

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since Inception [^] (% p.a.)
Perennial Value Shares Wholesale Trust (Net)	3.0	5.8	7.6	9.7	8.4	7.6	8.7	7.9	8.5	8.2
S&P/ASX 300 Accumulation Index	3.9	7.1	10.0	16.4	13.0	12.1	10.6	9.8	10.7	8.4
Value Added	-0.9	-1.3	-2.4	-6.7	-4.6	-4.5	-1.9	-1.9	-2.2	-0.2

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

Overview

Global markets were mixed in February, with a strong rally in the Japanese and UK markets, seeing the Nikkei 225 up +10.4% and the FTSE100 up +7.0%, while the Chinese market delivered a more modest gain, with the Shanghai Composite up +1.1%. By contrast, the US market was weaker, with the S&P500 down -0.8% and the NASDAQ falling -3.3%, as the market began to not only question the valuations of AI stocks, but also ponder what impact AI may have on “non-AI stocks” as well as the broader economy as job losses kick in.

The Australian market performed very strongly, with the ASX300 Accumulation Index rising +3.9% in February, to a new record high. While reporting season was solid, it was largely macro factors that drove the market over the month. At the index level, the heavy lifting was done by the Resources sector (+8.4%), with rallies in the bulk miners, and the financials (+9.1%), led by the major banks (up an average +12.5%), on higher interest rates and stronger loan growth. Healthcare (-13.0%) was the worst-performing sector, following CSL's weak result, while IT (-8.0%) continued to be sold off on concerns around the potential for AI to disrupt the business models of software and platform companies. Consumer Discretionary (-5.9%) was also weak, following the RBA interest rate increase.

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.

Fund Characteristics

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and 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, Andrew King	AUD \$339 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
June 2001	0.92% p.a.
APIR Code	
IOF0206AU	

Portfolio Characteristics – FY27	Trust	Market
Price to Earnings (x)	19.7	18.9
Price to Free Cash Flow (x)	16.9	16.0
Gross Yield (%)	4.1	3.9
Price to NTA (x)	2.9	2.9

Note – Portfolio multiples are currently elevated relative to the market due to the underweight in Banks.

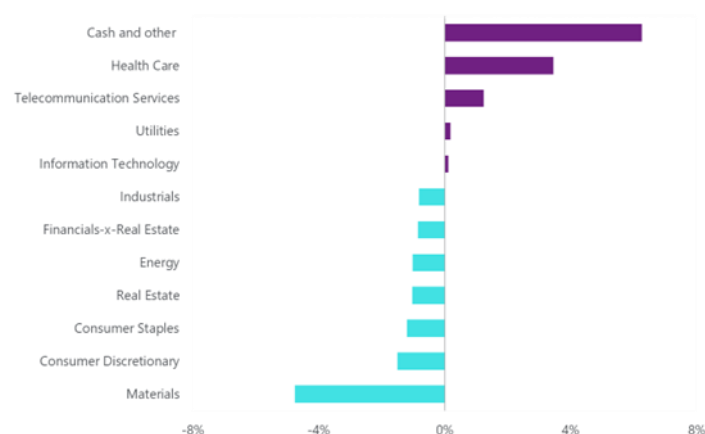
Source: Perennial Value Management. As at 28 February 2026

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.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

February was an extraordinary month, with macro factors, and thematics such as AI, overshadowing what was overall a very solid reporting season. While the ASX300 Accumulation Index returned a very healthy +3.9%, looking under the surface, this could be almost entirely attributed to the performance of the two largest stocks, CBA (+18.5%) and BHP (+15.5%), which both delivered solid results and saw disproportionate share price responses, as momentum following investors piled in. This is a typical feature of today's market, where short-term investors have an increasingly powerful influence, resulting in major overreactions in share prices to minor beats and misses. While undesirable at one level, this volatility can drive prices very far from fundamentals and ultimately creates significant opportunities for sensible investors.

The reporting season was one of the strongest in recent years, with earnings beats outnumbering misses by a significant margin. Importantly, the ratio of companies upgrading guidance also outnumbered those downgrading guidance for the remainder of the year. This all led to consensus upgrades for market earnings for the remainder of FY26. However, the positivity was moderated by the potential impact of RBA rate increases, AI disruption and global instability.

