

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	0.9	3.2	4.8	-	-	-	3.2
S&P/ASX 300 Accumulation Index	0.6	3.5	5.1	-	-	-	3.5
Value Added (Detracted)	0.3	-0.3	-0.3	-	-	-	-0.3
Net Performance	0.9	3.3	4.8	-	-	-	3.3

*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 August 2014):

AUD10.7 million

Income distribution frequency:

Half yearly

Team FUM (as at 31 August 2014):

AUD8.1 billion

Trust redemption price (as at 31 August 2014):

\$1.0311

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:

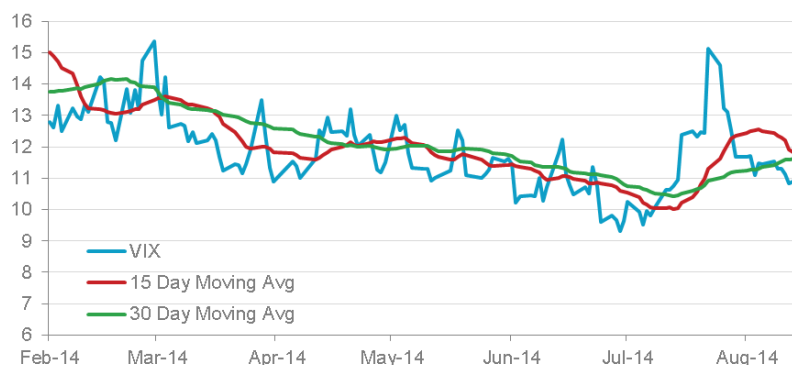
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*Trust FUM is equivalent to the net asset value of the Trust. It is the value of the assets less the liabilities of the Trust, as calculated in accordance with the terms of the Trust's constitution.

- ▶ The Trust outperformed the benchmark S&P/ASX300 Accumulation Index return by 0.3%.
- ▶ The Trust's performance was cushioned to some extent in early August as the market fell.
- ▶ Stocks which performed well during the month included Harvey Norman (up 14.9%), Aveo Group (up 6.5%), Stockland (up 4.7%) and Boral (up 2.8%).

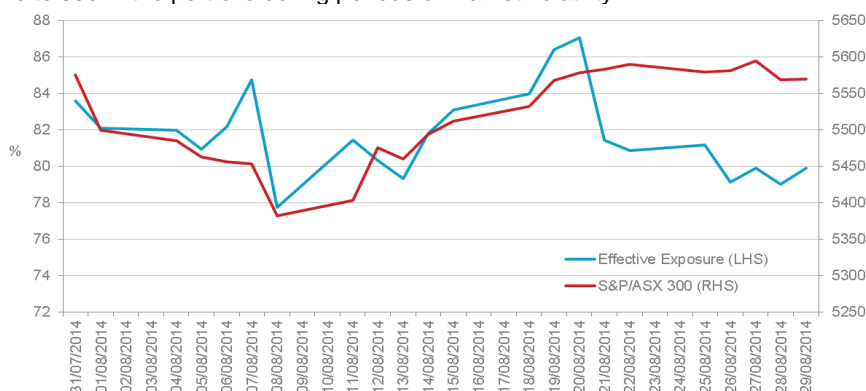
The Perennial Value Wealth Defender Australian Shares Trust (the Trust) delivered a return of 0.9% in August, outperforming the benchmark S&P/ASX300 Accumulation Index return of 0.6%.

Early August saw a pick-up in volatility levels as the market had a very poor start to the month. With the ensuing rally, this quickly reverted, as shown in the chart below.



Source: Perennial

When the market fell in the first two weeks, it was pleasing to see the Trust's effective exposure decreasing (see chart below). This cushioned the impact on the Trust to some extent. Consistent with the Trust's objective we sought to maintain our levels of protection at what was an uncertain time. Consequently as markets reversed and rallied into the second half of the month we gave up these early gains on the protection component of the portfolio. This was a good demonstration of the behaviour we would like to see in the portfolio during periods of market volatility.



Source: Perennial

At the beginning of August we had short dated put spreads in the portfolio providing protection between 97% and 87% of spot. As the market rallied, we took advantage of the falling price in the lower strike put options, buying them back for an immaterial outlay. We consider this prudent risk management. As the month progressed, we took the opportunity to roll our September positions before they decayed. We now hold outright October and December put options, partially funded with December skew. Our risk indicators are moving towards complacent territory and with the market at recent highs it makes sense, in our view, to be hedged.

As at month end effective exposure is 80% and we currently have a structure in place to mitigate a 15% fall in equity markets by an estimated 49%*.

Equities overview

Globally, markets ended the month higher, with the S&P500 (up 3.8%) recording a strong month as the US economy reported 2Q GDP of 4.2%, the ISM manufacturing PMI rose to 57.1 and the ISM non-manufacturing PMI rose to 58.7, the highest level since 2005. The FTSE and Shanghai Composite both rose 1.3% and 0.7% respectively. The exception was the Nikkei 225 which fell 1.3%. Domestically, data was mixed. The unemployment rate hit a twelve year high of 6.4%, while retail sales increased 0.6% month on month in June, underpinned by strong sales in household goods and clothing. In August, the NAB business confidence survey increased 3 points and the Westpac consumer confidence index rose 3.8% month on month. The RBA left the cash rate unchanged at 2.5% and the AUD/USD ended the month steady at 93c.

The better performing sectors during the month were Healthcare (up 6.4%), Telcos (up 4.3%), Energy (up 4.0%), Industrials (up 2.0%), Utilities (up 1.8%) and REITs (up 1.7%). Metals and Mining (down 5.0%) was the worst performing sector, followed by Materials (down 3.7%), IT (down 0.8%) and Consumer Staples (down 0.4%).

