

	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)	-7.3	-3.2	-0.3	5.5	2.6	5.0	6.5	6.8	7.2	7.9
S&P/ASX 300 Accumulation Index	-7.3	-2.0	1.9	11.6	7.0	9.4	8.5	8.5	9.4	8.0
Value Added	0.0	-1.2	-2.2	-6.1	-4.4	-4.4	-2.0	-1.7	-2.2	-0.1

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

Overview

Well that all went south quickly! The outbreak of hostilities in the Middle East saw global markets sold off sharply in March. While the market had taken a sanguine view in the lead up to the conflict, there had clearly been an underappreciation of the potential scope and scale of economic disruption that would result, particularly from the closure of the Straits of Hormuz and damage to energy infrastructure in the region. This prompted concerns around global growth and the prospects of stagflation emerging. All major indices posted material declines, with the S&P500 -7.7%, NASDAQ -8.2%, FTSE100 -6.2%, Shanghai Composite -6.5%, while the Nikkei 225 was down -12.6%.

The Australian market was also weak, with the ASX300 Accumulation Index down -7.3%. Energy (+19.2%) was the standout sector, as the oil price surged, while the risk-off environment saw defensive sectors such as Utilities (+4.9%), and Consumer Staples (+2.8%) deliver positive returns. All other sectors declined over the month, with Metals & Mining (-12.9%) on the prospect of weaker demand for industrial metals, while the traditional safe-haven asset, gold, somewhat surprisingly, also fell. The Tech sector (-12.9%) was weak again, on potential AI disruption and the Consumer Discretionary sector (-9.1%) was weaker as the RBA lifted interest rates, and higher petrol prices threatened consumer spending.

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 \$330 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)	17.2	16.6
Price to Free Cash Flow (x)	14.9	13.6
Gross Yield (%)	4.6	4.5
Price to NTA (x)	2.7	2.7

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

Source: Perennial Value Management. As at 31 March 2026

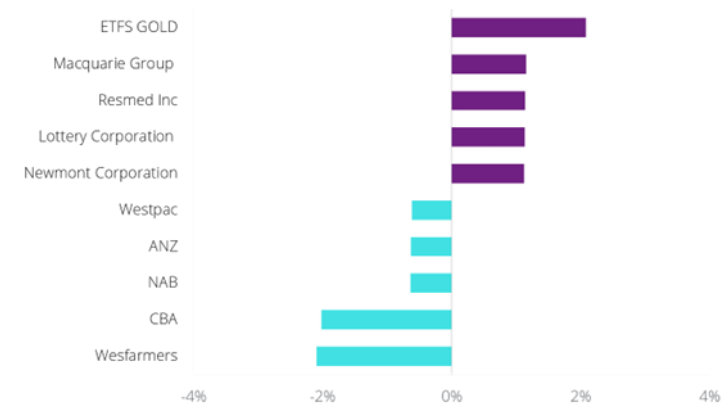
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception

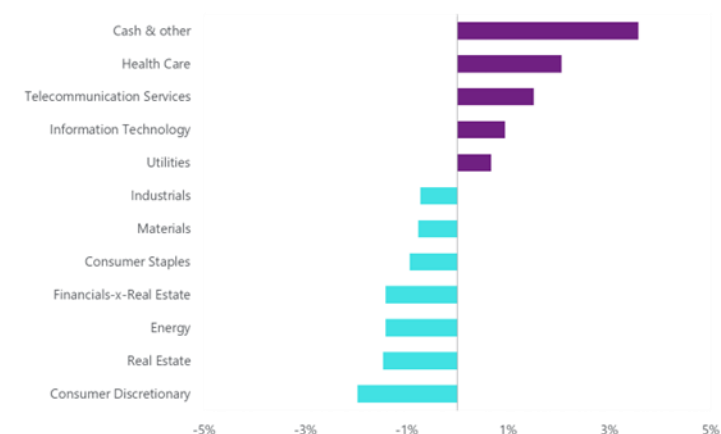


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

After proving incredibly resilient in the face of mounting risks, the market finally cracked in March, following the outbreak of hostilities in the Middle East. While markets tend to be nonchalant about the human bloodshed and suffering that arises from armed conflicts in faraway places, it is a different story when these threaten to disrupt the flow of oil, which remains – despite the massive investment into renewables – the lifeblood of the global economy.

