

	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)	-2.6	2.8	-0.2	6.1	7.3	4.3	4.8
S&P/ASX300 Accumulation Index	-2.3	4.3	0.6	9.1	11.3	7.9	8.3
Value Added (Detracted)	-0.3	-1.5	-0.8	-3.0	-4.0	-3.6	-3.5

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

Overview

- Macro concerns around trade wars saw global markets fall in August, with the S&P500 -1.8%, FTSE 100 -5.0%, Nikkei 225 -3.8% and the Shanghai Composite -1.6%.
- The Australian market also fell, finishing the month down -2.3%, despite the reporting season seeing many companies deliver solid results, against a relatively subdued backdrop.
- Defensive sectors outperformed with Healthcare (+3.4%), REITs (+1.3%) and Consumer Staples (+0.1%), while cyclical sectors such as Metals and Mining (-8.0%), Energy (-5.6%) and Financials (-2.6%) lagged.
- The Trust has moved to a more defensive stance over the month.

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 \$42 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 \$1.0558

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.1	16.0
Price to Free Cash Flow (x)	13.3	15.4
Gross Yield (%)	5.8	5.7
Price to NTA (x)	2.1	2.5

Source: Perennial Value Management. As at 31 August 2019

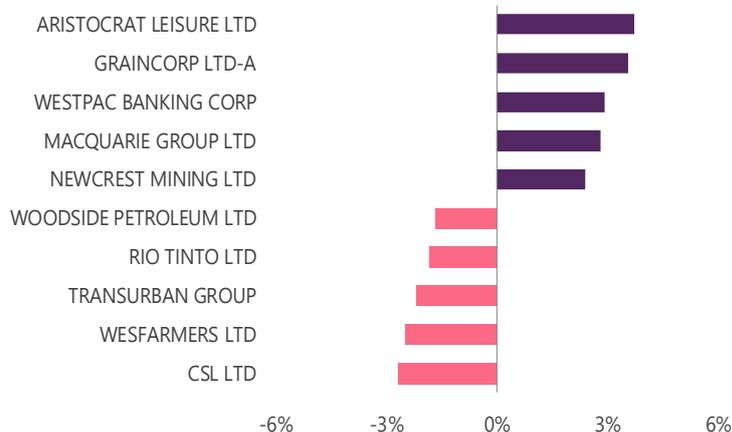
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

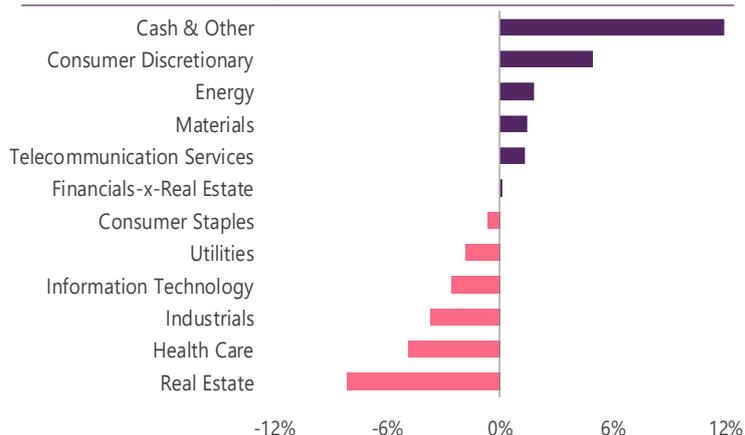
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay made 70bps in August with the market down slightly.
- The Trust currently carries a moderate level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Following several strong months of performance, trade war concerns and other macro risks caught up with global markets in August. Most major markets sold off over the month, with the S&P500 -1.8%, FTSE100 -5.0%, Nikkei 225 -3.8% and the Shanghai Composite -1.6%.

The Australian market was not immune, with the ASX300 Accumulation Index finishing the month down -2.3%. These macro factors were the dominant influence on the market over the month, with risk aversion and falling bond yields leading to strong performances of the defensive parts of the market. This saw outperformance of sectors such as Healthcare (+3.4%), and REITs (+1.3%), which rallied despite their already very expensive valuations. By contrast, the more cyclical parts of the market were sold off, with Metals and Mining (-8.0%), and Financials (-2.6%) lagging.

While macro uncertainty dominated markets during the month, at the micro level, the reporting season highlighted that many companies continue to perform well, growing earnings and increasing dividends. Many Trust holdings delivered strong results, including James Hardie (+13.4%), which rallied on strong growth and margins in its key US business. This is a large overweight position and is our only exposure to the building materials sector, preferring its US exposure. By contrast, Boral (-15.0%), which is not held, fell sharply on Australian construction market weakness.

Other strong performers included Tabcorp (+7.3%), on a strong result driven by the lotteries business, NewsCorp (+7.1%), after indicating an increased focus on realising the latent value in its media asset portfolio. oOh media (-30.5%) was the key detractor in the month after a poor guidance announcement. We no longer hold this name.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-2.3
Energy	-5.6
Materials	-7.3
Industrials	-2.5
Consumer Discretionary	+0.6
Health Care	+3.4
Financials-x-Real Estate	-2.6
Real Estate	+1.3
Information Technology	+0.7
Telecommunication Services	-3.2
Utilities	-2.2

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Trust Activity

During the month, we exited our holdings in Bluescope, Brambles and oOh media.

At month end, stock numbers were 36 and cash was 9.8%.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.0x and offering an attractive gross dividend yield of 5.7%.

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	-1.8
Nikkei225	-3.8
FTSE100	-5.0
Shanghai Composite	-1.6
RBA Cash Rate	1.00
AUD / USD	-2.2
Iron Ore	-28.9
Oil	-7.3
Gold	+7.5
Copper	-4.7