



PERENNIAL Perennial Value Shares Wholesale Trust

MONTHLY REPORT JULY 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)	2.3	6.3	2.4	6.6	8.0	5.8	8.6
S&P/ASX300 Accumulation Index	3.0	8.6	3.0	13.3	11.6	8.6	8.3
Value Added (Detracted)	-0.7	-2.3	-0.6	-6.6	-3.6	-2.7	0.3

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

Overview

- Global markets moved higher in July, on the prospects of Central Bank easing, with the S&P500 +1.3%, FTSE 100 +2.2%, Nikkei 225 +1.2%, while the Shanghai Composite eased, -1.6%.
- The Australian market delivered another strong result, finishing the month +3.0% and finally surpassing its pre-GFC high, as the RBA cut interest rates by a further 25bp to a record low of 1.0%.
- The better performing sectors included Consumer Staples (+9.6%), Healthcare (+6.0%), IT (+5.1%) and Consumer Discretionary (+4.7%). Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, while still all delivering positive returns.
- Stocks which performed well included gold miners Evolution Mining (+15.1%), Northern Star (+11.7%) and Newcrest (+11.4%), Nufarm (+19.0%), oOH media (+14.6%), Worley (+9.8%) and BlueScope Steel (+8.6%).
- Stocks which detracted included Speedcast (-45.8%), Iluka Resources (-10.7%), Clydesdale Bank (-9.4%) and Rio Tinto (-4.7%).

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 \$763 million

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

Trust Inception Date Fees
June 2001 0.92%

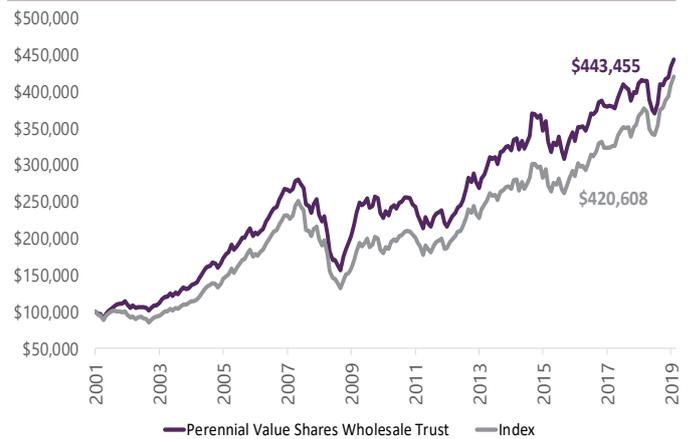
APIR Code
IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	15.0	16.4
Price to Free Cash Flow (x)	13.6	15.8
Gross Yield (%)	5.5	5.3
Price to NTA (x)	2.3	2.5

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

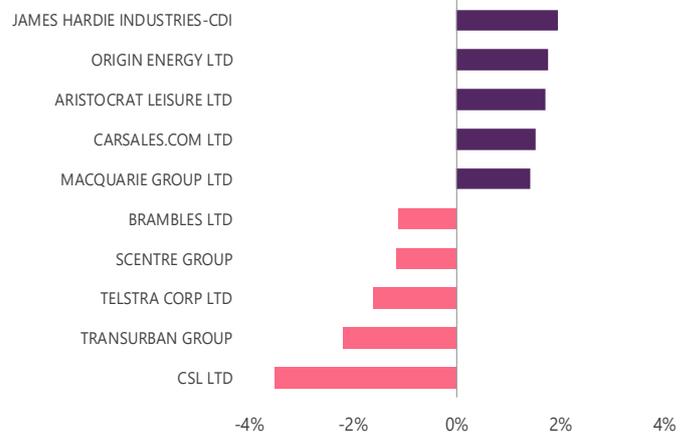
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

