

|   | 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) | -0.8        | 2.3         | -0.8        | 26.3        | 8.2              | 8.2              | 6.4                     |
| S&P/ASX300 Accumulation Index                                 | 1.1         | 5.8         | 1.1         | 29.1        | 9.7              | 10.1             | 8.6                     |
| <b>Value Added</b>  | <b>-1.9</b> | <b>-3.5</b> | <b>-1.9</b> | <b>-2.8</b> | <b>-1.5</b>      | <b>-1.9</b>      | <b>-2.2</b>             |

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

## Overview

- The Australian market rose again in July, with the ASX300 Accumulation Index making another record high, finishing the month up +1.1% and bringing the total return for the last 12 months to a very healthy +29.1%.
- Resources were the standout over the month, with the sector rising strongly on expectations of delivering very strong profits and dividends during the upcoming reporting season.
- Financials were weaker, as the recent COVID lockdowns weighed on sentiment towards the banks, while the Tech sector was the worst performing sector over the month.
- We expect economic growth to continue to be strong and this should benefit the Trust going forward. Historically, value style investing has delivered significant outperformance during economic recoveries.

## 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 \$20 million

Distribution Frequency                      Minimum Initial Investment  
Half yearly                                      \$25,000

Trust Inception Date                      Fees  
May 2014                                        0.70% p.a.

APIR Code  
IOF0228AU

| Portfolio Characteristics – FY22 | Trust | Index |
|----------------------------------|-------|-------|
| Price to Earnings (x)            | 14.2  | 16.0  |
| Price to Free Cash Flow (x)      | 12.2  | 14.1  |
| Gross Yield (%)                  | 6.1   | 5.5   |
| Price to NTA (x)                 | 2.4   | 2.9   |

Source: Perennial Value Management. As at 31 July 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

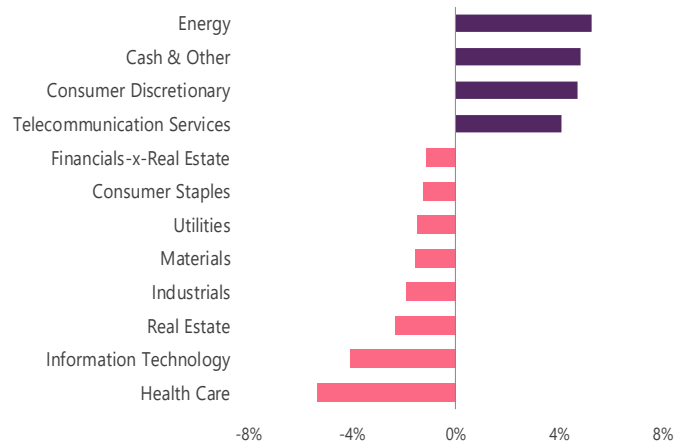
|                                     | Index Return (%) | Protection Portfolio Return (%) | Proportion of Market Fall Saved (%) |
|-------------------------------------|------------------|---------------------------------|-------------------------------------|
| Covid 19 2020 – peak to trough*     | -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 1.3% while the market is up 8.6%, in line with expectations.
- The Trust currently carries moderate levels of protection.

## Top 10 Positions (A->Z)

|                           |
|---------------------------|
| ANZ                       |
| Aristocrat Leisure        |
| BHP                       |
| BlueScope Steel           |
| Insurance Australia Group |
| Newcrest Mining           |
| Macquarie Group           |
| Telstra                   |
| Westpac                   |
| Woodside Petroleum        |

## Sector Active Exposure vs Index



## Trust Review

Resources holdings performed strongly over the month. While the iron ore price declined from its recent very high levels, the major miners were stronger, with our preferred exposure, BHP (+10.0%), higher on expectations of a very strong profit result and dividend during the upcoming reporting season. The combination of generally higher commodity prices and strong quarterly production results also saw strong performances from a number of other resources holdings.

Bluescope Steel (+10.2%) was also stronger after upgrading earnings on the back of very strong global steel demand. All segments of the business were performing strongly, in particular the US, where demand remains very strong and Australia, where an increasing proportion of their sales are being made into the high margin coated steel segment. This also provides a very positive readthrough to the Australian economy more broadly, where strength in the construction sector saw their domestic steel volumes reach the highest levels since 2008.

The major banks were weaker in July, underperforming by an average of -3.0%. This is likely the market anticipating negative sentiment around the potential impacts of the current lockdowns. While this has borne out, we believe that this will be short lived and expect the banks to recover strongly once the COVID outbreak is brought under control. While lockdowns will clearly have an impact on the economy, the banks are in a very strong financial position. This has been demonstrated by the fact that both ANZ and NAB announced on market buy-backs of \$1.5bn and \$2.5bn respectively during the month. The fact that the regulator signed off on this in the face of the current uncertainty indicates they have a high level of confidence in the strength of the sector.

## Trust Activity

During the month, we added Oz Minerals to the portfolio and removed AWC.

## Outlook

We believe that 2021 may well mark a significant turning point for the global economy and markets, with the accelerating rollout of effective COVID vaccines underpinning the reopening of economies and a return to global growth. Importantly also, the change of leadership in the US should herald greater government spending to drive higher growth, which will flow through to corporate earnings. Further, this should also usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop.

Domestically, while the current COVID outbreak and associated lockdowns are a clear setback, key indicators around employment, business confidence 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             | +2.3  |
| Nikkei225          | -5.2  |
| FTSE100            | -0.1  |
| Shanghai Composite | -5.4  |
| RBA Cash Rate      | 0.10  |
| AUD / USD          | 73.5c |
| Iron Ore           | -12.4 |
| Oil                | +3.7  |
| Gold               | +4.6  |
| Copper             | +6.7  |

**Invest Online Now**

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Signatory of:  
 Principles for Responsible Investment



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