

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	-0.2	4.4	8.5	11.5	5.6	-	5.6
S&P/ASX 300 Accumulation Index	-0.4	3.2	8.2	12.4	7.5	-	7.2
Value Added (Detracted)	0.2	1.2	0.3	-0.9	-1.9	-	-1.6
Net Performance	-0.2	4.2	7.9	10.4	4.7	-	4.8

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

Overview

- ▶ The market eased in January, to finish the month -0.4%, bringing the total return for the last 12 months to a healthy +12.4%.
- ▶ Resources rose +0.8% on continued strength in commodity prices. Industrials declined -0.7%, led down by interest rate-sensitive sectors such as Utilities and REITs, which fell on rising bond yields.
- ▶ Offshore markets were generally stronger, with the US market continuing its strong run, to be up +24.1% for the last 12 months.

Protection Portfolio Outcomes

	Index Return (%)	Protection Return (%)	Proportion of market fall saved
August 2015 - China Market Turbulence	-7.7	2.7%	35%
January 2016 - Continued China Fears	-5.5	1.6%	30%

Past performance is not a reliable indicator of future performance.

- ▶ One year protection cost of 1.9% in a +12.4% market, implying 84.7% upside participation.
- ▶ Annualised volatility 14.0% lower than the index over the year.
- ▶ Volatility costs were low again for the month. This is partly as implied volatility is low, and partly from good positioning in the protection portfolio.

Perennial Value Wealth Defender Australian Shares Trust

The Trust aims to outperform the S&P/ASX 300 Accumulation Index by investing in a diversified portfolio of Australian shares and using protection strategies to dynamically protect the portfolio through market cycles, thereby reducing the magnitude of significant negative returns in sharply falling equity markets.

Portfolio manager	Dan Bosscher
Trust FUM	AUD \$65 million
Distribution frequency:	Half yearly
Minimum initial investment	\$25,000
Trust Inception Date	May 2014
Fee	0.98% + Perf fee
APIR code	IOF0228AU
Trust Redemption Price	\$1.0775

Top 5 Over / Underweight Positions vs Index

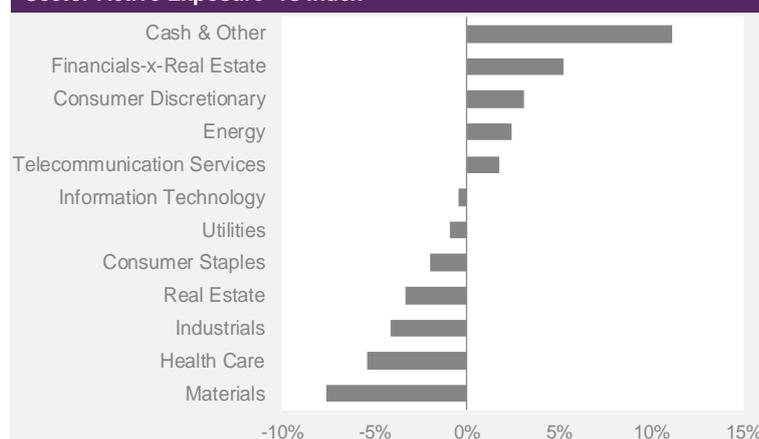


Portfolio Characteristics – FY19

	Trust	Market
Price to Earnings (x)	14.3	15.3
Price to Free Cash flow (x)	12.2	14.7
Gross Yield (%)	6.2	5.8
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 31 January 2018. 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.

Sector Active Exposure vs Index



Trust Review

Better performing holdings over the month included fund managers Navigator Global Investments (+14.2%) and Perpetual (+8.3%), which both delivered updates showing improving funds flows, while Macquarie Group (+3.5%) rallied as it will benefit from the US corporate tax cuts as well as expectations of a positive upcoming trading update.

Resource stock outperformance continued to be a feature of recent months, with Whitehaven Coal (+10.8%), BHP (+2.1%) and Rio Tinto (+1.4%) rising on continued commodity price strength.

Other stocks which outperformed included Seven Group holdings (+7.0%), Huon Aquaculture (+6.1%), Caltex Australia (+2.1%), Crown Resorts (+1.8%) and AMP (+1.2%). The Trust also benefitted from its underweight position in the expensive defensive sectors of the market such as Utilities and REITs, which underperformed as bond yields rose on the back of continuing strong global economic data.

Stocks which detracted from performance included Graincorp (-9.6%), which fell on the back of poor cropping conditions as well as Tabcorp (-7.3%) and Alliance Aviation (-5.5%), both of which eased following very strong recent performances.

Whilst there hasn't been any improvement in the implied to realised volatility spread, which is currently wide, we have continued to experience low overlay cost which is pleasing. When this spread is wide it means we are paying more for options than we are able to extract value from, when realised volatility (the actual movement in the market) is low.

Trust Activity

During the month, we took profits, selling out of our holding in Janus Henderson and reducing our holding in Crown Resorts, with both these stocks having delivered total returns of over 30% over the past 12 months. Proceeds were used to establish positions in QBE Insurance and Star Entertainment and increase our holding in Woolworths. At month end, stock numbers were 45 and cash was 10.6%.

Outlook

The global economic backdrop continues to be positive, with all major regions delivering improved growth. While the domestic economy has been subdued, recent data is increasingly positive. Should this continue, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies which are trading on attractive valuations. This scenario would also see continued upwards pressure on interest rates, which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The portfolio continues to exhibit Perennial Value's true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics: price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

Market Review - Australia		%	Global, Currency & Commodities		%
S&P/ASX300 Accumulation Index		-0.4	S&P500		+5.8
Energy		-0.3	Nikkei 225		+1.5
Materials		+0.5	FTSE100		-1.3
Industrials		-2.0	Shanghai Composite		+5.3
Consumer Discretionary		-0.2	RBA Cash Rate		1.50
Health Care		+3.1	AUD / USD		+3.5
Financials-x-Real Estate		-0.7	Iron Ore		+2.4
Real Estate		-3.2	Oil		+3.3
Information Technology		+2.5	Gold		+3.2
Telecommunication Services		+0.8	Copper		-3.2
Utilities		-4.3			

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