

	Month	Quarter	FYTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	Since Inception [^]
	(%)	(%)	(%)	(%)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)	(% p.a.)
Perennial Value Shares Wholesale Trust (Net)	-3.1	0.6	0.6	-0.3	1.3	6.7	5.2	6.2	6.7	7.9
S&P/ASX 300 Accumulation Index	-2.4	1.3	1.3	2.4	6.5	11.3	7.5	7.8	9.0	8.1
Value Added	-0.7	-0.7	-0.7	-2.7	-5.2	-4.6	-2.3	-1.6	-2.3	-0.2

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

Overview

Global markets were mixed in September. On the one hand, rising bond yields and interest rate increases, combined with higher oil prices, weighed on sentiment towards the broader outlook, while on the other, the Tech sector saw ongoing positivity. This saw the NASDAQ rise +1.9%, and the Nikkei 225 rally +1.3%, while the S&P500 -0.1%, FTSE100 -2.0% and Shanghai Composite -3.4% all declined.

The Australian market broke a 5-month positive streak, with the ASX300 Accumulation Index down -2.4%. Healthcare (+3.9%) was again the best performing sector, while Tech (-9.8%) was subject to another round of selling, following the announcement of Meta's Muse AI agent. Metals and Mining (-6.1%) was weaker on the softer economic outlook, while Energy (+0.5%) lifted with the oil price. Interest rate sensitive sectors were also weaker, with Consumer Discretionary (-3.2%).

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

Stephen Bruce,
Andrew King

Trust FUM

AUD \$285 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

June 2001

Fees

0.92% p.a.

APIR Code

IOF0206AU

Portfolio Characteristics – FY28	Trust	Market
Price to Earnings (x)	16.1	15.7
Price to Free Cash Flow (x)	12.8	12.7
Gross Yield (%)	4.8	4.6
Price to NTA (x)	2.6	2.5

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

Source: Perennial Value Management. As at 30 September 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

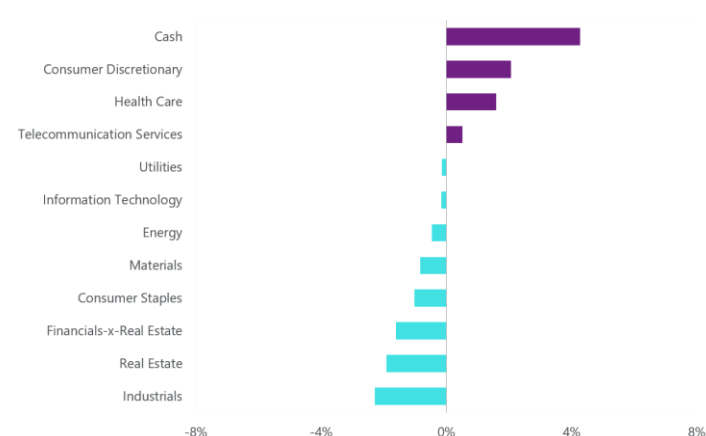


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Persistent inflationary pressures remain a feature of most economies, and this has resulted in bond yields rising to levels not seen in many years. This, as well as interest rate increases by the Fed and RBA, amongst other central banks, set a negative backdrop for markets in September. Both globally, as well as domestically, this saw a sell-off in interest rate-sensitive, and cyclical sectors of the market. The Trust remains generally underweight consumer-facing stocks. However, we recently moved overweight Wesfarmers (-2.1%) as it is obviously a high-quality business, and following its recent sell-off, it was presenting a more attractive valuation.

The Trust also holds a position in fast-growing online furniture retailer, Koala (+10.1%). This business is bucking the retail malaise, and continuing to deliver strong growth, as it gains share in the Australian market and expands into offshore markets. The company has a very long growth runway, is well-positioned at the more affordable end of the market, and should continue to deliver operating leverage as the business scales (plus, AI probably won't eliminate the need for sofa beds!).

The rise in bond yields benefited the insurance sector, where the Trust holds a modest overweight, principally via QBE (+4.9%). QBE is also benefitting from a benign claims environment (touch wood!) and is trading on an undemanding valuation, with an FY27 P/E of 11.4x, while generating a high double-digit return on equity.

In the more risk-off environment, Healthcare stocks tended to outperform, with holdings in CSL (+8.8%) and Cochlear (+5.2%) continuing to recover after having both been sold off aggressively over the last 12 months. While both have experienced challenges, management are addressing these, and earnings have now been rebased. Biotech, Telix (+2.3%) rose after announcing that it was merging with German company, ITM, another significant player in the radio-pharmaceuticals market. The merger creates a scaled global business, with best-in-class manufacturing and supply chain as well as a strong product pipeline.

