

	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*	1.0	6.7	-2.9	-7.0	-	-	1.8
S&P/ASX 300 Accumulation Index	3.1	11.7	3.4	-2.1	-	-	3.7
<b>Value Added (Detracted)</b>	<b>-2.1</b>	<b>-5.0</b>	<b>-6.3</b>	<b>-4.9</b>	-	-	<b>-1.9</b>
Net Performance	1.0	6.5	-3.4	-7.7	-	-	1.2

\*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 31/05/16):

AUD \$48 million

#### Income distribution frequency:

Half yearly

#### Strategy FUM (as at 31/05/16):

AUD \$405 million

#### Team FUM (as at 31/05/16):

AUD \$6.4 billion

#### Trust redemption price (as at 31/05/16):

\$ 0.9613

#### 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.

- ▶ Markets rallied in May, with the S&P/ASX300 Accumulation Index (the Index) up 3.1%.
- ▶ Industrial stocks outperformed, as resource stocks followed commodity prices lower.
- ▶ The Trust returned 1.0% for the month.

### 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 market falls.

### Trust performance

During the month, the stock portfolio delivered a return of 2.9%, behind the Index return of 3.1%. The rallying markets, combined with the recent fall in volatility created the utmost difficult of environments for protection strategies which saw the protection overlay detract 1.9% relative to the Index. However, the cost of protection strategies such as we employ are better viewed over a longer time period than a few months. Our continued focus on the long term means that we anticipate the cost of protection to run circa 1% to 2% per annum. Since inception, the Trust has returned 1.8% per annum compared to the Index return of 3.7%, with the rolling 12 month cost of protection over this period averaging 0.6%. Importantly the Trust has at all times been very well protected in the event of sharp falls in the market.

Globally, markets were mixed with the S&P500 up 1.5%, the Nikkei 225 up 3.4%, the FTSE100 down 0.2% and the Shanghai Composite down 0.7%. The Federal Reserve left rates unchanged and commodity prices rolled over as expectations for the resilience of China's first quarter rally waned. Iron ore ended the month down 25.0% and copper was down 7.0%, while Brent oil remained on trend, up 4.6%. In Australia, the Reserve Bank of Australia (RBA) cut interest rates 25 basis points on a lower outlook for inflation than previously forecast. The Australian Dollar (AUD) finished the month at 72 US cents, down 5.0%.

Cyclical sectors underperformed over the month with metals and mining (down 6.4%), materials (down 3.0%) and energy (down 1.6%) all ending lower. Stronger sectors included healthcare (up 9.4%), information technology (up 7.0%), consumer discretionary (up 5.6%) and financials (up 5.2%).

A number of stocks delivered double-digit returns, the most significant including CYBG plc (up 35.1%), which rallied after delivering its first result following its demerger from NAB in February. Management indicated significant cost reduction opportunities which should underpin an improvement in earnings and returns over the coming years. Aristocrat Leisure (up 28.6%) delivered a very strong interim result on exceptional volume, price and fee growth, taking market share from competition in otherwise flat background markets. We expect this strong market dominance to continue for the medium term. The AWE (up 25.2%) board rejected an unsolicited takeover proposal at 80 cents per share from Japanese private equity firm, Lone Star Funds. Macquarie Group (up 21.7%) rallied after delivering a record FY16 profit result of over \$2 billion, up 24.0% on the prior year, with strong growth in its key asset management business, and increasing the full-year dividend by 21.0%.

Negative share price performance was registered by stocks including Rio Tinto (down 13.3%), BHP Billiton (down 7.7%), Wesfarmers (down 5.0%) and Woodside Petroleum (down 3.3%). We remain comfortable in the outlook for each of these companies. The Trust was also impacted in a relative sense by our underweight position in healthcare, which rallied strongly on the lower AUD. This position is on account of their expensive valuations and low dividend yields. CSL, for example, is trading on a FY17 price to earnings (P/E) of 24.9 times and gross dividend yield of only 2.1%.

### Trust Activity

The Trust remains exposed to the ongoing transition to the East coast economy through its overweight positions in retail, building and construction-related stocks. The Trust also remains overweight in the large-cap, low-cost, financially-sound resources companies. We remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs. These sectors have become a crowded trade and valuations remain stretched as a result of historically low interest rates. 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	6.9	9.2
Westpac Banking Corporation	6.1	7.1
Telstra Corporation	5.5	4.7
BHP Billiton Limited	5.4	4.2
National Australia Bank	5.1	5.0
ANZ Banking Group Limited	4.7	5.2
Woolworths Limited	3.4	1.9
Wesfarmers Limited	2.9	3.2
Woodside Petroleum	2.8	1.3
Macquarie Group Limited	2.8	1.8

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	4.7	4.1
Materials	11.6	13.7
Industrials	1.4	8.0
Consumer Discretionary	9.9	5.2
Consumer Staples	8.5	6.8
Health Care	3.5	7.3
Financials-x-Real Estate	36.3	36.6
Real Estate	8.5	9.2
Information Technology	0.6	1.3
Telecommunication Services	6.5	5.5
Utilities	0.3	2.4
Cash & Other	8.3	-

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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