

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception [^] (%)
Perennial Yield Plus Conservative Trust (Net)	-0.4	-0.5	-1.0	-3.5	-2.9
RBA Cash Rate Total Return Index	0.2	0.6	0.7	0.8	0.7
Value Added	-0.6	-1.1	-1.7	-4.3	-3.6

[^]Since inception: June 2021. Past performance is not a reliable indicator of future performance.

Overview

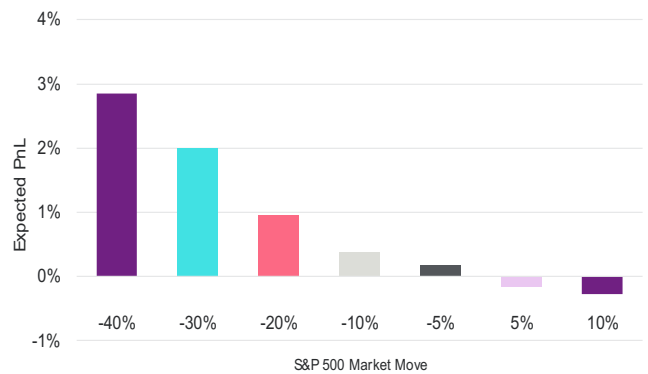
Risk assets reversed course in October, with major equities regaining nearly all the ground lost in September. The rally appeared to be a combination of hopes for a Fed pivot, and general selling fatigue.

The Trust delivered a loss of -0.40% for the month, net of fees, driven by a loss in Core Income strategy, as well as drag from the Option Strategy.

Wider credit spreads detracted from Core Income performance during the month, as did overlay strategies. The strategy remains defensively positioned amid volatile market conditions, although we have increased exposure to short-dated assets.

The Option Strategy loss was driven by Put Write positions that unfortunately expired before the rally, as well as losses on the Protection portfolio, as markets rose and implied volatility coming in.

Estimated PnL Outcomes by Market Move



The chart provides the total expected portfolio PnL given a high velocity move in the S&P500. Source: Perennial Value Management. As at 31 October 2022.

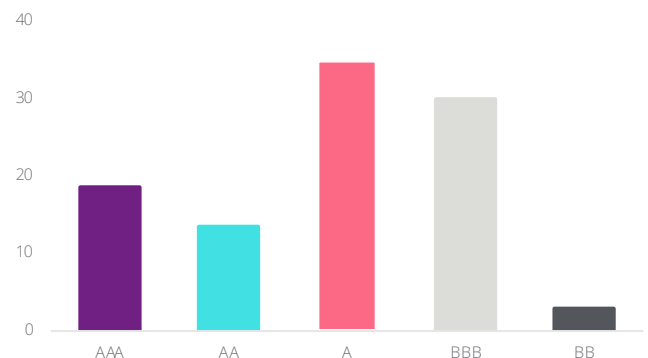
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Fund Characteristics

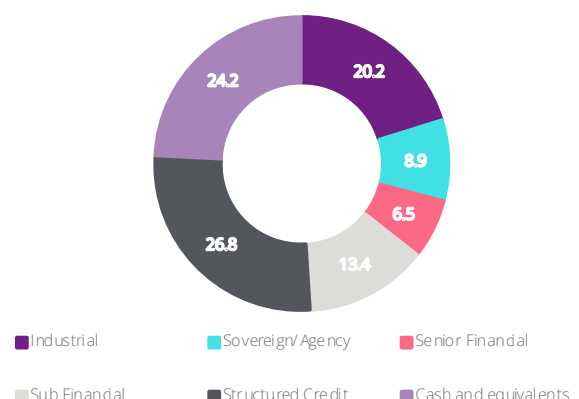
The Trust aims to generate income by harvesting equity, credit and volatility risk premia; with a conservative risk profile. A portion of this income is invested in an explicit rules-based equity option defensive strategy to offset, or benefit from, market drawdowns.

Portfolio Manager Michael Pollard	Trust FUM AUD \$18.5 million
Distribution Frequency Quarterly	Minimum Initial Investment \$50,000
Trust Inception Date June 2021	Fees 0.6% p.a.
APIR Code WPC3204AU	Expense Recovery Capped at 0.1% p.a.

Rating Exposure



Sector Active Exposure



Portfolio Characteristics

Modified Duration (Yrs)	-0.01
Spread Duration (Yrs)	1.97
Portfolio Yield (%)	4.50
Average Credit Quality	A

Source: Perennial Value Management. As at 31 October 2022

Portfolio yield is the expected return over the next year, assuming no changes to either portfolio composition or market yields. Average credit quality excludes overlay positions. Portfolio yield and spread duration reflect the net credit default swap exposures in the portfolio.

Trust Review

The Core Income strategy returned -0.29% for the month net of fees. The fund's performance was positively impacted by coupon income, but wider credit spreads detracted. We also have hedges in place that underperformed given the relatively 'risk-on' tone seen during the month.

The Australian market underperformed markets offshore in October. US spreads were a little narrower but in Australia, financials led the way wider as supply weighed. On the other hand, structured credit was more resilient and offshore selling did nothing to widen spreads in either ABS or RMBS. On average, Australian financials credit spreads were approximately 11 basis points wider on the month, whereas non-financials were around 3 basis points wider.

Our interest rate position at month end was zero.

We have maintained a defensive position in the Option Strategy through most of the month. Whilst we believe the lows are still to come it does seem like the current rally may persist for the short-term at least. We are therefore taking a slightly less defensive position going forward.

Trust Activity

We participated in new LaTrobe and Pepper RMBS deals, but given our defensive positioning and continuing modestly bearish outlook for spreads over the medium term we largely avoided new issues during the month. We continue to carry larger than normal cash and short-term securities weightings in the fund.

During the month we rolled a number of Put Write positions at a loss. These positions unfortunately expired before the rally at the end of month. We have also increased the Put Write weight to 10%, and will likely increase a modest amount in November, given the view that markets may continue to bounce in the short-term.

Outlook

Central banks remain committed to the fight against inflation, but during October some surprised the market by slowing the pace of increases. In early October, the RBA surprised some with just a 25bp increase, followed by the Bank of Canada only increasing by 50bp when the market had 75bp firmly penciled in. In both cases, concerns are rising that the full impacts of prior policy tightening are yet to be felt given the sensitivity of consumers and the economy to higher funding costs.

Relative calm returned to UK markets with the ascension of a new Prime Minister and a repealing of much of the fiscal agenda that created such wide disruption both at home and abroad. This episode has left us acutely aware of the underlying fragility of global financial markets that have been set the task of shouldering a large (and growing) debt burden against a backdrop of tightening financial conditions.

While volatility in rates markets remains highly elevated, risk appetite returned through October on hopes of continued moderation in rate increases. Strength was notable in equities and high-yield credit spreads. Our view remains that corporate fundamentals are in good shape, but recent results highlight the medium-term dangers to earnings from a weakening consumer, margin compression, and continued USD strength, not to mention cautious outlook statements. Equity multiples remain vulnerable to further downward revision going into 2023.

The core drivers of credit spreads continue to point to further widening in the months ahead. Our response for much of 2022 has been to hold a neutral duration exposure, reduce higher beta exposures and retain a preference for shorter tenors and higher credit quality. Ultimately, we expect volatility to remain elevated until core inflation is sustainably contained.

As always, our aim will be to generate a running yield from credit and fixed income markets, with a conservative risk profile, whilst deploying an options strategy that carries flat to small positive with potential upside in a large equity drawdown. If market conditions make striking a balance between return and protection difficult, we would tend toward prioritising protection.

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