Perennial Value Wealth Defender Australian Shares Trust

Quarterly Report
31 March 2015

	Quarter	FYTD	1 year	3 years	5 years	Since Inception^
	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	10.9	13.5	-	-	-	11.8
S&P/ASX 300 Accumulation Index	10.3	12.9	-	-	-	11.3
Value Added (Detracted)	**0.6**	**0.6**	**-**	**-**	**-**	**0.5**
Net Performance	10.7	13.1	-	-	-	11.4

*Gross Performance. ^Since inception: 31 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 31/03/15):	AUD30.6 million
Income distribution frequency:	Half yearly
Team FUM (as at 31/03/15):	AUD8.1 billion
Trust redemption price (as at 31/03/15):	$1.0971
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:	31 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.

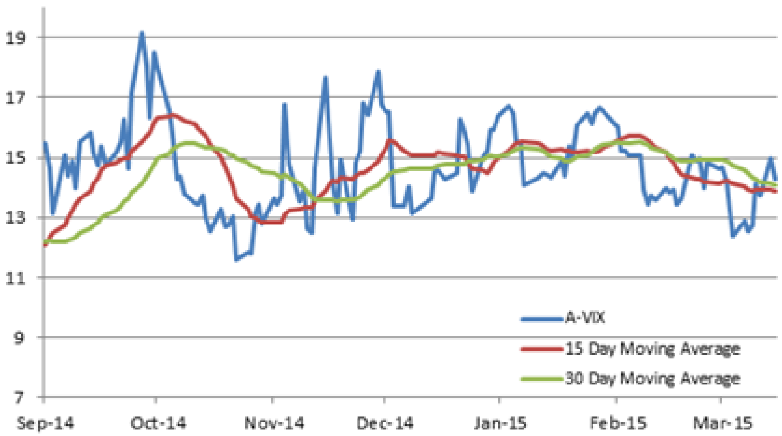
- **The Trust returned 10.9% in the quarter, outperforming the benchmark.**
- **The outperformance of the underlying share portfolio was the largest contributor to performance, while the protection portfolio detracted slightly from performance.**
- **The best performing sectors during the month were Financials (up 14.1%), Consumer Discretionary (up 13.9%), and Utilities (up 13.8%).**

The March quarter was particularly strong for the Australian equity market with the benchmark S&P/ASX 300 Accumulation Index (the Index) up 10.3%. The Perennial Value Wealth Defender Australian Shares Trust (the Trust) was able to outperform this very strong quarter to deliver 10.9%, outperforming the Index by 0.6%.

On a financial year-to-date basis the Trust has also performed very strongly, up 13.5% which is also 0.6% ahead of the S&P/ASX300 Accumulation Index return of 12.9%.

Since inception the Trust has managed to outperform the Index whilst all the while carrying significant amounts of protection. This has meant that while the market has rallied strongly over the quarter, had there been any material correction, our portfolio should have fared significantly better. The month of February was a particularly interesting one for us. In February the market rallied 6.9% while the Trust gained 8.2%. Unlike other defensive type structures, when we use options rather than simple asset allocation via cash or futures to manage risk, we can significantly improve the outcome for our investors. In fact the option portfolio only detracted by 0.4% in that rally. Not to forget the underlying share selection capability underlying the Wealth Defender strategy which really carries the load in up markets delivering long term alpha over time, with February being no exception.

The A-VIX index, commonly known as the "fear gauge" or "volatility index", has been stable around 13% – 15% in in the quarter. We can see in the chart below, volatility is still a little elevated. This should be no surprise to anyone as there is still a lot going on around the world, particularly the potential for rate rises in the US, rate reductions in Australia, and quantitative easing in Europe.



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

Globally, markets ended the quarter broadly higher with the Shanghai Composite (up 15.9%) and Nikkei 225 (up 10.1%) particularly strong while the FTSE (up 3.2%) also rose. The US market lagged with the S&P500 (down 0.4%) ending the quarter only marginally higher. Part of the divergence in European and US market performance in the quarter can be attributed to varying central bank quantitative easing programs with the Europeans announcing a larger than expected program in the quarter, while in the US, the market remains focused on the timing and extent to which the Fed may start to bring their program to an end.

