

	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*	2.8	8.2	8.6	10.9	6.7	-	5.7
S&P/ASX 300 Accumulation Index	1.9	7.7	8.6	11.9	8.8	-	7.5
Value Added (Detracted)	0.9	0.5	0.0	-1.0	-2.1	-	-1.8
Net Performance	2.7	8.0	8.1	9.9	5.8	-	5.0

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

Overview

- ▶ The market rallied again in December, to finish the month +1.9%, bringing the total return for the last 12 months to a healthy +11.9%.
- ▶ Resources led the market higher, on the back of stronger commodity prices, while defensive and interest rate sensitive sectors lagged.
- ▶ Offshore markets were generally stronger, with the US market continuing its strong run, to be up +19.4% 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 2.0% in a +11.9% market, implying 83.2% upside participation.
- ▶ Annualised volatility 13.6% 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	\$1.0998

Top 5 Over / Underweight Positions vs Index

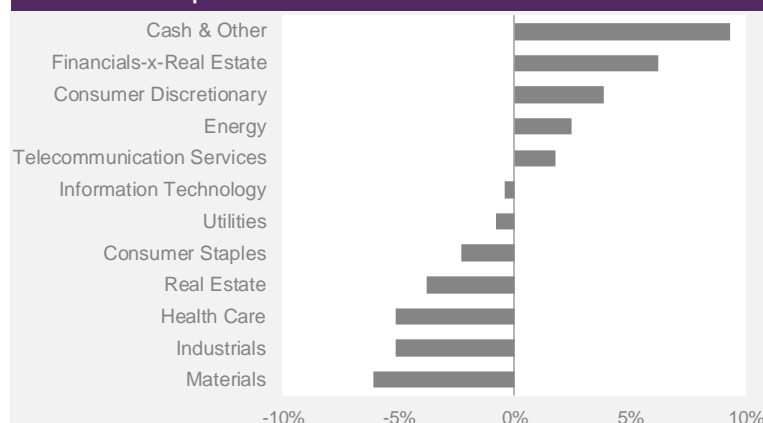


Portfolio Characteristics – FY19

	Trust	Market
Price to Earnings (x)	14.5	15.5
Price to Free Cash flow (x)	12.1	14.4
Gross Yield (%)	6.1	5.7
Price to NTA (x)	1.9	2.2

Source: Perennial Value Management. As at 31 December 2017. 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 AWE (+30.6%) which rose sharply after receiving several competing takeover offers. Tabcorp (+15.1%) rallied after the approval of its merger with Tatts Group. The merger is expected to result in significant operational benefits both on the cost and revenue side. In addition, the merged group stands to benefit from a number of positive regulatory changes currently being implemented. Westfield Corp (+13.2%), rose after agreeing to a takeover offer from French competitor Unibail-Rodamco. We view this as potentially a very significant transaction in the sense that the Lowy family have decided it is now a good time in the cycle to bow out of the sector. Resource stocks BHP (+8.3%), Rio Tinto (+6.8%) and Woodside Petroleum (+6.7%) all rallied on stronger commodity prices, with robust demand and constrained supply. Other strong performers included Alliance Aviation (+15.2%), Imdex (+12.3%), Seven Group Holdings (+11.3%), Huon Aquaculture (+9.3%), Graincorp (+7.6%) and Navigator Global Investments (+7.4%). The Trust also benefitted from its underweight position in the expensive defensive sectors of the market such as Utilities, REITs and Healthcare, which underperformed on the prospect of higher interest rates.

Stocks which detracted from performance included RPM Global Holdings (-5.8%), Pacific Energy (-3.7%), Vocus (-3.5%), Suncorp (-3.3%), and News Corp (-0.6%).

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Trust Activity

During the month, we exited our holdings in Westfield Corp and AWE following the takeover offers for both stocks. We also took profits and reduced our holdings in Rio Tinto. Proceeds were used to increase our holdings a number of stocks including Macquarie Group and to establish a position in Whitehaven Coal. At month end, stock numbers were 44 and cash was 8.9%.

Outlook

While growth in the domestic economy remains subdued, the global growth outlook appears to be incrementally improving, despite a high level of ongoing political uncertainty. Should this continue, the portfolio 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 portfolio 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		+1.9	S&P500		+1.0
Energy		+6.5	Nikkei 225		+0.2
Materials		+6.1	FTSE100		+4.9
Industrials		-0.9	Shanghai Composite		-0.3
Consumer Discretionary		3.7	RBA Cash Rate		1.50
Health Care		-0.5	AUD / USD		+3.0
Financials-x-Real Estate		+0.4	Iron Ore		+3.6
Real Estate		+0.1	Oil		+5.2
Information Technology		+2.9	Gold		+2.2
Telecommunication Services		+5.5	Copper		+7.7
Utilities		-4.5			

Contact Us

1300 730 032

invest@perennial.net.au

www.perennial.net.au

Signatory of:



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