

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	1.6	0.7	4.7	5.0	-	-	2.2
S&P/ASX 300 Accumulation Index	2.8	1.1	5.8	10.1	-	-	4.3
<b>Value Added (Detracted)</b>	<b>-1.2</b>	<b>-0.4</b>	<b>-1.1</b>	<b>-5.1</b>	-	-	<b>-2.1</b>
Net Performance	1.5	0.4	4.3	4.2	-	-	1.5

\*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 30/11/16):

AUD \$46 million

### Income distribution frequency:

Half yearly

### Strategy FUM (as at 30/11/16):

AUD \$419 million

### Team FUM (as at 30/11/16):

AUD \$6.9 billion

### Trust redemption price (as at 30/11/16):

\$ 0.9618

### 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 rallied in November, with the S&P/ASX300 Accumulation Index (the Index) up 2.8%.
- ▶ Resources outperformed, rising 3.1%, while defensive sectors underperformed.
- ▶ The Trust returned 1.6%, underperforming the Index by 1.2%.

## Trust characteristics

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

## Trust performance

The Trust delivered a return of 1.6% for November, underperforming the Index by 1.2%.

The key development over the month was the result of the US election. International markets generally reacted positively, with the S&P500 up 3.4%, Nikkei 225 up 5.1% and Shanghai Composite up 4.8%, while the FTSE 100 declined 2.5%. The month saw strong rallies in iron ore (up 24.6%) and hard coking coal (up 20.2%), while oil rose 6.7%. Thermal coal declined 23.7% from its recent high and gold declined 7.7%. 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 two cents at 74 US cents.

During November, the better performing sectors included financials (up 6.0%), energy (up 3.7%), metals & mining (up 3.0%) and materials (up 2.2%) while defensive sectors such as healthcare (down 1.6%) and telecommunications (down 0.4%) underperformed.

Trust holdings which performed strongly included QBE Insurance (up 11.8%) with its leverage to rising US interest rates and AGL Energy (up 9.4%) which rallied on the announcement of the closure of the Hazelwood power station in Victoria, which in turn should support electricity prices. Other stocks which outperformed included Crown Resorts (up 7.8%), which had been previously sold down following the arrests of staff in China, Macquarie Group (up 7.5%), Clydesdale Bank (up 7.2%) and Resmed (up 6.3%). Resource stocks also outperformed on the higher commodity prices, with AWE (up 10.1%), Rio Tinto (up 6.6%), BHP (up 5.8%) and Woodside Petroleum (up 4.4%). The Trust also benefited from being underweight healthcare and REITs, which fell as bond yields rose.

The most significant detractor from performance was Vocus Communications (down 27.0%) which fell after issuing FY17 earnings guidance which was below market expectations. While this was disappointing, the longer-term outlook for the company remains positive with significant benefits to flow as it integrates its fibre infrastructure with its retail telecommunications business. Unlike other telecommunication companies, the roll-out of the NBN is a net positive for Vocus and it is gaining market share in broadband. Shorter-term, however, the share price may languish. Newcrest (down 13.4%) fell on the lower gold price. During the month, we toured Newcrest's Cadia and Lihir mines, located in NSW and PNG respectively and were impressed with their operating performance and outlook.

The strong market rally post the US election and accompanying fall in volatility levels saw the protection portfolio contribute negatively for the month. Our focus will remain on making sure the portfolio is well protected for significant, sharp drawdowns.

### Trust Activity

During the month we took profits and reduced our holdings in a number of stocks including Aristocrat Leisure, BHP and Rio Tinto, each of which have delivered strong performances in recent times. Proceeds were used to increase our holdings in a number of stocks, including those with significant offshore earnings, such as Henderson Group, Nufarm, Amcor and Resmed.

### Outlook

Markets have responded positively to the US election results and the prospect of this leading to more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, 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 where we see attractive valuations. This 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 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.

**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	7.5	9.2
BHP Billiton Limited	5.9	5.3
Westpac Banking Corporation	5.6	7.1
ANZ Banking Group Limited	5.2	5.7
National Australia Bank	5.0	5.2
Macquarie Group Limited	3.8	1.9
Woolworths Limited	3.2	2.0
AGL Energy Limited	3.1	1.0
Woodside Petroleum	3.1	1.5
Telstra Corporation	2.8	4.2

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.9	4.1
Materials	15.2	16.2
Industrials	1.8	7.0
Consumer Discretionary	9.6	5.2
Consumer Staples	6.7	7.0
Health Care	3.8	6.4
Financials-x-Real Estate	37.4	37.1
Real Estate	8.1	8.5
Information Technology	0.7	1.4
Telecommunication Services	4.7	4.7
Utilities	3.3	2.5
Cash & Other	1.7	-

Rounding accounts for small +/- from 100%.

Signatory of:



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