

	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)	-0.1	-2.4	-2.2	-8.3	1.3	3.3	2.7
S&P/ASX300 Accumulation Index	1.9	1.2	1.8	-7.9	4.2	6.9	5.6
<b>Value Added</b>	<b>-2.0</b>	<b>-3.6</b>	<b>-4.0</b>	<b>-0.4</b>	<b>-2.9</b>	<b>-3.6</b>	<b>-2.9</b>

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

## Overview

- Global markets were softer in October, with most major indices declining, due to the combination of a growing second wave of COVID-19 infections in Europe, the suspension of several critical vaccine trials and pre-election jitters in the US.
- The Australian market performed better, buoyed by the easing of lockdowns in Victoria, updates from many companies suggesting a generally improving economic outlook and consumer confidence rising strongly.
- The overlay portfolio detracted 60bps from the performance this month. Over the year the market was down 7.9% and the protection overlay has delivered positive 4.7% to performance. This is a great outcome for investors. Having permanent protection in place removes the need for market timing. The sell off in March was very fast so having protection already in place was a welcome relief.

## 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 \$24 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)	13.6	16.6
Price to Free Cash Flow (x)	13.0	15.3
Gross Yield (%)	5.9	4.7
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 31 October 2020

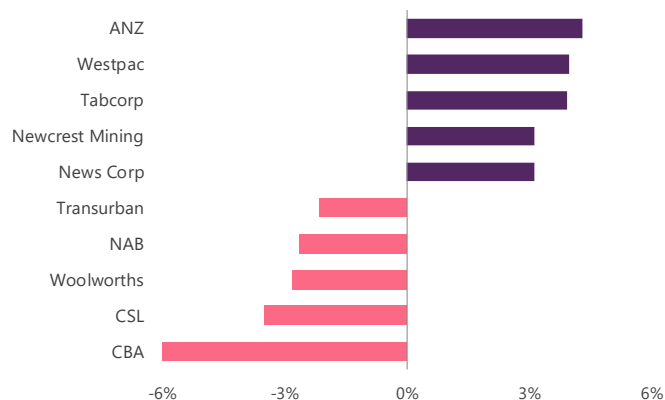
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Down Market Outcomes

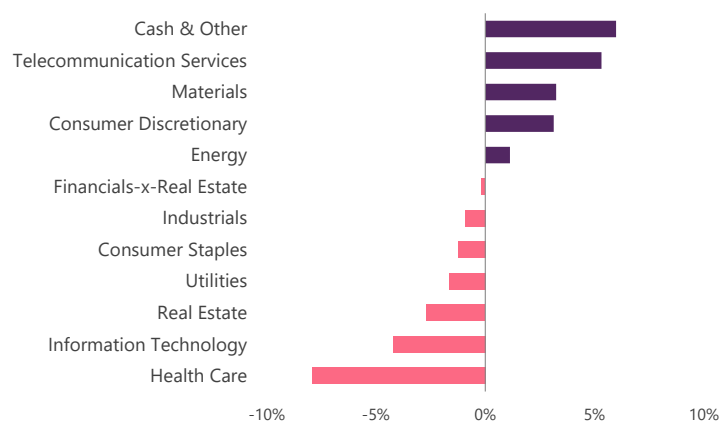
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.0% while the market is up 5.6%, in line with expectations.
- 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 softer in October, with most major indices declining, due to the a number of factors including a growing second wave of COVID-19 infections in Europe as well as news that trials of several of the key vaccine candidates had been suspended. In addition to a third wave of infections, the US market was dealing with uncertainty leading into the US election.

The Australian market performed better, rising +1.9%, buoyed by the easing of lockdowns in Victoria and updates from many companies suggesting a generally improving economic outlook. In addition, consumer confidence readings rose strongly. Of particular note was the information released relating to loan deferrals by the major banks. Pleasingly, a significant proportion of borrowers who had taken up the option of deferring repayments on either mortgages or business loans have now resumed payments. This is especially positive given that Victoria was still in lockdown over this period. Further, to date, the combined impact of repayment deferrals, low interest rates and first home buyer incentives has seen the property market remain sound, removing a significant risk to the economy.

Financials was the best performing sector over the month, with the major banks up an average of +7.2%. The Trust has an overweight position in the sector, as the banks are trading on very attractive medium-term valuations and are likely to deliver significant share price upside as economic conditions normalise. As mentioned above, credit quality appears to be holding up well and, should this continue, the banks earnings will increase as bad debt charges revert to more normal levels. Further, the accelerated shift to online banking will present a cost reduction opportunity for the banks as they increasingly digitalise their operations. In addition, the banks are close to having put their various regulatory issues stemming from the Royal Commission behind them, have sound capital positions and are set to resume paying attractive levels of dividends.

The resources sector was generally weaker during the month, however, a number of our holdings performed well, with Bluescope Steel (+15.4%) rallying after significantly upgrading earnings guidance on the back of strong demand, while Alumina (+4.4%) also outperforming. The Trust currently holds an overweight position in the resources sector, with exposure across a range of commodities.

## Trust Activity

During the month, the Trust added Medibank Private, which is experiencing better than expected operating trends.

## Outlook

The domestic outlook seems increasingly positive, with COVID largely under control, restrictions being eased and borders set to reopen. Further, the economy is underpinned by historically low interest rates and meaningful fiscal stimulus. If this improvement continues, then corporate earnings and dividends are likely to rebound strongly over the coming year.

Looking internationally, the recovery that was being seen in Europe is being curtailed by the second wave of COVID infections. At the time of writing, the likely election US election outcome – a Biden presidency with a Republican Senate – should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. From an economic point of view, there is likely to be increased fiscal stimulus, although not of the scale originally proposed. Similarly, tax increases are less likely and interest rates are likely to remain low. On balance, this should be positive for economic growth, corporate earnings and markets overall.

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	-2.8
Nikkei225	-0.9
FTSE100	-4.9
Shanghai Composite	+0.2
RBA Cash Rate	0.25
AUD / USD	70.3c
Iron Ore	+0.6
Oil	-9.8
Gold	+1.2
Copper	+2.5

**Invest Online Now**

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