

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Wealth Defender Australian Shares Trust*	1.4	5.6	1.4	10.1	4.6	-	5.5
S&P/ASX300 Accumulation Index	1.3	5.8	1.3	14.7	8.1	-	7.9
<b>Value Added (Deducted)</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.1</b>	<b>-4.6</b>	<b>-3.5</b>	<b>-</b>	<b>-2.4</b>
Net Performance	1.4	5.5	1.4	9.2	3.7	-	4.7

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

## Overview

- The Australian stock market continued its rise, delivering a return of 1.3% for the month of July, bringing the total return for the last 12 months to a healthy 14.7%.
- The market was led higher by the Industrials, up 1.6% with the major banks continuing to recover, while the Resources were largely flat.
- Offshore markets were also positive, with the S&P500 up 3.6%, FTSE100 up 1.5%, Nikkei 225 up 1.1% and Shanghai Composite up 1.0%.

## Perennial Value Wealth Defender Australian Shares Trust

The Trust aims to outperform the S&P/ASX300 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	Trust FUM
Dan Bosscher	AUD \$57 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
May 2014	0.98% + Perf fee
APIR Code	Trust Redemption Price
IOF0228AU	\$1.0418

Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	13.8	15.9
Price to Free Cash Flow (x)	12.2	15.5
Gross Yield (%)	6.4	5.7
Price to NTA (x)	1.9	2.4

Source: Perennial Value Management. As at 31 July 2018.

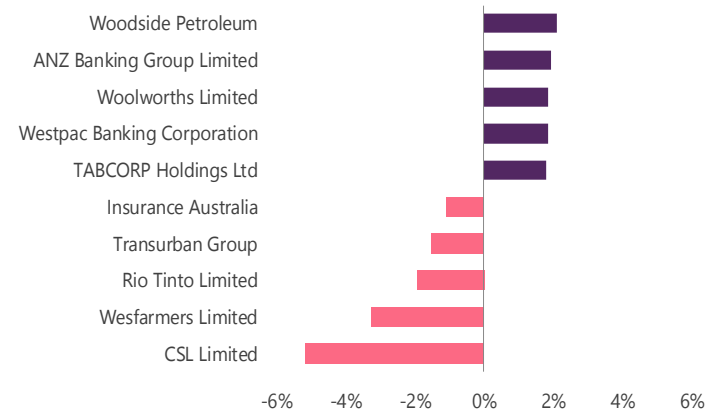
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Protection Portfolio Outcomes

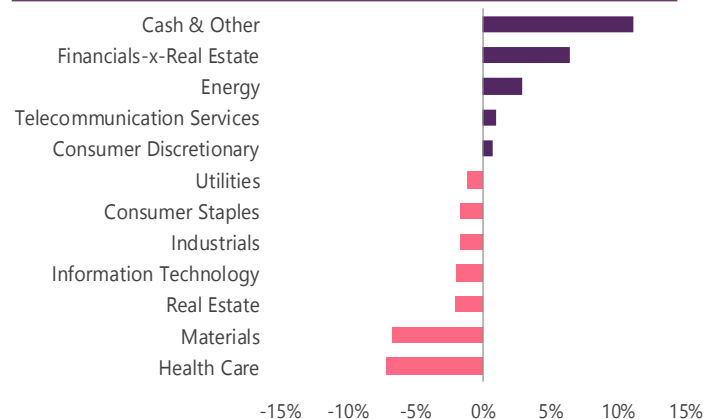
	Index Return (%)	Protection Return (%)	Proportion of Market Fall Saved
August 2015 China Market Turbulence	-7.7	2.7	35.0
January 2016 Continued China Fears	-5.5	1.6	30.0

- A good month in the protection portfolio, costing only 10 bps, as low volatility conditions prevail.
- One year protection cost of 1.5% in a +14.7% market, implying 90% upside participation.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The month saw very strong performances from some of the smaller cap holdings in the portfolio, with oil and gas operator Cooper Energy (+23.4%) rallying after successful drilling results and online payments solutions business EML Payments (+17.7%) rising after confirming a major new contract win. US-based fund manager Navigator Global Investments (+8.4%) continued its strong run to be +140.8% for the last 12 months, while gold miner Doray Minerals (+8.1%) also rose.

At the large cap end, BHP (+2.8%) outperformed after announcing the sale of its US shale oil operations for US\$10.8bn. The sale represents an important step in BHP refocussing on its core operations in iron ore, copper, coal and conventional petroleum. Given the already strong balance sheet, the bulk of the sale proceeds will be returned to investors through a combination of higher dividends and buy-backs.

The major banks also outperformed, delivering an average return of +2.6%. Sentiment towards the sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

Other stocks which outperformed included Perpetual (+4.9%), Tabcorp (+4.7%), Vocus Group (+4.3%) and QBE Insurance (+3.7%).

The main detractors from performance were Graincorp (-3.5%), which fell due to the current drought conditions in Australia. While this stock is subject to seasonal variability, it has strategic assets and is cheap on the basis of normalised earnings. Other detractors over the month were, Eclipx Group (-3.2%), NewsCorp (-2.6%), Origin Energy (-2.6%) and Woolworths (-1.4%).

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.3
Energy	+1.2
Materials	-0.3
Industrials	+3.2
Consumer Discretionary	+1.8
Health Care	+2.2
Financials-x-Real Estate	+2.0
Real Estate	+1.0
Information Technology	-1.1
Telecommunication Services	+7.6
Utilities	-1.4

**Invest Online Now**

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## Trust Activity

During the month, we took profits and trimmed our holding in a number of stocks which had performed strongly over recent times including Amcor, Incitec Pivot and Woolworths. Proceeds were used to introduce Qantas and Boral into the portfolio as well as increase our holdings in Origin Energy. At month end, stock numbers were 47 and cash was 8.2%.

## Outlook

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. The portfolio is exposed to this dynamic through its positions in the large-cap, low-cost resource stocks, the major banks and a range of quality industrials. We continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, 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.**

## Global, Currency & Commodities (%)

S&P500	+3.6
Nikkei225	+1.1
FTSE100	+1.5
Shanghai Composite	+1.0
RBA Cash Rate	1.50
AUD / USD	+0.6
Iron Ore	+3.8
Oil	-6.5
Gold	-2.3
Copper	-4.5