

	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)	2.8	4.9	4.1	7.5	6.7	4.4	4.4
S&P/ASX300 Accumulation Index	1.7	5.0	7.5	10.9	10.6	7.8	7.8
<b>Value Added (Detracted)</b>	<b>1.1</b>	<b>-0.1</b>	<b>-3.4</b>	<b>-3.4</b>	<b>-3.9</b>	<b>-3.4</b>	<b>-3.4</b>

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

## Overview

- The Trust had a good month performing well in both stock picking and the protection portfolio.
- Global equity markets were weak during May, with the S&P500 - 6.6%, FTSE 100 -3.5%, Nikkei 225 -7.4% and Shanghai Composite - 5.8%.
- The Australian market was relatively strong, finishing the month +1.7%.
- The Communication Services (+7.1%), Healthcare (+3.5%) and Materials (+3.1%) sectors led the way while the Consumer Staples (-4.2%), Energy (-3.8%) and Information Technology (-3.1%) sectors lagged.

## 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 \$43 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 **\$1.0465**

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	13.5	15.8
Price to Free Cash Flow (x)	12.1	15.3
Gross Yield (%)	6.3	5.6
Price to NTA (x)	2.0	2.4

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

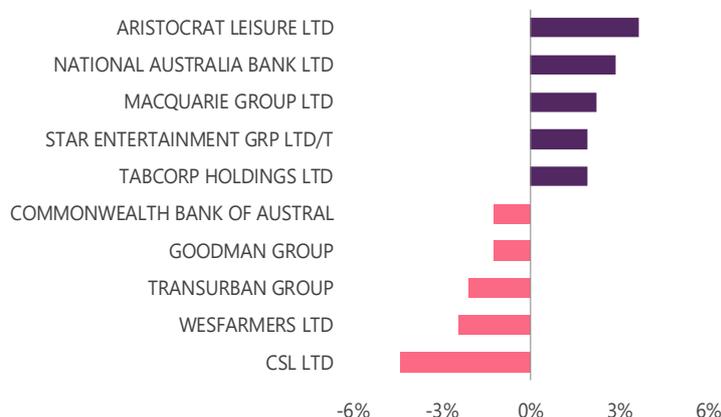
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Down Market Outcomes

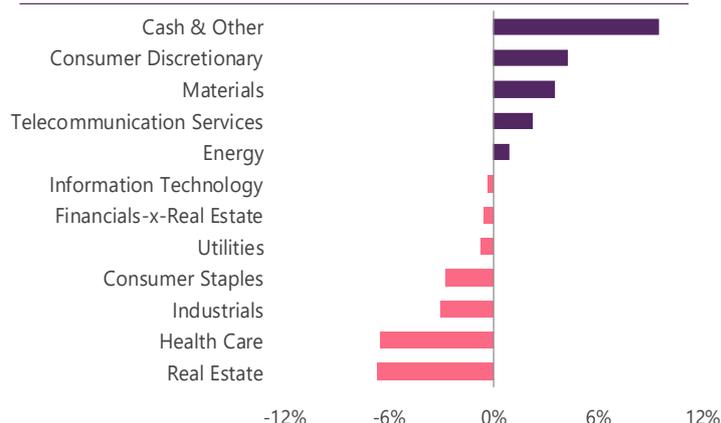
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay made 30bps in May with the market up. This is unusual given the strong performance for the overall market. The 1 year cost of protection is 1.3%, in line with expectations.
- The Trust currently carries a moderate level of protection.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

During May, global markets were weaker on the back of increased trade tensions following the announcement by President Trump of further US tariffs on China and Mexico. The Australian market outperformed global markets, with the benchmark S&P/ASX 300 Accumulation Index finishing up 1.7%. The Communication Services (+7.1%), Healthcare (+3.5%) and Materials (+3.1%) sectors led the way while the Consumer Staples (-4.2%), Energy (-3.8%) and Information Technology (-3.1%) sectors lagged.

The market was boosted by the unexpected Coalition federal election victory and APRA indicating that it is considering lowering the minimum interest rate that banks must consider when assessing a borrower's ability to service a loan, which should make it easier for borrowers to obtain housing finance.

The Trust's bank exposures reacted positively to the election result and proposed APRA changes. NAB was the strongest performer (+7.8%) with the other banks also outperforming – ANZ (+5.4%), CBA (+5.4%) and Westpac (+3.2%). In the more uncertain trade environment the Trust's gold exposure performed well with Newcrest Mining up strongly (+8.8%).

Other key contributors to performance during the month were Aristocrat Leisure (+12.5%) which delivered a strong half year result with earnings per share growth of 17% and Ooh Media (+12.2%) which reconfirmed earnings guidance at the company's annual general meeting.

A key detractor for the month was CYBG plc (-12.3%) which fell on Brexit concerns. In our view, the price fall was disproportionate relative to the significance of the earnings impact and we continue to hold on the basis that it continues to represent good value at current levels.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.7
Energy	-3.8
Materials	+3.1
Industrials	+0.2
Consumer Discretionary	+2.0
Health Care	+3.5
Financials-x-Real Estate	+2.6
Real Estate	+2.3
Information Technology	-3.1
Telecommunication Services	+7.1
Utilities	-0.6

**Invest Online Now**

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## Trust Activity

During the month, we exited our holdings in Amcor, Super Retail Group and Bluescope steel. We added South 32 Ltd and Ooh Media.

## Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 15.8x and offering an attractive gross dividend yield of 5.6%.

Within the overall market, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

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	-6.6
Nikkei225	-7.4
FTSE100	-3.5
Shanghai Composite	-5.8
RBA Cash Rate	1.50
AUD / USD	-1.6
Iron Ore	+8.9
Oil	-11.4
Gold	+1.7
Copper	-9.1