

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Perennial Value Wealth Defender Australian Shares Trust	0.1	1.0	1.0	31.5	8.9	8.5	6.3
S&P/ASX 300 Accumulation Index	-1.9	1.8	1.8	30.9	9.9	10.5	8.5
Value Added	2.0	-0.8	-0.8	0.6	-1.0	-2.0	-2.2

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

Overview

Markets were weak in September, with the S&P500 down -4.8%, as investors became concerned with a number of issues including the prospect of central bank tightening and rising bond yields. Also weighing on market sentiment is increasing inflationary pressures and supply chain disruptions, the US debt ceiling as well as slowing growth and issues in the Chinese property market following the collapse of developer Evergrande.

The Australian market was also lower, with the ASX300 Accumulation experiencing its first negative monthly return in the last 12 months, finishing down 1.9%. Despite this, the index has delivered a total return of +30.9% for the last 12 months and remains above pre-COVID levels.

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.

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	Trust FUM
Dan Bosscher	AUD \$19 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	Market
Price to Earnings (x)	14.1	17.2
Price to Free Cash Flow (x)	12.1	15.8
Gross Yield (%)	5.7	4.8
Price to NTA (x)	2.0	2.9

Source: Perennial Value Management. As at 30 September 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.

Top 10 Positions (A -> Z)

Aristocrat Leisure

ANZ

BHP

Charter Hall

Insurance Australia Group

Macquarie Group

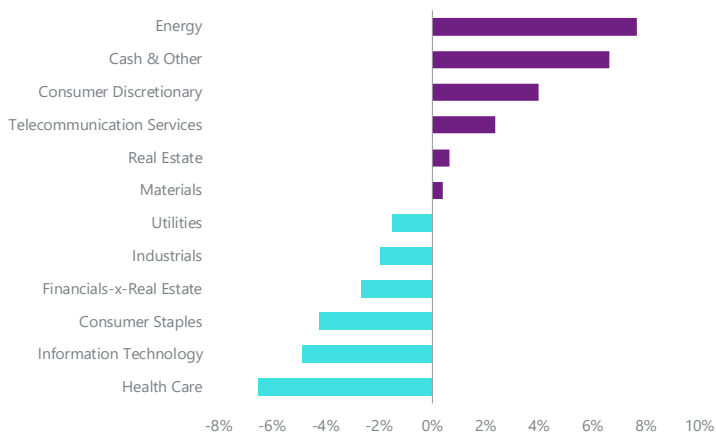
Scentre Group

Telstra

Westpac

Woodside Petroleum

Sector Active Exposure vs Index



Trust Review

Resources was the key area of interest in September, with Energy (+15.0%) being the best performing sector, while Metals and Mining (-10.5%) was the worst performer over the month. This divergence highlights the differing fortunes of energy prices and that of iron ore. Throughout the COVID period, strong demand for iron ore, principally from Chinese steelmakers, combined with supply disruptions, saw very strong iron ore prices which recently peaked at over US\$200 per tonne. By contrast, declining activity levels combined with ample supply resulted in a sharp fall in demand for oil, causing prices to fall significantly. This was reflected in the share prices of mining and energy stocks, with the former performing very strong over the last 18 months, while the latter languished.

More recently, however, moves by the Chinese to reduce steel production and cool their property market have seen the iron ore price fall sharply, and with it, the prices of the iron ore miners. While iron ore was weak, aluminium and alumina both rallied strongly, having lagged over the past 12 months. This was driven by tightening supply in China, due to factors such as power availability and environmental issues.

By contrast, a lack of investment by oil producers has impacted supply at the same time as demand has been recovering as economies progressively reopen. These factors, accentuated by some severe weather events, have caused energy prices to reach their highest levels in several years. Our positions in Woodside Petroleum (+22.5%) and Santos (+18.5%) contributed strongly to performance this month.

Other holdings that performed well in the month included Macquarie Group (+9.2%) which rallied after delivering a strong trading update where they indicated that first half profit would be higher than market expectations, with strong asset realisation gains and favourable trading conditions in their Commodities and Markets business.

Trust Activity

During the month we added to our holding in Santos and we also exited our position in Metcash after strong performance.

Outlook

The global economy is set to continue its recovery as countries become increasingly vaccinated and markets continue to open. There is a significant risk of persistent inflation in our view but at a moderate level. This should provide a good backdrop for the cyclical exposures in our portfolio.

There is some risk that should inflation spike as supply chain issues continue to be a problem in general, that central banks react aggressively but that is not our base case.

The Trust is positioned to benefit from an ongoing economic improvement and our focus remains on investing in quality companies with proven business models and strong balance sheets, which are offering attractive valuations and can deliver high levels of franked dividend income to investors.

We carry a moderate level of protection.

As always, we will continue to carry a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

Global, Currency & Commodities (%)

S&P 500	-4.8
Nikkei 225	+4.9
FTSE 100	-0.5
Shanghai Composite	+0.7
RBA Cash Rate	0.10
AUD / USD	72.3c
Iron Ore	-24.3
Oil	+8.9
Gold	-1.9
Copper	-5.4

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