Both globally and domestically, macro data was mixed. The biggest disappointment for the US was the underperformance of the consumer, despite improvements in non-farm payrolls and lower energy prices. The industrial data for Japan and China also disappointed, with PMIs unexpectedly slipping, but the improvement in Europe has been clear with Germany, in particular, continuing to deliver activity data consistent with around 3% GDP growth. Domestically the signals remain mixed, with the rotation to non-mining sources of growth still a work in progress. Retail spending growth remains weak. Employment growth was sufficient for the unemployment rate to finish the quarter at 6.3%, in line with where it started. The residential property market remained strong, particularly in Sydney which saw record auction clearance rates during the quarter. Business confidence slipped, however, alongside further slides in key commodity prices, particularly iron ore. The Reserve Bank of Australia (RBA) lowered the cash rate by 25 basis points to a record low 2.25% in February, causing the AUD to continue its decline. The AUD/USD ended the quarter at 76.0c down from 82c at the end of 2014.

Financials (up 14.1%) was the best performing sector, followed by Consumer Discretionary (up 13.9%), Utilities (up 13.8%) and Healthcare (up 12.2%). Energy (down 3.7%) was the only sector to deliver a negative return, while Consumer Staples (up 4.1%), Metals and Mining (up 6.3%) and Materials (up 7.7%) also underperformed.

The focus of the quarter was the February 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. 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 including portfolio holdings Fairfax (up 11.4%) and Rio Tinto (up 1.3%).

The most pleasing aspect of the outperformance for the quarter was in the contribution from a diverse spread of stocks, both industrial and resources. Some 13 stocks delivered returns greater than 20% for the quarter. Highlights included Iluka Resources (up 45.0%) reversing prior period underperformance, Henderson Group (up 36.2%) which benefited from increased global investment flows toward UK and European equities following the announcement of European quantitative easing, and Harvey Norman (up 32.4%) following improved sales activity. Macquarie Group (up 31.5%) was also up strongly after announcing earnings guidance upgrades in January and February along with the acquisition of a large aircraft leasing portfolio toward the end of the quarter which was financed through a capital raising at $73.50 which the Trust participated in. The stock ended the quarter at $76.67.

Stocks which detracted from performance tended to be those exposed to the resource and energy sectors following weakness in underlying commodity prices, with Bluescope Scope Steel (down 25.0%), AWE (down 6.6%), and Woodside Petroleum (down 4.3%) all lower along with contractors Leighton Holdings (down 3.6%) and Downer EDI (down 2.8%).

In terms of portfolio movements, the most significant changes were to sell out of two stocks, Amcor and Resmed, which have delivered very strong share price returns for the Trust over recent times, to the point where the valuation of both companies appeared stretched. In the case of Resmed we sold out during March at an average price of $8.27 after purchasing the stock in early 2014 at an average of price of $4.87. We also continued to lock in gains from some of the portfolio's stronger performing holdings over the past ten months including Telstra and Lend Lease.

Proceeds were reinvested into topping up existing holdings, including Commonwealth Bank, and Graincorp, along with adding new stocks Flight Centre and Leighton Holdings which have both been sold down by the market in recent times to attractive valuation levels.

PVM remains alert to Environmental, Social and Corporate Governance (ES&G) issues in the portfolio. During the quarter, we met with the new CEO of AGL who indicated a desire for the company to significantly increase their service offering within the residential solar market. We believe the company is well positioned to participate in this fast growing segment, and are encouraged that the company is looking to mitigate any potential longer term risks around its fossil fuel based generation assets. The new CEO also announced a review of the company's NSW CSG assets in Gloucester, the development of which have been the subject of some community concern. We feel the review of these assets is appropriate to address risks around broader potential brand damage as a result of any community issues. We will continue to monitor these developments closely.

At month end, we have a structure in place to mitigate a 15% fall in equity markets by up to 62%. That is, in an overnight fall of 15%, we expect that the Trust should fall by approximately 6%. This is slightly more protection than we would normally carry indicating our cautious view at present.*

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

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
Westpac Banking Corp	9.2	8.1
BHP Billiton Limited	8.3	6.6
National Aust. Bank	8.0	6.2
Commonwealth Bank.	6.4	10.0
ANZ Banking Grp Ltd	5.4	6.7
Telstra Corporation.	5.2	5.1
Woodside Petroleum	3.1	1.6
AMP Limited	2.8	1.3
Rio Tinto Limited	2.7	1.6
QBE Insurance Group	2.6	1.2

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	5.1	4.4
Materials	20.8	14.4
Industrials	4.9	7.3
Consumer Discretionary	10.0	4.3
Consumer Staples	3.6	6.7
Health Care	1.6	6.1
Financials-x-Real Estate	38.1	40.4
Real Estate	3.8	7.7
Information Technology	0.2	1.0
Telecommunication Services	5.4	5.6
Utilities	2.2	2.0
Other	4.3	-

Rounding accounts for small +/- from 100%.

Signatory of:

PRI Principles for Responsible Investment