

	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*	-0.5	2.0	7.9	9.2	2.7	-	5.4
S&P/ASX 300 Accumulation Index	0.3	1.8	8.5	10.3	5.2	-	7.2
Value Added (Detracted)	-0.8	0.2	-0.6	-1.1	-2.5	-	-1.8
Net Performance	-0.6	1.8	7.2	8.2	1.8	-	4.5

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

Overview

- ▶ Following an early sell-off, the market recovered to finish the month up 0.3%, bringing the total return for the last 12 months to up 10.3%.
- ▶ The overlay performed as expected during the sell-off, adding significant value when the market was at its lows in the early part of the month.
- ▶ The highlight of the month was the company reporting season, with companies reporting earnings for the period to December 2017. The overall tone of results was positive, with the majority of companies held in the portfolio delivering earnings and dividend growth.

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 \$64 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	\$1.0711

Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	14.3	15.4
Price to Free Cash flow (x)	12.5	15.0
Gross Yield (%)	6.1	5.7
Price to NTA (x)	2.0	2.2

Source: Perennial Value Management. As at 28 February 2018. 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.

Protection Portfolio Outcomes

	Index Return (%)	Protection Return (%)	Proportion of market fall saved
August 2015 - China Market Turbulence	-7.7	2.7%	35.0%
January 2016 - Continued China Fears	-5.5	1.6%	30.0%

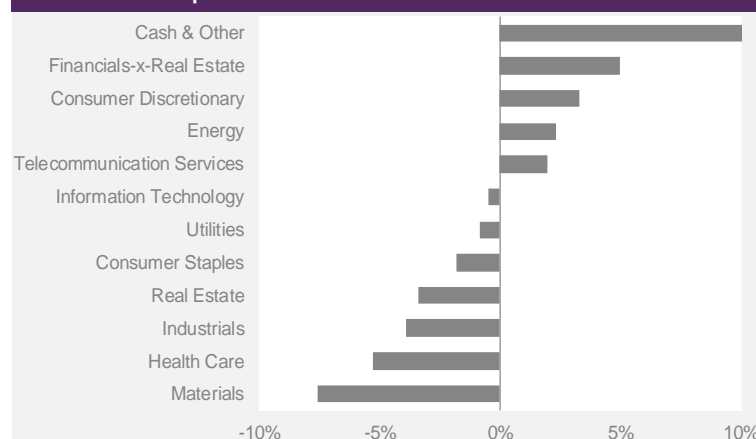
Past performance is not a reliable indicator of future performance.

- ▶ One year protection cost of -1.7% in a +10.3% market, implying 90.0% upside participation.
- ▶ Annualised volatility 10.2% lower than the Index over the year.
- ▶ The overlay performed as expected during the sell-off, adding significant value when the market was at its lows in the early part of the month.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Better performing holdings over the month included Qantas (up 11.8%), which rallied after delivering a solid result driven by strong domestic market conditions. Small cap holdings Imdex (up 18.6%), Doray Minerals (up 16.7%) and Seven Group (up 12.6%) also performed well and Graincorp (up 7.7%) recovered after being sold down in the previous month on the back of poor seasonal conditions.

Other stocks which outperformed after delivering solid results included AMP (up 3.5%) and Woolworths (up 2.4%), both of which are showing operational improvement in what are, fundamentally, very strong underlying businesses. NewsCorp (up 2.3%) rose on strong growth in its online real estate platforms and Crown Resorts (up 1.9%) outperformed as international visitation rebounded. Resource Stocks Rio Tinto (up 5.6%) and BHP (up 1.0%) both delivered strong results with significant increases in earnings and dividends. Further, the balance sheets of these companies are in very good shape, suggesting the potential for further strong returns to shareholders.

Stocks which detracted from performance included Vocus Group (down 18.1%), which marginally lowered its full down year guidance and Star Entertainment (down 11.0%), which experienced slow trading conditions in its Sydney casino. Woodside Petroleum (down 8.8%) declined after undertaking a capital raising to fund its development plans including the acquisition of a major gas field in the Northwest Shelf.

The performance in the protection portfolio was in line with expectations, adding significant value as the market fell up to 4.0% at its lows. There was quite a bit of activity in this part of the strategy as hedges were managed and exposure changed somewhat at the time. This activity helped the performance overall such that by the end of the month the cost of protection was almost nil in a near flat month. Again, the benefit here is providing the comfort that there is protection in place so investors don't panic and sell at the lows.

Trust Activity

During the month we took profits and reduced our holding in Clydesdale Bank and Whitehaven Coal. Proceeds were used to increase our holding in Westfield and Amcor and to establish a position in Janus Henderson. At month end, stock numbers were 45 and cash was 9.2%.

Outlook

While the level of volatility in markets is likely to increase going forward, the global economic backdrop continues to be positive, with all major regions delivering improved growth. While the domestic economy has been subdued, recent data is increasingly positive. Should this continue, 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 which are trading on attractive valuations. This scenario 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 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		+0.3	S&P500		-3.9
Energy		-3.7	Nikkei 225		-4.5
Materials		+0.4	FTSE100		-3.3
Industrials		-0.4	Shanghai Composite		-6.4
Consumer Discretionary		-1.2	RBA Cash Rate		1.50
Health Care		+7.0	AUD / USD		-3.8
Financials-x-Real Estate		+0.6	Iron Ore		+9.6
Real Estate		-3.2	Oil		-4.7
Information Technology		+1.7	Gold		-2.0
Telecommunication Services		-6.2	Copper		-2.6
Utilities		-1.6			

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