

	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	-2.1	-2.1	-8.9	2.5	3.6	2.8
S&P/ASX300 Accumulation Index	-3.6	-0.1	-0.1	-10.0	4.9	7.4	5.4
Value Added	-0.6	-2.0	-2.0	1.1	-2.4	-3.8	-2.6

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

Overview

- Global markets were weaker in September, with most major indices declining on the back of increasing COVID-19 infections in many countries and the uncertainty caused by the looming US election.
- The Australian market was also weaker, with the ASX300 Accumulation Index declining 3.6%. This was despite the ongoing decline in COVID cases in Victoria and the commencement of border re-openings, which will be important in supporting domestic economic activity.
- The market has now recovered over half of its losses from the COVID-induced sell-off and now appears to be in a holding pattern as it attempts to weight up the increasingly positive domestic outlook with increasing global risks.
- The overlay portfolio has added 50bps to the performance this month. Over the year the market was down 10.0% and the protection overlay has delivered positive 5.4% to performance.

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 \$25 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)	13.5	16.5
Price to Free Cash Flow (x)	13.6	15.7
Gross Yield (%)	5.9	4.7
Price to NTA (x)	1.7	2.2

Source: Perennial Value Management. As at 30 September 2020

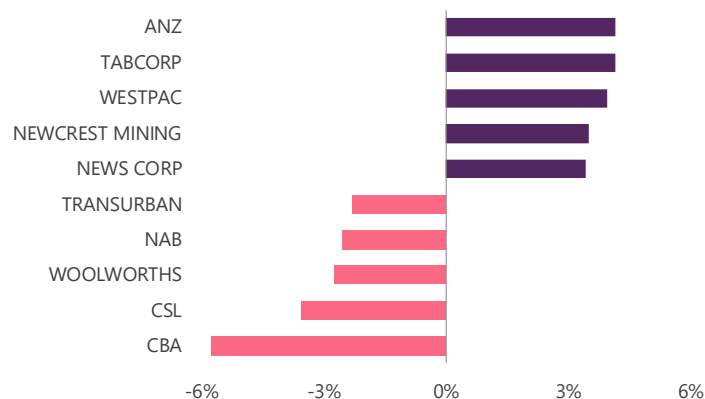
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

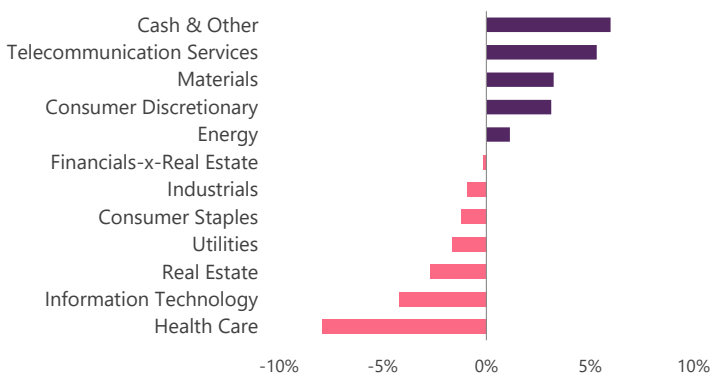
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.0% while the market is up 5.4%.
- The Trust currently carries moderate levels of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were weaker in September, with most major indices declining on the back of "Second wave" fears, due to increasing COVID-19 infections in many countries as well as the uncertainty caused by the looming US election and a failure to agree on a further round of stimulus measures. Economic data was softer in Europe and the spectre of Brexit also returned as an issue for the UK.

The Australian market fell in sympathy with global markets, with the ASX300 Accumulation Index declining 3.6%. This was despite the ongoing decline in COVID cases in Victoria and the commencement of border re-openings, which will be important in driving a resumption of domestic economic activity. The Australian unemployment rate positively surprised during the month, although this is distorted by stimulus measures, which are now beginning to taper off.

In line with the more cautious mood in September, defensive sectors of the market tended to outperform, with Healthcare (+0.8%) the only sector to deliver a positive return. The REITs (-1.1%) outperformed, although this was more driven by potential upside from a re-opening rather than their supposed defensive characteristics, which have been brought into question in this downturn. More cyclical sectors tended to underperform, with Energy (-10.7%) and Metals & Mining (-4.0%) both lagging on concerns over the global outlook, while Financials (-6.1%) also lagged, weighed down by the banks.

The IT sector (-6.4%) also underperformed, with market darling Afterpay (-12.5%) giving back some of its recent gains. We have previously commented on this stock, which boasts a market capitalisation of over \$20bn, despite generating negligible earnings and operating in a sector with minimal barriers to entry. Time will tell, but our guess is that this stock still has a long way to fall and is emblematic of the excessive valuations being seen in some parts of the market. By contrast, the market's fall means a significant amount of bad news is now factored into the share prices of many less "exciting" companies, suggesting significant upside for the patient investor.

Holdings which contributed positively to performance included Aristocrat Leisure (+5.6%), on the expectation of ongoing strong growth in its digital gaming business as well as the potential for one of its key competitors to reduce their focus on traditional land-based gaming activities. Other strong performers included United Malt Group (+5.1%).

Holdings which detracted from performance included QBE Insurance (-18.9%), following the shock departure of the CEO and energy stocks Origin Energy (-21.4%) and Santos (-13.9%) on the softer oil price. We continue to see significant upside in these stocks.

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Trust Activity

During the month we exited our position in Reliance Worldwide. The share price has rallied strong post the company reporting its full year 2020 result and we feel the stock now reflects fair value.

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	-3.9
Nikkei225	+0.2
FTSE100	-1.6
Shanghai Composite	-5.2
RBA Cash Rate	0.25
AUD / USD	71.7c
Iron Ore	-1.4
Oil	-6.8
Gold	-4.2
Copper	+2.1

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