Perennial Value Wealth Defender Australian Shares Trust

MONTHLY REPORT NOVEMBER 2020

	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)	11.9	7.1	9.4	0.2	4.6	5.9	4.5
S&P/ASX300 Accumulation Index	10.2	8.3	12.2	-1.6	7.1	9.1	7.1
Value Added	**1.7**	**-1.2**	**-2.8**	**1.8**	**-2.5**	**-3.2**	**-2.6**

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

Overview

- Global markets rallied strongly in November, as the US election result and positive vaccine announcements caused markets to look optimistically towards a post-Trump, post-COVID future. This saw all major global indices deliver double-digit positive returns.
- The Australian market also performed strongly, with the ASX300 Accumulation Index delivering its strongest return in many years, finishing the month up +10.2% to be only -9% below its pre-COVID high. The month also saw a large number of positive trading updates from companies across a range of sectors.
- The Trust delivered a very strong return of +11.9%, outperforming the market by +1.7%, as improving global growth prospects saw markets begin to rotate out of expensive growth stocks and towards the better value, more cyclical parts of the market.

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 Managers
Dan Bosscher

Trust FUM
AUD $25 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

Portfolio Characteristics – FY22	Trust	Index
Price to Earnings (x)	15.7	18.3
Price to Free Cash Flow (x)	14.5	16.5
Gross Yield (%)	5.2	4.3
Price to NTA (x)	2.0	2.4

Source: Perennial Value Management. As at 30 November 2020

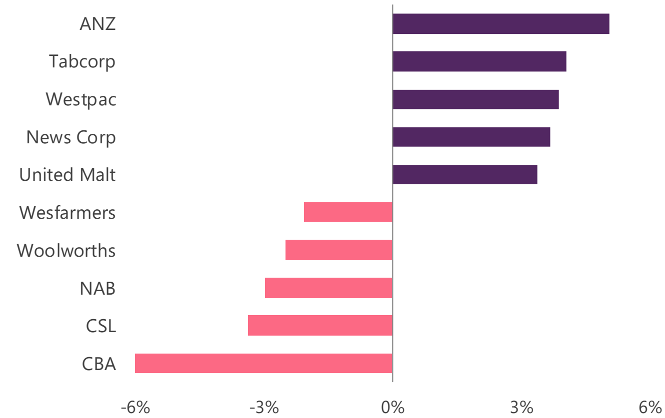
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

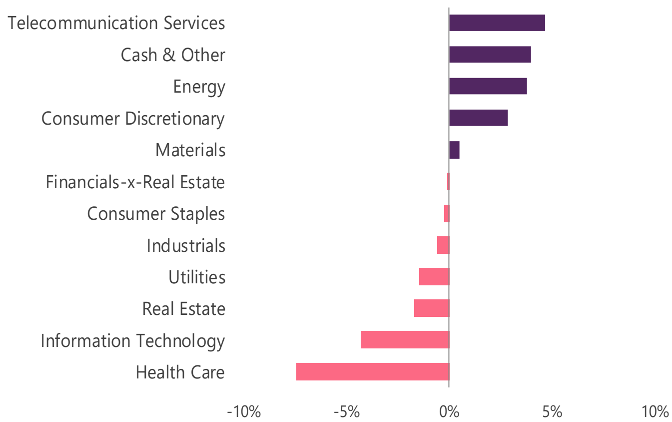
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.3% while the market is up 7.1%, 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 rallied strongly in November, as the US election result and positive vaccine announcements caused markets to look optimistically towards a post-Trump, post-COVID future. This saw all major global indices deliver double-digit positive returns on the prospect of a recovery in economic activity and growth as well as a return to a more stable global political environment.

Energy (+28.2%) was the best performing sector over the month, as the prospect of economic reopening lifted the oil price, which had been languishing at low levels since the onset of COVID. The Trust is overweight the Energy sector, with holdings in Santos (+30.2%) and Origin Energy (+29.5%), which both performed strongly.

Financials (+16.1%) also performed strongly, led by the major banks, which were up an average of +18.9%. Profit results and trading updates from the banks during the month highlighted that, while earnings were under pressure due to slow credit growth and low interest rates, the ultimate outcome in terms of bad debts due to COVID impacts is likely to significantly less bad than initially feared. This is best highlighted by the fact that the vast majority of both mortgages and business loans have been able to resume full repayments once their deferral period has ended. Importantly, capital positions were strong and dividend payments were resumed. Given the high level of provisioning undertaken, and the strong capital positions, as conditions improve, it is likely that the banks will be able to increase their dividends significantly over the coming years. Combining this with their undemanding valuations, we still see meaningful upside and remain overweight the sector.

Other strong performers included Newscorp (+32.7%), with the market finally beginning to recognise some of the hidden value in its digital media assets. The improved outlook saw commodity prices rise and solid gains from resources stocks, with holdings in Alumina (+22.0%), Bluescope Steel (+16.6%) and BHP (+12.7%) all outperforming.

Holdings which detracted from performance over the month included Newcrest (-7.9%) with the gold sector selling off as the market moved to risk-on mode.

Trust Activity

During the month positions were decreased in Ampol (+18.2%) and increased in Medibank (+6.7%).

Outlook

November may well mark a significant turning point for the global economy and markets, with the prospects of a near-term roll-out of an effective COVID vaccine underpinning the reopening of economies and a return to growth. Importantly also, the change of leadership in the US should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. The election result of a Biden win with a Republican Senate, means 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 domestic outlook seems increasingly positive, with COVID largely under control, activity levels increasing, restrictions being eased and borders reopening. Key indicators around employment, loan deferrals and the property market are all surprising to the upside. 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.

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	+10.8
Nikkei225	+15.0
FTSE100	+12.4
Shanghai Composite	+5.2
RBA Cash Rate	0.10
AUD / USD	73.4c
Iron Ore	+6.2
Oil	+21.6
Gold	-9.5
Copper	+7.8

Invest Online Now

Contact Us

Level 27, 88 Phillip Street, Sydney NSW 2000 invest@perennial.net.au www.perennial.net.au 1300 730 032