

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	-1.1	6.5	12.2	-	-	-	10.5
S&P/ASX 300 Accumulation Index	-1.6	5.1	11.1	-	-	-	9.5
Value Added (Detracted)	0.5	1.4	1.1	-	-	-	1.0
Net Performance	-1.3	6.3	11.6	-	-	-	10.0

*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 30/04/15):

AUD31.8 million

Income distribution frequency:

Half yearly

Team FUM (as at 30/04/15):

AUD8.0 billion

Trust redemption price (as at 30/04/15):

\$1.0830

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.

- ▶ In April, the Trust outperformed the Index by 50 basis points.
- ▶ Since inception, the Trust has outperformed by 1.0% while carrying protection
- ▶ The best performing sectors during the month included energy (up 8.5%), metals and mining (up 2.4%) and utilities (up 2.2%).

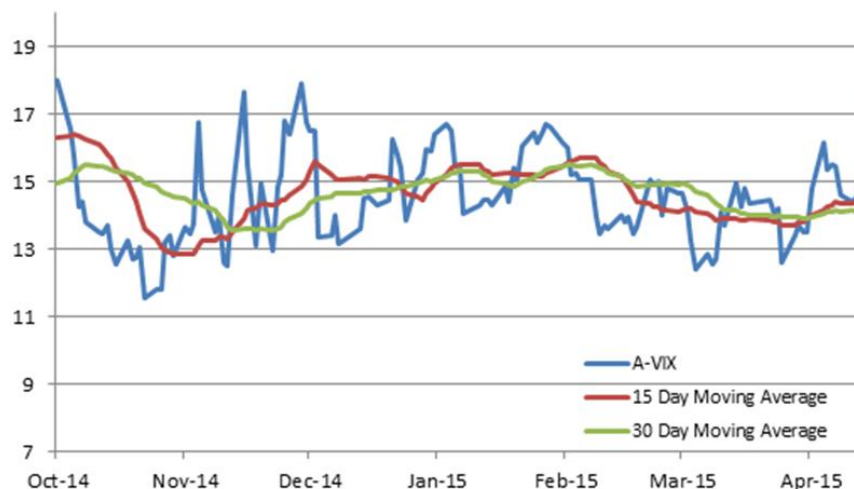
The Australian equity market gave back some of its recent gains, with the S&P/ASX300 Accumulation Index (the Index) finishing the month down 1.6%.

Since inception, the Perennial Value Wealth Defender Australian Shares Trust (The Trust) continues to perform strongly, up 10.5%, some 1.0% ahead of the Index return of 9.5%.

The protection portfolio has been in place since the Trust's inception and is set up to protect the Trust from significant market falls. We feel we have been able to achieve this without sacrificing the upside that investors are looking for. To that extent, achieving more than the full Index return and all the while carrying less than half of any material downside on a constant basis, is a good outcome. We believe the use of derivatives can help achieve this outcome better than standard asset allocation (or futures hedging) that can be slow to react and costly in a rallying market.

During the month volatility was higher. As illustrated in Chart 1, there was a fairly large increase in AVIX (a measure of Index volatility in Australia). Hardly surprising with the sharp selloff we saw in the last few days of the month. Simply, because we already owned volatility, we were able to benefit by having on a hedge to the falling market.

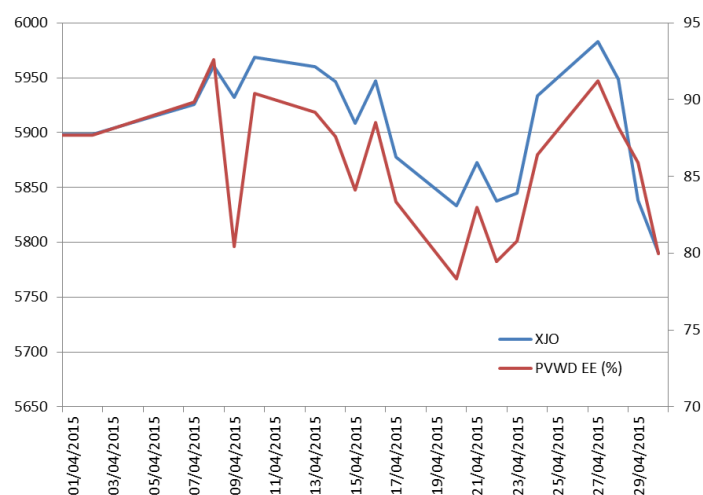
Chart 1



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

You can see that effect of constantly carrying a hedge in Chart 2.