Domestically, reporting season was the focus in August, with companies reporting results for the period to 30 June 2014. By and large, the results were well received, with many companies' share prices reacting positively. Several themes emerged from reporting season. Firstly, there was a continuation of the relatively subdued revenue growth environment of the past few years. However, there were some areas showing recovery, in particular the housing related sectors, which are experiencing strong demand conditions. While consumer spending has generally been subdued following the May budget, many companies indicated that there has been a pick-up in recent months and there is some evidence that the Australian economy is in better shape than some of the negative commentary might suggest. Secondly, companies remain squarely focussed on self-help initiatives, in the form of cost reductions and efficiency gains, to maintain margins and help offset inflationary pressures. Finally, cash flows were generally strong, leading to healthy balance sheets and allowing increased dividend payments. In terms of the outlook, management continued to be guarded in their statements, however, the majority of companies we hold indicated that they expect earnings to grow in the coming year.

Stocks which performed well during the month included housing and construction related names such as Harvey Norman (up 14.9%), Aveo Group (up 6.5%), Stockland (up 4.7%) and Boral (up 2.8%) which all delivered strong results on the back of the improving residential market.

Other strong performers included Orora (up 12.2%), whose solid result demonstrated the company was delivering what it had promised at the time of the demerger, with efficiency gains driving margin expansion. Amcor (up 9.5%) delivered a strong result, pleasing the market with improved cash flows in the wake of restructuring and acquisition costs. Origin Energy (up 10.1%) rallied after announcing that its Australia Pacific LNG project was now 75% complete and on budget. Sentiment turned positive on AMP (up 7.1%), a very much unloved Top 20 stock held by the portfolio, after the result showed that the problematic life insurance business had stabilised.

QBE (up 6.1%) announced a capital raising of \$810m which was effectively a net raising of only \$310m given the portion being used to retire convertible debt. The company also announced the intended future sales of its agency businesses, a partial sale of Lenders Mortgage Insurance and the reinsurance of its medical malpractice reserves at book value with quality reinsurers. These actions will be of clear benefit to the balance sheet. QBE will also take the opportunity to gradually increase its exposure to risk assets (and therefore, return) in its shareholders' funds which are currently invested predominantly in short term fixed interest securities. The portfolio participated in the capital raising via a share placement of \$10.10 a share. The market's response has been positive, with the share price closing the month at \$11.52. The above announcements could well represent a positive turning point in sentiment towards this institutionally under-owned Top 20 company.

The most significant portfolio detractors comprised BlueScope Steel (down 12.3%) and Henderson Group (down 8.2%), both of which were weaker on the back of reported profits which were below market expectations. Upon reviewing the profit numbers in detail, we retain our holdings in both stocks. Not holding CSL (up 9.0%), also detracted from performance.

In terms of portfolio activity, whilst there were no major changes, we trimmed exposures in existing holdings including Asciano, CBA, Lend Lease, Orora and Sims Group. With regards to Sims, the share price had reacted very sharply (up some 25%) to the company's release of its strategy review and we felt it sensible to trim into this share price strength.

Proceeds were reinvested into increasing holdings in stocks including AMP (at an average entry price of \$5.33 versus month-end price of \$5.88), Ansell (\$18.67 versus \$19.90), Harvey Norman (\$3.14 versus \$3.55). The subsequent rise in each of these stocks was due to the release of positive profit results. In addition to the QBE placement referred to above, the portfolio also participated in AGL Energy's 1 for 5 rights issue to raise \$1.2bn to purchase the Macquarie Generation electricity assets from the NSW Government. We acquired stock at \$11.00 versus the month-end close of \$14.10.

The Trust has an allocation (roughly 7%) to small companies at the present time. This performed well over the month. The benchmark S&P/ASX Small Ordinaries Accumulation Index returned 2.34% for the month, with the Trust's positions outperforming that Index by 1.06%.

The Trust's best small cap performing stock during August was Sino Gas Energy (up 28.9%) which benefitted from a positive vertical well result in addition to the announcement of large price hikes in China's gas prices. M2 Group (owners of iPrimus, Dodo etc.) released a strong annual result reflecting good organic growth which saw its share price gain 21.2%. Mining services energy provider Pacific Energy (up 21.1%)

* This is expected outcome in an overnight move based on risk modelling. Whilst we expect this to be accurate it relies on a number of assumptions and is used as a guide only.

delivered a pleasing result and better than expected dividend. Despite coal being an 'out of favour' commodity, producer Whitehaven Coal (up 15.8%) reported improvements across all its operations, helping this company achieve the top end of their production guidance.

Recently listed Dick Smith Holdings (up 13.4%) reported a result ahead of its prospectus, but importantly commented to a good start to 1H15 with positive comparable sales growth. Similarly, Mantra Group (up 11.2%) also delivered a decent maiden result following their recent IPO.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
BHP Billiton Limited	9.4	8.3
Westpac Banking Corp	7.8	7.7
National Aust. Bank	6.7	5.9
ANZ Banking Grp Ltd	5.9	6.5
Telstra Corporation.	4.7	4.9
Commonwealth Bank.	4.2	9.3
Woodside Petroleum	3.7	2.1
Rio Tinto Limited	3.2	1.9
QBE Insurance Group	2.9	1.0
Asciano Limited	2.8	0.4

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.3	6.3
Materials	22.0	16.8
Industrials	6.8	7.1
Consumer Discretionary	7.3	4.1
Consumer Staples	1.8	7.8
Health Care	4.1	4.9
Financials-x-Real Estate	34.2	37.9
Real Estate	7.2	7.1
Information Technology	0.3	0.8
Telecommunication Services	4.9	5.4
Utilities	1.8	1.7
Other	3.3	-

Rounding accounts for small +/- from 100%.

Signatory of:



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