

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Perennial Value Wealth Defender Australian Shares Trust	1.6	1.5	0.8	25.8	9.0	8.6	6.3
S&P/ASX 300 Accumulation Index	2.6	6.1	3.7	28.6	10.1	11.1	8.9
Value Added	-1.0	-4.6	-2.9	-2.8	-1.1	-2.5	-2.6

Since inception: June 2001. Past performance is not a reliable indicator of future performance.

Overview

Global markets were strong in August, with most major indices delivering positive returns, with vaccines being rolled out, growth recovering and the prospect of ongoing low interest rates.

The Australian market rose again, with the ASX300 Accumulation Index making another record high, finishing the month up +2.6%, bringing the total return for the last 12 months to a very healthy +28.6%.

Company reporting season was the key event during the month, with market earnings rising strongly, as the economy bounced back from the first round of COVID disruptions. Earnings growth was broad-based and dividends were up sharply across all segments of the market. The Resources sector was the standout after a year of rising commodity prices.

Fund Characteristics

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 Manager
Dan Bosscher

Trust FUM
AUD \$19 million

Distribution Frequency
Half yearly

Minimum Initial Investment
\$25,000

Trust Inception Date
May 2014

Fees
0.70% p.a.

APIR Code
IOF0228AU

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	14.5	17.0
Price to Free Cash Flow (x)	12.4	15.3
Gross Yield (%)	5.6	4.9
Price to NTA (x)	2.1	3.0

Source: Perennial Value Management. As at 31 August 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

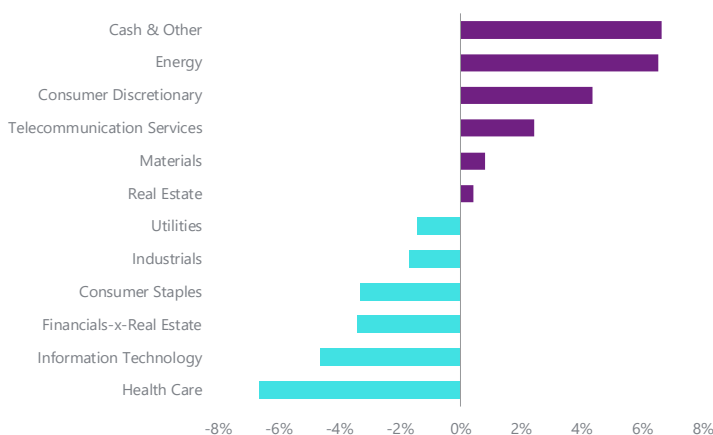
* Since inception, the overlay has cost 1.4% while the market is up 8.9%, in line with expectations.

The Trust currently carries moderate levels of protection.

Top 10 Positions (A -> Z)

ANZ
Aristocrat Leisure
BHP
BlueScope Steel
Macquarie Group
Newcrest Mining
Star Entertainment
Telstra
Westpac
Woodside Petroleum

Sector Active Exposure vs Index



Trust Review

Given the ongoing rollout of effective vaccines, the market is, at present, prepared to look through the impact of the lockdowns in Australia and the resurgence of COVID infections globally due to the delta variant. As a result, while the reporting season was strong, many of the better performing holdings over the month were those set to benefit the most from the eventual reopening of the economy, rather than those which had delivered the best results, or those with the strongest near-term prospects.

Casino operator, Star Entertainment (+19.3%), for example, rallied despite reporting depressed earnings, as it stands to benefit when restrictions are eased. Further, the company has a large pipeline of growth projects and a valuable portfolio of property assets. Separating the operating businesses from the property assets is common offshore and may well be a means of realizing value in Star. Finally, there is a good chance that they could benefit from the troubles at Crown, with whom they recently proposed a merger. Also in the gaming sector, Aristocrat Leisure (+9.7%) outperformed as visitors returned in droves to US casinos post their reopening. This business is performing very strongly operationally and has several growth drivers, including its expanding online video game operations, which now account for nearly half of earnings.

The resources sector was the standout in terms of results delivered, with high commodity prices driving record profits and massive dividends. Despite this, however, the share prices of the iron ore miners declined, down an average of -13.6% over the month. This was due to the iron ore price falling sharply from its recent very high levels following the announcement that the Chinese were aiming to reduce steel production in the coming year.

The major banks outperformed marginally (up an average of +3.8%), with CBA (+2.5%) delivering a solid result, underpinned by continuing strong credit quality, which provides a positive signal about the underlying health of the economy. CBA also announced a \$6.0bn off-market buy-back, adding to the \$1.5bn and \$2.5bn on-market buybacks announced by ANZ and NAB respectively. Holdings which outperformed during the month included SGR, ALL and IAG. Holdings which underperformed during the month included BHP, Woodside and Newcrest. We remain comfortable with each of these holdings.

Trust Activity

During the month we took profits in Metcash and added Scentre Group.

Outlook

We believe that FY22 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 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. As a result, the economy and corporate earnings are likely to rebound strongly once the current restrictions are eased.


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&P 500	+2.9
Nikkei 225	-5.2
FTSE 100	-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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