

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	-1.3	-0.8	3.1	2.1	-	-	1.6
S&P/ASX 300 Accumulation Index	-2.2	-3.2	3.0	6.3	-	-	3.3
Value Added (Detracted)	0.9	2.4	0.1	-4.2	-	-	-1.7
Net Performance	-1.3	-1.0	2.8	1.4	-	-	1.0

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

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 falling equity markets.

Trust manager:

Dan Bosscher

Risk profile:

High

Trust FUM* (as at 31/10/16):

AUD \$47 million

Income distribution frequency:

Half yearly

Strategy FUM (as at 31/10/16):

AUD \$362 million

Team FUM (as at 31/10/16):

AUD \$8.5 billion

Trust redemption price (as at 31/10/16):

\$ 0.9474

Any material changes to risk profile, strategy, key service providers or portfolio managers during the period:

Nil

Minimum initial investment:

\$25,000

Trust inception date:

May 2014

APIR code:

IOF0228AU

*Trust FUM is equivalent to the net asset value of the Trust. It is the value of the assets less the liabilities of the Trust, as calculated in accordance with the terms of the Trust's constitution.

- ▶ The market fell in October, with the S&P/ASX300 Accumulation Index (the Index) down 2.2%.
- ▶ Resources outperformed, rising 1.2%, while defensive sectors underperformed.
- ▶ The Trust fell 1.3%, outperforming the market by 0.9%.

Trust characteristics

In line with the objective, the Perennial Value Wealth Defender Australian Shares Trust (the Trust) is invested in a diversified portfolio of financially sound companies and carries a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity market falls.

Trust performance

The Trust fell 1.3% for October, outperforming the Index by 0.9%.

The international markets were mixed with the S&P500 down 1.9%, while the Nikkei 225 (up 5.9%), Shanghai Composite (up 3.2%) and the FTSE 100 (up 0.8%) all rallied. The month saw strong rallies in iron ore prices, (up 15.6%) and coal, with thermal coal up 33.0% and hard coking coal up 20.0%, while oil eased (down 1.5%) and gold declined 3.8%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia (RBA), with the cash rate remaining steady at 1.5%, while the Australian Dollar finished the month down one cent at 76 US cents.

During October, the better performing sectors included metals and mining (up 2.2%), materials (up 1.2%) and financials (up 0.7%), while healthcare (down 8.1%), REITs (down 7.7%), consumer discretionary (down 6.1%) and telecommunications (down 4.4%) underperformed.

Stocks which performed strongly included miners Rio Tinto (up 5.0%) and BHP (up 3.1%), as well as Downer (up 8.2%) and Orica (up 7.2%) with their mining services exposure. We have been increasing our resources exposure over the last few quarters, seeing good medium-term value in the large-cap end of the resources market, with significant upside should the current strength in commodity prices continue. Gateway Lifestyle (up 8.4%), QBE Insurance (up 7.5%) and Graincorp (up 7.0%) also performed strongly. Woolworths (up 1.6%) rose on evidence that sales performance was improving over the September quarter. This contrasts with Wesfarmers (down 7.0%) in which the Trust holds an underweight position, which fell after reporting lower than expected sales growth. The Trust also benefited from not holding expensive defensives such as Sydney Airport (down 10.2%), Transurban (down 8.6%) and Ramsay Healthcare (down 7.3%) which all fell as bond yields rose.

Stocks which detracted from performance included Crown Resorts (down 16.9%) which fell sharply following the arrest of a number of its employees in China. While the situation is currently unclear, it is likely that the longer-term impact on the business will be limited, with directly-sourced Chinese VIPs only representing a small proportion of total earnings. AMP (down 13.4%), also fell after announcing further deterioration in their wealth protection business. While this was disappointing, the division now accounts for less than 10.0% of group earnings and will likely be less of an issue going forward. We remain comfortable with the outlook for each of these stocks.

The protection portfolio was down a small amount for the month mainly due to a lack of trading opportunities in the market, with volatility levels remaining quite low during the month.

Trust Activity

During the month we took profits and reduced our holdings in Wesfarmers and Harvey Norman and exited Sims Metal. Each of which have delivered strong performances in recent times. We also further reduced our position in Telstra, where we see increasing competitive pressure building. Proceeds were used to increase our holdings in a number of stocks including Vocus Communications, Newcrest and AGL Energy.

Outlook

The Trust is overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies where we see attractive valuations. We have reduced our overweight positions in the domestic building and construction-related stocks and moved to a moderate underweight in the banking sector. The Trust remains underweight expensive defensive sectors such as healthcare and REITs and heavily underweight infrastructure given that sector's high leverage at a time of historically low interest rates. The Trust 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.

Interestingly, we have seen the market very quiet into the US election. With the result increasingly hard to call, investors are sitting and waiting. However, whilst volatility has fallen, we have seen some buying of protection in both the US and Australian stock markets.

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.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Commonwealth Bank	6.9	8.8
BHP Billiton Limited	6.1	5.2
Westpac Banking Corporation	5.2	7.1
ANZ Banking Group Limited	5.0	5.7
National Australia Bank	4.8	5.2
Macquarie Group Limited	3.8	1.9
Woolworths Limited	3.6	2.1
Rio Tinto Limited	2.9	1.6
Woodside Petroleum	2.9	1.4
Telstra Corporation	2.7	4.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.7	4.0
Materials	15.3	16.1
Industrials	1.7	7.1
Consumer Discretionary	9.5	5.3
Consumer Staples	7.2	7.1
Health Care	3.5	6.7
Financials-x-Real Estate	35.7	36.4
Real Estate	9.1	8.6
Information Technology	0.7	1.4
Telecommunication Services	4.6	4.8
Utilities	2.6	2.4
Cash & Other	3.4	-

Rounding accounts for small +/- from 100%.

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.