

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares Wholesale Trust (Net)	0.8	-0.4	-0.2	-12.2	-0.3	3.3	7.3
S&P/ASX 300 Accumulation Index	1.9	1.2	1.8	-7.9	4.2	6.9	7.2
Value Added	-1.1	-1.6	-2.0	-4.3	-4.5	-3.6	0.1

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

Overview

- Global markets were softer in October, with most major indices declining, due to the combination of a growing second wave of COVID-19 infections in Europe, the suspension of several critical vaccine trials and pre-election jitters in the US.
- The Australian market performed better, buoyed by the easing of lockdowns in Victoria, updates from many companies suggesting a generally improving economic outlook and consumer confidence rising strongly.
- Since the market's low, the Trust has performed well, returning +37.6% and outperforming the market by +4.6%. Over this period, many holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance.
- In addition, the Trust has benefitted from very strong performances from a number of stocks which we acquired at very attractive prices during the selloff. In particular, many of the Trust's mid and small cap holdings performed very well, with strong stock-specific drivers.

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 Trust FUM
 Stephen Bruce, Damian Cottier, AUD \$509 million
 Andrew King

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

Trust Inception Date Fees
 June 2001 0.92%

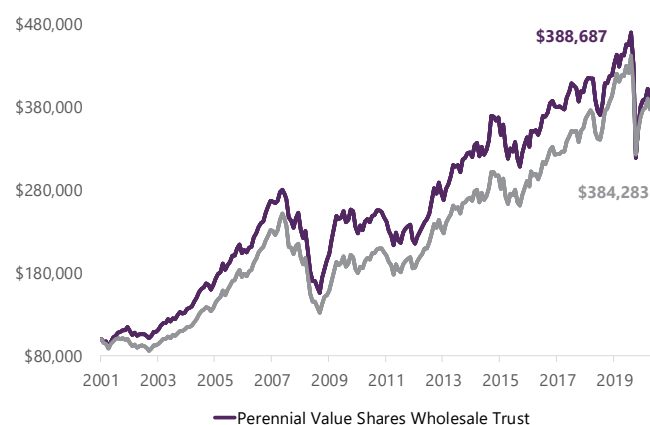
APIR Code
 IOF0206AU

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	13.8	16.6
Price to Free Cash Flow (x)	12.1	15.3
Gross Yield (%)	5.3	4.7
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 31 October 2020

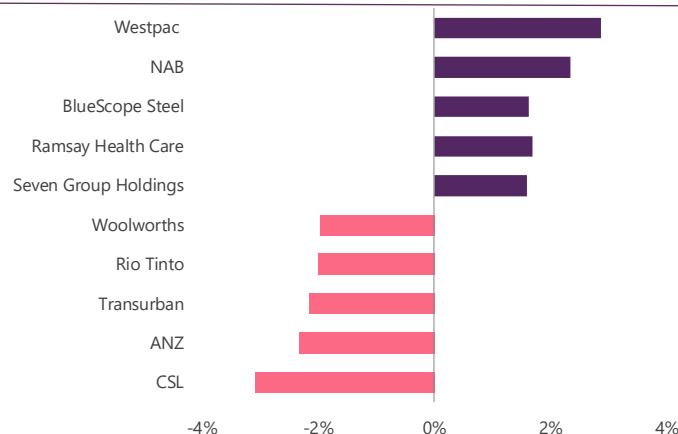
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

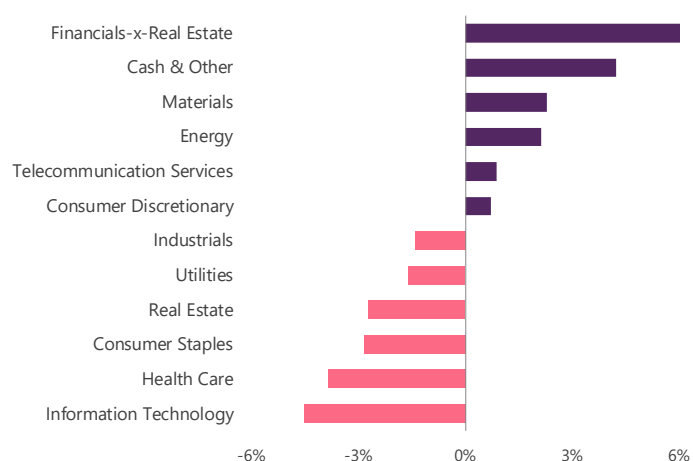


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were softer in October, with most major indices declining, due to a number of factors including a growing second wave of COVID-19 infections in Europe as well as news that trials of several of the key vaccine candidates had been suspended. In addition to a third wave of infections, the US market was dealing with uncertainty leading into the US election.

