

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)
Perennial Value Wealth Defender Australian Shares Trust	4.4	5.0	4.0	10.5	11.0	7.6	6.3
S&P/ASX 300 Accumulation Index	6.9	2.1	6.2	15.2	10.9	9.4	8.5
Value Added	-2.5	2.9	-2.2	-4.7	0.1	-1.8	-2.2

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

Overview

Markets staged a rally in March, despite the ongoing conflict in Ukraine, accelerating inflation prints and increasingly hawkish commentary from central banks. This saw the S&P500 +3.6%, the Nikkei 225 +4.9% and the FTSE 100 +0.8%. The exception was the Chinese market, where renewed COVID lockdowns saw the Shanghai Composite down -6.1%. The rally was led by the Tech and Resources sectors. The Tech sector found support, having previously been sold down very heavily as bond yields rose. By contrast, the ongoing strength in commodity prices saw the Resources sector continue its very strong performance.

The Australian market was a standout, with the ASX300 Accumulation Index returning a very strong +6.9% in March, and all sectors delivering positive returns. While IT (+11.8%) was the best performing sector, its relatively small index weighting meant that the key drivers of the markets rise were the Resources and Financials sectors, which collectively account for slightly over 50% of the market. Ongoing commodity price strength saw the Metals and Mining (+11.8%) and Energy (+10.1%) sectors rally strongly, while Financials (+8.5%) rose on the prospect of interest rate rises.

Despite the ongoing uncertainties, particularly those stemming from the Russian invasion of Ukraine, the economic backdrop in most major economies is positive, with strong growth as they reopen post-COVID, and very good employment conditions. However, economies now face the challenges of ongoing supply chain issues, high inflation, and the associated turn in the interest rate cycle. After many years of increasing globalisation, low inflation and falling interest rates, these factors present very significant changes to the economic backdrop and warrant a degree of caution.

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 \$16.7 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)	14.2	16.4
Price to Free Cash Flow (x)	12.0	14.2
Gross Yield (%)	5.8	5.2
Price to NTA (x)	2.6	3.0

Source: Perennial Value Management. As at 31 March 2022

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 8.5%, in line with expectations.

The Trust currently carries moderate levels of protection.

Top 10 Positions (A → Z)

Aristocrat Leisure

ANZ

BHP

CSL

Insurance Australia Group

Macquarie Group

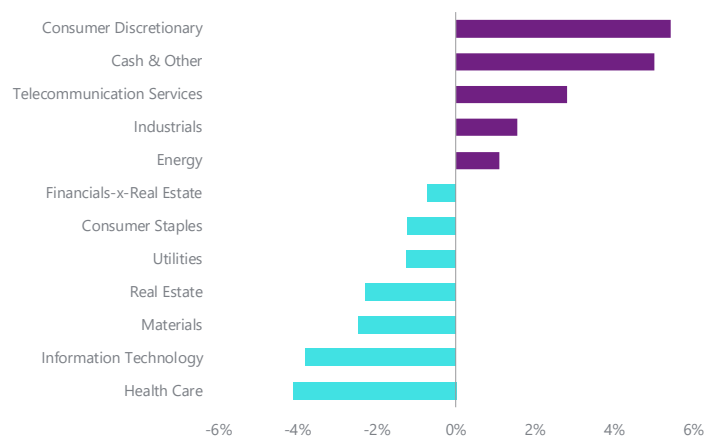
NAB

Telstra

Westpac

Woodside Petroleum

Sector Active Exposure vs Index



Trust Review

The Trust returned +4.4% during the month. For the last three years, the Trust has delivered a solid return of +11.0%, outperforming the Index by +0.1%. This demonstrates the ability to deliver market like returns through the cycle.

While the current uncertainties may cause a short-term pause, we expect that this rotation will continue and still has a long way to run, given the macro backdrop and the high level of valuation dispersion which exists in the market. As such we continue to position the portfolio to benefit from this trend.

Resources holdings performed strongly during the month, with BHP (+10.9%) performing well on the back of the iron ore price rising to over US\$150/t. The demand outlook for iron ore remains robust, with the Chinese likely to implement measures to stimulate their property market, while the supply side remains constrained near term. As a result, these companies are expected to generate very strong cash flows and see earnings upgrades over the coming period.

The oil price continued to be volatile, but remained at high levels, finishing the month at over US\$100/barrel. This saw strong performances from our holdings in Woodside Petroleum (+12.5%) and Santos (+6.6%).

Macquarie Group (+12.4%), outperformed as the high level of volatility in the commodities markets is expected to drive very strong earnings in their commodity trading operations. This is an area where the company has been investing significant capital in recent years.

The Trust was also impacted by not holding a number of expensive tech stocks which rallied during the month. Examples include Block (+19.3%) (the Australian listing of the company which acquired Afterpay), Seek (+12.7%) and Xero (+9.6%). While these stocks bounced in line with tech stocks globally, given the still elevated valuations of many of these types of stocks, we believe they still have considerable downside risks as rates rise.

Trust Activity

During the month, we decreased our holdings in CLW and Metcash due to outperformance.

Outlook

On balance, we view the outlook as positive, with economies recovering strongly as COVID recedes. Economic data continues to be strong in most regions, with very low unemployment rates. The Australian economy is performing particularly strongly and will continue to be a key beneficiary of the strength in commodity markets. However, there are a number of potentially significant changes in the global economic and political backdrop, from the return of inflation and the change in the interest rate cycle, to rising geopolitical tensions. As a result, the level of uncertainty is elevated, and a degree of caution is warranted.

This view is expressed in the portfolio through holding a combination of stocks with cyclical leverage, as well as stocks with solid defensive characteristics.

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	+3.6
Nikkei 225	+4.9
FTSE 100	+0.8
Shanghai Composite	-6.1
RBA Cash Rate	0.10
AUD / USD	75.1c
Iron Ore	+13.6
Oil	+6.9
Gold	+1.5
Copper	+6.7

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