Perennial Value Shares Wholesale Trust

MONTHLY REPORT APRIL 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares Wholesale Trust (Net)	11.7	-24.4	-17.9	-14.7	-2.8	-0.5	7.0
S&P/ASX 300 Accumulation Index	9.0	-20.4	-13.8	-9.1	2.0	3.5	6.9
Value Added	**2.7**	**-4.0**	**-4.1**	**-5.6**	**-4.8**	**-4.0**	**0.1**

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

Overview

- Global markets rallied in April, as it appeared coronavirus infections had peaked, bringing the prospect of an easing of lockdowns in many economies.
- The Australian market was particularly strong, as it became clear that the virus had been effectively controlled, with the ASX300 Accumulation Index up +9.0%, having now risen +21.9% from its March low.
- The Trust delivered a return, after-fees of +11.7%, outperforming the market by +2.7%, with strong gains across a large number of holdings.
- Many of the Trust's holdings which had been oversold last month rebounded strongly in April, however, very significant upside still remains in a large number of stocks.
- The positive aspect of the sell-off is that it has provided the opportunity to add a number of quality stocks to the portfolio at very attractive prices, adding to the Trust's potential to deliver strong returns going forward.

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 Managers
Stephen Bruce, Damian Cottier, Andrew King

Trust FUM
AUD $513 million

Distribution Frequency
Half yearly

Minimum Initial Investment
$25,000

Trust Inception Date
June 2001

Fees
0.92%

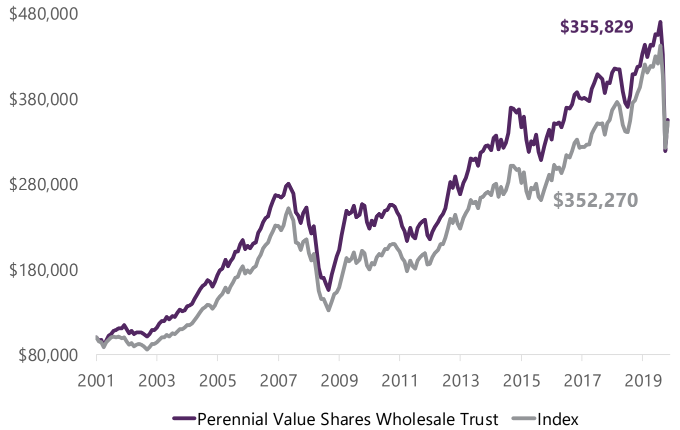
APIR Code
IOF0206AU

Portfolio Characteristics – FY21	Trust	Market
Price to Earnings (x)	13.4	16.1
Price to Free Cash Flow (x)	11.8	14.7
Gross Yield (%)	5.5	5.4
Price to NTA (x)	1.7	2.0

Source: Perennial Value Management. As at 30 April 2020

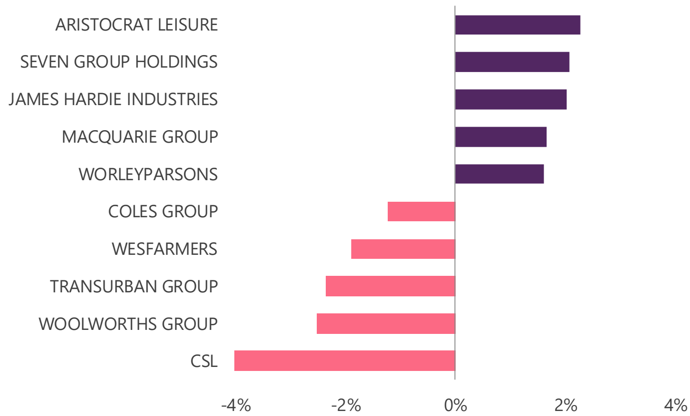
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of $100,000 Since Inception

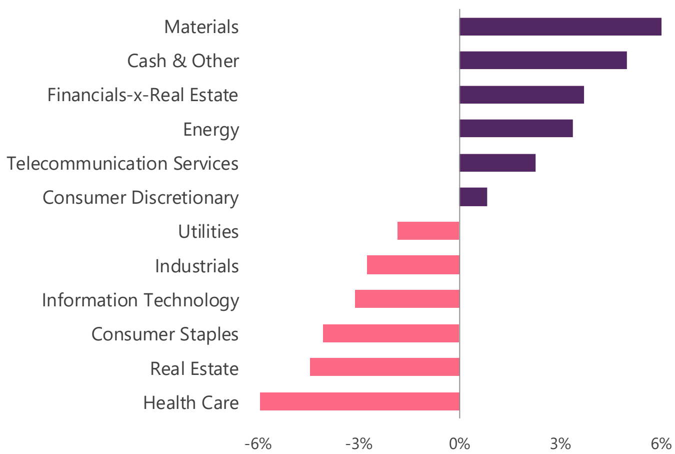


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets staged a rally in April, as investors responded positively to the news of declining coronavirus infection rates and the prospect of lockdowns beginning to be eased in several major economies.

