PERENNIAL VALUE MANAGEMENT

Perennial Value Wealth Defender Australian Shares Trust

Monthly Report
28 February 2015

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception^
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	8.2	13.8	13.9	-	-	-	12.2
S&P/ASX 300 Accumulation Index	6.9	12.6	13.0	-	-	-	11.3
Value Added (Detracted)	**1.3**	**1.2**	**0.9**	**-**	**-**	**-**	**0.9**
Net Performance	8.0	13.5	13.5	-	-	-	11.8

*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 28/02/15):
AUD21.2 million

Income distribution frequency:
Half yearly

Team FUM (as at 28/02/15):
AUD8.2 billion

Trust redemption price (as at 28/02/15):
$1.1009

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 8.2% in February, outperforming the benchmark.**
- **The underlying share portfolio performed very well during reporting season.**
- **The best performing sectors during the month were Materials (up 11.8%), Resources (up 11.3%) and Energy (up 9.2%).**

The Trust delivered a very strong return for the month, on both an absolute and relative basis. The Trust rose 8.2% to deliver outperformance of 1.3% against the benchmark S&P/ASX300 Accumulation Index return of 6.9%. This is particularly pleasing given the amount of protection the portfolio carried over the period. Had there been a material overnight fall in the market, the Trust would have experienced less than half of that fall. We are not trying to 'time' any market move, but rather construct a portfolio that carries protection on an ongoing basis.

Since inception the Trust is 0.9% ahead of benchmark delivering 12.2% versus the S&P/ASX 300 Accumulation Index return of 11.3%. Carrying protection to cushion against market falls, and being in front of benchmark, is a good result for our investors. This is particularly the case for those who may have switched from term deposits to Wealth Defender. The return received by these investors is significantly better than cash returns have provided. In a sense, Wealth Defender is designed for those that need the returns that equity markets can provide over the longer term, but are hesitant to take on the full market exposure of equity cycles.

The two driving forces for the month were the reduction in the official cash rate from 2.5% to 2.25% and a solid reporting season. The portfolio fared particularly well from reporting season, resulting in some very strong share price moves across a number of portfolio holdings.

Globally, markets ended the month higher, with the Nikkei 225 (up 6.4%), S&P500 (up 5.5%), Shanghai Composite (up 3.1%) and FTSE (up 2.9%) all stronger. In Europe, Greece's new Government secured a bailout extension and the German economy gained momentum as 4Q14 GDP rose 0.7%. The Japanese economy also grew at an annual rate of 2.2% quarter on quarter. The US continues to recover with the January job increase the highest since November 2008. This resulted in the longest number of consecutive months where new jobs exceeded 200,000 since 1994. In China, the People's Bank of China cut the reserve requirement ratio by 50 basis points and benchmark interest rates by 25 basis points.

Domestically, data was mixed. The Westpac Melbourne Index of Consumer Sentiment increased by 8% in February, the highest level of the index since January last year. The index is now 1% above the last reading prior to the May budget. The NAB Monthly Business Survey Confidence Index was up slightly to +3 points, however still below long run averages. The Reserve Bank of Australia (RBA) lowered the cash rate by 25 basis points to 2.25% during February and the AUD was steady at 78 US cents.

The better performing sectors during the month were Materials (up 11.8%), Resources (up 11.3%) and Energy (up 9.2%). The Trust is overweight these sectors. The defensive sectors underperformed during the month, with Telecommunications (up 0.6%), Consumer Staples (up 1.1%) and REITS (up 3.7%). The Trust is underweight the latter two sectors.

The focus of the month was reporting season. Overall, results were well-received, with the majority of stocks experiencing positive share price reactions. While operating conditions are mixed, many companies are seeing the benefits of business improvement programs and lower interest rates. Further, outlook statements were generally positive, particularly for companies leveraged to the retail and construction markets, indicating a good start to the second half of the financial year. The results of both BHP (up 15.0%) and Rio Tinto (up 11.9%) were well received by the market, with both companies strongly reinforcing further cost reductions and maintenance of progressive dividend policies. Capital management was again a feature of the results, with two thirds of those companies which reported in the portfolio increasing their dividends by an average of around 9%. A number of companies also announced share buybacks during the month including portfolio holdings Rio Tinto and Fairfax (up 8.9%).

