

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Perennial Value Wealth Defender Australian Shares Trust	-3.4	-4.2	-3.5	12.5	10.1	7.5	5.5
S&P/ASX 300 Accumulation Index	-0.5	-2.3	1.3	16.0	12.9	10.3	8.3
Value Added	-2.9	-1.9	-4.8	-3.5	-2.8	-2.8	-2.8

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

Overview

Global markets were generally softer in November, with renewed uncertainty stemming from the emergence of the Omicron COVID variant seeing most major indices decline over the month.

The Australian market was also slightly weaker in November, with the ASX300 Accumulation finishing the month down -0.5%.

The Australian market was weighed down by the major banks. The economic backdrop remains very supportive and the sector is in a strong financial position. With interest rates set to rise this will be positive for margins.

Defensives tended to outperform cyclical in the more cautious environment. However, the Resources sector was an exception, with the iron ore stocks rallying in anticipation of policy easing in China. The direction of the iron ore price and with it the share prices of the bulk miners, will be a major driver of the market in the period ahead.

Looking ahead to 2022, absent further COVID issues, we see the economic outlook as positive, with ongoing recovery, underpinned by relatively low interest rates and stimulus measures.

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 \$17 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)	13.0	16.7
Price to Free Cash Flow (x)	10.5	15.3
Gross Yield (%)	6.3	5.0
Price to NTA (x)	2.3	2.9

Source: Perennial Value Management. As at 30 November 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 8.3%, in line with expectations.

The Trust currently carries moderate levels of protection.

Top 10 Positions (A → Z)

Aristocrat Leisure

ANZ

BHP

Charter Hall

Insurance Australia Group

Macquarie Group

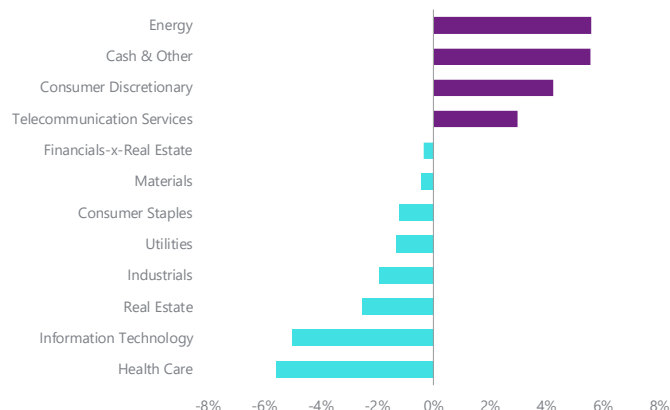
Newcrest Mining

Telstra

Westpac

Woodside Petroleum

Sector Active Exposure vs Index



Trust Review

Resources continued to be a key sector of interest in November, with the iron ore price finding a floor at around US\$100 per tonne. Importantly, there are early indications that the Chinese property market is stabilising, with lending to the sector beginning to increase once more. The importance of the Chinese property sector cannot be overstated, given the outside contribution construction in the sector makes to Chinese GDP and the proportion of people's wealth which is invested in residential property. It is also a key driver of iron ore demand and the improved sentiment saw strong outperformance by the iron ore majors, with Fortescue Metals (+22.1%), BHP (+7.6%) and Rio Tinto (+3.6%) all rallying.

Looking forward, we are positive on the outlook for the sector. We expect that demand will pick back up early in the new year, as construction activity increases, and steel production accelerates. Even at the current prices, these stocks are trading on attractive valuations and have very strong balance sheets. Further, the miners are behaving in a disciplined way and are likely to control the level of production during periods of weaker demand. For example, Brazil's Vale, the world's largest producer of iron ore, recently lowered its production guidance for 2022. BHP is our preferred exposure in the sector, demonstrating strong operational performance as well as taking steps to exit its fossil fuel exposures. This will significantly decarbonise the company and leave it to focus its investment into future-facing commodities such as copper and nickel. Demand for these commodities, along with lithium and cobalt, is expected to grow strongly over the coming years as the energy transition progresses. Combined, these actions may well see a positive re-rating for the stock. Further, the pending collapse of the DLC structure into a single class of shares will also likely be a positive.

The banks underperformed during the month, down an average of -8.5%, after delivering their FY21 results. While the results showed a generally positive economic backdrop, with solid lending growth and strong credit quality, net interest margins were weak due to persistently low interest rates and competitive pressures. This was felt most acutely by CBA and Westpac, with their relatively larger home lending books. The Trust holds an overweight position in the sector at present, regarding it as likely to see earnings improve as interest rates and therefore net interest margins improve over time.

Holdings which underperformed during the month included some of our more cyclical names such as Santos (-8.6%) and Woodside (-7.9%). These stocks were impacted by the sell-off due to concerns over the latest COVID variant. The Trust was also impacted by its underweight position in the defensive sectors, with Consumer staples, REITs and Utilities all outperforming in the risk-off environment.

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Trust Activity

During the month we reduced our holdings in Santos and exited Oz Minerals. These funds were used to purchase a position in Metcash in the lead up to its first half result. With the arrival of Omicron we see a possibility of more 'shop local' which we have seen benefit Metcash in previous quarters.

Outlook

Looking ahead to 2022, assuming that vaccines prove to be effective against the Omicron COVID variant, we see the outlook as positive, with ongoing economic recovery, underpinned by relatively low interest rates and continuing stimulus measures. Further, we look forward to the return to a more "normal" economic environment, as tapering and rate rises start to see the distortions caused by extremely low interest rates and unconventional monetary policy abate.


Domestically, the end of the COVID lockdowns and reopening of borders is set to see activity pick up and we would expect the economy to bounce back strongly, just as it did following previous lockdowns. Key economic indicators continue to be strong and while there are some concerns around supply chain issues and inflationary pressures, both corporates and consumers are in good shape. If this improvement continues, then corporate earnings and dividends are likely to continue to grow over the coming year. 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	-0.8
Nikkei 225	-3.7
FTSE 100	-2.5
Shanghai Composite	+0.5
RBA Cash Rate	0.10
AUD / USD	70.9c
Iron Ore	-1.5
Oil	-11.8
Gold	+5.0
Copper	+4.0

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Signatory of:

 Principles for Responsible Investment

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