

	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)	2.2	2.1	2.1	7.8	8.0	5.7	5.1
S&P/ASX300 Accumulation Index	1.9	2.6	2.6	12.6	11.9	9.6	8.5
<b>Value Added (Detracted)</b>	<b>0.3</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-4.8</b>	<b>-3.9</b>	<b>-3.9</b>	<b>-3.4</b>

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

## Overview

- A strong month with the Trust up 2.2% net of fees, outperforming the market by +0.3%.
- There was a strong rotation out of Momentum into Value stocks in the US which fed through to the Australian equity market. We saw many poorly performing stocks of late rebound strongly.
- In Australia we saw cyclical sectors outperform, with Energy (+4.5%), Financials (+4.2%), Consumer Discretionary (+3.3%) and Metals and Mining (+2.3%) leading, while defensive sectors such as Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) lagged.
- Global markets rebounded on the back of optimism around trade talks, with the S&P500 +1.7%, FTSE 100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.

## 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.

<b>Portfolio Manager</b> Dan Bosscher	<b>Trust FUM</b> AUD \$43 million
<b>Distribution Frequency</b> Half yearly	<b>Minimum Initial Investment</b> \$25,000
<b>Trust Inception Date</b> May 2014	<b>Fees</b> 0.98% + Perf fee
<b>APIR Code</b> IOF0228AU	<b>Trust Redemption Price</b> \$1.0795

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.6	16.2
Price to Free Cash Flow (x)	13.2	15.1
Gross Yield (%)	5.6	5.4
Price to NTA (x)	2.2	2.5

Source: Perennial Value Management. As at 30 September 2019

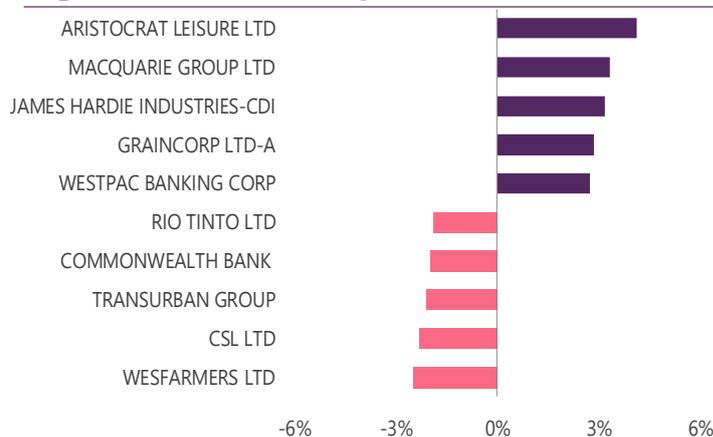
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

## Down Market Outcomes

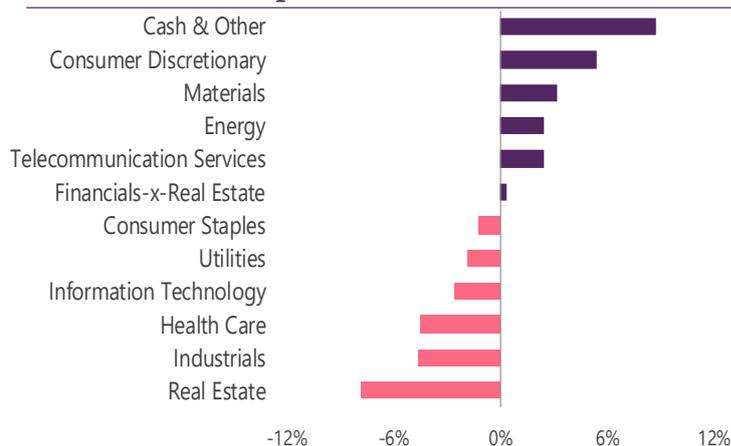
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay spend for the rolling 1 year is +1.66% with the market +12.51%.
- The Trust currently carries a moderate level of protection.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

An easing of concerns around the trade war and other macro risks saw global markets resume their rise in September. Most major markets rallied over the month, with the S&P500 +1.7%, FTSE100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.

The Australian market also rallied, with the ASX300 Accumulation Index finishing the month +1.9%. The Trust delivered a return of +2.2%, outperforming the market by +0.3%.

A key driver of stock and sector performance over the month was the movement in interest rates, as improved investor sentiment saw US bond yields rise modestly. This, in turn, drove a rotation away from "rate-sensitive" sectors of the market, such as expensive growth and defensive yield stocks, with Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) sectors all underperforming.

By contrast, the more cyclical parts of the market outperformed, with Energy (+4.5%), Financials (+4.2%), and Metals and Mining (+2.3%) all rallying. The Trust is overweight in this part of the market as it is where we see the better value opportunities and therefore the greater long-term upside for investors.

In this environment, stocks which performed strongly included Iluka Resources (+12.4%), James Hardie (+10.2%) and Macquarie Group (+5.8%). The major banks also outperformed, up an average of +5.7%, assisted by evidence the housing market has turned.

Holdings which detracted from performance included Clydesdale Bank (-18.4%), which fell on higher remediation provisions and Newcrest (-6.1%) which fell on the lower gold price.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.9
Energy	+4.5
Materials	+2.9
Industrials	-0.1
Consumer Discretionary	+3.3
Health Care	-2.2
Financials-x-Real Estate	+4.2
Real Estate	-2.7
Information Technology	+0.1
Telecommunication Services	-2.8
Utilities	+2.0

**Invest Online Now**

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## Trust Activity

During the month, we took profits and reduced our holdings in CBA and NAB following strong share price performances. We added to James Hardie and ANZ.

## Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.2x and offering an attractive gross dividend yield of 5.4%.

Importantly, while there remain segments of the market which are very expensive, we are still seeing many quality companies trading on attractive valuations, which should deliver solid returns to investors from these levels.

While the market has favoured growth and defensive stocks in recent times, the rotation seen in September is a reminder of how quickly things can change and how sudden a reversal back to value can be.

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	+1.7
Nikkei225	+5.1
FTSE100	+2.8
Shanghai Composite	+0.7
RBA Cash Rate	1.00
AUD / USD	+0.1
Iron Ore	+9.3
Oil	+0.6
Gold	-3.1
Copper	+1.1