Resources outperformed in February, with Metals and Mining (+9.4%) the best performing sector. This was driven by strong performances from the bulk miners, with BHP (+15.5%) and Rio Tinto (+10.4%), after delivering positive results which highlighted the cash generation from their mature, low-cost iron ore operations and reinforced the scale of their copper operations, which will be the key driver of growth going forward. These stocks rallied despite a weaker iron ore price (-6.2%), which finally fell below the US\$100/t mark, as Chinese port inventories grew to high levels, and tensions between the miners and CMRG, the Chinese buying organisation continued to simmer. Although, given the state of affairs in the world today, a tension which is merely simmering, is something to be positive about! Other resources holdings which performed strongly included rare earths producer, Lynas (+27.4%) and lithium miner, Pilbara (+21.0%).

The oil price was fairly stable over the month as people held out hope for a diplomatic solution with Iran, however, Woodside Energy (+11.6%) rallied after delivering a solid profit result, with strong production and major projects on track. Of course, this all changed after month end, with Israel attacking Iran, sending the oil price ripping higher. This will no doubt be a topic for discussion in next month's commentary. In recent times, oil has been caught between the current reality of a fundamentally well-supplied market (despite Russian sanctions etc) and the increasing risks of military conflict. Against this backdrop our approach has been to hold a neutral sector position, supplemented with call options over Woodside, which would capture upside should events transpire as they sadly have.

Financials (+9.1%) performed strongly, with the major banks up an average of +12.5% on the back of earnings results which came in slightly better than expected. The banks are currently benefiting from a boost in lending growth, compliments of factors such as the Government's First Home Buyers Scheme (which has done nothing other than drive up the price of entry level housing). In addition, they are experiencing some margin pressure respite following the RBA interest rate increases (which are driven in large part, by the Government's profligate spending). As usual, CBA (+18.5%) led the sector, retaining its title as world's most expensive bank. Like most fundamental-driven investors, we struggle with the valuation of the sector in general, and CBA in particular, and maintain a slightly underweight position.

Consumer Staples (+7.3%) outperformed, driven by a strong rally in Woolworths (+16.4%). This followed an earnings result which showed improved momentum after a period of market share loss to rival supermarkets. This is a high quality, sector-leading business, and should continue to get its operational performance back on track over the coming periods. By contrast, Consumer Discretionary (-5.9%) was weaker, following the RBA rate rise, and results commentary which suggested discretionary spending was slowing.

IT (-8.0%) continued its torrid run, as the market worried about the impact of AI on the business models of SaaS and platform businesses. The sell-off mirrored what occurred in offshore markets and has seen falls of 30-50% in some very well-entrenched, market leading businesses. The long-term impact is, of course unknowable, and this will likely keep share prices below previous levels. However, in the near-term, any impacts are likely to be limited, seeing scope for at least a partial recovery in share prices. As a result, the sell-off is presenting the opportunity to invest in very good businesses at attractive prices.

Trust Activity

During the month, we took profits and reduced our holdings in Block and Woolworths following their outperformance, as well as moving underweight Wesfarmers. Proceeds were used to increase our oil exposure by moving overweight Woodside Energy and establishing a new position in Santos. At month end, stock numbers were 61 and cash was 6.3%.

Outlook

Globally, investors have been taking an optimistic view on the outlook, with expectations that interest rate cuts will both stimulate economic activity and support asset prices. Further, markets have been reflecting a sanguine view around the growing list of geopolitical risks. Of course, this may well change depending on the trajectory of the conflict in the Middle East, and any sustained change in confidence and activity in the US will set the tone for other markets, including ours.

Domestically, the sharp change in expectations for RBA rate cuts has increased the level of uncertainty and downside risk. However, for now, the economy appears to be in reasonable shape, with unemployment low, spending robust and house prices strong.

While markets are buoyant at the index level, this is masking a high level of dispersion at the sector level. For example, while AI-related stocks are running rampant, major software companies have seen their biggest sell-off since the bursting of the Dot.com bubble. Formerly stable sectors such as Healthcare have been put at risk as funding pressures increase, and the cold, hard realities of commodity economics have seen a dramatic rally in Resources stocks. We expect this volatility to continue and will remain agile to manage the portfolio accordingly.

While there is a high level of economic and political uncertainty, 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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