

	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)	-0.8	-1.2	1.3	11.2	8.1	5.1	4.9
S&P/ASX300 Accumulation Index	-0.4	-0.8	2.2	19.5	12.5	8.6	8.3
Value Added (Detracted)	-0.4	-0.4	-0.9	-8.3	-4.4	-3.5	-3.4

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

Overview

- The S&P/ASX300 Accumulation Index returned of -0.4%, outperforming the Trust return of -0.8%.
- Value, as a style, underperformed in a market which was dominated by the expensive momentum and defensive sectors such as Healthcare and REITs, which we remain underweight on the basis of valuation.
- Holdings which contributed positively included Clydesdale Bank (+24.5%), showing its leverage to any improvement in sentiment towards a Brexit outcome and Iluka Resources (+17.6%) on speculation they may demerger their iron ore royalty stream.
- Stocks which detracted included Graincorp (-8.6%) and Newcrest (-9.9%).

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 \$1.0708

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.6	16.1
Price to Free Cash Flow (x)	13.5	15.3
Gross Yield (%)	5.6	5.6
Price to NTA (x)	2.3	2.5

Source: Perennial Value Management. As at 31 October 2019

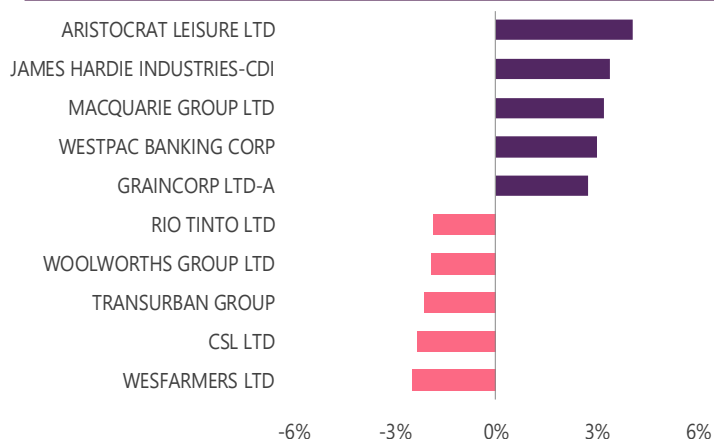
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

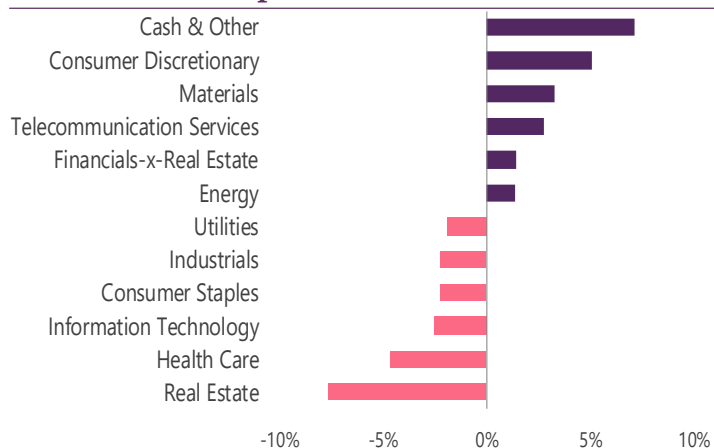
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved (%)
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- The overlay spend for the rolling 1 year is +2.6% with the market +19.5%.
- 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 were generally positive in October, with the S&P500 +2.0%, Nikkei 225 +5.4% and the Shanghai Composite +0.8%, while the FTSE100 declined -2.2%. The Australian market lagged, with the S&P/ASX300 Accumulation Index finishing the month down -0.4%, weighed down by the banks, which fell as RBA interest rate cuts pressure their margins, and the major miners, which were weaker on softer iron ore prices.

The Trust benefited from not holding a number of tech stocks whose lofty valuations have begun to be questioned by the market. Examples include Wisetech Global (-24.6%) and Afterpay (-19.5%), both of which still trade on very expensive valuations despite the sharp sell-offs.


Holdings which detracted from performance included Graincorp (-8.6%), which declined as the ACCC delayed the sale of its terminals business. This, in turn, delayed its proposed demerger into separate grains and malt business, a transaction which we believe may be a catalyst to recognising significant value in the business.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-0.4
Energy	+0.3
Materials	-1.8
Industrials	+2.9
Consumer Discretionary	+0.5
Health Care	+7.3
Financials-x-Real Estate	-2.9
Real Estate	+1.4
Information Technology	-3.2
Telecommunication Services	-1.4
Utilities	+1.2

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Trust Activity

During the month, we exited our position in Santos and added Worley and Monadelphous Group. Santos has been a strong contributor to performance since its inclusion in the portfolio and has reached our price target. The replacement companies both have an exposure to cyclical markets in resources and energy capex.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E of 16.1x and offering an attractive gross dividend yield of 5.6%.

In October, we saw a sell-off in a number of high-growth stocks, as well as the cancellation of a number of planned IPOs due to lack of demand at the proposed valuations. This suggests that the market is becoming more discerning around what it will pay for stocks and this may well be a precursor to a sustained move back to value. This follows a strong month in September for value.

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	+2.0
Nikkei225	+5.4
FTSE100	-2.2
Shanghai Composite	+0.8
RBA Cash Rate	0.75
AUD / USD	+2.1
Iron Ore	-9.6
Oil	-0.9
Gold	+2.8
Copper	+2.3