

	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)	0.9	13.3	10.8	-1.1	4.2	6.5	4.5
S&P/ASX300 Accumulation Index	0.3	12.1	14.1	-2.7	7.1	10.1	7.2
Value Added	0.6	1.2	-3.3	1.6	-2.9	-3.6	-2.7

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

Overview

- Global markets began the month strongly, driven by continuing positive sentiment around vaccine rollouts and the prospect of larger stimulus in the US, following the Democratic wins in the Senate. However, a sell-off later in the month saw most major global indices finish the month largely flat.
- The Australian market followed a similar path, rallying early in the month before pulling back, with the ASX300 Accumulation Index finishing the month up 0.3%. The consumer-facing sectors, along with the financials, led the market, while defensive, rate-sensitive sectors lagged.
- The Trust delivered a return of +0.9%, outperforming the market by 0.6%, as ongoing strong domestic economic data supported the outlook for many of our good value, cyclical holdings, which are leveraged to an improvement in the broader economy.

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 \$23 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)	15.4	17.8
Price to Free Cash Flow (x)	13.9	15.6
Gross Yield (%)	5.2	4.5
Price to NTA (x)	1.9	2.5

Source: Perennial Value Management. As at 31 January 2021

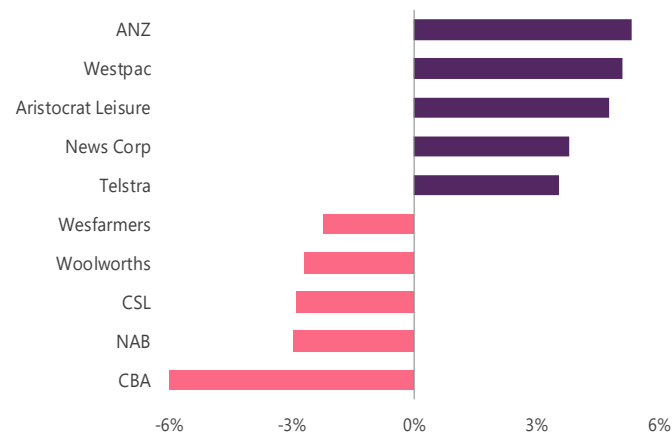
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

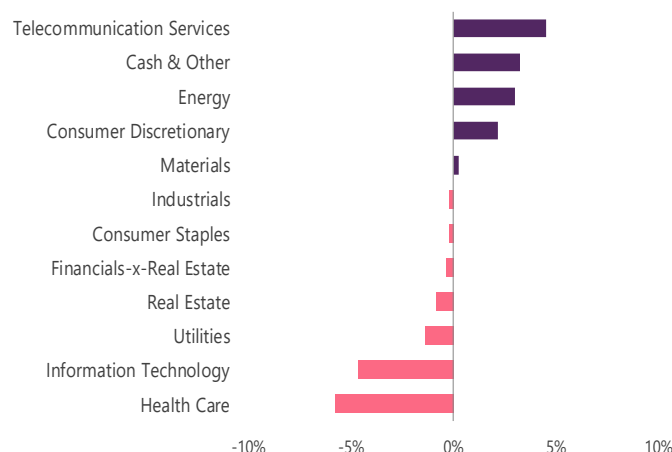
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.1% 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

Increasing inflation expectations and a rise in bond yields likely weighed on markets, along with profit-taking after the recent strong run. In addition, the social media-engineered short squeezes may also have led to some degree of de-risking in parts of the market.

In Australia the consumer-facing sectors, along with the financials led the market, while defensive, rate-sensitive sectors lagged as bond yields rose. The Trust delivered a return of +0.8%, outperforming the market by 0.5%, as ongoing strong domestic economic data supported the outlook for many of our good value cyclical holdings, which are leveraged to an improvement in the broader economy.

The Telco sector performed well, led by Telstra (+4.7%). The company stands to benefit from the rollout of its 5G network and has significant opportunities to realise value through the sale of network assets over the coming years. These types of assets, such as mobile phone towers, can attract very high valuations from infrastructure investors.

The Financials were also a beneficiary of the strong domestic economic data, with the major banks all outperforming, rising an average of +4.9%. House prices are rising, while borrowing for new housing has picked up on the back of government incentives. The improving employment market, along with the strength in the property market means that the bad debt outcomes are likely to be significantly better than initially feared. The banks are well-provisioned and well-capitalised, meaning that they will be able to significantly increase their dividends over the coming years. Further, the banks will soon be in a position to focus on their cost bases, once the post-Royal Commission compliance spend begins to abate.

Our two bank holdings performed well with Westpac (+9.1%) and ANZ (+4.4%) rallying in the month.

Trust Activity

During the month, the Trust increased positions in Bluescope Steel and Westpac. This was funded from selling in Downer, QBE and Healius.

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 global 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 presidency and Democratic Senate means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall.

Fortunately, the recent COVID outbreak in NSW seems to have been brought under control, with restrictions having now been eased, 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	-1.1
Nikkei225	+0.8
FTSE100	-0.8
Shanghai Composite	+0.3
RBA Cash Rate	0.10
AUD / USD	76.4c
Iron Ore	-0.6
Oil	+8.6
Gold	-2.0
Copper	+1.7

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