

	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)	-1.5	-8.9	-7.6	-7.4	2.3	-	2.1
S&P/ASX300 Accumulation Index	-0.2	-8.4	-7.0	-3.1	6.7	-	5.1
Value Added (Detracted)	-1.3	-0.5	-0.6	-4.3	-4.3	-	-3.0

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

Overview

- Global markets sold off in December, with the S&P500 -9.9%, FTSE 100 -3.6%, Nikkei 225 -10.5% and Shanghai Composite -3.6%.
- The Australian market performed much better, finishing the month nearly flat at -0.2%, bringing the total return for the last 12 months to a modest decline of -3.1%.
- Metals and Mining was the best performing sector, rising +7.6%. Otherwise, defensive sectors generally outperformed the more cyclical ones.
- Following the recent declines, the market is now trading below its long-term average forward P/E ratio of 14.5x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities available for investors with a longer-term time horizon.

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 \$46 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: **\$0.9488**

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	10.8	13.8
Price to Free Cash Flow (x)	8.4	13.6
Gross Yield (%)	7.2	6.5
Price to NTA (x)	1.8	2.1

Source: Perennial Value Management. As at 31 December 2018.

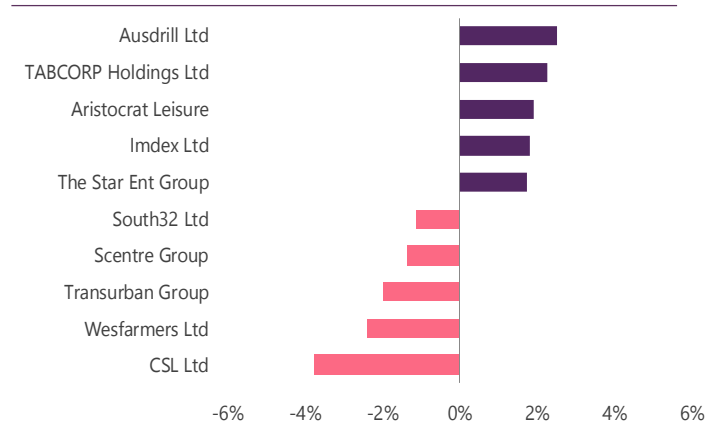
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Down Market Outcomes

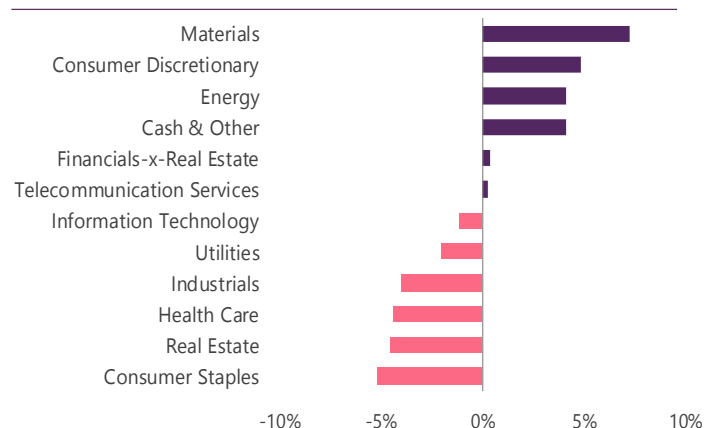
	Index Return (%)	Portfolio Return (%)	Proportion of Market Fall Saved
August 2015 China Market Turbulence	-7.7	-4.7	39.0
October 2018 Trade war sell off	-6.2	-3.8	39.0

- Protection overlay continues to perform well. The since inception cost of protection is currently 2.0%, with the market +5.1%.
- The Trust currently carries a high level of protection.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Given the weakness in offshore markets, the Australian market performed very well over the month to close nearly flat at -0.2%. The Resources sector led the way (+4.8%), driven by strong performances from BHP (+11.5%) and Rio Tinto (+7.1%), on the back of ongoing resilience in the iron ore price. CSL (4.8%), Star Entertainment (+4.1%) and Woolworths (+1.7%) also outperformed.

Our gold holdings performed well, with Newcrest (+5.1%) rallying on the back of the strong AUD gold price, which is nearing record highs. Further, this is a sector which is likely to experience significant consolidation and, in an uncertain world, Australia is an increasingly attractive location for mining investment.


Stocks which detracted from performance included Mining Services exposures such as Ausdrill (-17.9%). In our view, these companies are very well placed given the expected uptick in resources capex over the coming years, particularly in terms of major iron ore projects and new projects in the gold sector. Financials were also generally weaker, with the major banks down an average of -4.0% on housing market concerns, Clydesdale Bank (-8.0%) on Brexit worries and Janus Henderson Group (-7.9%) and Macquarie Group (-5.0%) on weaker global markets. These companies are trading on very attractive valuations and, in our view, offer significant long-term upside potential.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-0.2
Energy	-2.2
Materials	+5.1
Industrials	-0.3
Consumer Discretionary	-1.9
Health Care	+2.7
Financials-x-Real Estate	-3.1
Real Estate	+1.7
Information Technology	-4.1
Telecommunication Services	-5.1
Utilities	+2.8

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Trust Activity

During the month, we took profits and reduced our holdings in Woolworths, and exited our position in Boral. Proceeds were used to increase our holdings in a number of good value opportunities including Woodside and Aristocrat Leisure. At month end, stock numbers were 44 and cash was 4.7%.

Outlook

Following the recent sell-off, the market is now trading below its long-term average, with a one year forward P/E of 14.1x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are currently finding many good value investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

We consider the overall risk level in the market to be high enough to justify carrying a high 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	-9.9
Nikkei225	-10.5
FTSE100	-3.6
Shanghai Composite	-3.6
RBA Cash Rate	1.50
AUD / USD	-3.6
Iron Ore	+8.9
Oil	-8.4
Gold	+5.1
Copper	-5.6