

	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*	3.3	12.9	13.7	-	-	4.7
S&P/ASX 300 Accumulation Index	4.7	15.6	20.2	-	-	7.1
<b>Value Added (Detracted)</b>	<b>-1.4</b>	<b>-2.7</b>	<b>-6.5</b>	<b>-</b>	<b>-</b>	<b>-2.4</b>
Net Performance	3.1	12.2	12.8	-	-	4.0

\*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 sharply falling equity markets.

#### Trust manager

Dan Bosscher

#### Risk profile

High

#### Trust FUM\*

AUD \$51 million

#### Income distribution frequency

Half yearly

#### Strategy FUM

AUD \$464 million

#### Team FUM

AUD \$7.0 billion

#### Trust redemption price

\$ 1.0345

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.

- ▶ Markets rallied over the March quarter, with the S&P/ASX300 Accumulation Index (the Index) up 4.7%.
- ▶ Strength was broad-based, with both industrials (up 5.2%) and resources (up 2.2%), up over the quarter.
- ▶ Reporting season saw the market deliver positive earnings growth and record dividends.

### Trust characteristics

The objective of the Perennial Value Wealth Defender Australian Shares Trust (the Trust) is to be invested in a diversified portfolio of financially sound companies and 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 3.3% for the March quarter, underperforming the Index by 1.4%.

Global markets were generally positive, with the S&P500 up 5.5%, FTSE100 up 2.5% and the Shanghai Composite up 3.8% over the quarter, while the Nikkei 225 eased 1.1%. Commodity prices were mixed with oil down 7.0%, thermal coal down 11.0% and coking coal down 34.0%, while iron ore (up 3.0%), copper (up 8.0%) and gold (up 8.0%) all rose. The Federal Reserve raised rates by 25 basis points, lifting the target range to 0.75% - 1.00%. The Reserve Bank of Australia, by contrast, left the cash rate steady at 1.5% and the Australian Dollar rose four cents to 76 US cents.

The better performing sectors over the quarter were healthcare (up 14.7%), utilities (up 10.7%), consumer staples (up 10.6%) and financials (up 6.0%). Telecommunications (down 4.5%), REITs (down 0.1%), materials (up 1.6%), metals and mining (up 2.0%) and energy (up 2.8%) lagged.

Reporting season was the highlight of the quarter. While the results were generally subdued, there was improvement from previous periods, with the overall market delivering positive earnings growth. Market dividends also set a new record level as companies continued to focus on returning cash to shareholders.

Stocks which contributed positively over the quarter included AGL Energy (up 21.2%), which continues to rally on the rising wholesale electricity price. This stock has been a very strong performer for the Trust, with a total return of 47.5% for the last twelve months. Crown Resorts (up 11.9%) rallied as the market welcomed the focus on cost reduction under the new Executive Chairman and the announcement of a large special dividend. Vocus Group (up 11.6%) began to recover from last-year's sell-off as the market became more comfortable with the outlook for the company. Similarly, Boral (up 10.2%) rose as the market began to warm to the acquisition of Headwaters and the US exposure it provides the company. Following the acquisition, around 40.0% of revenues will come from the US. Lendlease (up 8.8%) rose following a strong first half result and Resmed (up 8.4%), rallied after a strong Q2 result. Woodside Petroleum (up 5.0%), rose after delivering a solid full-year result and setting out its growth profile over the coming years. The Trust also benefitted from not holding Brambles (down 23.4%).

Holdings which detracted from performance included Clydesdale Bank (down 6.2%) and Henderson Group (down 5.0%) which declined on Brexit concerns and Graincorp (down 4.9%), which eased back after a strong rally in the December quarter. These companies all offer good value, are underpinned by strong balance sheets and we remain comfortable with the medium-term outlook for each.

The protection portfolio has done well over the past quarter, incurring only a relatively small cost despite the strong performance of the market. Whilst the overlay can be volatile in terms of its performance in discrete time periods (both positive and negative), we continue to focus on the long term rolling cost of protection.

### Trust Activity

During the quarter, we took profits and exited our holdings in a number of stocks which had performed strongly over recent months including AGL Energy, Boral and QBE Insurance. Proceeds were used to establish or increase our positions in a number of stocks where we see very good medium-term value, including Crown Resorts, Event Hospitality, Henderson Group, Iluka Resources and Vocus Group. At quarter end, stock numbers were 51 and cash was 7.6%.

### Environmental, Social and Corporate Governance (ESG)

Perennial Value remains alert and active in ESG matters. During our company meetings following the February reporting season, we took the opportunity to engage with management on a range of ESG issues. Much of the discussion centred on safety performance and environmental considerations. We were pleased to see some creative solutions proposed such as Woodside's aim to develop LNG as a clean alternative to the 3 billion litres of diesel used each year in the Pilbara as well as potentially as a fuel for the shipping industry.

### 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.

Since the US election, the cost of protection has fallen, allowing us to roll and replace positions at a much better level than before. This gives us confidence that the cost of portfolio protection will return to normal levels. Going forward, the French elections could

cause the markets some concern, however, there is no indication of that as yet.

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 %
National Australia Bank	6.3	5.6
Commonwealth Bank	6.1	9.3
Westpac Banking Corporation	5.4	7.4
BHP Billiton Limited	5.2	4.9
ANZ Banking Group Limited	4.6	5.9
Woolworths Limited	3.6	2.1
Woodside Petroleum	3.2	1.5
Crown Resorts Limited	2.8	0.3
Macquarie Group Limited	2.8	1.9
AMP Limited	2.7	1.0

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	5.6	4.3
Materials	15.5	15.6
Industrials	1.7	6.7
Consumer Discretionary	9.6	5.0
Consumer Staples	7.4	7.2
Health Care	1.1	6.8
Financials-x-Real Estate	36.3	38.1
Real Estate	5.7	8.4
Information Technology	1.3	1.3
Telecommunication Services	5.9	4.0
Utilities	0.9	2.7
Cash & Other	9.1	-

Rounding accounts for small +/- from 100%.

Signatory of:



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