

|  | Month       | Quarter     | FYTD        | 1 year      | 3 years  | 5 years  | Since Inception <sup>^</sup> |
|--|-------------|-------------|-------------|-------------|----------|----------|------------------------------|
|  | %           | %           | %           | %           | % p.a.   | % p.a.   | % p.a.                       |
| Perennial Value Wealth Defender Australian Shares Trust* | 2.4         | 3.3         | 12.9        | 13.7        | -        | -        | 4.7                          |
| S&P/ASX 300 Accumulation Index                           | 3.3         | 4.7         | 15.6        | 20.2        | -        | -        | 7.1                          |
| <b>Value Added (Detracted)</b>                           | <b>-0.8</b> | <b>-1.4</b> | <b>-2.7</b> | <b>-6.5</b> | <b>-</b> | <b>-</b> | <b>-2.4</b>                  |
| Net Performance  | 2.4         | 3.1         | 12.2        | 12.8        | -        | -        | 4.0                          |

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

### Perennial Value Wealth Defender Australian Shares Trust

The Trust aims to outperform the S&P/ASX 300 Accumulation Index by investing in a diversified portfolio of Australian shares and using protection strategies to dynamically protect the portfolio through market cycles, thereby reducing the magnitude of significant negative returns in falling equity markets.

#### Trust manager

Dan Bosscher

#### Risk profile

High

#### Trust FUM\*

AUD \$51 million

#### Income distribution frequency

Half yearly

#### Strategy FUM

AUD \$464 million

#### Team FUM

AUD \$7.0 billion

#### Trust redemption price

\$ 1.0345

Any material changes to risk profile, strategy, key service providers or portfolio managers during the period

Nil

#### Minimum initial investment

\$25,000

#### Trust inception date

May 2014

#### APIR code

IOF0228AU

\*Trust FUM is equivalent to the net asset value of the Trust. It is the value of the assets less the liabilities of the Trust, as calculated in accordance with the terms of the Trust's constitution.

- ▶ The market rallied in March, with the S&P/ASX300 Accumulation Index (the Index) up 3.3%.
- ▶ Industrials led, rising 3.8%, while resources were up 0.5%.
- ▶ Strength was broad-based across most sectors of the market.

### Trust characteristics

The objective of the Perennial Value Wealth Defender Australian Shares Trust (the Trust) is to be invested in a diversified portfolio of financially sound companies and carry a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity market falls.

### Trust performance

The Trust delivered a return of 2.4% for March, underperforming the Index by 0.8%.

Global markets were subdued, with the S&P500 flat, FTSE100 up 0.8%, Nikkei 225 down 0.6% and Shanghai Composite down 1.1%. Commodity prices were generally softer, with iron ore down 11.0%, reversing the previous month's rally, oil down 5.0%, and coking coal down 6.0%, while thermal coal rose 1.0% and gold declined 1.0%. The Federal Reserve raised rates by 25 basis points, lifting the target range to between 0.75% - 1.00%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month unchanged at 77 US cents.

During March, strength was broad-based, with utilities (up 6.3%), healthcare (up 5.6%), consumer staples (up 5.5%), consumer discretionary (up 4.7%), industrials (up 4.3%), energy (up 4.3%), financials (up 3.9%) and information technology (up 3.6%), REITs (up 4.1%), healthcare (up 3.9%) and industrials (up 3.4%), while metals & mining (down 0.8%) was the only sector to deliver a negative return.

Trust holdings which performed strongly included Brickworks (up 18.2%), which delivered a strong first half result, with growth in the building products division and strong profits from their industrial property development activities. Iluka Resources (up 12.4%) outperformed the resources sector on the prospect of higher mineral sands pricing as well as BHP's announcement that it will expand iron ore production in its "Mining Area C". This expansion will lead to higher royalty payments to Iluka over the medium term, providing an attractive annuity income stream. Other outperformers included HFA Holdings (up 10.8%), Amcor (up 7.2%), Tox Free Solutions (up 7.0%), Caltex (up 6.6%), Clydesdale Bank (up 6.6%) and Henderson Group (up 6.4%).

Stocks which detracted from performance included our large cap resources holdings, with Rio Tinto (down 2.5%) and BHP (down 1.7%) on softer commodity prices as well as Orica (down 3.8%) which sold off on the same theme. Other stocks which lagged included Gateway Lifestyle (down 2.3%) and Vocus (down 1.4%). We remain comfortable with the outlook for these stocks and see significant value in each.

In terms of the protection portfolio, the ongoing very low level of volatility meant that the cost of carrying protection over the month was only 10 basis points, despite the market's strong rally.

## Trust Activity

During the month, we took profits and reduced our holdings in a number of stocks which had delivered strong gains, including Boral, QBE Insurance and Resmed. Proceeds were predominantly used to add to our positions in a number of good value stocks including Event Hospitality, Amcor, Iluka Resources, Graincorp and Henderson Group. At month end, stock numbers were 51 and cash was 7.6%.

## Outlook

While there is a high level of ongoing uncertainty, the global growth outlook appears to be incrementally improving and markets continue to respond positively to the prospect of more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies where we see attractive valuations. This would also see continued upwards pressure on interest rates which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare, REITs and infrastructure.

The Trust currently has a relatively high effective exposure to the market given its recent strength. However, there are numerous geopolitical events on the horizon such as elections and interest rate rises, and therefore we retain a level of protection for the portfolio that will help mitigate losses in the event of a sharp and significant fall in equity markets.

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.**

## Top 10 Holdings

| Stock name                  | Trust weight % | Index weight % |
|-----------------------------|----------------|----------------|
| National Australia Bank     | 6.3            | 5.6            |
| Commonwealth Bank           | 6.1            | 9.3            |
| Westpac Banking Corporation | 5.4            | 7.4            |
| BHP Billiton Limited        | 5.2            | 4.9            |
| ANZ Banking Group Limited   | 4.6            | 5.9            |
| Woolworths Limited          | 3.6            | 2.1            |
| Woodside Petroleum          | 3.2            | 1.5            |
| Crown Resorts Limited       | 2.8            | 0.3            |
| Macquarie Group Limited     | 2.8            | 1.9            |
| AMP Limited                 | 2.7            | 1.0            |

## Asset Allocation

| Sector                     | Trust weight % | Index weight % |
|----------------------------|----------------|----------------|
| Energy                     | 5.6            | 4.3            |
| Materials                  | 15.5           | 15.6           |
| Industrials                | 1.7            | 6.7            |
| Consumer Discretionary     | 9.6            | 5.0            |
| Consumer Staples           | 7.4            | 7.2            |
| Health Care                | 1.1            | 6.8            |
| Financials-x-Real Estate   | 36.3           | 38.1           |
| Real Estate                | 5.7            | 8.4            |
| Information Technology     | 1.3            | 1.3            |
| Telecommunication Services | 5.9            | 4.0            |
| Utilities                  | 0.9            | 2.7            |
| Cash & Other               | 9.1            | -              |

Rounding accounts for small +/- from 100%.

Signatory of:



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