



# PERENNIAL Perennial Value Shares Wholesale Trust

MONTHLY REPORT FEBRUARY 2019

	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)	6.6	9.2	-0.3	1.6	10.0	5.3	8.3
S&P/ASX300 Accumulation Index	6.0	9.9	2.4	6.8	12.9	7.3	7.8
<b>Value Added (Detracted)</b>	<b>0.6</b>	<b>-0.7</b>	<b>-2.7</b>	<b>-5.2</b>	<b>-2.9</b>	<b>-2.0</b>	<b>0.5</b>

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

## Overview

- Global markets continued their rebound in February, with the S&P500 +3.0%, FTSE 100 +1.5%, Nikkei 225 +2.9% and Shanghai Composite +13.8%.
- The Australian market performed strongly, finishing the month +6.0%.
- The Trust also performed strongly, finishing the month up 6.6%, outperforming the benchmark by 0.6%.
- Stocks which performed well included our mining services exposures Ausdrill (+38.1%) and Mondadelphous (+20.6%) and financials exposures Janus Henderson (+17.3%) and QBE (+15.1%). Stocks which detracted included chemicals manufacturer Nufarm (-16.0%) and gold producer Evolution Mining (-9.1%).

## 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 \$794 million

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

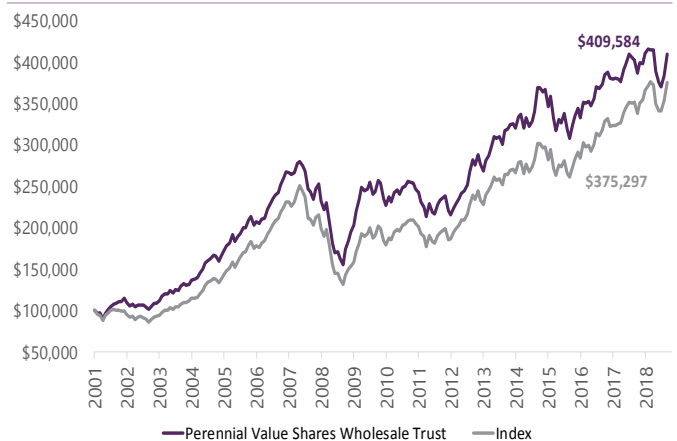
Trust Inception Date: Fees  
June 2001: 0.92%

APIR Code: IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.1	15.2
Price to Free Cash Flow (x)	12.8	15.0
Gross Yield (%)	6.1	6.0
Price to NTA (x)	2.0	2.3

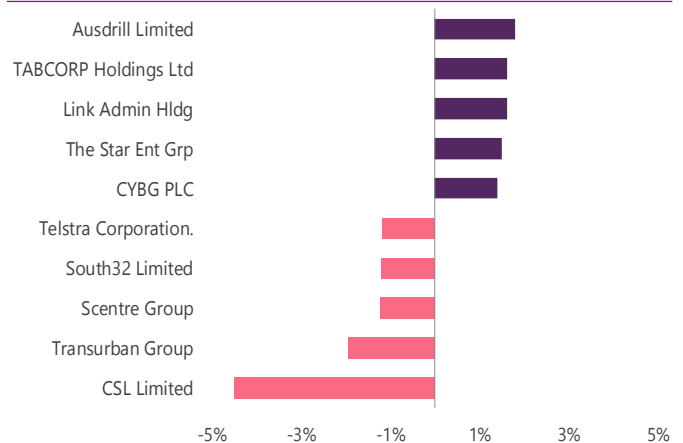
Source: Perennial Value Management. As at 28 February 2019. The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Growth of \$100,000 Since Inception

