

	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*	1.4	-3.3	4.9	3.7	2.3	-	4.3
S&P/ASX 300 Accumulation Index	3.8	0.2	8.4	5.7	5.8	-	6.8
<b>Value Added (Detracted)</b>	<b>-2.4</b>	<b>-3.5</b>	<b>-3.5</b>	<b>-2.0</b>	<b>-3.5</b>	<b>-</b>	<b>-2.5</b>
Net Performance	1.4	-3.5	4.1	2.7	1.4	-	3.6

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

### Overview

- ▶ The market rallied strongly in April, finishing the month up 3.8% and fully-recovering last month's losses.
- ▶ Resources led the market higher, up 9.5% on stronger commodity prices, while financials lagged, held back by the banks, which suffered from the negative publicity generated by the Royal Commission.
- ▶ Offshore markets were generally stronger, with the S&P500 up +0.3%, Nikkei 225 up 4.7%, the FTSE100 up 6.4% while the Shanghai Composite was down -2.7%.

### 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 1.8% in line with expectations.
- ▶ Implied volatility marked lower over the month, whilst implied to realised vol remains quite wide.

### Perennial Value Wealth Defender Australian Shares Trust

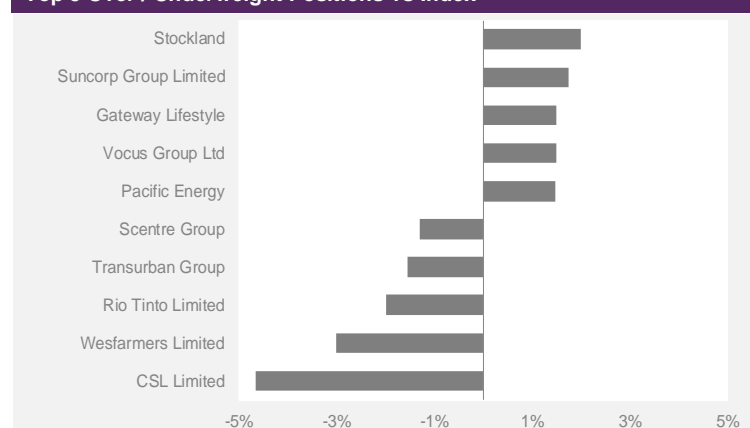
The Trust aims to outperform the S&P/ASX 300 Accumulation Index by investing in a diversified portfolio of Australian shares and using protection strategies to dynamically protect the portfolio through market cycles, thereby reducing the magnitude of significant negative returns in sharply falling equity markets.

Portfolio manager	Dan Bosscher
Trust FUM	AUD \$62 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	\$1.0403

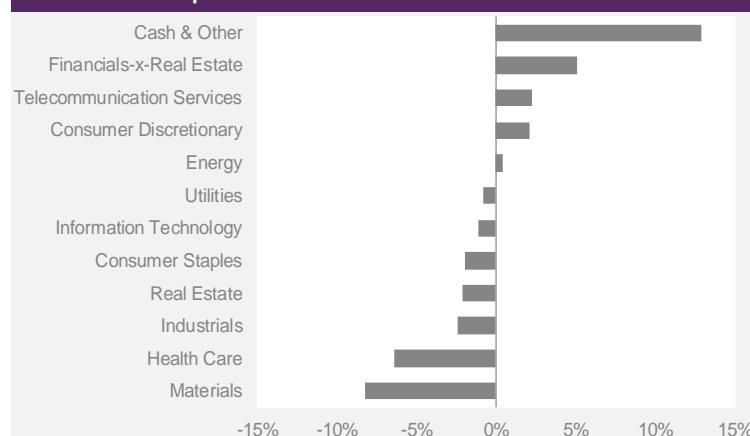
Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	13.2	15.2
Price to Free Cash flow (x)	11.8	15.1
Gross Yield (%)	6.5	5.7
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 30 April 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.

### Top 5 Over / Underweight Positions vs Index



### Sector Active Exposure vs Index



## Trust Review

Better performing stocks in the portfolio included energy stocks Origin Energy (+12.1%) and Woodside Petroleum (+10.2%), which rallied on the expectation of sustained stronger oil prices following positive commentary from OPEC and Russia on controlling production. Speedcast International (+15.2%), which provides communication services to the oil and gas sector also rallied on the improving energy price. BHP (+9.7%) also performed strongly on the healthy commodity price outlook.

Other stocks which outperformed included New Zealand-based laboratory testing company HRL Holdings (+8.5%) which reported a strong result and Huon Aquaculture (+7.1%) as salmon wholesale prices increased on the back of an emerging shortage. Westfield Corp (+8.0%), Woolworths (+6.0%), Macquarie Group (+5.6%) Suncorp (+5.1%) and Graincorp (+5.0%) also outperformed.

Stocks which detracted from performance included AMP (-19.0%), which fell sharply following revelations of poor practices at the Financial Services Royal Commission and Perpetual (-13.4%), which sold off after experiencing fund outflows in the third quarter. Other stocks which detracted from performance included Maxitans (-6.2%), National Veterinary Care (-5.5%), Codan (-4.3%), Amcor (-3.1%), Caltex (-1.2%) and Tabcorp (-0.2%).

Volatility conditions remain relatively benign in the Australian market. The price of options has increased marginally over the past few months but not materially so. Over the last month however, option prices were marked lower by the market as equities rallied. Realised volatility (the actual daily volatility of the market) has remained at a reasonable discount to implied.

## Trust Activity

During the month we took profits and reduced our holding in Integral Diagnostics and sold out of our holding in Seven Group. We also reduced our holding in AMP given the uncertainty created by recent developments. Proceeds were used to increase our holding in a number of good value opportunities including Event Hospitality and Navigator Global Investments. At month end, stock numbers were 50 and cash was 10.2%.

## Outlook

Whilst it feels like the markets have changed to being more volatile, to an extent that is really more the case in the United States than here. Whilst we have had a reasonable down move in March, followed by a reasonable up move in April, the day to day moves haven't been that significant. At some point that higher volatility will likely drift into the Australia market which should be good for stock picking opportunities.

On the political front, there has been some geopolitical progress made in Asia which has been a positive for market sentiment, however there is still concern from market participants about the ongoing Mueller investigations in the U.S.

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	+3.8	S&P500	+0.3
Energy	+10.7	Nikkei 225	+4.7
Materials	+7.4	FTSE100	+6.4
Industrials	+3.1	Shanghai Composite	-2.7
Consumer Discretionary	-2.3	RBA Cash Rate	1.50
Health Care	+2.9	AUD / USD	-1.6
Financials-x-Real Estate	+0.1	Iron Ore	+3.1
Real Estate	+4.3	Oil	+7.0
Information Technology	+2.8	Gold	-0.8
Telecommunication Services	+1.9	Copper	+0.9
Utilities	+2.2		

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