

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	0.7	-1.2	11.6	11.6	4.5	-	4.0
S&P/ASX 300 Accumulation Index	0.2	-1.6	13.8	13.8	6.6	-	6.0
Value Added (Detracted)	0.5	0.4	-2.2	-2.2	-2.1	-	-2.0
Net Performance	0.6	-1.4	10.6	10.6	3.8	-	3.2

*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 sharply falling equity markets.

Trust manager

Dan Bosscher

Risk profile

High

Trust FUM[#]

AUD \$53 million

Distribution frequency

Half yearly

Strategy FUM

AUD \$495 million

Team FUM

AUD \$6.9 billion

Trust redemption price

\$1.0199

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

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- ▶ The market rose marginally in June, with the S&P/ASX300 Accumulation Index (the Index) up 0.2%.
- ▶ The Perennial Value Wealth Defender Australian Shares Trust (the Trust) has delivered a healthy total return of 11.6% for the 2017 financial year.
- ▶ At all times, the Trust has been well protected in the event of a major market downturn.

Market Review

Global markets were generally stronger in June, with the S&P500 up 0.5%, Nikkei 225 up 1.9% and Shanghai Composite up 2.4%, while the FTSE100 declined 2.8%, following the outcome of the UK election. As widely expected, the US Federal Reserve raised interest rates by 25 basis points, moving the target rate to between 1.00% and 1.25%. Commodity prices were mainly stronger, with iron ore rallying strongly 14.0%, thermal coal up 6.0%, copper up 5.0% and coking coal flat. However, oil sold off 5.0% and gold fell 2.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month up 3.0 cents at 77 US cents.

The Index returned 0.2% over the month, with the better performing sectors including healthcare (up 6.1%), information technology (up 1.9%), financials (up 1.7%) and consumer discretionary (up 0.9%). Energy (down 6.8%) was the worst performing sector on the fall in the oil price, while REITs (down 4.5%), utilities (down 2.7%), consumer staples (down 2.4%) and telecommunications (down 1.7%) all lagged.

Trust Review

The Trust delivered a return of 0.7% for June, resulting in a return for the last twelve months of a healthy 11.6%.

Better performing stocks in the portfolio included Vocus Group (up 19.5%), which rallied after receiving a takeover offer of \$3.50 per share from private equity firm, KKR. The Vocus board is currently reviewing the reasonableness of the offer and whether to grant due diligence. In our view, while the company's recent performance has been disappointing, the offer clearly demonstrates the latent value which the market is not currently recognising. Other strong performers included Austin Engineering (up 37.5%), Prime Media Group (up 20.6%), Imdex (up 20.6%), Integral Diagnostics (up 16.1%) and Suncorp (up 7.1%), which is expected to benefit from a strengthening in the insurance premium rate cycle. Amcor (up 5.7%), rose after hosting an investor tour of its US operations, highlighting the potential future consolidation opportunities in that market. Janus Henderson Group (up 4.8%) rallied after the completion of the merger and the transfer of its listing from the London to the New York Stock Exchange. Other holdings which outperformed included AMP (up 2.8%) and Lendlease (up 2.0%). The trust also benefited, in a relative sense from its underweight position in REITs and utilities

Stocks which detracted from performance included Gateway Lifestyle (down 7.1%), as construction of their residential accommodation parks was slowed by wet weather and Woodside Petroleum (down 7.1%), which fell on the declining oil price. Graincorp (down 6.8%), Crown Resorts (down 5.2%) and Caltex Australia (down 4.4%) all eased following strong recent performances.

Whilst the Index return was relatively flat in June, unlike in recent months, there was finally a little bit of intra-month volatility. This is good as it provided trading opportunities for the protection portfolio. As a result, we were able to carry a significant level of protection for no cost.

[#]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.

Trust Activity

We reduced our holding in Crown Resorts and exited our position in Thorn Group. Proceeds were used to increase positions in a number of stocks including veterinary services provider, National Veterinary Care and automotive component manufacturer, PWR Holdings. At month end, stock numbers were 50 and cash was 5.5%.

Outlook

The global growth outlook appears to be incrementally improving and markets continue to respond positively to the prospect of 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, REITs and infrastructure.

The Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust 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 %
BHP Billiton Limited	6.5	4.8
Commonwealth Bank.	6.3	9.3
National Australia Bank	5.7	5.1
Westpac Banking Corporation	5.0	6.6
ANZ Banking Group Limited	4.1	5.4
Suncorp Group Limited	3.6	1.2
AMP Limited	3.5	1.0
Woodside Petroleum	3.3	1.4
Telstra Corporation	3.2	3.3
Macquarie Group Limited	3.1	1.9

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	6.1	4.1
Materials	16.3	16.0
Industrials	2.7	7.4
Consumer Discretionary	8.9	5.2
Consumer Staples	6.2	7.1
Health Care	1.1	7.5
Financials-x-Real Estate	37.5	36.9
Real Estate	6.6	8.3
Information Technology	1.0	1.5
Telecommunication Services	6.2	3.8
Utilities	0.9	2.3
Cash & Other	6.6	-

Rounding accounts for small +/- from 100%.

Signatory of:



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