What's News at Perennial?

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An updated economic market commentary written by Frank is available on the Perennial website at the beginning of each month.

Frank has over 29 years investment management experience and owns equity in Perennial Fixed Interest.

Recent Awards

We are pleased to announce that for the second consecutive year, the Perennial Fixed Interest Wholesale Trust was named Gold Winner in the **Best Australian Fixed Interest Fund** category in Money Magazine's Best of the Best Awards for 2015.

Congratulations to Glenn Feben and the Fixed Interest team on this award win.

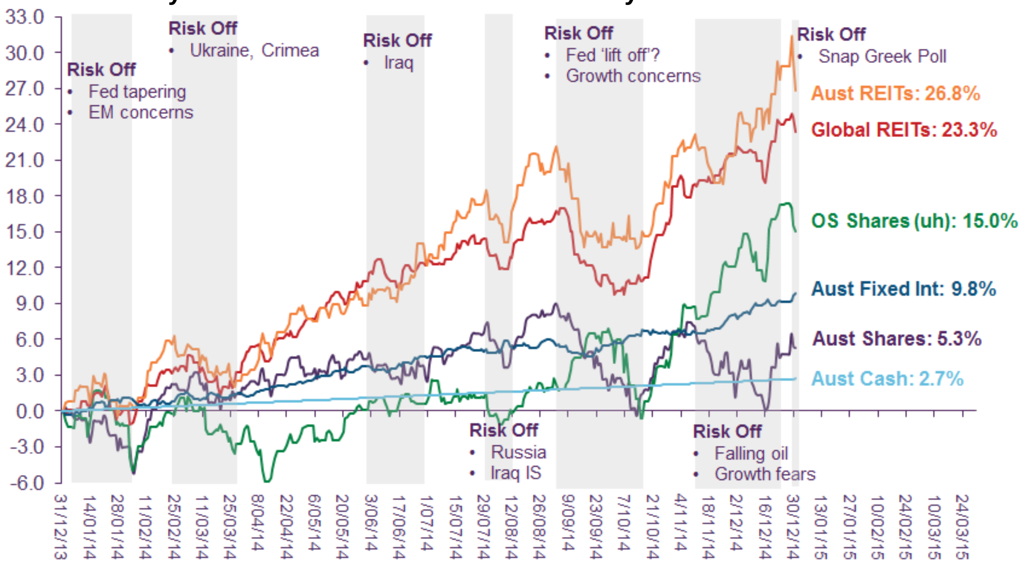
Another Productive Year For Investors

While calendar year 2014 saw a lift in geo-political risks and recurring doubts about the durability of the global recovery, it turned out to be a productive one for investors.

For investors in growth assets, such as shares or listed real estate securities, there were various "risk off periods" over the year. Thankfully none of these developed into the full blown crises of recent years but they did illicit more accommodative policy settings from central banks, like the European Central Bank and the Bank of Japan. In turn, the combination of low interest rates and use of central bank balance sheets to buy assets helped drive gains in both domestic and global REITs as investors sought higher yielding assets.

Accommodative policy settings also helped the global economy get through the year's rough patches and support gains in overseas share markets. For investors in unhedged overseas shares, a falling Australian currency helped boost sector returns. The Australian share market had a bumpy year and was periodically dragged lower during periods when heightened growth concerns resulted in sharp falls in commodity prices. Despite periods of setback, the Australian share market still managed to generate a moderate return.

Key Asset Class Trends Over 2014 – daily cumulative returns %



Investors in defensive assets, such as cash and fixed interest, had a mixed year. With the Reserve Bank of Australia (RBA) leaving the cash rate steady at 2.5% over 2014, returns from the cash sector were limited to 2.7% for the year.

Australian fixed interest investors had a very good year as offshore demand for higher yielding Australian fixed interest securities helped push longer dated yields lower. Towards the end of the year, both shorter and longer dated yields fell as markets began to price in further monetary easing from the RBA. Longer dated yields also benefitted from flight to quality flows as equity markets reacted poorly to falling oil prices and news of a snap poll being called in Greece.

The year ahead is shaping up as a challenging one for investors. The US Federal Reserve is likely to gradually begin lifting the US federal funds rate as the US recovery continues to broaden and deepen and this may lead to periodic bouts of volatility. Nevertheless, policy settings are expected to remain extremely accommodative in Europe and Japan and this should help underpin growth prospects and offshore equity markets. With global and domestic interest rates at historically low levels, investors in these assets should be on guard for any increases in yields which could be triggered by better economic news or US monetary tightening.

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