

	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)	3.2	5.1	6.4	21.8	8.1	5.6	5.6
S&P/ASX300 Accumulation Index	4.9	6.0	8.3	25.0	12.4	9.4	8.6
Value Added	-1.7	-0.9	-1.9	-3.2	-4.3	-3.8	-3.0

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

Overview

The ASX300 Accumulation index delivered a strong return of 4.9% for the first month of 2020. This benchmark return was driven in large part by a strong showing from expensive Consumer staples (WOW +15.71%, COL +11.52%) and Healthcare names (CSL +13.16%). Also positive contributors to benchmark performance were Consumer discretionary names Aristocrat (+7.51%) and Tabcorp (+3.53%)

For January, the Wealth Defender Trust returned 3.27%. Strong contributors to performance were GNC which rallied 10.82% (+22bps alpha) and Aristocrat which rallied 7.51% (+13bps alpha) continuing its stellar performance started last year. Also contributing were our underweights IAG (+11.44bps alpha) and TWE (+14bps alpha) which finished the month down 19.77%. Detractors to performance this month were our underweights in WOW (-27bps) and CSL (-18bps).

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	Trust FUM
Dan Bosscher	AUD \$43 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
May 2014	0.98% p.a. + Performance fee
APIR Code	Trust Redemption Price
IOF0228AU	\$1.0902

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	16.2	17.5
Price to Free Cash Flow (x)	15.5	17.0
Gross Yield (%)	5.1	5.2
Price to NTA (x)	2.4	2.7

Source: Perennial Value Management. As at 31 January 2020

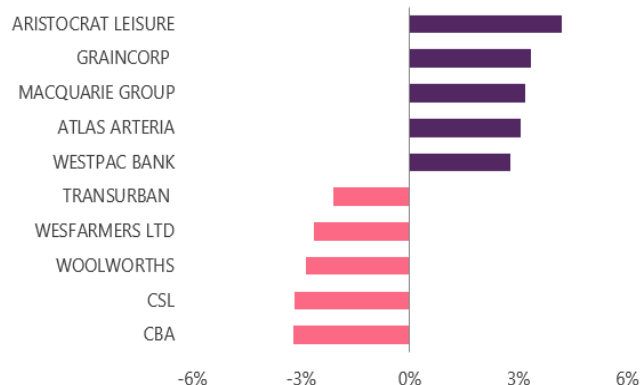
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

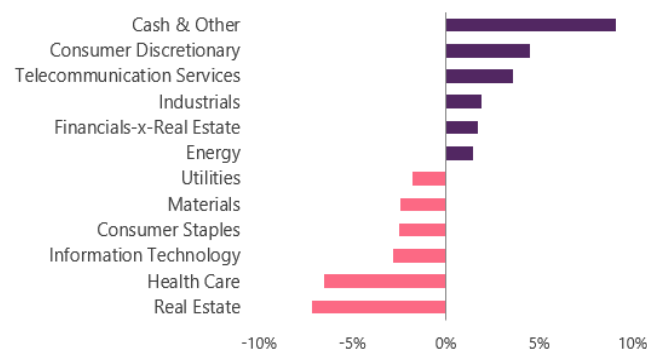
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay spend for the rolling 1 year is 1.6% with the market +25%.
- 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 3.27% during January versus an Index return of 4.89%. This underperformance was largely due to strong returns in expensive sectors such as Consumer Staples (19.46%), Healthcare (16.91%) and Information Technology (14.55%), where the Portfolio is underweight.

The main contributors to the Trust's performance this month were Graincorp, which was up 10.82% (+22bps alpha) on increased rainfall and Aristocrat, which was up 7.51% (+13bps alpha), continuing the company's recent stellar share price performance. Throughout January, the Trust held an average overweight of 4.1% in Aristocrat.

Other contributors were our underweights in IAG (+11.44bps alpha), which downgraded profit expectations due to the recent domestic bushfire crisis and Treasury Wine Estates (+14bps alpha), which experienced an earnings downgrade that stemmed from weakness in the US business, finishing the month down 19.77%.

Detractors to performance this month were our underweights in the expensive stocks Woolworths (-27bps) and CSL (-18bps).

Trust Activity

During the month, we added Star Entertainment Group after it traded through our buy target.

We also exited our James Hardie position after almost 6 months, as the company's strong performance took it through our sell target. Over this period, the stock had added approximately 170bps of alpha.

At month end, the portfolio comprised of 23 stocks and cash at 4.6%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+4.9
Energy	+0.6
Materials	+1.6
Industrials	+1.9
Consumer Discretionary	+4.3
Health Care	+12.0
Financials-x-Real Estate	+4.7
Real Estate	+6.3
Information Technology	+10.2
Telecommunication Services	+7.7
Utilities	+1.0
Consumer Staples	+7.8

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Outlook

The ASX 300 Accumulation Index is currently trading slightly below its long term average PE ratio, with the FY21 estimate at 17.76x versus a 19.88x long term average. The current dividend yield remains attractive at 5.44%.

Whilst in recent times the market has favored 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 – a testament to this thesis has been the outsized underperformance of some of the expensive names during recent periods of "risk off" sentiment. We remain confident that a concentrated portfolio of value names will provide the desired risk reward characteristics.

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 and have the ability to deliver high levels of franked dividend income to investors.

Global, Currency & Commodities (%)

S&P500	-0.2
Nikkei225	-1.9
FTSE100	-3.4
Shanghai Composite	-2.4
RBA Cash Rate	0.75
AUD / USD	66.9c
Iron Ore	-11.2
Oil	-11.9
Gold	+4.7
Copper	-10.0

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