

	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 (Net)	1.4	-4.0	-6.4	-6.0	4.4	-	2.4
S&P/ASX300 Accumulation Index	3.9	1.4	-3.4	1.1	10.0	-	5.9
Value Added (Detracted)	-2.5	-5.4	-3.0	-7.1	-5.6	-	-3.5

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

Overview

- Global markets rebounded strongly in January, with the S&P500 +7.9%, FTSE 100 +3.6%, Nikkei 225 +3.8% and Shanghai Composite +3.6%.
- The Australian market also performed strongly, finishing the month +3.9%, bringing the total return for the last 12 months back to a positive +1.1%.
- The rally was broad-based, with both cyclical and defensive sectors rising and financials the only sector to deliver a negative return.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 14.4x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities.

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 \$45 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	\$0.9411

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	11.4	14.4
Price to Free Cash Flow (x)	9.3	14.4
Gross Yield (%)	6.9	6.3
Price to NTA (x)	1.8	2.2

Source: Perennial Value Management. As at 31 January 2019.

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

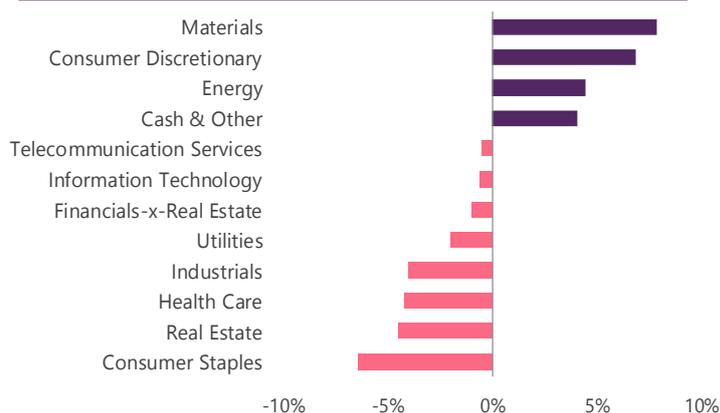
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay cost was high in January in part because of the sharp rally in the market. The since inception cost of protection is 2.3% per annum.
- The Trust currently carries a moderate level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets rallied strongly during January as investors started the new year in positive spirits. The Australian market also performed very well over the month to close up +3.9%.

The rally was broad-based including the REIT (+6.0%) and Healthcare (Cochlear+11.4%, CSL+5.2%) sectors, both of which the Trust is underweight on valuation grounds. The major banks were softer, declining an average of -1.0% as the final report from the Royal Commission approached.

The Resources sector (+9.1%) led the way, driven by strong performances from Rio Tinto (+10.9%) and BHP (+5.9%), on the back of ongoing resilience in the iron ore price. The Trust remains overweight this sector (also overweight Iluka Resources (+14.2%)) and we fell less bearish than some on China given the stimulus we have seen there.

Another stock which delivered a strong quarterly update was Newcrest Mining (+12.2%). Energy stock holdings also performed well as the oil price recovered, with Woodside Petroleum (+9.6%) and Origin Energy (+10.7%). Mining services holdings Worley (+21.5%), also rallied in anticipation of increasing activity levels in the resources sector.

Tabcorp (+8.4%) rallied on expectations of a strong result from its lotteries business and Macquarie Group (+7.2%) rose as sentiment to markets improved.

In the stock portfolio the key from performance detractors included our allocation to small cap stocks. We believe these stocks will perform well in reporting season.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.9
Energy	+11.5
Materials	+7.0
Industrials	+3.4
Consumer Discretionary	+4.3
Health Care	+3.9
Financials-x-Real Estate	-0.3
Real Estate	+6.0
Information Technology	+8.8
Telecommunication Services	+7.7
Utilities	+5.9

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Trust Activity

During the month, we increased our holding in Aristocrat, which is trading on an attractive valuation, with an FY19 P/E of 18x. We see shorter term upside after the sell of in the last quarter of 2018 and a solid outlook for their land based casino operations in particular.

We also added Alumina Ltd to the portfolio which we see benefiting from high margins, free cash flow and a strong balance sheet trading on a cheap 11x FY19 PE. At month end, stock numbers were 46 and cash was 5.5%.

Outlook

Following the recent sell-off, the market is now trading below its long-term average, with a FY20 P/E of 14.4x 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.

Markets seem to have stabilised and we have moderate protection in place at the moment.

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	+7.9
Nikkei225	+3.8
FTSE100	+3.6
Shanghai Composite	+3.6
RBA Cash Rate	1.50
AUD / USD	+3.6
Iron Ore	+17.5
Oil	+15.0
Gold	+3.0
Copper	+5.8