

	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*	-0.5	4.3	0.9	9.1	6.1	-	5.3
S&P/ASX300 Accumulation Index	1.4	6.0	2.7	15.4	11.5	-	8.1
<b>Value Added (Detracted)</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-6.3</b>	<b>-5.4</b>	<b>-</b>	<b>-2.8</b>
Net Performance	-0.6	4.2	0.9	8.3	5.3	-	4.5

\*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 1.4% for the month of August, bringing the total return for the last 12 months to a healthy 15.4%.
- The highlight of the month was the company reporting season, with the overall market delivering earnings per share growth of approximately 8.0% for FY18.
- Offshore markets were mixed, with the S&P500 up 3.0% and the Nikkei 225 up 1.4%, while the FTSE100 was down 4.1% and Shanghai Composite was down 5.3%.

## 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	\$1.0359

Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	13.9	16.0
Price to Free Cash Flow (x)	11.0	15.4
Gross Yield (%)	6.1	5.7
Price to NTA (x)	2.0	2.5

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

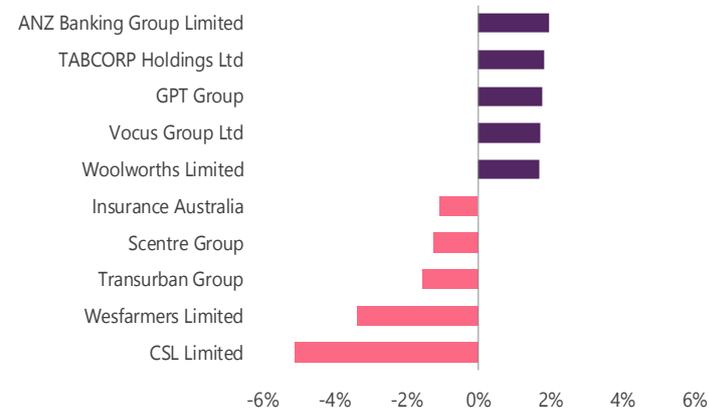
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Protection Portfolio Outcomes

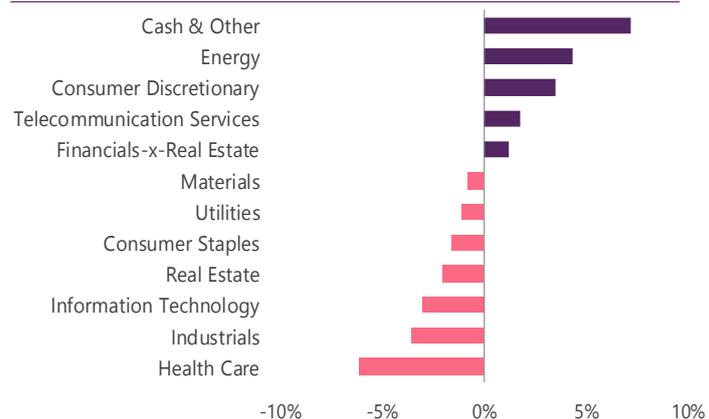
	Index Return (%)	Protection Return (%)	Proportion of Market Fall Saved
August 2015 China Market Turbulence	-7.7	2.7	35.0
January 2016 Continued China Fears	-5.5	1.6	30.0

- Protection overlay continues to perform well. The one year rolling cost of protection currently 1.3%, implying 92.0% upside participation.
- Whilst volatility levels remain relatively benign, we feel it prudent to carry normal levels of protection at this time.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The highlight of the month was the company reporting season, which could best be described as solid. The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.

Holdings which performed well over the month included Vocus Communications (+18.3%), which rallied as the market gained confidence in the turnaround strategy under its new CEO. Telstra (+13.0%) rose on the news of a merger between competitors TPG and Hutchison Australia, the operator of the Vodafone network. While the merger will create a stronger third player, it is expected to be significantly better for the competitive dynamic than if TPG had become a fourth entrant in the mobile market. QBE (+11.2%) rallied as the business continues to be streamlined. Star Entertainment (+11.3%) outperformed after reporting a strong increase in International VIP business. The major banks underperformed slightly, as CBA (-1.7%) delivered a subdued result and sentiment continues to be impacted by the Royal Commission, while resources stocks were generally softer on trade and tariff concerns.

The main detractors from performance were Origin Energy (-18.6%) which fell after flagging increasing competitive pressure in its energy division, Janus Henderson (-10.0%) after announcing the departure of its well regarded CEO and Newcrest (-9.7%) on the lower gold price. The Trust was also impacted in a relative sense by being underweight very expensive stocks such as CSL and A2 Milk, both of which are trading on over 35x one year forward earnings.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.4
Energy	-1.2
Materials	-4.9
Industrials	+3.3
Consumer Discretionary	+3.6
Health Care	+10.4
Financials-x-Real Estate	+0.0
Real Estate	+2.6
Information Technology	+12.2
Telecommunication Services	+13.0
Utilities	+0.6

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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 Woolworths, BHP and Qantas. Proceeds were used to increase our holdings in a number of good value opportunities including Amcor and Star Entertainment Group. At month end, stock numbers were 55 and cash was 4.4%.

## Outlook

Reporting season showed a healthy level of growth with market EPS up 8.0%. There continues to be increasing dispersion between high multiple versus low multiple returns. According to UBS, the highest PE names in Australia have outperformed the lowest PE names by 25.0% this calendar year. This has proven difficult for value managers. The Trust currently has a PE multiple 17% lower than the market.

As said, the Trust continues to exhibit Perennial Value's true to label value characteristics, with the Trust 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	+3.0
Nikkei225	+1.4
FTSE100	-4.1
Shanghai Composite	-5.3
RBA Cash Rate	1.50
AUD / USD	-2.7
Iron Ore	-2.2
Oil	+4.3
Gold	-1.7
Copper	-6.4