

	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*	-3.8	-3.6	-2.2	2.9	5.8	-	4.3
S&P/ASX300 Accumulation Index	-6.2	-6.0	-4.7	2.9	8.2	-	5.9
Value Added (Detracted)	2.4	2.4	2.5	0.0	-2.5	-	-1.6
Net Performance	-3.8	-3.8	-2.4	2.1	4.9	-	3.5

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

Overview

- The Trust performed very well in October, outperforming by +2.4% as the downside protection of the strategy proved once again it's worth.
- Rising interest rates and increasing trade tensions saw global markets sold off in October, with the S&P500 -6.9%, FTSE 100 -5.1%, Nikkei 225 -9.1% and Shanghai Composite -7.7%.
- The sell-off was broad-based, with all sectors of the market delivering negative returns. However, many of the more expensive parts of the market such as Healthcare and IT, which we avoid on the basis of overvaluation, were hit particularly hard.

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 Trust through market cycles, thereby reducing the magnitude of significant negative returns in sharply falling equity markets.

Portfolio Manager	Trust FUM
Dan Bosscher	AUD \$52 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	\$1.0020

Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	13.2	14.6
Price to Free Cash Flow (x)	11.0	14.2
Gross Yield (%)	6.3	6.2
Price to NTA (x)	1.9	2.2

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

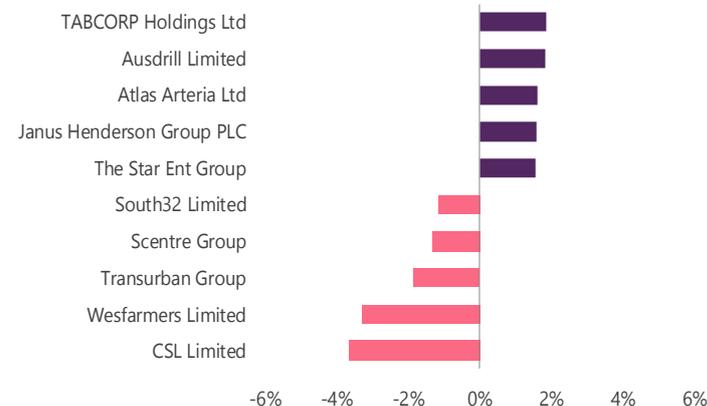
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down market Outcomes

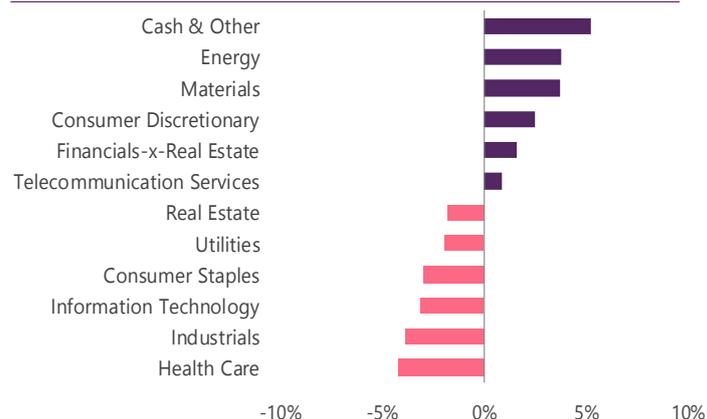
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- Protection overlay continues to perform well. The one year rolling cost of protection currently POSITIVE 0.5%, with the market +2.9%. This is an excellent outcome for the Trust.
- The Trust currently carries a high level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The broad-based, global macro nature of the sell-off in October saw both Industrials (-6.1%) and Resources (-6.5%) decline by a similar amount. However, the risk-off environment, saw strong performances from our holdings in gold stocks with Newcrest (+6.2%) rallying as investors sought the safety of gold.

Other holdings which delivered positive returns over the month included Vocus Communications (+4.6%) as the market continues to gain confidence in the turnaround strategy, Graincorp (+4.3%) as investors began to focus on the seasonal conditions returning to normal and QBE (+1.8%), with its leverage to rising interest rates.

Other holdings which outperformed included Newscorp (-0.3%), Ausdrill (-1.1%), Amcor (-2.8%), and Rio Tinto (-3.0%).

The Trust also benefited from being underweight on valuation grounds in a number of expensive growth stocks including REA Group (-16.7%), Seek (-14.0%), Treasury Wines (-13.6%) and Cochlear (-11.5%). The trust also benefited from not holding AMP (-22.6%) which fell sharply after announcing the sale of its life business for a price which disappointed the market.

The major banks performed in line with the market, delivering an average return of -6.1%. 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, justifying a position in the Trust.

The main detractors from performance were Energy stocks Origin (-11.7%) and Woodside (-9.7%) which fell on a weaker oil price. However, we view this as temporary and have a positive medium-term view on oil and LNG prices and the outlook for both of these companies.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-6.2
Energy	-10.3
Materials	-5.2
Industrials	-5.3
Consumer Discretionary	-8.3
Health Care	-7.2
Financials-x-Real Estate	-6.0
Real Estate	-3.1
Information Technology	-11.4
Telecommunication Services	-7.4
Utilities	-4.0

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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 Vocus Communications and Graincorp. Proceeds were used to increase our holdings in a number of good value opportunities including Star Group, Worley and Lend Lease. At month end, stock numbers were 48 and cash was 2.5%.

Outlook

Following the recent sell-off, the market is now trading in line with its long-term average, with a one year forward P/E of 14.6x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are currently finding many good value investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

We consider the overall risk level in the market to be high enough to justify carrying a high level of protection.

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	-6.9
Nikkei225	-9.1
FTSE100	-5.1
Shanghai Composite	-7.7
RBA Cash Rate	1.50
AUD / USD	-2.0
Iron Ore	+9.6
Oil	-8.8
Gold	+2.0
Copper	-5.2