

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	2.9	2.5	5.3	-	-	-	3.7
S&P/ASX 300 Accumulation Index	3.2	1.9	5.6	-	-	-	4.1
Value Added (Detracted)	-0.3	0.6	-0.3	-	-	-	-0.4
Net Performance	2.8	2.3	5.0	-	-	-	3.5

*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 31/01/15):

AUD19.1 million

Income distribution frequency:

Half yearly

Team FUM (as at 31/01/15):

AUD7.6 billion

Trust redemption price (as at 31/01/15):

\$1.0189

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

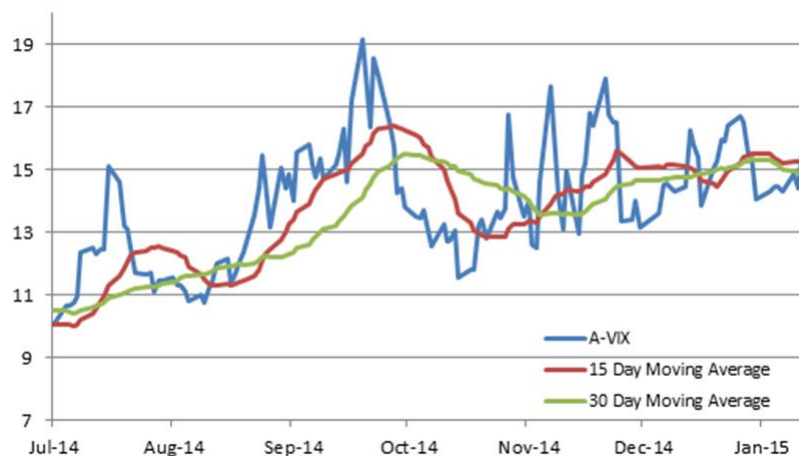
*Trust FUM is equivalent to the net asset value of the Trust. It is the value of the assets less the liabilities of the Trust, as calculated in accordance with the terms of the Trust's constitution.

- ▶ **The Trust returned 2.9% in January.**
- ▶ **The derivative portfolio detracted from the Trust value by 30 basis points over the month.**
- ▶ **The best performing stocks in the Trust for the month were Newcrest Mining, Resmed and Iluka.**

The Perennial Value Wealth Defender Australian Shares Trust (the Trust) delivered 2.9% in January versus the S&P/ASX 300 Accumulation Index (the Index) return of 3.2%, underperforming by 0.3%. Since inception, the Trust is up 3.7% against the Index which is up 4.1%, all the while having had significant levels of protection in place. In the two larger down months since inception, the Trust has outperformed the Index.

Global markets were mixed in January. The S&P500 (down 3.1%) and the Shanghai Composite (down 0.8%) declined during the month, while the FTSE (up 2.8%) and Nikkei 225 (up 1.3%) rose. The European Central Bank (ECB) announced that it will be implementing Quantitative Easing (QE) at a level exceeding market expectations and the Swiss Central bank abandoned the Swiss Franc's cap against the Euro. The oil price continued to fall with the WTI oil price falling 9% over the month. Other commodities were also weak, with iron ore and copper both down 13%. Bond yields continued to fall sharply with the US 10 year Treasury yield falling from 2.2% to 1.7% over the month. Global economic data was also mixed. US retail sales were weak, China data remained soft and Eurozone deflation was worse than expected. However, more positively, US employment data was strong with the US unemployment rate falling to 5.6% and US consumer confidence jumping to the highest level since 2004.

