



PERENNIAL Perennial Value Shares Wholesale Trust

MONTHLY REPORT JUNE 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)	3.4	5.9	5.5	5.5	9.2	6.3	8.5
S&P/ASX300 Accumulation Index	3.6	8.1	11.4	11.4	12.8	8.9	8.1
Value Added (Detracted)	-0.2	-2.2	-5.9	-5.9	-3.6	-2.6	0.4

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

Overview

- Central Bank easing and the prospects of a trade thaw following the G20 meeting, saw global equity markets rally strongly in June, with the S&P500 +6.9%, FTSE 100 +3.7%, Nikkei 225 +3.3% and Shanghai Composite +2.8%.
- The Australian market also performed strongly, finishing the month +3.6%, with both industrials and resources contributing positively.
- Resources (+7.7%) led the market higher, on the back of strong iron ore and gold prices, while Healthcare (+4.4%) and REITs (+4.2%) both rallied on the fall in bond yields. Consumer Discretionary (-1.5%) was the only sector to record a negative return.
- Stocks which performed well included gold miners Northern Star (+20.0%), Newcrest (+17.4%) and Evolution Mining (+12.3%), as well as Ausdrill (+24.6%), which provides services to the gold sector.
- Stocks which detracted included Link Market Services (-16.2%) due to issues in its UK operations, Star Entertainment (-7.8%) and oOh! Media (-7.8%).

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 \$771 million

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

Trust Inception Date Fees
June 2001 0.92%

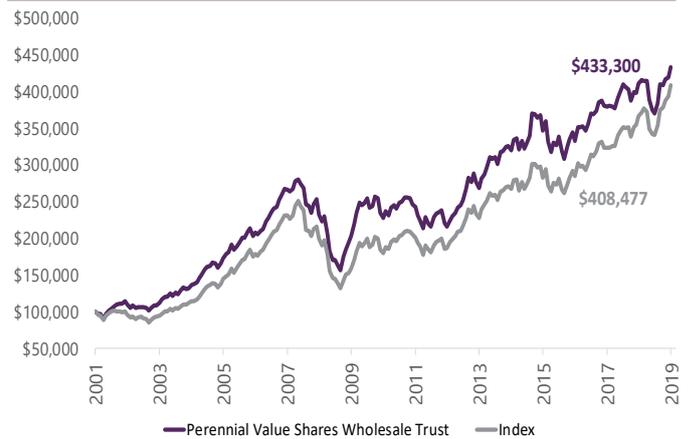
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IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.9	15.9
Price to Free Cash Flow (x)	13.4	15.3
Gross Yield (%)	5.6	5.4
Price to NTA (x)	2.2	2.5

Source: Perennial Value Management. As at 30 June 2019.

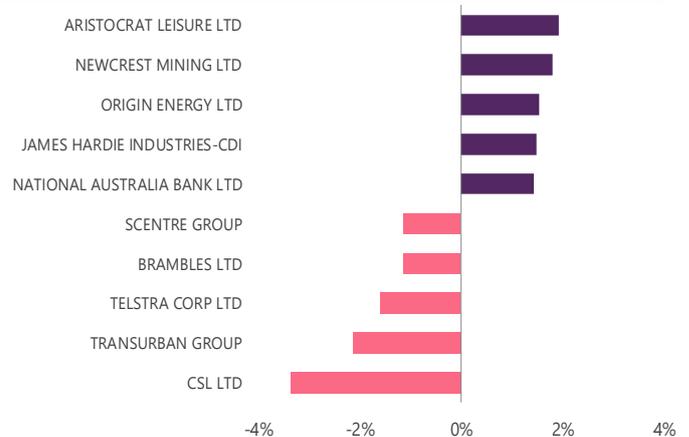
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