Chart 2



Source: Perennial.

Chart 2 represents our Effective Exposure (red line) to the market versus the market itself (blue line). Another way of thinking about this is the beta the Trust has at a point in time. Owning options means that the Trusts' exposure changes organically (i.e. without us having to do anything). As the market falls we are 'ahead of the curve' in that we have less and less exposure as it falls. This helps to protect the Trust value from falling markets. Importantly, the Effective Exposure operates the same in reverse as the market rises. So in that case we are able to catch up quickly in a bounce, unlike other forms of risk management.

Economic news over the month was generally subdued, tending to come in below market expectations. In the US, payrolls grew less than expected and other data was generally weak as was also the case in China and Japan. However, the standout on the upside was again Europe, where consumer confidence continued to grow strongly, helped by easier monetary policy. Despite this, global indices were generally positive with the FTSE100 (up 2.7%), Nikkei 225 (up 1.6%) and S&P 500 (up 0.9%) all stronger. The Shanghai Composite (up 15.8%) and Hang Seng Index (up 13.0%) rose, driven by strong Chinese retail investor flows into equity markets.

In Australia, the Reserve Bank surprised markets early in the month by leaving the cash rate steady. The Australian data released during April generally has been solid. Retail sales bounced, thanks partly to lower petrol prices, employment was much firmer than expected (driving down the jobless rate to 6.1%), and business confidence also improved (although consumer surveys remained unimpressive). All the while, the housing markets in Sydney and Melbourne continued to strengthen, fuelled by lower interest rates and rising offshore demand. Iron ore and oil prices rose strongly over the month. The AUD closed at \$ 0.79US dollar (USD), up 3 cents over the month, with shifting expectations of the timing of the US Federal Reserve's first rate hike a key driver.

The better performing stocks in the Trust for the month included AWE Limited (up 19.6%) and Origin Energy (up 12.6%) which rallied in response to the stronger oil price. Sandfire Resources (up 11.3%) was higher after the sell-down of Ozminerals stake removed an overhang.

Flight Centre (up 9.5%) benefitted from improved international departures data and Fairfax Media (up 9.4%) rose after an investor day at which it provided increased clarity around the operations of the online real estate business Domain and the opportunity which lies ahead. Other solid performers included Amalgamated Holdings (up 6.5%), Graincorp (up 5.3%), QBE (up 5.1%) and Asciano (up 4.3%).

Stocks which detracted from performance included Bluescope Steel (down 16.3%) as a result of weaker steel prices and Sims Metals (down 12.8%) which delivered a softer quarterly update, also due to weaker steel prices as well as the severe weather in the US. After a strong run the banks, including Westpac (down 7.4%) and ANZ (down 7.2%), were weaker on the back of regulatory concerns. Other detractors included News Corporation (down 7.1%) and Ansell (down 5.3%).

In terms of portfolio activity, we reduced holdings in some of the better performing stocks in the Trust including Ansell, Aristocrat Leisure, Boral and Macquarie Group. Funds were reinvested into a number of stocks including Flight Centre, Graincorp and Newcrest. Flight Centre is a dominant player in the Australian travel market and also has operations in the US and UK. It has underperformed the market of late which presented an opportunity. At our average entry price the stock was trading on an FY16 P/E of 13.1 times which is undemanding for a strong business with over \$400 million of net cash on the balance sheet and prospects for growth as it benefits from ongoing low international airfares.

At month end, we have a structure in place to mitigate a 15% fall in equity markets by up to 50%. That is, in an overnight fall of 15%, we expect that the Trust should fall by approximately 7.5%.*

*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.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
BHP Billiton Limited	8.7	6.9
Westpac Banking Corp	8.7	7.6
National Aust. Bank	7.6	5.9
Commonwealth Bank.	6.3	9.7
Telstra Corporation.	5.2	5.1
ANZ Banking Grp Ltd	5.1	6.3
Woodside Petroleum	3.2	1.7
AMP Limited	2.9	1.3
QBE Insurance Group	2.8	1.2
Rio Tinto Limited	2.7	1.7

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	5.5	5.1
Materials	20.9	14.8
Industrials	5.3	7.5
Consumer Discretionary	10.0	4.5
Consumer Staples	3.6	6.8
Health Care	1.3	6.0
Financials-x-Real Estate	37.1	39.0
Real Estate	3.9	7.7
Information Technology	0.2	1.0
Telecommunication Services	5.4	5.7
Utilities	2.3	2.0
Other	4.5	-

Rounding accounts for small +/- from 100%.

Signatory of:



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