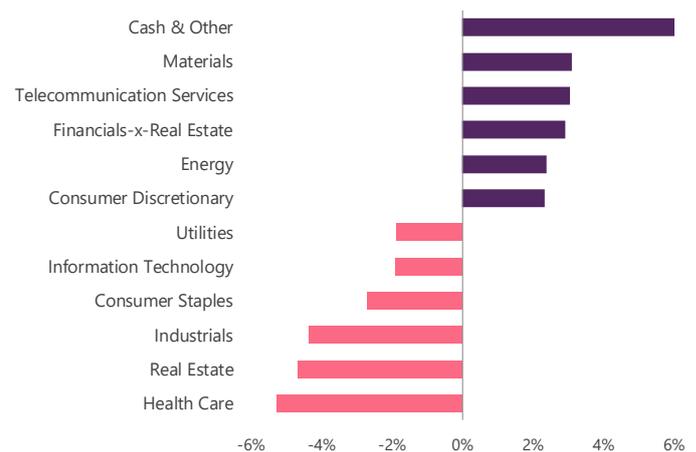


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions



Sector Active Exposure



Trust Review

Global markets moved higher again in July, on the prospects of Central Bank easing, with the S&P500 +1.3%, FTSE 100 +2.2%, Nikkei 225 +1.2%, while the Shanghai Composite eased, -1.6%.

The Australian market delivered another strong result, finishing the month +3.0% and finally surpassing its pre-GFC high, bringing the total return for the last 12 months to +13.2%.

The RBA followed up its June rate cut with another 25bp cut in July, sending the cash rate to a record low of 1.0%, with the aim of reducing the unemployment rate and stimulating wages growth. While the domestic economy has slowed, there was further evidence that the housing market has stabilised.

The combination of falling interest rates and increased geopolitical risks around trade disputes and Brexit, saw investors seek out more defensive parts of the market, resulting in strong performances from sectors such as Consumer Staples (+9.6%), Healthcare (+6.0%) and IT (+5.1%). This presented a headwind for the Trust, as we are underweight these sectors due to their very high valuations.

By contrast, more cyclical sectors of the market such as Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, albeit while still all delivering positive returns.

Stocks the Trust holds which performed well included gold stocks, Evolution Mining (+15.1%), Northern Star (+11.7%) and Newcrest (+11.4%) as well as Ausdrill (+8.2%), which provides contract mining services to the gold sector, which all rallied on the stronger gold price. Nufarm (+19.0%), oOh media (+14.6%) and Worley (+9.8%) all rallied and BlueScope Steel (+8.6%) outperformed as steel spreads began to improve.

Stocks which detracted from performance included Speedcast (-45.8%), which downgraded earnings due to delays in ramping up a major new contract, Iluka Resources (-10.7%), on a softer quarterly production report and Clydesdale Bank (-9.4%), after reporting slow loan growth in the UK. We continue to hold each of these stocks as they are trading at attractive valuations and offer significant upside from these levels.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.0
Energy	+1.5
Materials	+1.2
Industrials	+3.4
Consumer Discretionary	+4.7
Health Care	+6.0
Financials-x-Real Estate	+1.8
Real Estate	+2.6
Information Technology	+5.1
Telecommunication Services	+2.8
Utilities	+1.9

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Trust Activity

During the month, we took profits and trimmed our gold holdings following their very strong performance and exited our holding in Independence Group, also after its strong rally in recent times.

Proceeds were used to increase our position in James Hardie. This company is trading on an attractive valuation and offers exposure to the US housing market, where it has scope to grow its market share and also stands to benefit from operational improvements.

We also reduced our holding Woodside, due to the risk of delays in approving major new projects. The proceeds were used to initiate a position in Santos, which also provides a greater exposure to the stable Western Australian domestic gas market. At month end, stock numbers were 60 and cash was 6.9%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.4x and offering an attractive gross dividend yield of 5.3%.

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	+1.3
Nikkei225	+1.2
FTSE100	+2.2
Shanghai Composite	-1.6
RBA Cash Rate	1.00
AUD / USD	-1.8
Iron Ore	+2.4
Oil	-2.1
Gold	+0.3
Copper	-1.8