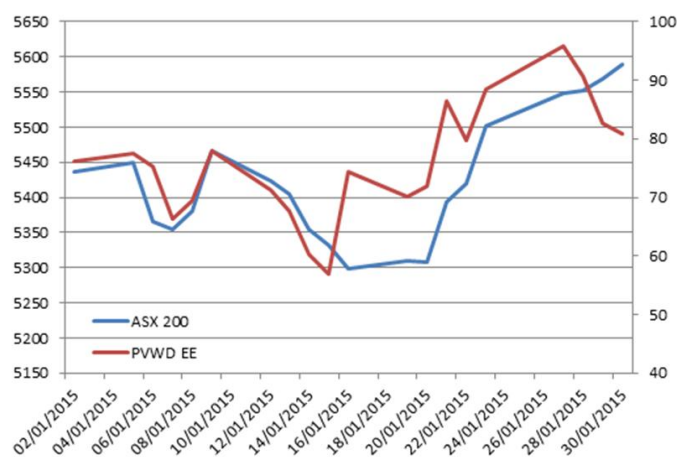
The way the market moved in January was very different to December. While December finished on a low, and was punctuated with sharp moves, January slowly declined leading into the ECB decision on QE. From there, it was a steady rally of approximately 5%. The market price of volatility increased into the ECB decision but sold off post the event (refer to chart below). Volatility finished at levels that we believe are good value and should serve well over the ensuing months. Currently we have a structure in place to mitigate a 15% fall in equity markets by up to 63%. That is, an overnight move of 15%, we expect that the Trust should fall by approximately 5.5%.*



Source: Perennial. Volatility measured as the standard deviation of the monthly returns (annualised).

*This is an expected outcome of an overnight move based on risk modelling. While we expect this to be accurate, it relies on a number of assumptions and is used as a guide only. The actual outcome may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from the expected outcome shown above.

On a monthly Index return of 3.2%, we underperformed by only 30 basis points. This equates to an average implied Effective Exposure (EE) of approximately 90% i.e. strong equity participation for a portfolio that carries constant protection. As illustrated in chart below, our EE can change quite quickly as the market moves. This is a strong demonstration of the organic nature of the portfolio and compares well to other methods of risk mitigation (such as managed futures).



Source: Perennial

Also, the embedded protection strategy of the Trust improves its risk metrics. Since inception, the volatility in the returns of the Trust as measured by standard deviation is 9.7%, versus the Index at 12.5%.

The best performing stock in the Trust for the month was Newcrest Mining (up 24.5%) which was assisted by the 8% rise in the gold price. Newcrest Mining also announced a strong quarterly production report, raising guidance for full year production at lower costs than previously expected. Other strong performers included Iluka Resources (up 18.8%) reversing recent underperformance and Harvey Norman (up 17.6%) following press reports that the company experienced a surge in sales post-Christmas. Resmed (up 16.4%) rallied after delivering a second quarter result which showed strong sales growth, particularly in the key US market, on the back of their recently released new product range. Henderson Group (up 13.8%) benefitted from strong European equity markets following the ECB's QE announcement.

Stocks which detracted from performance tended to be resource and materials related names, with Downer EDI (down 10.8%), Bluescope Steel (down 10.3%), Woodside Petroleum (down 9.8%) and Sims Group (down 9.6%). Origin Energy (down 8.5%) continued to trade lower as oil prices declined and on market concerns in relation to the company's debt levels. We remain comfortable in relation to Origin's balance sheet as substantial free cash-flow will be generated once the APLNG project is completed. On this front, the company confirmed late in the month that the project remains on track to begin producing LNG in mid-2015.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Westpac Banking Corp	8.4	7.6
BHP Billiton Limited	7.8	6.6
National Aust. Bank	7.8	6.1
Telstra Corporation	6.2	5.6
Commonwealth Bank	6.1	10.2
ANZ Banking Grp Ltd	5.1	6.4
Rio Tinto Limited	2.8	1.8
Woodside Petroleum	2.8	1.7
Boral Limited	2.7	0.3
AMP Limited	2.5	1.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	4.7	4.6
Materials	20.3	14.7
Industrials	4.2	7.3
Consumer Discretionary	9.4	4.2
Consumer Staples	3.5	7.4
Health Care	3.6	5.9
Financials-x-Real Estate	35.7	39.0
Real Estate	5.1	8.0
Information Technology	0.2	0.9
Telecommunication Services	6.3	6.1
Utilities	1.8	2.0
Other	5.1	-

Rounding accounts for small +/- from 100%.

Signatory of:



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