

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Wealth Defender Australian Shares Trust (Net)	4.2	-5.7	-5.8	-3.0	3.2	1.7	3.2
S&P/ASX300 Accumulation Index	4.6	-9.7	-9.8	-6.5	4.5	4.3	5.3
Value Added	-0.4	4.0	4.0	3.5	-1.3	-2.6	-2.1

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

Overview

The ASX300 accumulation index delivered another positive result in May 2020 finishing up 4.6%. Price action this month was characterised by a rotation out of expensive defensive sectors like healthcare (-5.1%) into more cyclical sectors like Energy (+4.7%), Consumer Discretionary (+6.9%) and Materials (+8.4%). The Wealth Defender Portfolio was a beneficiary of this rotation.

For May, the portfolio returned 4.2%. Among the larger positive contributors to performance were BHP (+7.1%), JHX (15.7%) and NCM (11%). With the rotation into value continuing this month, our underweight to CSL continues to pay off with the stock off 10.7% in May.

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 \$33 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 – FY21	Trust	Index
Price to Earnings (x)	16.2	17.8
Price to Free Cash Flow (x)	14.6	15.9
Gross Yield (%)	4.4	4.6
Price to NTA (x)	1.7	2.2

Source: Perennial Value Management. As at 31 May 2020

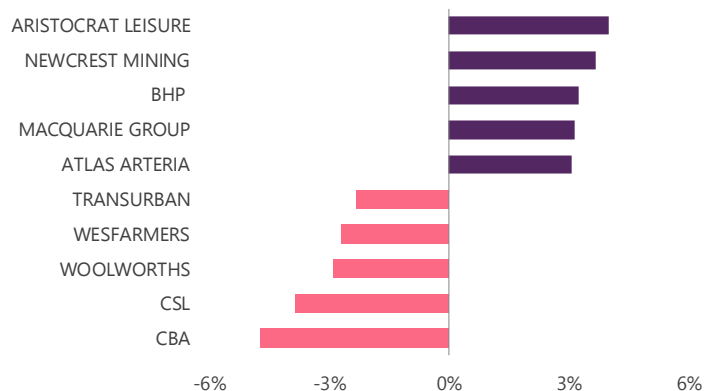
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

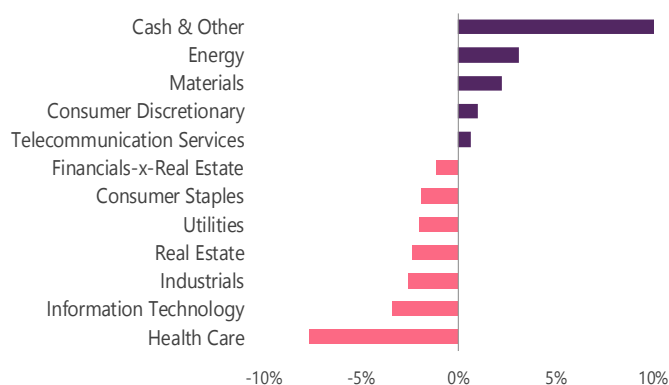
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Corona 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- For the rolling 1 year the overlay has made 6.2% while the market is down 6.5%.
- The Trust currently carries moderate levels of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The trust delivered a net return of 4.2% in May versus a benchmark return of 4.6%. This performance was due in large part to our overweights in Materials (BHP, RIO, NCM) and underweights in healthcare (CSL). Interestingly, whilst the consumer staples sector was down 0.5% for the month, the outperformance in GNC (+25%) was a significant contributor to the portfolio. JHX outperformed on the back of a good result intra-month with the company experiencing strong performance in both North America and the APAC regions which it expects to continue. CSL continues to underwhelm as COVID-19 fears recede. GNC also reported this month. Whilst the result was underwhelming due to the small 2019 crop, its processing business continues to perform admirably and expectations for the current season remain positive. Finally, GNC remains one of few stocks relatively unaffected by COVID-19. These factors combined mean the stock's overweight position in the Wealth Defender portfolio continues to pay off. Detractors to performance this month were our underweights to Afterpay (+52%), FMG (+16%) which are highly exposed to the recovery and our overweight to the defensive CLW (-2.2%).

Trust Activity


The cyclical nature of the Wealth Defender portfolio was reduced through the month with a reduction in MQG, TAH, WOR and ALL after strong runs in April and May. The profitable JHX position was also reduced as our target price for the stock is approaching. Counter cyclical positions were established in QBE and extended in UMG. Further, the Wealth Defender trust added short stock option positions over NAB, BHP and RHC, taking advantage of high levels of implied volatility.


At month end the portfolio comprised of 35 names and 5.7% cash.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+4.6
Energy	+4.7
Materials	+8.4
Industrials	+3.8
Consumer Discretionary	+6.9
Health Care	-5.1
Financials-x-Real Estate	+5.3
Real Estate	+7.1
Information Technology	+14.3
Telecommunication Services	+8.5
Utilities	+3.1
Consumer Staples	-0.5

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Outlook

The ASX 300 Accumulation Index is currently trading above its long term average 12MF PE ratio with FY21 estimate trading at 20.4 versus the long term average at 16.7. Dividend yield is currently 3.2%.

Whilst in recent times expensive growth and defensive names have been favoured over their value counterparts this gap continues to be bridged as the market (and the world) continues to recover from the Coronavirus. We expect value to continue to make up ground against growth and remain of the view that risk reward for expensive names is skewed to the downside.

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

We carry a moderate level of protection.

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	+4.5
Nikkei225	+8.3
FTSE100	+3.0
Shanghai Composite	-0.3
RBA Cash Rate	0.25
AUD / USD	66.4c
Iron Ore	+18.5
Oil	+36.6
Gold	+0.2
Copper	+1.1

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