



PERENNIAL Perennial Value Shares Wholesale Trust

MONTHLY REPORT AUGUST 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)	-3.1	2.5	-0.9	3.6	7.0	5.0	8.4
S&P/ASX300 Accumulation Index	-2.3	4.3	0.6	9.1	11.3	7.9	8.1
Value Added (Detracted)	-0.8	-1.8	-1.5	-5.5	-4.3	-2.9	0.3

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

Overview

- Macro concerns around trade wars saw global markets fall in August, with the S&P500 -1.8%, FTSE 100 -5.0%, Nikkei 225 -3.8% and the Shanghai Composite -1.6%.
- The Australian market also fell, finishing the month down -2.3%, despite the reporting season seeing many companies deliver solid results, against a relatively subdued backdrop.
- Defensive sectors outperformed with Healthcare (+3.4%), REITs (+1.3%) and Consumer Staples (+0.1%), while cyclical sectors such as Metals and Mining (-8.0%), Energy (-5.6%) and Financials (-2.6%) lagged.
- Holdings which contributed positively included, James Hardie (+13.4%), Tabcorp (+7.3%), NewsCorp (+7.1%), Carsales (+6.8%) and Newcrest (+4.6%).
- Key detractors were our Resources holdings, along with SpeedCast (-58.9%) and oOh media (-30.5%).

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 \$720 million

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

Trust Inception Date: Fees
June 2001: 0.92%

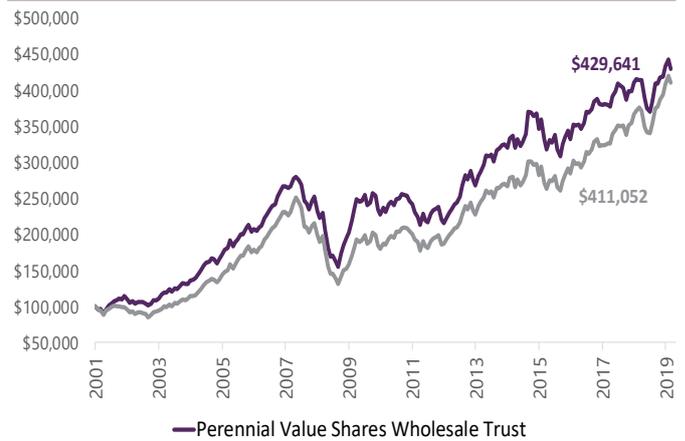
APIR Code: IOF0206AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.4	16.0
Price to Free Cash Flow (x)	14.1	15.4
Gross Yield (%)	5.8	5.7
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 31 August 2019

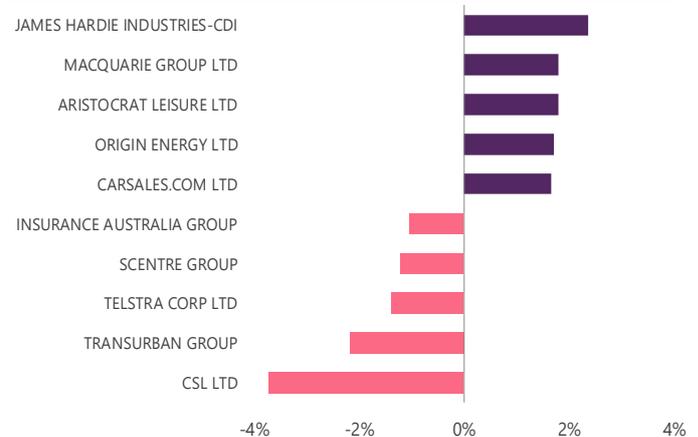
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

