

	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)	0.3	12.1	9.8	1.1	3.8	5.3	4.5
S&P/ASX300 Accumulation Index	1.3	13.8	13.7	1.7	6.9	8.8	7.2
<b>Value Added</b>	<b>-1.0</b>	<b>-1.7</b>	<b>-3.9</b>	<b>-0.6</b>	<b>-3.1</b>	<b>-3.5</b>	<b>-2.7</b>

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

## Overview

- Global markets rose in December, building on November's strong gains, as markets continued to look optimistically towards a post-Trump, post-COVID future, with all major global indices delivering positive returns.
- The Australian market also rose, with the ASX300 Accumulation Index finishing the month up 1.3%, as generally positive economic news and corporate trading updates offset concerns over the COVID outbreak in NSW. Over what has been an extraordinary year, the market has delivered a total return of +1.7% and has recovered to be within 8% of its pre-COVID high.
- For the year the Trust delivered a return of +2.0%, outperforming the market by +0.25%, clearly a big improvement from the markets March low. Note at that time the protection portfolio had mitigated 14.4% of that fall.

## 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	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  
IOF0228AU

Portfolio Characteristics – FY22	Trust	Index
Price to Earnings (x)	15.7	18.4
Price to Free Cash Flow (x)	14.4	16.5
Gross Yield (%)	5.1	4.3
Price to NTA (x)	2.1	2.3

Source: Perennial Value Management. As at 31 December 2020

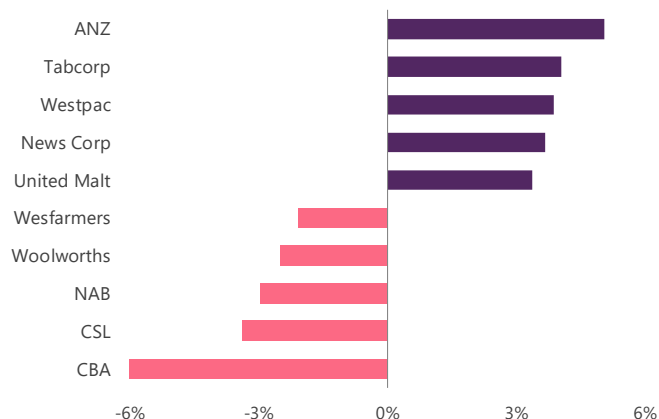
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Down Market Outcomes

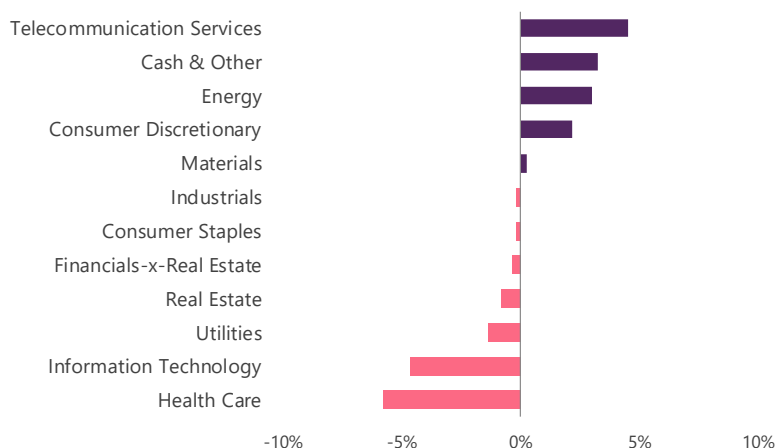
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.2% while the market is up 7.2%, 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

The Australian market rose in December, with the ASX300 Accumulation Index finishing the month up 1.3%, with generally positive economic news and corporate trading updates offsetting concerns over the COVID outbreak in NSW. The Trust delivered a return of +0.7% in December as improving global growth prospects saw an ongoing rotation out of some of the more expensive growth stocks and towards the better value, more cyclical parts of the market.

Metals and Mining (+10.6%) was the best performing sector over the month, as continued strong Chinese steel production drove demand for iron ore. At the same time, global supply expectations were lowered due to ongoing production issues in Brazil. These factors conspired to see the iron ore price up over 22% during the month. The Trust benefited from the strong iron ore price through holdings in miners, Fortescue Metals (+28.5%) and BHP (+11.5%). Other resources holdings which performed well included one of key holdings aluminium producer Alumina Ltd (+4.9%).

Grocery wholesaler, Metcash (+17.3%) rallied after delivering a strong first half result which showed significant sales volume growth across each of its grocery, liquor and hardware divisions. Further, the company reported that the strong sales momentum had continued into the second half.

Holdings that detracted from performance included Ampol (-7.3%), United Malt (-6.4%) and News Corporation (-3.9%).

Since the market's low, the Trust has performed well, returning +40%. Over this period, many holdings rallied strongly, as it is during recovery phases that value stocks often deliver significant outperformance.

## Trust Activity

During the month, the Trust added a position in pathology and diagnostic imaging company, Healius. While near-term earnings are being boosted by COVID testing, there is a medium-term opportunity for operating performance to be significantly improved. Further, the company has an ungeared balance sheet and may well become a takeover target at some point.

The trust holds call options in Fortescue Metals. During the month these \$18.50 calls were sold and \$21.50 calls were bought in their place. On occasion where single stocks are particularly volatile we choose to spend a small amount on option premium to limit the downside. In this case this position has performed well, both covering the index weight of the company and more.

Holdings were also increased in a number of good value opportunities including Aristocrat and Charter Hall Long WALE REIT. This was funded by reducing holdings in Tabcorp and exiting Origin.

## Outlook

The start of 2021 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, means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall.

While the recent COVID outbreak in NSW and associated restrictions presents some risk to the positive domestic outlook, it seems to be to be largely under control at present, meaning the impact on activity levels, may not be significant or long-lasting. Further, key indicators around employment, loan deferrals and the property market are all surprising to the upside. Finally, 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	+3.7
Nikkei225	+3.8
FTSE100	+3.1
Shanghai Composite	+2.4
RBA Cash Rate	0.10
AUD / USD	76.9c
Iron Ore	+16.9
Oil	+3.9
Gold	+2.0
Copper	-2.3

**Invest Online Now**

**Contact Us**  Level 27, 88 Phillip Street, Sydney NSW 2000  [invest@perennial.net.au](mailto:invest@perennial.net.au)  [www.perennial.net.au](http://www.perennial.net.au)  1300 730 032

Signatory of:  




Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).