

| | Month | Quarter | FYTD | 1 year | 3 years | 5 years | Since Inception [^] |
|--|-------------|-------------|-------------|-------------|-------------|----------|------------------------------|
| | % | % | % | % | % p.a. | % p.a. | % p.a. |
| Perennial Value Wealth Defender Australian Shares Trust* | -0.7 | 0.4 | 0.4 | 7.3 | 4.4 | - | 3.7 |
| S&P/ASX 300 Accumulation Index | 0.0 | 0.8 | 0.8 | 9.0 | 7.1 | - | 5.7 |
| Value Added (Detracted) | -0.7 | -0.4 | -0.4 | -1.7 | -2.7 | - | -2.0 |
| Net Performance | -0.8 | 0.1 | 0.1 | 6.3 | 3.7 | - | 3.0 |

*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 sharply falling equity markets.

Trust manager

Dan Bosscher

Risk profile

High

Trust FUM

AUD \$57 million

Distribution frequency

Half yearly

Strategy FUM

AUD \$479 million

Team FUM

AUD \$5.2 billion

Trust redemption price

\$1.0187

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

Contact details

invest@perennial.net.au

1300 730 032

www.perennial.net.au

- ▶ A flat result in September saw the Index up 9.0% over the past twelve months.
- ▶ Industrials rose 0.3% driven by healthcare and financials while resources declined 1.2% on weaker commodity prices.
- ▶ The Trust has delivered a solid total return of 7.3% over the past twelve months, while at all times, being well protected in the event of a major market downturn.

Market Review

Global markets were mixed in September, with the S&P500 (up 1.9%) and Nikkei 225 (up 3.6%) up, while the FTSE100 (down 0.8%) and Shanghai Composite (down 0.4%) declined. Commodity prices were generally weaker, with iron ore down 20.0%, coking coal down 9.0% and copper down 4.0%, while oil rose strongly up 10.0%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month 1 cent lower at 79 US cents.

The S&P/ASX300 Accumulation Index (the Index) finished flat for the month, with healthcare up 2.3%, energy up 1.1%, financials up 1.1% and information technology up 0.6%. This was offset by falls in telecommunications down 4.5%, utilities down 3.6%, metals & mining down 1.9%, consumer staples down 1.9% and materials down 1.4%.

Trust Review

The Perennial Value Wealth Defender Australian Shares Trust (the Trust) delivered a solid return of 7.3% for the last twelve months, whilst declining in September by 0.7%. While this is slightly below the Index return of 9.0%, it is important to remember that this has been achieved with the Trust, at all times, being well protected in the event of a major market downturn.

The better performing stocks in the Trust included Lendlease (up 10.1%), which rose as investors came to appreciate the value in the stock, Clydesdale Bank (up 9.4%), which rallied on expectations of interest rate increases in the UK and Macquarie Group (up 4.7%), which reiterated its full-year guidance which is likely to prove conservative. Other outperformers included Westfield Corp (up 5.5%), Janus Henderson (up 1.8%) as well as small cap holdings National Veterinary Care (up 12.2%), SpeedCast International (up 10.0%) and Kogan.com (up 10.0%).

Stocks which detracted from performance included Newcrest (down 7.6%), which fell on the weaker gold price, Gateway Lifestyle (down 6.2%), Graincorp (down 5.4%), AMP (down 5.3%), Telstra (down 4.9%), Pacific Energy (down 8.6%) and Fleetwood (down 12.4%). Resource holdings also underperformed on the lower commodity prices, with BHP (down 3.9%) and Rio Tinto (down 1.9%) both easing following their recent strong performance.

The protection portfolio continues to provide significant protection in the event of a market fall. During September, the cost of protection was slightly higher than in recent months, as volatility levels fell. However, after being elevated in financial year 2017, the rolling twelve month cost of protection is tracking down towards our target range of 1.0 to 2.0% p.a.

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.

Trust Activity

During the month, we took profits and sold out of our holdings in Iluka Resources and Orica as well as reducing our holdings in Janus Henderson, BHP and Newcrest after their strong performances. Proceeds were used to establish positions in a number of stocks including Stockland and Event Hospitality. At month end, stock numbers were 50 and cash was 6.9%.

Outlook

While growth in the domestic economy remains subdued and there remains a high level of political uncertainty, the global growth outlook appears to be incrementally improving. Should this continue, 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 which are trading on attractive valuations. This scenario 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 and REITs and infrastructure.

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 % |
|-----------------------------|----------------|----------------|
| Commonwealth Bank | 7.6 | 8.5 |
| BHP Billiton Limited | 6.5 | 5.4 |
| National Australia Bank | 5.8 | 5.5 |
| Westpac Banking Corporation | 4.6 | 7.0 |
| Suncorp Group Limited | 3.7 | 1.1 |
| Woodside Petroleum | 3.6 | 1.4 |
| AMP Limited | 3.6 | 0.9 |
| ANZ Banking Group Limited | 3.5 | 5.6 |
| Telstra Corporation | 3.1 | 2.7 |
| Caltex Australia | 3.0 | 0.5 |

Asset Allocation

| Sector | Trust weight % | Index weight % |
|----------------------------|----------------|----------------|
| Energy | 6.8 | 4.4 |
| Materials | 11.8 | 16.9 |
| Industrials | 1.0 | 7.5 |
| Consumer Discretionary | 10.8 | 5.0 |
| Consumer Staples | 7.2 | 7.2 |
| Health Care | 2.3 | 7.0 |
| Financials-x-Real Estate | 36.0 | 36.7 |
| Real Estate | 8.2 | 8.4 |
| Information Technology | 2.2 | 1.6 |
| Telecommunication Services | 5.6 | 3.1 |
| Utilities | 0.7 | 2.1 |
| Cash & Other | 7.3 | - |

Rounding accounts for small +/- from 100%.

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.