

	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*	3.2	3.5	-2.8	3.0			2.4
S&P/ASX 300 Accumulation Index	2.7	6.5	-0.4	2.8			2.3
<b>Value Added (Detracted)</b>	<b>0.5</b>	<b>-3.0</b>	<b>-2.4</b>	<b>0.2</b>			<b>0.1</b>
Net Performance	3.2	3.5	-3.0	2.2			1.8

\*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\* (as at 31/12/15):

AUD 68 million

### Income distribution frequency:

Half yearly

### Strategy FUM ( as at 31/12/15):

AUD 700 million

### Team FUM ( as at 31/12/15):

AUD 6.7 billion

### Trust redemption price (as at 31/12/15):

\$ 0.9920

### 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.

- ▶ In December 2015, the Trust delivered a return of 3.2%, outperforming the index by 0.5%.
- ▶ Since inception in May 2014, the Trust has delivered a return of 2.4% per annum largely in line with the index return of 2.3% per annum while carrying significant downside protection.
- ▶ The Trust announced a December 2015 half-yearly distribution of 1.6 cents per unit (CPU) or 2.4 CPU including franking credits, up 17% on the prior corresponding period. This equates to a half-yearly distribution yield of 1.5% or 2.3% including franking credits.

## Trust characteristics

In line with the objective, the Perennial Value Wealth Defender Australian Shares Trust (the Trust) is invested in a diversified portfolio of financially sound companies and carries a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

## Trust performance

Following a mid-month sell-off, the market rallied into the end of December 2015, with the S&P/ASX300 Accumulation Index (the Index) finishing the month up 2.7%. The Trust delivered a return of 3.2%, outperforming the market by 0.5%.

Globally, markets were dominated by the US Federal Reserve's decision to finally lift interest rates by 0.25%. Markets were generally softer with the S&P 500 down 1.8%, FTSE 100 down 1.8% and Nikkei 225 down 3.6%, while the Shanghai Composite rose 2.7%. In Australia, strong job growth continued, with 71,000 jobs created in November and the unemployment rate falling to 5.8%. This provides further evidence of the economy successfully transitioning post the resources boom. The Reserve Bank of Australia (RBA) left the cash rate steady at 2% and the Australian Dollar (AUD) drifted slightly higher over the month to close at 72.9 US cents.

Better performing sectors over the month included consumer staples (up 7.1%), consumer discretionary (up 6.3%), telecommunication (up 4.3%), REITs (up 4.0%) and financials (up 3.6%), while energy (down 7.5%), industrials (down 0.5%), healthcare (up 0.6%) and metals and mining (up 0.9%) lagged.

Stocks which contributed positively to performance included Newcrest (up 18.9%) which rallied as investors warmed to its falling cash costs, rising production and declining capex profile, Lend Lease (up 11.8%) after announcing the sale of a stake in Tower 1 at Barangaroo to a major international investor, Metcash (up 9.1%) continuing its strong performance of late and Crown Resorts (up 7.4%) amid speculation that James Packer may attempt to privatise the company. The major banks also outperformed, up an average of 4.4%.

The Trust also benefited from not holding stocks such as Aurizon (down 21.4%) which fell after issuing a surprise profit warning, as well as Primary Healthcare (down 27.1%) and Sonic Healthcare (down 12.1%) which both fell after the government unexpectedly cut the bulk-billing rebate. We have previously highlighted the funding risks associated with this sector and the current Medicare review suggests that this may be an ongoing theme.

Stocks which detracted from performance included oil stocks AWE (down 23.1%) and Woodside Petroleum (down 4.6%) on the back of lower oil prices and Suncorp (down 9.3%) after downgrading earnings expectations due to rising claims costs as a result of higher than usual level of weather events in 2015 as well as the lower AUD. While this is disappointing, on the positive, the premium pricing environment appears to be stabilising and the company remains strongly capitalised, supporting an attractive level of dividends.

In December the market was quite volatile, initially falling, then rallying aggressively into the end of the month. This high level of volatility can be often be good for the protection portfolio as it allows us to be active in re-hedging to our advantage.

### Trust Activity

In terms of Trust activity, we took profits and reduced our holdings in a number of stocks which have delivered strong returns, in particular Aristocrat Leisure and Macquarie Group (up 58.2% and 48.2% respectively over the past 12 months) and Metcash (up 53.8% over the past quarter). Proceeds were used to add to a number of existing holdings where we see attractive value including Wesfarmers, Myer, Flight Centre and Telstra.

### Outlook

We continue to hold a cautiously optimistic view on the outlook, expecting ongoing moderate growth in the major economies overall and a continuing transition towards the non-mining sectors of the Australian economy. The Trust is positioned to capture these themes with exposure to a recovering east coast economy through overweight positions in retail, building and infrastructure/construction-related stocks. We also hold modest overweight positions in the major banks where we see attractive dividend yields and in the large-cap, low-cost, financially-sound resources companies where we see long-term value emerging. On the contrary, we remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs, where valuations have become stretched as a result of historically low interest rates.

**As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors, 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 %
Commonwealth Bank.	8.9	10.3
Westpac Banking Corp	8.6	7.9
National Aust. Bank	6.5	5.6
ANZ Banking Grp Ltd.	6.3	5.8
Telstra Corporation	5.5	4.9
BHP Billiton Limited	4.7	4.1
Woolworths Limited	3.4	2.2
Wesfarmers Limited	2.9	3.3
AGL Energy Limited	2.6	0.9
Woodside Petroleum	2.5	1.4

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	3.1	4.0
Materials	12.7	12.1
Industrials	2.2	7.9
Consumer Discretionary	12.2	5.0
Consumer Staples	8.2	7.2
Health Care	0.4	6.8
Financials-x-Real Estate	39.5	39.9
Real Estate	5.6	8.3
Information Technology	0.3	1.2
Telecommunication Services	6.2	5.4
Utilities	2.7	2.3
Cash & Other	6.9	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://www.perennial.net.au).

Signatory of:



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