

	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)	2.0	2.9	2.2	-2.8	3.7	3.8	3.5
S&P/ASX300 Accumulation Index	3.0	6.2	3.7	-4.8	6.2	7.6	6.1
Value Added	-1.0	-3.3	-1.5	2.0	-2.5	-3.8	-2.6

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

Overview

- Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials outweighed concerns around increasing COVID-19 infections in many countries.
- The Australian market also delivered a strong performance, with the ASX300 Accumulation Index logging its fifth consecutive positive month, rising +3.0%. This was achieved despite the impacts of the lockdown in Victoria.
- The Trust has benefitted from very strong performances from a number of stocks which we acquired at very attractive prices during the selloff.
- The overlay portfolio has detracted from performance this month by 50bps. However, over the year the market is down 4.8% and the protection overlay has delivered positive 4.5% to performance.

Down Market Outcomes

	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 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

- Since inception the overlay has cost 1.1% while the market is up 6.1%.
- 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.

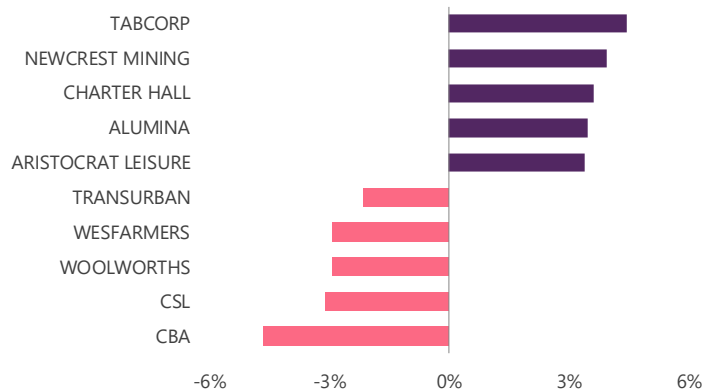
Portfolio Manager Dan Bosscher	Trust FUM AUD \$27 million
Distribution Frequency Half yearly	Minimum Initial Investment \$25,000
Trust Inception Date May 2014	Fees 0.98% p.a. + Performance fee
APIR Code IOF0228AU	Trust Redemption Price \$0.9947

Portfolio Characteristics – FY22	Trust	Index
Price to Earnings (x)	14.2	17.0
Price to Free Cash Flow (x)	14.0	16.5
Gross Yield (%)	5.6	4.5
Price to NTA (x)	1.9	2.2

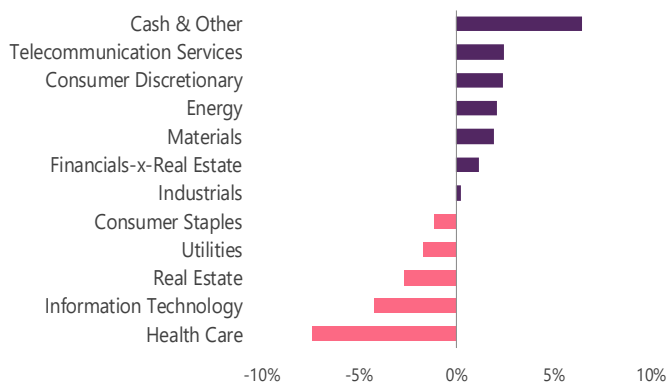
Source: Perennial Value Management. As at 31 August 2020

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

The Trust delivered a return of 2.0% in August.

In line with offshore markets, the rally in Tech stocks saw IT (+15.2%) the best performing sector during the month. This was led by Afterpay (+33.4%), which currently has a market capitalisation of over \$20bn. This is very impressive for a business generating little in the way of earnings and operating in a sector with few barriers to entry. Time will tell if this is justified, but we would argue its true value is much lower. Needless to say, this stock does not look like a good investment proposition to us. The Consumer Discretionary sector (+9.7%) also performed well, as spending remained robust, particularly through online channels, while the REIT sector (+7.9%) also made up some of its lost ground. Defensive sectors generally underperformed, with Utilities (-4.8%), Telcos (-3.8%) and Consumer Staples (-0.3%). Metals & Mining (+0.4%) lagged, having performed strongly in recent months, while Financials (+1.3%) also underperformed.

The highlight of the month was the company reporting season. Never before has the market entered a reporting season in such an information vacuum, with virtually all companies having previously withdrawn guidance due to COVID-19 uncertainty. As a broad statement, while many companies are being significantly impacted, results were less bad than feared. After the initial shock of lockdowns, many companies are seeing reasonable activity levels as economies progressively reopen. Those most impacted, however, are adapting to the current environment by reducing costs, hunkering down and strengthening their balance sheets.

Holdings which outperformed over the month included Reliance Worldwide (+42.5% - see Trust activity), Aristocrat (+8.4%) and News Corporation (+16.6%).

We have been strong supporters of Aristocrat over the years and have been very pleased with the Digital gaming segment in particular. Over the last few months we have also seen the Casino space in the US performing above expectations.

News Corporation has had strong performance as the market is slowly rewarding them for trying to unlock some value from their business through asset sales.

The biggest detractor was Newcrest (-8.5). We remain happy to have a significant gold exposure as the US dollar is under pressure and inflation expectations continue to increase.

Trust Activity

During the month we exited our position in James Hardie and bought Reliance Worldwide. Whilst they are quite different business they are both in the building space with similar drivers, namely the US housing market. This market has been very strong and we have seen the price of James Hardie increase significantly. Reliance was priced at a much lower multiple before it's result which we thought was a good opportunity to switch. This proved to be a good decision with the stock up 42.5% for the month whilst James Hardie was up 6.4%.

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Outlook

Reporting season is now nearly finished and the market continues to rally notwithstanding the generally poor results.

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 all of our valuation characteristics: price to earnings, price to free cash flow, price to net tangible assets and 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	+7.0
Nikkei225	+6.6
FTSE100	+1.1
Shanghai Composite	+2.6
RBA Cash Rate	0.25
AUD / USD	73.8c
Iron Ore	+11.4
Oil	+1.3
Gold	-3.6
Copper	+2.6

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