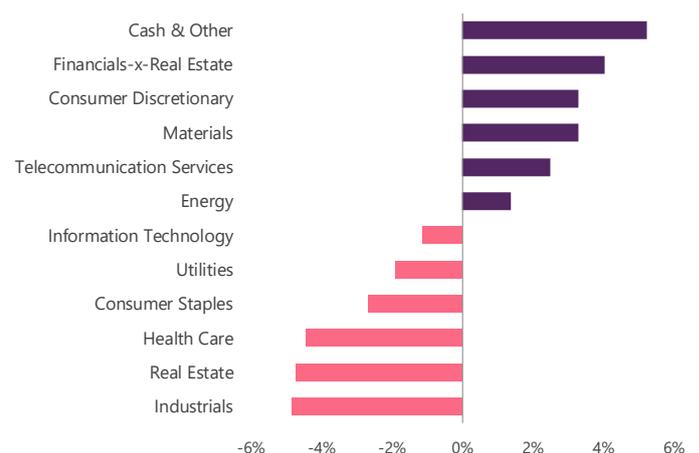


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions



Sector Active Exposure



Trust Review

Central Bank easing and the prospects of a trade thaw following the G20 meeting, saw global equity markets rally strongly in June, with the S&P500 +6.9%, FTSE 100 +3.7%, Nikkei 225 +3.3% and Shanghai Composite +2.8%.

The Australian market followed on from May's post-election rally and also performed strongly, finishing the month +3.6%, with both industrials and resources contributing positively.

Resources (+7.7%) led the market higher, on the back of strong iron ore and gold prices, while Healthcare (+4.4%) and REITs (+4.2%) both rallied on the fall in bond yields. Consumer Discretionary (-1.5%) was the only sector to record a negative return.

The most notable event of the month was widely-anticipated 25bp rate cut by the RBA, as Australia falls into line with other developed economies and adopts more accommodative monetary policy in order to support the economy in the face of increased geopolitical risks around trade disputes and Brexit. On the domestic front however, while growth has slowed, there are signs the housing market has stabilised and the resources sector continues to go from strength to strength on the back of strong demand for iron ore in a supply-constrained market, as well as a very strong gold price.

Against this backdrop, stocks which performed well included gold miners Northern Star (+20.0%), Newcrest (+17.4%) and Evolution Mining (+12.3%), as well as Ausdrill (+24.6%), which provides services to the gold sector. Oz Minerals (+11.2%), Iluka Resources (+10.6%) and BHP (+9.0%) also performed well, while News Corp (+14.4%), rallied after announcing a review of its US marketing business. This was taken positively by the market as a step towards unlocking the significant latent value in the group.

Stocks which detracted from performance included Link Market Services (-16.2%) due to UK issues in its UK operations, Star Entertainment (-7.8%) and oOh! Media (-7.8%). We continue to hold these stocks on the basis that they have solid medium-term prospects and represent good value at current levels.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.6
Energy	+2.2
Materials	+6.2
Industrials	+5.6
Consumer Discretionary	-1.5
Health Care	+4.4
Financials-x-Real Estate	+3.4
Real Estate	+4.2
Information Technology	+1.1
Telecommunication Services	+2.2
Utilities	+3.1

Invest Online Now

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au

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 Principles for Responsible Investment



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Trust Activity

During the month, we took profits reduced our holdings in a number of stocks which had performed well, including Amcor which had performed strongly following its merger with Bemis, Mineral Resources which had run on the stronger iron ore price and Woodside Petroleum which had benefited from the recovery in the oil price. We also sold out of JB Hi-Fi, which had rallied sharply after the election, as sentiment turned positive on the retail sector.

Proceeds were used to increase our position in Graincorp. The drought has caused this company to trade at a significant discount to its underlying value. However, the demerger currently underway of its malt and grains businesses, may be the catalyst for this value to be realised. At month end, stock numbers were 62 and cash was 5.2%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 15.9x and offering an attractive gross dividend yield of 5.4%.

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	+6.9
Nikkei225	+3.3
FTSE100	+3.7
Shanghai Composite	+2.8
RBA Cash Rate	1.25
AUD / USD	+1.3
Iron Ore	+14.2
Oil	+3.2
Gold	+8.0
Copper	+2.8