

	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)	0.2	5.2	0.2	-7.2	3.1	2.3	3.2
S&P/ASX300 Accumulation Index	0.6	7.8	0.6	-9.7	5.4	5.2	5.6
Value Added	-0.4	-2.6	-0.4	2.5	-2.3	-2.9	-2.4

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

Overview

- Gold was the big winner in July. In our view the markets globally are expressing a negative view of the US dollar and an increasing expectation of inflation going forward.
- Global markets were mixed in July, with economic re-openings and positive announcements around vaccine trials, being weighed against a resurgence in COVID-19 infections in many countries.
- The Australian market eked out a small gain in July, with the ASX300 Accumulation Index logging its fourth consecutive positive month, rising +0.6%. This was despite mounting concerns around the second wave of infections in Victoria.
- The overlay portfolio has detracted from performance this month by 40bps. However, over the year the market is down 9.7% and the protection overlay has delivered positive 5.4% to performance.

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 5.4% while the market is down 9.7%.
- The Trust currently carries moderate levels of protection.

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.

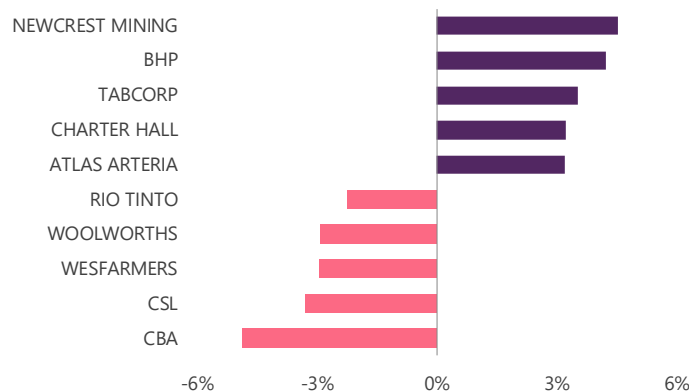
Portfolio Manager	Trust FUM
Dan Bosscher	AUD \$31 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
May 2014	0.98% p.a. + Performance fee
APIR Code	Trust Redemption Price
IOF0228AU	\$0.9947

Portfolio Characteristics – FY22	Trust	Index
Price to Earnings (x)	13.8	16.5
Price to Free Cash Flow (x)	13.3	16.2
Gross Yield (%)	5.7	4.7
Price to NTA (x)	1.7	2.2

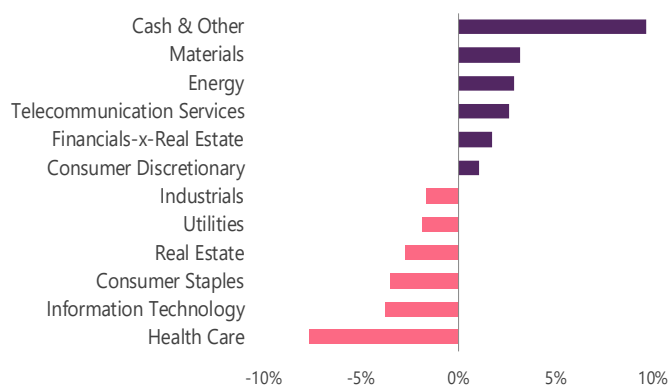
Source: Perennial Value Management. As at 31 July 2020

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.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Resources (+4.5%) led the market in July, with Metals and Mining (+7.1%) the best performing sector of the market. This was driven by ongoing strength in commodity prices, attributable to a weaker USD as well as ongoing supply disruptions, while demand remained robust, principally driven by China. The Trust holds an overweight position in the resources sector and saw particularly strong performances from holdings in BHP (+2.6%) and Newcrest (+11.6%).

The Gold sector, which the Trust is overweight, was a key highlight, with the rally in the gold price surprising the market. There is quite a lot of momentum in this sector at present and we feel confident that our large overweight in Newcrest will continue to do well. Inflation expectations are rising globally and this, if it continues, should bode well for the gold price. Gold is our preferred defensive exposure as Healthcare and Infrastructure are trading on very expensive valuations.

Concerns around the economic impact of a renewed lockdown in Victoria saw the banks weaker over the month, down an average of 2.2%. While the ultimate extent of bad debts is hard to determine, the banks have entered this downturn in strong financial shape. Further, during the month, APRA clarified its position regarding banks dividends, indicating that the banks would be able to pay dividends in the current period. The Trust holds a modest overweight position in the major banks, seeing valuation upside on a medium-term view as well as leverage to any improvement in the outlook.

Other strong performers included QBE Insurance (+11.9%) as premium rates continue to rise, Telstra (+7.0%) and James Hardie (+5.3%) which continued to rally, with ongoing strength in the North American housing market.

Despite a rise in the oil price, the Energy sector (-6.3%), where the Trust is overweight, lagged the market as uncertainty around the outlook increased. This saw holdings in Woodside Petroleum (-7.6%) and Worley Group (-6.0%) underperform. Energy has been one of the slowest sectors to recover, suggesting that it still has significant upside as demand returns.


Trust Activity

During the month we exited positions in Rio Tinto and Coles Group. Both of these stocks have performed strongly and reached our price targets. We took the opportunity to rotate into better value opportunities and have added Bluescope Steel to the portfolio. We like BSL for its strong balance sheet, strong cash flow, good management and US expansion at North Star.

The Trust also participated in a raising by Downer to fund the acquisition of the minority interests in Spotless.

At month end the portfolio comprised 35 names and 9.7% cash.

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Outlook

The market has rallied strongly from its March lows, however, is still well down from its previous highs. While the sharp slowing of activity means that forecasting near-term earnings for many companies is difficult, the market's fall means a significant amount of bad news is now factored into the share prices of many companies.

Looking forward, while the current situation is unprecedented, so too has been the response of governments, with coordinated policies covering monetary easing, fiscal stimulus and legislative actions. While the renewed lockdown in Victoria is a clear setback, Australia has, so far, fared very well relative to most other countries, meaning it is reasonable to expect that we are well placed to lead others in terms of a recovery in activity.

The portfolio has a good mix of thematics across value and quality styles. We are well positioned for an inflationary outcome if and when it comes. If it does not we still have a solid exposure to high cash generating business and companies with highly defensive attributes.

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	+5.5
Nikkei225	-2.6
FTSE100	-4.4
Shanghai Composite	+10.9
RBA Cash Rate	0.25
AUD / USD	71.4c
Iron Ore	+4.3
Oil	+1.7
Gold	+7.2
Copper	+1.6

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