The Australian market performed particularly strongly, with the ASX300 Accumulation index rising by +9.0%. While still well down from its February high, the Australian market has now rallied +21.9% from its low in mid-March. It seems clear that the steps taken to limit the spread of the virus in Australia have been more effective than in many other regions and, as a result, our economy may be able to restart earlier than most.

The rally was broad-based, with all sectors delivering positive returns. The resources sector performed particularly well, with Energy (+25.2%) the best performing sector. This sector had been sold off sharply last month, after key producing nations refused to cut production in the face of sharply falling demand. This caused prices to collapse to unsustainably low levels. More recently, however, it seems that more rational behaviour is likely and this should see prices recover somewhat. The mining stocks also performed well on continued expectations of Chinese stimulus measures, as well as the strong gold price. The Trust continues to hold an overweight position in the Resources sector.

The Financials sector (+2.9%) lagged the market, weighed down by the major banks (up an average of +0.4%). During the month, ANZ, NAB and Westpac all announced significant increases to their bad debt provisions, ahead of the expected increase in defaults over the coming periods. Also, following the advice of the regulator, banks' dividends will be significantly reduced or deferred. The Trust holds a modest overweight position in the major banks, as we see clear medium-term value in the sector. The banks are in a strong financial position and are well placed to be part of the solution in this downturn, rather than part of the problem as was the case during the GFC. Further, if the banks play their part well over this period, it will serve to highlight the benefits of our strong financial system and possibly provide them with an opportunity for redemption following the Royal Commission.

Defensive sectors, which had performed strongly during the sell off, gave back some of their relative outperformance, with Healthcare (+4.9%) and Consumer Staples (+2.6%) both lagging the rally. Many stocks in these defensive sectors are trading on very full valuations, limiting their upside potential and driving us to be underweight these sectors.

Last month we commented that many stocks appeared to have fallen victim to panic selling as the crisis unfolded. Pleasingly, many of these holdings rebounded strongly in April. Holdings which contributed strongly over the month included energy stocks Santos (+44.4%), Origin Energy (+26.9%) and Woodside Petroleum (+23.3%), which rallied on optimism around the oil price outlook. While the oil price will remain depressed for some time, all of theses companies have strong balance sheets and low production costs. Energy sector-exposed engineering firm Worley (+46.3%) also rallied strongly as sentiment to the sector improved. Gold stocks Evolution (+33.8%), St Barbara (+21.6%), Northern Star (+21.5%) and Newcrest (+19.5%) all performed strongly on continued gold price strength, as did mining services companies Perenti (+49.2%) and Seven Group (+36.2%).

Other strong performers came from a range of sectors and included online retailer City Chic Collective (+48.8%), diversified industrial company Downer (+39.9%), UK challenger bank Virgin Money UK (+34.4%), radiology provider Integral Diagnostics (+32.0%), as well as James Hardie (+21.1%), Macquarie Group (+19.7%) and Aristocrat Leisure (+19.4%).

The key negative contributors over the period included more defensive holdings such as maltster United Malt Group (-3.2%) and Telstra (-0.7%) as well as asset manager Janus Henderson (-1.6%) and insurer QBE (-1.7%).

The Trust was impacted by its underweight in the REIT sector. This sector was sold off sharply last month and staged a rally in April, led by the retail-focussed companies such as Scentre Group (+48.9%) and Vicinity Centres (+44.0%). We continue to avoid these stocks, believing that they face significant challenges going forward in terms of rental income growth and gearing levels.

Trust Activity

During the month, we took profits and reduced holdings in stocks which had outperformed such as Woolworths, Telstra and BHP and exited our position in JB Hi-fi. Proceeds were used to increase our holding in a range of good value opportunities such as James Hardie, Downer, Seven Group, Magellan Financial Group and PWR Holdings. We also initiated new positions in a number of stocks including small cap names Smartgroup and Steadfast Group.

Many companies are raising money to strengthen their balance sheets and provide liquidity. These raisings often provide an attractive entry point into stocks. During the month, the Trust participated in raisings by NAB, Kathmandu, Ramsay Healthcare, Ingenia Communities and Bapcor. At month end, stock numbers were 64 and cash was 4.9%.

Outlook

The fall in March brings the market's total decline since its February high to -28.6%, making it one of the sharpest selloffs on record. While the slowing of activity means that forecasting near term earnings for many companies is difficult, the market's fall means a significant amount of bad news is now factored being factored into share prices.

Looking forward, while the current situation is unprecedented, so too has been the response of governments, with coordinated policies covering monetary easing, fiscal stimulus and legislative actions. Australia's relatively low levels of infections and recent move to more stringent isolation measures sees us well placed versus other parts of the world to weather this storm.

The silver lining of a downturn such as this is that it provides the long-term investor with opportunities to buy quality businesses at very attractive prices. Indeed, having stress tested our key portfolio holdings, we believe they offer exceptional upside from the current oversold levels.

As always, our focus will continue to be on investing in quality companies with proven business models and strong balance sheets, which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

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