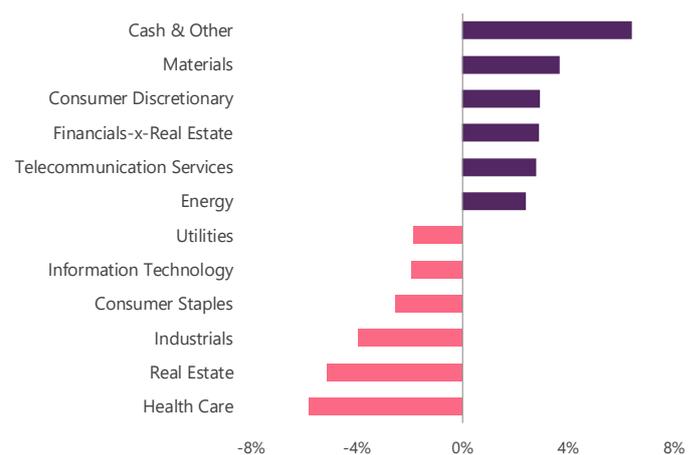


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions



Sector Active Exposure



Trust Review

Following several strong months of performance, trade war concerns and other macro risks caught up with global markets in August. Most major markets sold off over the month, with the S&P500 -1.8%, FTSE100 -5.0%, Nikkei 225 -3.8% and the Shanghai Composite -1.6%.

The Australian market was not immune, with the ASX300 Accumulation Index finishing the month down -2.3%. These macro factors were the dominant influence on the market over the month, with risk aversion and falling bond yields leading to strong performances of the defensive parts of the market. This saw outperformance of sectors such as Healthcare (+3.4%), and REITs (+1.3%), which rallied despite their already very expensive valuations. By contrast, the more cyclical parts of the market were sold off, with Metals and Mining (-8.0%), and Financials (-2.6%) lagging.

While macro uncertainty dominated markets during the month, at the micro level, the reporting season highlighted that many companies continue to perform well, growing earnings and increasing dividends. Many Trust holdings delivered strong results, including James Hardie (+13.4%), which rallied on strong growth and margins in its key US business. This is the Trust's largest overweight position and is our only exposure to the building materials sector, preferring its US exposure. By contrast, Boral (-15.0%), which is not hold, fell sharply on Australian construction market weakness.

Other strong performers included Tabcorp (+7.3%), on a strong result driven by the lotteries business, NewsCorp (+7.1%), after indicating an increased focus on realising the latent value in its media asset portfolio and Carsales (+6.8%), on continuing solid listings growth. Gold stocks, Newcrest (+4.6%) and Evolution (+4.4%), outperformed on continuing gold price strength, as did ALS (+6.2%) and Ausdrill (+1.0%) which provide services to the gold mining sector. The Trust also benefited from not holding a number of stocks, including a2 Milk (-20.9%), Orora (-17.5%) and Brambles (-13.9%), which fell after delivering poor results.

In addition to our underweight in expensive defensive stocks, the key detractors from performance were our modest overweight position in the resources sector, which was impacted by softer commodity prices, and poor results from SpeedCast (-58.9%) and oOh media (-30.5%). The weaker results were due to temporary factors which we expect to reverse over the near term, and we continue to hold these stocks.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-2.3
Energy	-5.6
Materials	-7.3
Industrials	-2.5
Consumer Discretionary	+0.6
Health Care	+3.4
Financials-x-Real Estate	-2.6
Real Estate	+1.3
Information Technology	+0.7
Telecommunication Services	-3.2
Utilities	-2.2

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 Principles for Responsible Investment



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Trust Activity

During the month, we took profits and further trimmed our holding in Newcrest following its very strong performance, and reinvested the proceeds into establishing a new position in St Barbara, which offers better value.

We also reduced our holding in ANZ given its relatively high exposure to increased capital requirements in New Zealand compared to the other banks. Proceeds were used to increase our position in Macquarie Group, where we participated in their \$1bn capital raising to fund growth opportunities.

We also exited holdings in IAG and Oz Minerals and increased our holdings in Santos and Iluka Resources. At month end, stock numbers were 57 and cash was 6.4%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.0x and offering an attractive gross dividend yield of 5.7%.

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 large numbers 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	-1.8
Nikkei225	-3.8
FTSE100	-5.0
Shanghai Composite	-1.6
RBA Cash Rate	1.00
AUD / USD	-2.2
Iron Ore	-28.9
Oil	-7.3
Gold	+7.5
Copper	-4.7

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