

| | Month (%) | Quarter (%) | FYTD (%) | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception (% p.a.) |
|---|-------------|-------------|-------------|-------------|------------------|------------------|--------------------------|
| Perennial Value Wealth Defender Australian Shares Trust | -1.2 | 7.1 | 2.8 | 6.0 | 9.6 | 7.3 | 6.0 |
| S&P/ASX 300 Accumulation Index | -0.8 | 8.2 | 5.3 | 10.2 | 9.7 | 9.0 | 8.3 |
| Value Added | -0.4 | -1.1 | -2.5 | -4.2 | -0.1 | -1.7 | -2.3 |

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

Overview

Markets finally succumbed to combined concerns around the impact of rising interest rates, the war in Ukraine and spreading lockdowns in China, with most major indices posting losses in April. The S&P500 fell -8.8%, while the NASDAQ fell -13.3% as loss-making tech stocks were punished on the prospect of rising funding costs. The Nikkei 225 was down -3.5% and the Shanghai Composite fell -6.3% as Chinese activity was impacted by the lockdowns in major cities. The FTSE100 fared better, returning +0.4%.

The Australian market again performed relatively better, with the ASX300 Accumulation Index declining by a modest -0.8% over the month. The risk-off move in markets saw the more defensive sectors of the market outperform, with Utilities (+9.3%) the best performing sector, followed by Consumer Staples (+3.4%), with Healthcare (+2.3%) and REITs (+0.7%) also outperforming. IT (-9.9%) was the worst performing sector, as expensive tech stocks were sold off on the prospect of interest rate rises. Cyclical sectors were also weaker, with Metals & Mining (-4.9%) impacted by Chinese growth concerns and Consumer Discretionary (-3.5%). The Energy sector (+2.5%) was the exception, rallying on continued strength in the oil price on the back of the ongoing supply disruptions related to Ukraine.

Despite the ongoing uncertainties, the economic backdrop in most major economies is reasonably positive, as they continue to reopen post-COVID, with strong 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.

Closure of the Trust

The Responsible Entity (RE), Perennial Investment Management Limited, has resolved to close the Perennial Value Wealth Defender Australian Shares Trust. Both the RE and the Investment Manager consider it unlikely that the Trust will reach sufficient scale, and on this basis, have determined that it would be in the unitholders' best interest to wind up and terminate the Trust.

| | |
|-------------------------------|-----------------------------------|
| Portfolio Manager | Trust FUM |
| Dan Bosscher | AUD \$15.9 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 – FY23 | Trust | Market |
|----------------------------------|-------|--------|
| Price to Earnings (x) | 15.1 | 15.7 |
| Price to Free Cash Flow (x) | 13.1 | 15.7 |
| Gross Yield (%) | 5.5 | 4.9 |
| Price to NTA (x) | 2.4 | 2.5 |

Source: Perennial Value Management. As at 30 April 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 |

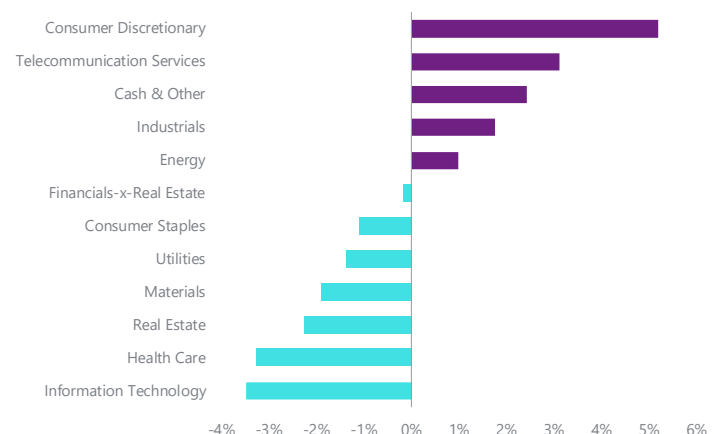
* Since inception, the overlay has cost 1.4% while the market is up 8.3%, in line with expectations.

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

Stocks which performed well in the month included Tabcorp (+2.2%). During the month the company presented to the market on both the Lotteries and Wagering group separately for the first time. The stock has been performing well into the separation and its demerger vote on May 12th. Corporate activity is not unlikely in the next year or so for either business for different reasons. The Lotteries business would be an attractive target for an acquirer for its long term licences and the stable cash flow they produce. For the Wagering business, the intense competition from corporate bookmakers could see them be a target in a consolidation.

Stocks which underperformed during the month included our resources holdings, which were generally lower on the back of concerns over the Chinese growth outlook, following renewed COVID lockdowns in a number of cities. We remain positive on the outlook for the resources sector as while lockdowns will impact growth in the current quarter, we expect that the Government will implement meaningful stimulus measures in the second half of the year. This is expected to support commodities demand and will come in the context of generally tight supply conditions for most commodities.

The Trust also benefited from not holding a number of expensive tech stocks which sold off during the month. Examples include Block (-21.7%) (the Australian listing of the company which acquired Afterpay), Seek (-5.0%) and Xero (-6.2%). While these stocks have fallen significantly from their highs, given their still elevated valuations, we believe they still have considerable downside risks as rates rise.

Trust Activity

During the month, we added to our holding in CSL. At month end, stock numbers were 36 and cash was 2.1%.

Outlook

On balance, we view the outlook as positive, with economies recovering 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. Importantly, the portfolio is positively leveraged to improving growth, higher inflation, and rising interest rates. Within the cyclical part of the portfolio, this is achieved through overweight positions in the Resources, Energy and Consumer Discretionary sectors. In the defensive part of the portfolio, this is achieved through holdings in the sectors such as Telcos, Healthcare and Insurance as well as a modest overweight in gold.

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 | -8.8 |
| Nikkei 225 | -3.5 |
| FTSE 100 | +0.4 |
| Shanghai Composite | -6.3 |
| RBA Cash Rate | 0.1 |
| AUD / USD | 71.1c |
| Iron Ore | -8.8 |
| Oil | +1.3 |
| Gold | -2.1 |
| Copper | -7.3 |

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Signatory of:

 Principles for Responsible Investment



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