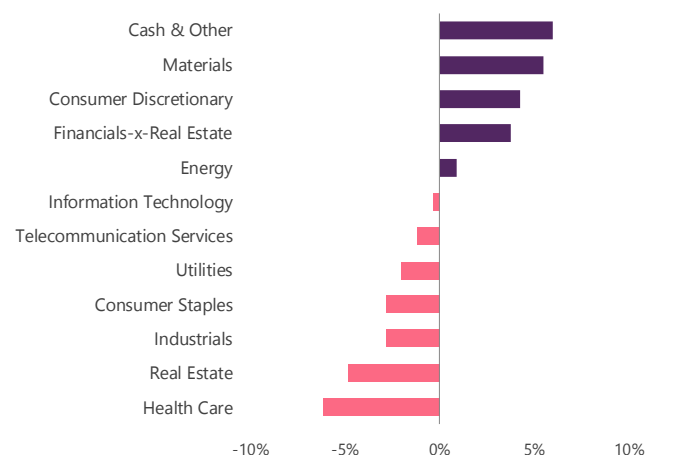


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions



## Sector Active Exposure



## Trust Review

Global markets continued the strong rally from January. The Australian market performed very well over the month to close up +6.0%.

The final report of the Hayne Royal Commission and reporting season dominated news flow over the month. Both the outcome of the Royal Commission and reporting season were better than feared. Reporting season could be best described as 'in-line' and the portfolio fared well in this environment, rising +6.6% and outperforming the benchmark by 0.6%.

During February, the Financial (+9.1%) and Energy (+7.8%) sectors led the way while the Consumer Staples (-1.4%) and Healthcare (+1.3%) sectors lagged.

A number of the Trust's resources and mining services holdings performed strongly. Mining services companies Ausdrill (+38.1%), Seven Group Holdings (+22.5%) and Monadelphous (20.6%) were each rewarded for delivering solid results. Resources holdings Alumina (+13.0%), Independence Group (+11.9%), RIO Tinto (+10.5%) and Woodside Petroleum (+9.3%) also performed well.

A key feature of the RIO result was the announcement of a US\$2.43 per share or \$4bn special dividend. Other Trust holdings to announce special dividends during the month included Wesfarmers (+9.2%) and BHP (+6.9%).

A number of the Trust's financial holdings also performed strongly. These included fund manager Janus Henderson (+17.3%), insurer QBE (+15.1%) and banks ANZ (+11.9%) and Westpac (+9.8%).

Other stocks that performed well included Macquarie Group (+10.4%), and Amcor (+10.3%) and Link Services (+7.6%).

Stocks which detracted from performance included Nufarm (-16.0%), Evolution Mining (-9.1%) and Mineral Resources (-4.9%). There was no stock specific news on Nufarm while Evolution gave back some of its recent gains after higher cost guidance. The Mineral Resources result was weaker than expected with higher capex guidance for its Wodgina lithium project. We remain comfortable with the medium term outlook for each of these stocks.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+6.0
Energy	+7.8
Materials	+6.4
Industrials	+6.4
Consumer Discretionary	+6.7
Health Care	+1.3
Financials-x-Real Estate	+9.1
Real Estate	+1.8
Information Technology	+7.5
Telecommunication Services	+4.4
Utilities	+4.0

**Invest Online Now**

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Performance was also held back by not holding some defensive benchmark stocks which performed strongly, including Ramsay Healthcare (14.2%) and ASX (9.5%).

## Trust Activity

We used the market strength during the month to reduce our holdings in a number of stocks that had performed well including Monadelphous, Downer, Ansell and Oz Minerals. We also sold out of a number of holdings that have performed strongly in recent times including Brambles and GPT. We reinvested the proceeds into existing holdings including Medibank Private, Insurance Australia Group and Wesfarmers.

At month end, stock numbers were 62 and cash was 6.0%.

## Outlook

The market is currently trading close to its long-term average, with a FY20 P/E of 15.2x 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	+3.0
Nikkei225	+2.9
FTSE100	+1.5
Shanghai Composite	+13.8
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+4.2
Oil	+6.7
Gold	-0.6
Copper	+5.5