The Australian market performed better, rising +1.9%, buoyed by the easing of lockdowns in Victoria and updates from many companies suggesting a generally improving economic outlook. In addition, consumer confidence readings rose strongly. Of particular note was the information released relating the loan deferrals by the major banks. Pleasingly, a significant proportion of borrowers who had taken up the option of deferring repayments on either mortgages or business loans have now resumed payments. This is especially positive given that Victoria was still in lockdown over this period. Further, to date, the combined impact of repayment deferrals, low interest rates and first home buyer incentives has seen the property market remain sound, removing a significant risk to the economy.

The Trust delivered a return of 0.8% in October, underperforming the market by 1.1%. Since the market's low in March, however, the fund has performed strongly, returning +37.6% and outperforming the market by +4.6%. Over this period, many of the Trust's holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance. In addition, the Trust has benefitted from very strong performances from a number of stocks which we acquired at very attractive prices during the selloff. In particular, many of the Trust's mid and small cap holdings performed very well, with strong stock-specific drivers.

Financials was the best performing sector over the month, with the major banks up an average of +7.2%. The Trust has an overweight position in the sector, as the banks are trading on very attractive medium-term valuations and are likely to deliver significant share price upside as economic conditions normalise. As mentioned above, credit quality appears to be holding up well and, should this continue, the banks earnings will increase as bad debt charges revert to more normal levels. Further, the accelerated shift to online banking will present a cost reduction opportunity for the banks as they increasingly digitalise their operations. In addition, the banks are close to having put their various regulatory issues stemming from the Royal Commission behind them, have sound capital positions and are set to resume paying attractive levels of dividends.

Other financial holdings which performed well over the month included Virgin Money UK (+26.6%), as the UK banking system exhibited similar resilience, with the UK government having implemented very similar support mechanisms for their banks and borrowers as have been put in place in Australia. Janus Henderson (+16.8%) rallied on speculation that it may be taken over after an activist shareholder acquired a stake in it and Macquarie Group (+6.0%) also outperformed.

The resources sector was generally weaker during the month, however, a number of our holdings performed well, with Bluescope Steel (+15.4%) rallying after significantly upgrading earnings guidance on the back of strong demand, while Fortescue Metals (+6.6%), Oz Minerals (+6.1%) and Alumina (+4.4%) all outperformed. The Trust currently holds an overweight position in the resources sector, with exposure across a range of commodities, having reduced our holdings in the iron ore stocks following their strong performance in recent times.

Other holdings which outperformed included insurance broker Steadfast, which upgraded earnings guidance and gold miner Northern Star Resources (+8.9%), which will become a top tier global gold producer following its merger with Saracen Minerals.

Holdings which detracted from performance over the month included Event Hospitality (-14.4%), which gave back last month's gains despite a generally positive AGM update. This business stands to benefit strongly in its hotel business as restrictions ease and domestic tourism picks up in the coming months and in its cinema business as studios begin to release new films. Energy holdings, Origin energy (-7.0%) and Santos (-3.1%) were weaker on the softer oil price. We see significant upside in the energy stocks from the current levels as activity picks up and demand increases. In addition, a number of holdings underperformed on no particular news, including Nufarm (-10.6%), Monadelphous (-9.9%), City Chic (-9.6%) and Ramsay Healthcare (-5.6%). We remain comfortable with each of these holdings.

Trust Activity

During the month, the Trust added to or increased its holdings in a number of stock which are exposed to a recovery in the domestic economy including GPT, with its diversified portfolio of high quality property assets as well as Ramsay Healthcare and Integral Diagnostics, which stand to benefit from the backlog of medical procedures which have been deferred due to COVID. The Trust also added a position in Medibank Private, which is experiencing better than expected operating trends, and received shares in royalty company Deterra, which was spun out of Iluka Resources. This company holds the iron ore royalties from BHP's Mining Area C. This was funded by taking profits in a number of stocks which had performed strongly in recent times, including James Hardie, JB Hi-Fi, Janus Henderson and Seven Group. At month end, stock numbers were 60 and cash was 3.1%.

Outlook

The domestic outlook seems increasingly positive, with COVID largely under control, restrictions being eased and borders set to reopen. Further, the economy is underpinned by historically low interest rates and meaningful fiscal stimulus. If this improvement continues, then corporate earnings and dividends are likely to rebound strongly over the coming year.

Looking internationally, while the recovery that was being seen in Europe is being curtailed by the second wave of COVID infections, the US continues to improve. At the time of writing, the likely election US election outcome – a Biden presidency with a Republican Senate – should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. From an economic point of view, there is likely to be increased fiscal stimulus, although not of the scale originally proposed. Similarly, tax increased are less likely and interest rates are likely to remain low. On balance, this should be positive for economic growth, corporate earnings and markets overall.

The Trust is positioned to benefit from an ongoing economic improvement and our focus remains 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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Signatory of:



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