The most pleasing aspect of the outperformance was in the contribution from a diverse spread of stocks, both industrial and resources. Some 19 stocks delivered returns of between 10% and 23% during the month. Highlights included QBE (up 22.4%) delivering a result in line with market expectations and a strengthened balance sheet. Macquarie Group (up 17.2%) after a strong December quarter, now expects a result at the top end of their guidance and Origin Energy (up 16.7%) announced a good first half result and continued progress on the APLNG project, with first production still on track for mid CY15.

This month can also be viewed as one where we have reaped the rewards of building higher conviction holdings in a number of out of favour, quality companies whose share prices have been depressed at various times over the past nine months. Of particular note are AMP (up 29.0% over the past nine months), Ansell (up 33.3%), Harvey Norman (up 42.6%) and Macquarie Group (up 23.5%). In this regard, staying true to label to our investment process has proved rewarding.

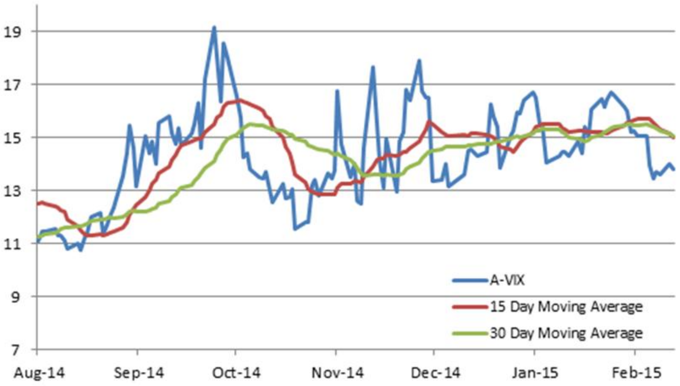
Our investment process has also lead us to be very significantly underweight both Woolworths and Wesfarmers for a considerable period of time. In particular, we have had a long held view that Woolworth's margins would face considerable pressure from increased competition and the Master's concept would struggle against the formidable incumbent presence of Bunnings. Woolworth's share price fell 3.4% for the month as the half yearly profit result highlighted these concerns.

Stocks which detracted from performance included BlueScope (down 4.2%) and Telstra (up 0.3%). We took profits in the latter during the month (see below).

In terms of portfolio activity, the most significant moves were to lock in gains from some of the portfolio's strongest performing holdings over recent months. These included the key diversified financial holdings, being AMP, Henderson Group and Macquarie Group and also Resmed and Telstra. The latter two we believe to be trading on relatively full valuations, having risen 53.7% and 24.9% respectively over the past nine months.

Proceeds were reinvested into topping up existing holdings, including AGL Energy, Fairfax and Leighton Holdings. In the case of Fairfax, we participated in Hancock Prospecting's 14.6% sell down at 86.5 cents per share. This had the effect of clearing out a perceived stock 'overhang' and this was confirmed by the month-end closing price of 98 cents.

The cost of insurance, in terms of volatility, has come down a little bit over the last month as you can see in Figure 1 below. Volatility falling in a rising market is an expected outcome and this makes insurance cheaper to buy.



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

After a strong rally in the market over the past few months we are happy to own downside protection in the Trust. We currently hold index puts and put spreads in the Trust, as well as some single stock protection.

At the time of writing, we have a structure in place to mitigate a 15% fall in equity markets by up to 60%. That is, in an overnight move of 15%, we expect that the Trust should fall by approximately 6%.*

*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 %
Westpac Banking Corp	8.8	7.8
BHP Billiton Limited	8.3	7.2
National Aust. Bank	7.9	6.1
Commonwealth Bank	5.6	9.9
Telstra Corporation	5.3	5.2
ANZ Banking Grp Ltd	5.1	6.5
Woodside Petroleum	3.2	1.6
Rio Tinto Limited	2.9	1.9
AMP Limited	2.8	1.3
QBE Insurance Group	2.6	1.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	5.1	4.6
Materials	20.1	15.4
Industrials	4.3	7.2
Consumer Discretionary	9.5	4.3
Consumer Staples	3.4	6.9
Health Care	2.3	5.9
Financials-x-Real Estate	36.2	39.2
Real Estate	4.3	7.8
Information Technology	0.1	0.9
Telecommunication Services	5.5	5.7
Utilities	2.1	2.0
Other	7.1	-

Rounding accounts for small +/- from 100%.

Signatory of:

PRI Principles for Responsible Investment