Perennial Value Wealth Defender Australian Shares Trust

MONTHLY REPORT FEBRUARY 2021

	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)	4.6	5.9	15.9	10.1	6.0	7.9	5.2
S&P/ASX300 Accumulation Index	1.5	3.2	15.8	7.1	7.5	10.8	7.3
Value Added	**3.1**	**2.7**	**0.1**	**3.0**	**-1.5**	**-2.9**	**-2.1**

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

Overview

- Global markets performed strongly in February, driven by continuing positive sentiment around vaccine rollouts and the prospect of large stimulus in the US, with all major indices delivering positive returns. This was despite a selloff in the later part of the month on the back of rising bond yields.
- The Australian market followed a similar path, rallying early in the month before pulling back, with the ASX300 Accumulation Index finishing the month up 1.5%. Cyclical sectors such as Resources, Energy and Financials led the market higher, while defensive, interest rate sensitive sectors lagged.
- The Trust delivered a return of +4.6%, outperforming the market by 3.1% after fees, as ongoing strong domestic economic data and positive results during the reporting season, 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
Dan Bosscher

Trust FUM
AUD $24 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)	15.9	17.6
Price to Free Cash Flow (x)	13.8	15.4
Gross Yield (%)	5.4	4.9
Price to NTA (x)	2.2	2.6

Source: Perennial Value Management. As at 28 February 2021

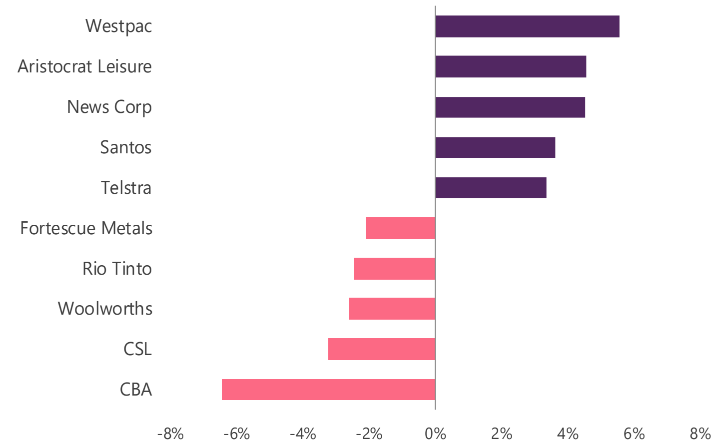
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

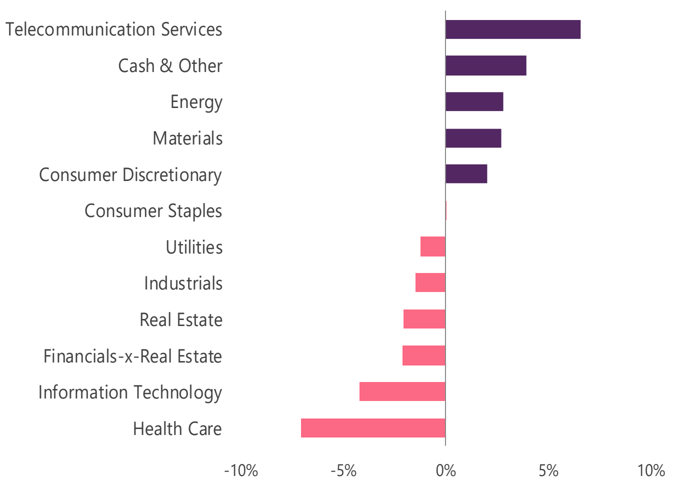
	Index Return (%)	Protection Portfolio Return (%)	Proportion of Market Fall Saved (%)
Covid 19 2020 – peak to trough*	-36.2	14.4	40
October 2018 Trade war sell-off	-6.2	2.4	39
August 2015 China Market Turbulence	-7.7	3.0	39

- Since inception the overlay has cost 1.1% while the market is up 7.3%, 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 have had a positive effect on portfolio performance. This is a thesis we have been discussing in recent months with our view being that the large stimulus being delivered to economies from both the central banks and governments will flow through into inflation expectations. As mentioned, the Trust delivered a return of +4.6%, outperforming the market by 3.1% after fees.

The February reporting season was the main highlight of the month, with companies reporting their results for the half-year to December. In line with the improving economic backdrop, the majority of results were reasonably positive. Sectors such as retail, which have been clear beneficiaries of COVID-related stimulus, delivered very strong results. Resources stocks also delivered bumper results, driven by high commodity prices. Financials were also strong, with the CBA result and Q1 trading updates from the other banks highlighting that credit quality remains very good. While many companies were adversely impacted by COVID, the trends were clearly improving.

Stocks which contributed positively over the month again included our large overweight positions in ANZ and Westpac. Resource holdings performed well, with BHP (+12.8%) and Fortescue Metals (+10.6%) rising on stronger commodity prices. We view the outlook for the resources sector positively and expect there is more upside still to come.

Other holdings which performed well included Newscorp (+18.3%), which rallied after delivering a very strong result, underpinned by its digital news media and online real estate platforms. We believe that there is significant unrecognised value in the assets of Newscorp which could be realised at some point. Along this line, Tabcorp (+13.4%) also rallied after receiving an offer to acquire its wagering business. While this division has struggled in recent times, it is a very attractive asset in a sector undergoing consolidation. We have long believed that a separation of Tabcorp's businesses would realise value by allowing a significant re-rating of the lotteries business, which has very stable earnings underpinned by long-term licences.

Trust Activity

During the month, we rotated some of our overweight in ANZ into NAB. We also added packaging company Orora to the portfolio. Orora has a very solid business as the leading glass and can producer in Australia, as well as a US operation whose performance is improving. The company has a very strong balance sheet and may well become a break-up target at some point.

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.

Domestically, 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	+2.6
Nikkei225	+4.7
FTSE100	+1.2
Shanghai Composite	+0.7
RBA Cash Rate	0.10
AUD / USD	77.1c
Iron Ore	+9.1
Oil	+17.4
Gold	-6.9
Copper	+14.1

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