

	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)	2.5	8.5	2.5	8.3	8.2	5.1	5.4
S&P/ASX300 Accumulation Index	3.0	8.6	3.0	13.3	11.6	8.6	8.9
Value Added (Detracted)	-0.5	-0.1	-0.5	-5.0	-3.4	-3.5	-3.5

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

Overview

- Global markets moved higher in July, on the prospects of Central Bank easing, with the S&P500 +1.3%, FTSE 100 +2.2%, Nikkei 225 +1.2%, while the Shanghai Composite eased -1.6%.
- The Australian market delivered another strong result, finishing the month +3.0% and finally surpassing its pre-GFC high, as the RBA cut interest rates by a further 25bp to a record low of 1.0%.
- The better performing sectors included Consumer Staples (+9.6%), Healthcare (+6.0%), IT (+5.1%) and Consumer Discretionary (+4.7%). Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, while still all delivering positive returns.
- The Trust lagged the market this month due to its underweights in REITs and Healthcare.

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 Dan Bosscher	Trust FUM AUD \$43 million
Distribution Frequency Half yearly	Minimum Initial Investment \$25,000
Trust Inception Date May 2014	Fees 0.98% + Perf fee
APIR Code IOF0228AU	Trust Redemption Price \$1.0841

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.0	16.4
Price to Free Cash Flow (x)	12.4	15.8
Gross Yield (%)	5.8	5.3
Price to NTA (x)	2.1	2.5

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

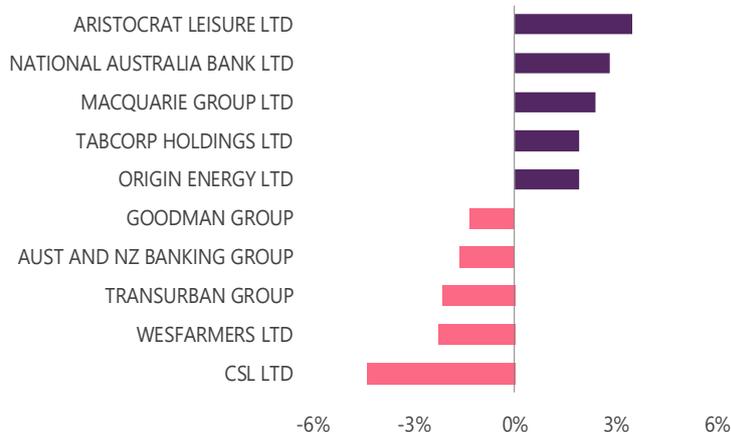
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

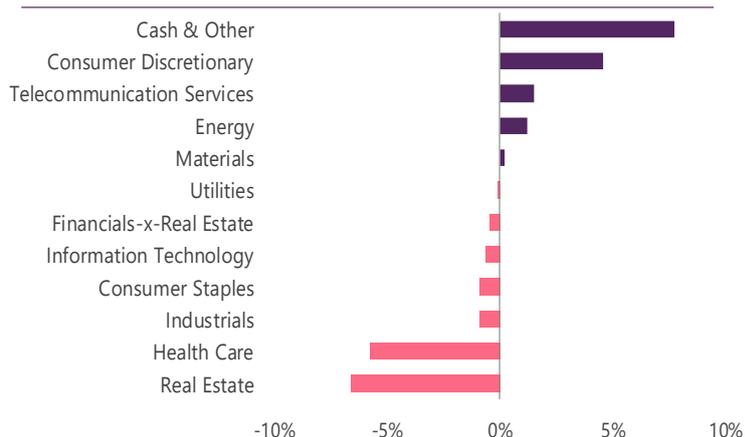
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay cost 33bps in July with the market up strongly.
- The Trust currently carries a moderate level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

The RBA followed up its June rate cut with another 25bp cut in July, sending the cash rate to a record low of 1.0%, with the aim of reducing the unemployment rate and stimulating wages growth. While the domestic economy has slowed, there was further evidence that the housing market has stabilised.

The combination of falling interest rates and increased geopolitical risks around trade disputes and Brexit, saw investors seek out more defensive parts of the market, resulting in strong performances from sectors such as Consumer Staples (+9.6%), Healthcare (+6.0%) and IT (+5.1%). This presented a headwind for the Trust, as we are underweight these sectors due to their very high valuations.

By contrast, more cyclical sectors of the market such as Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, albeit while still all delivering positive returns.

Stocks the Trust holds which performed well included Newcrest (+11.4%), oOh media (+14.6%) both rallied and BlueScope Steel (+8.6%) outperformed as steel spreads began to improve. In Small Caps, Pacific Energy saw a takeover offer from QIC (+42%), while Primero Group, Alliance Aviation, Revasum and Codan also enjoyed a good month.

Stocks which detracted from performance included Iluka Resources (-10.7%), on a softer quarterly production report and Clydesdale Bank (-9.4%), after reporting slow loan growth in the UK. We continue to hold each of these stocks as they are trading at attractive valuations and offer significant upside from these levels.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.0
Energy	+1.5
Materials	+1.2
Industrials	+3.4
Consumer Discretionary	+4.7
Health Care	+6.0
Financials-x-Real Estate	+1.8
Real Estate	+2.6
Information Technology	+5.1
Telecommunication Services	+2.8
Utilities	+1.9

Invest Online Now

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

✉ invest@perennial.net.au

🌐 www.perennial.net.au



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Trust Activity

During the month, we exited our holdings in Boral, Mineral Resources, Rio Tinto and Woodside. We added Bluescope, Brambles and Santos.

At month end, stock numbers were 45 and cash was 5.4%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.4x and offering an attractive gross dividend yield of 5.3%.

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 carry a moderate 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	+1.3
Nikkei225	+1.2
FTSE100	+2.2
Shanghai Composite	-1.6
RBA Cash Rate	1.00
AUD / USD	-1.8
Iron Ore	+2.4
Oil	-2.1
Gold	+0.3
Copper	-1.8