Other positive contributors included recent portfolio addition, Graincorp (+10.7%). Graincorp is benefitting from the recent rally in global wheat prices, driven by a combination of unfavourable weather in northern hemisphere growing regions, as well as disruptions to Black Sea exports, compliments of the Ukraine war. Should prices remain elevated, this will create more export opportunities for Graincorp, along with expanded grain trading margins.

Oil prices also rose on the back of renewed tensions in the Middle East, with Brent Crude +14% to over US\$100/bl, seeing outperformance by holdings in Woodside (+0.8%) and Santos (+5.9%). The Trust holds an index position in the Energy sector as, while prices continue to be volatile, to date at least, the global supply-demand balance seems to be responding in such a way that price spikes are short-lived, and any indication of an easing in tensions is met with a sharp sell-off.

In addition to the impact of higher bond yields, the launch of Meta's new AI agent, "Muse", saw a renewed bout of selling amongst the Australian Tech sector. Apparently, soon your AI agent will do your tax (Xero -31.3%), organise your freight forwarding (WiseTech -19.3%), buy and sell your cars (CAR Group -17.6%), and house (REA -11.1%) plus track your kids/pets/elderly relatives (Life360 -6.5%). The question of whether this will happen will be answered in the fullness of time, but for now the market is shooting first. This is creating some very interesting valuation opportunities, in what are high-quality businesses, and the Trust has been establishing small positions in several of these names.

A gloomier demand outlook and a strengthening of the USD, resulted in commodity prices being generally weaker, and saw the Resources sector sold off. The iron ore price declined -5%, having previously proven very resilient, seeing BHP (-6.2%) and Rio Tinto (-4.5%) both underperform. The Portfolio holds an underweight position in the bulk miners, following their strong run earlier in the year. Copper (the resources proxy for the AI trade) was stable, however, copper equities declined, impacting holdings in Capstone Copper (-11.9%) and Sandfire Resources (-3.2%). Rare earths miner, Lynas (-13.2%) and lithium producer, Pilbara (-27.8%) were also weaker. Despite the volatility, we continue to view the outlook for these commodities and companies positively, with very strong long-term demand drivers. In addition, the supply of copper is likely to continue to be constrained given the declining grades at many of the major producing mines and delays in developing new mines, while rare earths will continue to be strategically important.

Other detractors from performance included MA Financial (-20.3%), on concerns over its private credit funds (overdone in our view) and Block (-8.7%), on the back of its exposure to the US consumer.

Trust Activity

During the month, we sold our holding in Reliance Worldwide, as its price converged with the takeover offer price, as well as reducing holdings in Goodman Group and Macquarie Telecom. Proceeds were used to increase positions in Wesfarmers and Woodside Energy. At month end, stock numbers were 68 and cash was 4.3%.

Outlook

Globally, economies are facing into the headwinds of persistent inflation, rising interest rates and rising energy costs. However, equity investors are clearly betting that these will subside, and that even if they don't, the key drivers of growth ie the AI trade will prove immune to these pressures – hence we see the NASDAQ at all-time highs. Time will tell.

However, in markets such as ours, which are grounded in the "real" (non-AI) world, the outlook is somewhat more uncertain. Consumers are feeling the impact of higher interest rates, while also being squeezed by inflation-driven cost-of-living pressures. At the same time house prices are falling, which is impacting confidence.

We are alert to the risks above, and will remain agile, and manage the portfolio accordingly. However, over time, the Australian economy has proven resilient and corporate balance sheets are generally in good shape to weather any downturn that may eventuate.

Importantly, recent volatility has created opportunity, and some very strong businesses, particularly in the Tech and Healthcare sectors, have been severely de-rated of late. While it may take some time to play out, we see the potential for strong future returns from many of these names.

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.

Invest Online Now

Contact us



Level 27, 88 Phillip Street
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

Signatory of:



Issued by Perennial Value Management Limited (ABN 22 090 879 904, AFSL No. 247293) as the Investment Manager. The Responsible Entity is Perennial Investment Management Limited (ABN 13 108 747 637, AFSL No. 275101). Perennial Partners Limited (ABN 90 612 829 160) is a Corporate Authorised Representative (1293138) of Perennial Value Management Limited. Both the Investment Manager and Responsible Entity form part of Perennial Partners. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation and is not intended to constitute advertising or advice of any kind and you should not construe the contents of promotional statement as legal, tax, investment or other advice. This promotional statement does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should read and consider any relevant offer documentation applicable to any investment product or service and consider obtaining professional investment advice tailored to your specific circumstances before making any investment decision. While every effort has been made to ensure the information in this promotional statement is accurate, its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet, application forms and target market determination can be found on Perennial's website www.perennial.net.au. Use of the information on our website is governed by Australian law and is subject to the terms of use. No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful.