PERENNIAL VALUE MANAGEMENT

Perennial Value Wealth Defender Australian Shares Trust

Monthly Report
30 April 2016

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception^
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	2.4	3.4	-3.9	-7.2	-	-	1.3
S&P/ASX 300 Accumulation Index	3.3	6.4	0.3	-4.7	-	-	2.2
Value Added (Detracted)	**-0.9**	**-3.0**	**-4.2**	**-2.5**	**-**	**-**	**-0.9**
Net Performance	2.3	3.3	-4.4	-7.8	-	-	0.7

*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 30/04/16):	AUD $47 million
Income distribution frequency:	Half yearly
Strategy FUM (as at 30/04/16):	AUD $563 million
Team FUM (as at 30/04/16):	AUD $6.4 billion
Trust redemption price (as at 30/04/16):	$ 0.9518
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 April, with the S&P/ASX300 Accumulation Index (the Index) up 3.3%.**
- **Resources led the market higher as rising commodity price trends continued.**
- **The Trust was up 2.4%, underperforming the market by 0.9%.**

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 aims to carry a level of protection sufficient to reduce the magnitude of significant negative returns during sharp equity market falls.

Market activity

Globally, markets were mixed with the S&P500 up 0.3%, the FTSE100 up 1.1%, the Nikkei 225 down 0.6% and the Shanghai Composite down 2.2%. The Federal Reserve kept rates unchanged in April. Commodity prices continued to firm, with Brent oil ending the month up 18.0% (closing just below five month highs) and the iron ore price up 22.0%. The weak March quarter consumer price index (CPI) (down 0.2% quarter on quarter) marked the first negative inflation number since December 2008, and drove the Australian Dollar (AUD) down 2.0% on the day. The AUD closed the month at 76.0 US cents, down 1.0 cent.

Cyclical sectors outperformed over the month with metals and mining (up 19.0%), materials (up 14.3%) and energy (up 7.5%) all up strongly. Weaker sectors included financials (up 1.4%), telecommunications (up 0.5%), utilities (down 0.3%) and consumer discretionary (down 1.7%).

The stronger April returns were dominated by a very strong rebound in resource stocks and the Trust benefitted from this via a mild overweight to this sector. Key portfolio moves comprised BHP Billiton up 22.7%, Rio Tinto up 20.8%, and Woodside Petroleum up 9.2%. Other strong performers included Ansell, CYBG plc which is the demerged Clydesdale Bank, Graincorp and Suncorp, each of which rose 5.0% or more. In recent months, the Trust had added to both Ansell and CYBG plc during share price weakness.

Overall stockmarket sentiment towards the domestic economic outlook weakened over the month, particularly around the outlook for housing and inner city apartments. Consumer discretionary stocks reflected this trend and resulted in a number of portfolio holdings registering negative returns for the month, including Myer (down 11.9%), Flight Centre (down 9.1%) and Harvey Norman (down 4.7%). Other holdings to detract from the Trust included Crown Resorts (down 5.2%) and Aristocrat Leisure (down 2.9%).

With the Index having rallied over 8.0% in two months, the protection portfolio has, as we would expect incurred a relatively high cost over this period. However, the protection strategies we employ are better viewed over a longer time frame than a two month period. Our continued focus on the long term cost of protection means that since inception the protection contribution is a low 1.9% per annum, in line with expectations. Though the market is largely flat, up 2.3% per annum over that time, there has been a high level of volatility, with the market experiencing a reasonable fall, followed by the recent bounce. During this period, the portfolio volatility has been nearly 20.0% lower than the market and we hope that having significant protection in place along the way, gave investors confidence to remain in the market, rather than selling out at the low.

Trust Activity

In terms of portfolio moves, the key sales were predominantly focussed on reducing the Trust's financials exposure, via reducing holdings in each of Macquarie Group, National Australia Bank and Westpac. The Trust holds a mild overweight to the banking sector. Sentiment to the banking sector is currently very poor due to concerns over the impact of a slowing housing market and the end of the resources boom. However, at present there is no indication of any broad-based deterioration in credit quality, with the small number of bad debts to date being largely the result of company-specific factors. We also exited our holding in AGL Energy, with the stock having delivered a total return of 24.8% over the past 12 months. Proceeds were reinvested in a small number of existing holdings, including Aristocrat Leisure, Henderson Group, QBE Insurance and Wesfarmers.

With the market being so strong we have seen the level of volatility decrease. This has afforded us the opportunity to increase protection at relatively lower cost. As such, at this point in time, we are carrying slightly more protection than usual.

Outlook

Data points confirm the ongoing transition to the East coast economy. The Trust continues to be exposed to this theme through overweight positions in retail, building and infrastructure/construction-related stocks. The Trust 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 overall portfolio 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 and have the ability to deliver consistent 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 %
Westpac Banking Corp	7.9	7.4
Commonwealth Bank	7.4	9.0
BHP Billiton Limited	6.2	4.7
National Aust. Bank	6.1	5.1
ANZ Banking Group Ltd	5.4	5.0
Telstra Corporation	5.4	4.7
Woolworths Limited	3.6	2.0
Woodside Petroleum	3.2	1.4
Rio Tinto Limited	2.8	1.6
Wesfarmers Limited	2.8	3.4

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	5.1	4.2
Materials	13.2	14.4
Industrials	1.5	8.1
Consumer Discretionary	11.2	5.0
Consumer Staples	8.4	7.1
Health Care	2.4	6.8
Financials-x-Real Estate	39.5	36.3
Real Estate	6.4	8.9
Information Technology	0.6	1.4
Telecommunication Services	6.4	5.3
Utilities	0.1	2.4
Cash & Other	5.3	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
or visit www.perennial.net.au.

Signatory of:

PRI Principles for Responsible Investment