With around 20% of global supply disrupted via the effective closure of the Straits of Hormuz, and the ongoing risk of damage to critical infrastructure in the region, the oil price surged by nearly 60% to over US\$100/bl. Not only does this have the potential to push an inflationary shock through the global economy, impacting growth, but it also raised the spectre of physical supply shortages should the disruption prove prolonged. While Australian supplies currently remain at their usual levels of ~30 days, it does call into question the wisdom of having offshored the storage of the balance of our 90-day requirement to the US in 2021. As an aside, should we find ourselves having to ration fuel, it would be the first time this has happened since 1979, which, ironically, was also on the back of “regime change” in Iran (exacerbated by a prolonged strike at the Caltex Kurnell refinery). Anyhow, let's hope it doesn't get to that! In the meantime, Energy (+19.2%) was the only sector of the market to deliver strongly positive returns in March. The Trust currently holds an index weight position in the Energy sector, noting that prior to the recent conflagration, the market was very well supplied, and the hint of an “outbreak of peace”, is likely to see the oil price fall sharply.

These developments saw markets sold down aggressively as investors de-gearred and pivoted to a risk-off stance. Defensives outperformed, in this environment, with holdings in supermarket retailers Coles (+8.9%) and Woolworths (+2.4%) benefitting. Telstra (+2.9%) continued its outperformance. Not only is the Telco sector highly defensive (people would likely go without food before going without a phone!), but the industry structure is a rational oligopoly, as evidenced by the regular, above-CPI, price increases. Similarly, our holding in regulated monopoly, Lottery Corporation (-2.4%), outperformed the broader market.

The REIT sector (-11.2%) failed to prove defensive, as bond yields rose on the prospect of higher inflation, while gold – generally regarded as the ultimate defensive asset – sold off sharply, down -11.6%. This counter-intuitive move was likely the result of deleveraging, whereby fast-money investors reduced risk by lowering market exposure, including by taking profits and selling “winners”.

The Metals & Mining sector (-13.2%) gave back some of its recent strong performance, as the rising risks to global growth weighed on expected demand for industrial metals. The bellwether copper price was down -9.5%, resulting in underperformance from holdings in Capstone Copper (-29.8%) and Sandfire Resources (-20.6%). By contrast, the aluminium price rallied strongly, +13.5%, following significant damage to several smelters in the Persian Gulf. This saw outperformance by our holding in Alcoa (+5.7%), which has no assets in this region. This comes on top of an already tight aluminium market, which has seen capacity reductions in recent times.

The bulk miners were mixed, with the iron ore price rising +7.3%, offsetting base metal weakness. BHP (-12.1%) was the laggard, as its dispute with Chinese iron ore buying agency, CMRG, continues. As with any commodity, supply and demand will ultimately determine the price, and the market remains well balanced. In our view, the bulk miners remain attractive, with strong cash flows to continue from their iron ore businesses for the foreseeable future, while their large-scale copper exposures position them well for growth.

The prospect of slower growth and rising inflation, led to increased risk of stagflation, which is generally regarded as the “worst-of-all-worlds” for investors. In such an environment, the combination of earnings pressure and higher interest rates would see bad debts rise for the banks. While this is a far from certain outcome, and bad debts are currently extremely low, it was enough to see the banks come under pressure. The majors were down an average of -9.2%, with NAB (-15.5%) the most impacted, given its greater weighting to the SME sector. Anecdotal evidence from discussions with a range of small business operators suggests that this critical sector of the economy is already under significant pressure from rising cost of doing business. Growing concerns around issues in the private credit market also weighed on the banks. The Trust maintains an underweight position in the sector, given its very full valuation.

The Tech sector (-12.9%) continued to fall, as new AI tools were rolled out by Anthropic etc. In our view, the near-term threat to many of these businesses is greatly overrated, and the sell-off is presenting the opportunity to buy some very high-quality businesses at attractive prices, and we have been adding small positions in these names

Trust Activity

During the month, we took profits and reduced our holdings in a number of defensive names which had outperformed. Proceeds were used to establish positions in a number of IT stocks, which had been sold down sharply, and are now offering compelling value. At month end, stock numbers were 68 and cash was 3.6%.

Outlook

The optimistic view on the outlook which investors had been taking has crumbled, as the war in the Middle East has descended into a tragic farce, with the potential for far-reaching and lingering economic shocks in the form of supply chain disruption, higher energy costs, higher inflation and higher interest rates.

Australia, of course, will not be immune, and the sharp change in expectations for RBA rate cuts has increased the level of uncertainty and downside risk. In particular, the combination of higher fuel costs and mortgage rates is posing a risk to the consumer. For now, however, the economy appears to be in reasonable shape.

While the sell-off in March was sharp, markets were starting from a high level and were probably due a pull-back. With a significant level of deleveraging having now occurred, it would not be surprising to see investors moving in to buy the dip, while the prospect of an end to the conflict would likely see a strong rally in markets.

While the market is not far from its highs, there has been massive divergence in sector performance, and this is creating very many good opportunities for longer-term investors such as ourselves. 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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Contact us



Level 27, 88 Phillip Street
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

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