



# PERENNIAL Perennial Value Shares Wholesale Trust

MONTHLY REPORT MAY 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)	0.4	2.3	2.0	5.2	6.8	5.2	8.4
S&P/ASX300 Accumulation Index	1.7	5.0	7.5	10.9	10.6	7.8	8.0
<b>Value Added (Detracted)</b>	<b>-1.3</b>	<b>-2.7</b>	<b>-5.5</b>	<b>-5.7</b>	<b>-3.8</b>	<b>-2.6</b>	<b>0.4</b>

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

## Overview

- Global equity markets were weak during May, with the S&P500 - 6.6%, FTSE 100 -3.5%, Nikkei 225 -7.4% and Shanghai Composite - 5.8%.
- The Australian market was relatively strong, finishing the month +1.7%.
- The Communication Services (+7.1%), Healthcare (+3.3%) and Materials (+3.1%) sectors led the way while the Consumer Staples (-4.2%), Energy (-3.8%) and Information Technology (-3.1%) sectors lagged.
- Stocks which performed well included gold miners Evolution Mining (+21.3%) and Northern Star Resources (+18.6%), Aristocrat Leisure (+12.5%), Ooh Media (+12.2%) and National Australia Bank (+7.8%).
- Stocks which detracted included Nufarm (-22.1%), Link Market Services (-21.4%), Janus Henderson (-14.0%) and CYBG plc. (12.3%).

## 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 \$761 million

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

Trust Inception Date: Fees  
June 2001: 0.92%

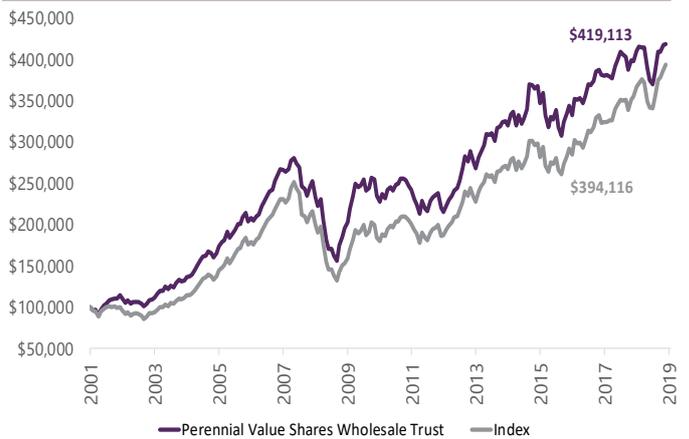
APIR Code: IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.1	15.8
Price to Free Cash Flow (x)	12.8	15.3
Gross Yield (%)	5.9	5.6
Price to NTA (x)	2.1	2.4

Source: Perennial Value Management. As at 31 May 2019.

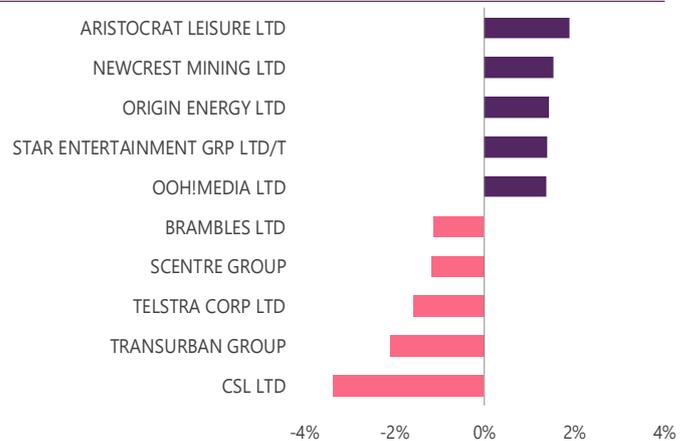
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## 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

During May, global markets were weaker on the back of increased trade tensions following the announcement by President Trump of further US tariffs on China and Mexico. The Australian market outperformed global markets, with the benchmark S&P/ASX 300 Accumulation Index finishing up 1.7%. The Communication Services (+7.1%), Healthcare (+3.3%) and Materials (+3.1%) sectors led the way while the Consumer Staples (-4.2%), Energy (-3.8%) and Information Technology (-3.1%) sectors lagged.

The market was boosted by the unexpected Coalition federal election victory and APRA indicating that it is considering lowering the minimum interest rate that banks must consider when assessing a borrower's ability to service a loan, which should make it easier for borrowers to obtain housing finance.

The Trust's bank exposures reacted positively to the election result and proposed APRA changes. NAB was the strongest performer (+7.8%) with the other banks also outperforming – ANZ (+5.4%), CBA (+5.4%) and Westpac (+3.2%). In the more uncertain trade environment the Trust's gold exposures performed well - Evolution Mining (+21.3%), Northern Star Resources (+18.6%) and Newcrest Mining (+8.8%).

Other key contributors to performance during the month were Aristocrat Leisure (+12.5%) which delivered a strong half year result with earnings per share growth of 17.0% and Ooh Media (+12.2%) which reconfirmed earnings guidance at the company's annual general meeting. Other strong performers included JB Hi-fi (+9.3%) and Flight Centre (+13.0%).

A key detractor for the month was Nufarm (-22.1%) which was weaker due to market concerns in relation to weather conditions in both Australia and the US. Other key detractors were Link Market Services (-21.4%) which announced disappointing earnings guidance, Janus Henderson (-14.0%), which delivered a weak quarterly result and CYBG plc (-12.3%) which fell on Brexit concerns. In our view, the price falls of each of these companies were disproportionate relative to the significance of the earnings impact of the relevant announcements and we continue to hold the stocks on the basis that they continue to represent good value at current levels.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.7
Energy	-3.8
Materials	+3.1
Industrials	+0.2
Consumer Discretionary	+2.0
Health Care	+3.5
Financials-x-Real Estate	+2.6
Real Estate	+2.3
Information Technology	-3.1
Telecommunication Services	+7.1
Utilities	-0.6

## Trust Activity

During the month we sold out of Medibank Private and Super Retail Group after recent strong performance. We also sold out of Bluescope Steel due to a deteriorating outlook for steel margins.

We added Worley to the Trust. Worley is a leading global provider of professional and asset services in the energy, chemicals and resources sectors. Worley has lagged the market of late as it digests the acquisition of the Jacobs engineering business. In our view, the combined business has attractive growth prospects which are not currently captured in the valuation with a FY20 P/E ratio of approximately 13.5x compared to the market P/E for Industrials of 17.8x.

At month end, stock numbers were 62 and cash was 4.8%.

## Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 15.8x and offering an attractive gross dividend yield of 5.6%.

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	-6.6
Nikkei225	-7.4
FTSE100	-3.5
Shanghai Composite	-5.8
RBA Cash Rate	1.50
AUD / USD	-1.6
Iron Ore	+8.9
Oil	-11.4
Gold	+1.7
Copper	-9.1

## Invest Online Now

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