



	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares Wholesale Trust (Net)	3.8	-1.2	-6.4	-5.4	6.5	5.0	8.0
S&P/ASX300 Accumulation Index	3.9	1.4	-3.4	1.1	10.0	7.1	7.5
Value Added (Detracted)	-0.1	-2.6	-3.0	-6.5	-3.5	-2.1	0.5

Since inception: June 2001. Past performance is not a reliable indicator of future performance.

Overview

- Global markets rebounded strongly in January, with the S&P500 +7.9%, FTSE 100 +3.6%, Nikkei 225 +3.8% and Shanghai Composite +3.6%.
- The Australian market also performed strongly, finishing the month +3.9%, bringing the total return for the last 12 months back to a positive +1.1%.
- The rally was broad-based, with both cyclical and defensive sectors rising and financials the only sector to deliver a negative return.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 14.4x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities available for investors with a longer-term time horizon.

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 \$774 million

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

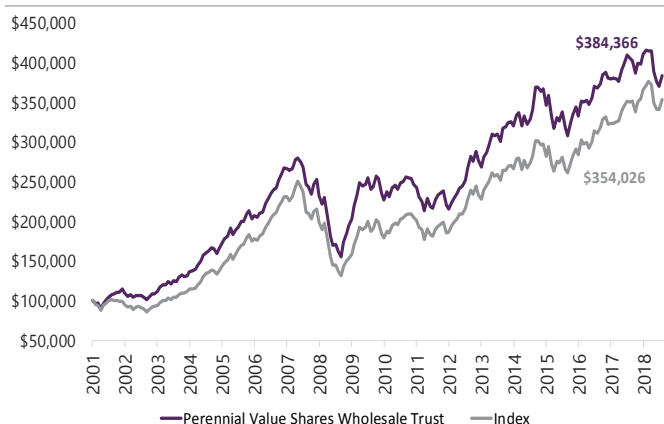
Trust Inception Date: Fees
June 2001: 0.92%

APIR Code: IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	13.1	14.4
Price to Free Cash Flow (x)	12.2	14.4
Gross Yield (%)	6.4	6.3
Price to NTA (x)	2.0	2.2

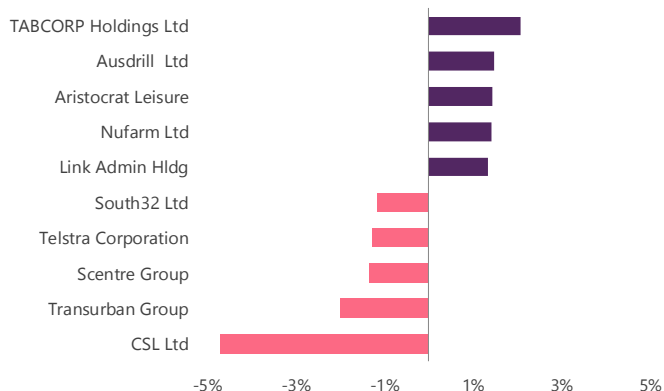
Source: Perennial Value Management. As at 31 January 2018. The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

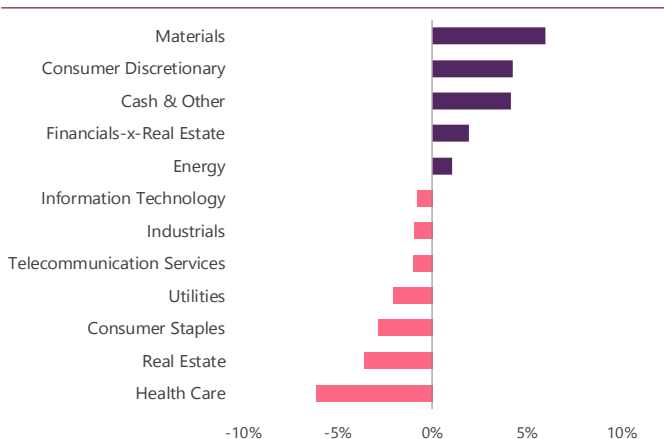


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions



Sector Active Exposure



Trust Review

Global markets rallied strongly during January as investors started the new year in positive spirits. The Australian market also performed very well over the month to close up +3.9%.

The rally was broad-based including the REIT (+6.0%) and Healthcare (Cochlear+11.4%, CSL+5.2%) sectors, both of which the Trust is underweight on valuation grounds. The major banks were softer, declining an average of -1.0% as the final report from the Royal Commission approached.

In this context, the Trust net return of +3.8% is considered satisfactory.

The Resources sector (+9.1%) led the way, driven by strong performances from Rio Tinto (+10.9%) and BHP (+5.9%), on the back of ongoing resilience in the iron ore price. Other resources holdings Independence Group (+14.7%), Iluka Resources (+14.2%) and Oz Minerals (+10.9%) rallied as their respective quarterly updates were well received.

Another stock which delivered a strong quarterly update was Newcrest Mining (+12.2%). Energy stock holdings also performed well as the oil price recovered, with Woodside Petroleum (+9.6%), Origin Energy (+10.7%) and Oilsearch (+9.1%). Mining services holdings Worley (+21.5%), Seven Group (+11.4%) and Ausdrill (+5.9%) also rallied in anticipation of increasing activity levels in the resources sector.

Tabcorp (+8.4%) rallied on expectations of a strong result from its lotteries business and Macquarie Group (+7.2%) rose as sentiment to markets improved.

Stocks which detracted from performance included our small position in Challenger Group (-23.7%) after a disappointing earnings update. Other stocks which underperformed included Star Entertainment (-2.6%) and Event Hospitality (-0.6%).

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.9
Energy	+11.5
Materials	+7.0
Industrials	+3.4
Consumer Discretionary	+4.3
Health Care	+3.9
Financials-x-Real Estate	-0.3
Real Estate	+6.0
Information Technology	+8.8
Telecommunication Services	+7.7
Utilities	+5.9

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Trust Activity

During the month, we increased our holding in Mineral Resources, which is trading on an attractive valuation, with an FY20 P/E of 11.7x. We see shorter term upside from the sensitivity of earnings to an improved iron ore price and medium term upside from the recently announced joint venture and sale of a 50.0% interest in the Western Australian Wodgina lithium project to Albemarle for over \$1bn. At month end, stock numbers were 69 and cash was 4.2%.

Outlook

The market is currently trading close to its long-term average, with a FY20 P/E of 14.4x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain pockets of expensive growth and momentum style stocks which present significant de-rating risks 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	+7.9
Nikkei225	+3.8
FTSE100	+3.6
Shanghai Composite	+3.6
RBA Cash Rate	1.50
AUD / USD	+3.6
Iron Ore	+17.5
Oil	+15.0
Gold	+3.0
Copper	+5.8