

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Wealth Defender Australian Shares Trust (Net)	-0.6	1.0	3.1	19.6	6.7	5.5	5.1
S&P/ASX300 Accumulation Index	-2.0	0.7	3.3	23.8	10.3	9.1	8.3
Value Added	+1.4	+0.3	-0.2	-4.2	-3.6	-3.5	-3.2

Since inception: May 2014. Past performance is not a reliable indicator of future performance.

Overview

- The ASX300 Accumulation Index delivered a weak return of -2.0% for December. This result was driven by weakness in expensive sectors like Healthcare (CSL, COH), IT (APT) and Consumer Staples (WOW). These moves were a retracement of the prior month.
- Holdings which contributed positively included BHP Billiton Group (+1.8%) which rallied on the Phase 1 trade war agreement and corresponding bid in commodities, Atlas Arteria (+2.35%) which rallied on a 1.35B AUD equity raising and simplification of its corporate structure and also News Corp (+2.86%) which moved on a potential restructuring and the potential sale of two of its smaller assets.

Perennial Value Wealth Defender Australian Shares Trust

The Trust aims to outperform the S&P/ASX300 Accumulation Index by investing in a diversified portfolio of Australian shares and using protection strategies to dynamically protect the Trust through market cycles, thereby reducing the magnitude of significant negative returns in sharply falling equity markets.

Portfolio Manager Dan Bosscher	Trust FUM AUD \$42 million
Distribution Frequency Half yearly	Minimum Initial Investment \$25,000
Trust Inception Date May 2014	Fees 0.98% + Perf fee
APIR Code IOF0228AU	Trust Redemption Price \$1.0902

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	15.3	16.5
Price to Free Cash Flow (x)	14.5	15.7
Gross Yield (%)	5.2	5.4
Price to NTA (x)	2.3	2.5

Source: Perennial Value Management. As at 31 December 2019

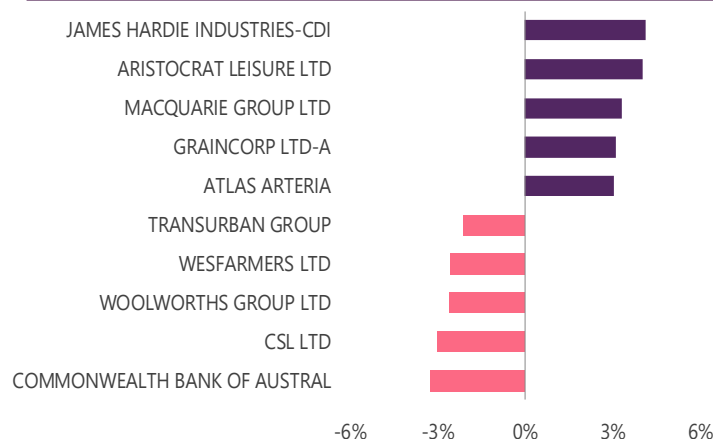
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

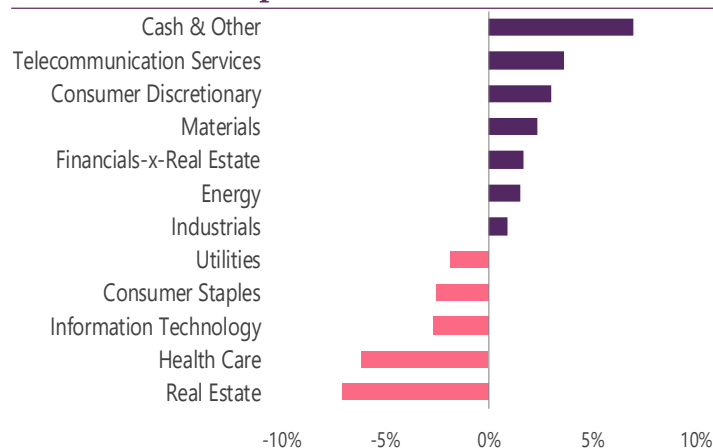
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay spend for the rolling 1 year is 3.0% with the market +23.8%.
- The Trust currently carries a moderate level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The Trust delivered a net return of -0.6% in December against a market return of -2.0%. The driving force of this outperformance was a poor showing by expensive sectors that the Trust is underweight due to valuation. Examples of such sectors are IT (-4.59%), Healthcare (-2.68%) and Consumer staples (-8.1%).

Portfolio holdings which contributed positively included BHP Billiton Group (+1.8%) which rallied on the Phase 1 trade war agreement and corresponding bid in commodities, Atlas Arteria (+2.35%) which rallied on a 1.35B AUD equity raising and simplification of its corporate structure and also News Corp (+2.86%) which moved on a potential restructuring.

BHP outperformed the market this month, buoyed by a bid to commodities. We continue to remain exposed to the stock partially by way of options.

With central banks globally either looking to hold or cut we retain our exposure to the bond proxy universe by way of Atlas Arteria. Further, we believe that the announcement of a 1.35B capital raising and a simplifying of its corporate structure bodes well for the stock price.

In News Corp, the financial press have again highlighted that the stock price undervalues the sum of the parts valuation. As such consideration has been given to the sale of News America Marketing and Unruly – two of its smaller assets. This sell down, if it occurs, may pave the way for a corporate restructuring further down the track.


Finally, the overlay added 18bps this month. We continue to maintain a moderate level of protection.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-2.0
Energy	-1.4
Materials	+1.8
Industrials	-3.1
Consumer Discretionary	-2.2
Health Care	-2.7
Financials-x-Real Estate	-1.6
Real Estate	-4.2
Information Technology	-3.9
Telecommunication Services	-5.5
Utilities	+0.8

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Trust Activity

During the month we added WOR and reduced our TAH position. With the market pricing in a phase 1 trade resolution WOR was added to increase the energy exposure of the fund. TAH has been a strong contributor to performance since its inclusion but with no catalysts on the horizon and with the recent positive stock price momentum beginning to turn, the position was decreased.

At month end, stock numbers were 22 and cash was 4.04%.

Outlook

The ASX 300 Accumulation Index is currently trading slightly above its long term average, with FY21 P/E of 17.34x and offering an attractive dividend yield of 5.2%.

Whilst in recent times the market has favoured expensive growth and defensive stocks the divergence in valuation between this subset and stocks more typically deemed “value” is at historical highs. As such risk reward remains skewed to the downside when holding these expensive names, and this month provides some support for this position. With phase 1 of the trade war all but resolved there is every chance that the “flight to safety” trade is unwound in favour of increased value exposure.

We carry a moderate level of protection.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust offering better value than the overall market on three of our four valuation characteristics: price to earnings, price to free cash flow, price to net tangible assets and similar value in gross yield (%).

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

Global, Currency & Commodities (%)

S&P500	+2.6
Nikkei225	+1.6
FTSE100	+2.7
Shanghai Composite	+6.2
RBA Cash Rate	0.75
AUD / USD	70.2c
Iron Ore	+4.5
Oil	+5.7
Gold	+3.6
Copper	+5.1