

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Wealth Defender Australian Shares Trust*	-4.2	-4.5	8.4	8.4	-	-	6.3
S&P/ASX 300 Accumulation Index	-5.3	-6.5	5.6	5.6	-	-	3.8
<b>Value Added (Detracted)</b>	<b>1.1</b>	<b>2.0</b>	<b>2.8</b>	<b>2.8</b>	-	-	<b>2.5</b>
<b>Net Performance</b>	<b>-4.4</b>	<b>-4.9</b>	<b>7.6</b>	<b>7.6</b>	-	-	<b>5.6</b>

\*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 30/06/15):

AUD39.2 million

### Income distribution frequency:

Half yearly

### Strategy FUM (as at 30/06/15):

AUD572.8 million

### Team FUM (as at 30/06/15):

AUD8.1 billion

### Trust redemption price (as at 30/06/15):

\$1.0435

### 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 outperformed the Index in June by 1.1%.**
- ▶ **For the month the protection strategy has added 1.4%.**
- ▶ **For the financial year the Trust has outperformed by 2.8%, up a total 8.4%.**

The Australian equity market sold off in June driven lower by concerns over the Greek financial situation, with the S&P/ASX300 Accumulation Index (the Index) ending the month down 5.3%. The Perennial Value Wealth Defender Australian Shares Trust (the Trust) outperformed for the month finishing down 4.2%, outperforming the Index by 1.1%. For the 2015 financial year, the Trust has delivered a return of 8.4%, approximately 2.8% ahead of the Index return of 5.6%.

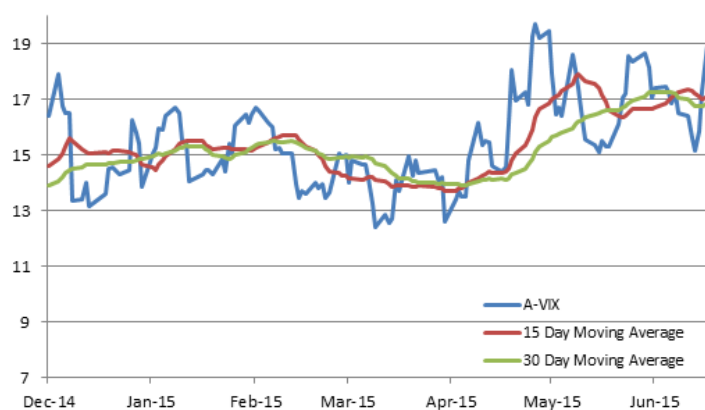
The cost of protection for the financial year was a minimal 20 basis points.

The Trust's protection strategy is designed to activate if the market has a reasonable fall (say 5%). When the market returns a negative 3% or 4% move, a decision is made as to whether we lock in some of the small gains by sacrificing some downside protection, or to hold on to the protection we have in case the market returns continue to worsen. As June was a tough month, we chose to do the latter.

The outcome therefore for June, which had a big bounce in the middle of the month, was not as good as it could have been. On average, we will choose to hold on to the protection after a small fall in the market as we believe this is in the best interest for our investors. If we had experienced a sharper fall in the market, which was possible given the situation in Europe, we believe a conservative approach is more appropriate.

Having said that, we were very active in the protection strategy of the Trust over the month. As the market moved up and down, and the volatility surface changed, we repositioned the portfolio protection a number of times. The only thing that did not change is the level of protection in place and its cost effectiveness, despite volatility staying highly elevated as below.

### AVIX: last 6 months

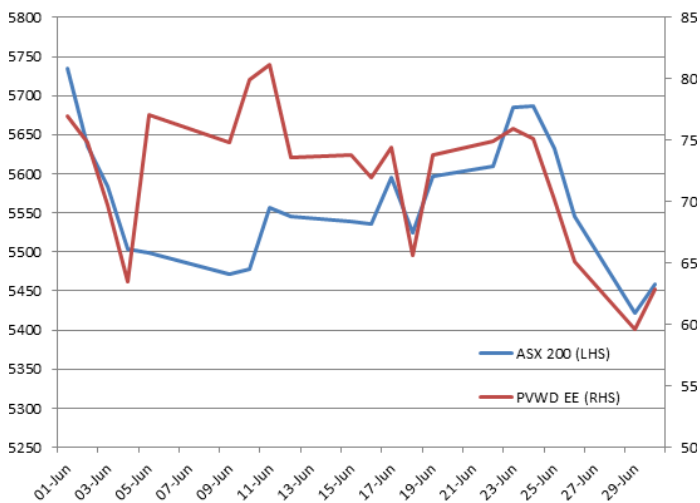


Source: Perennial

As at month end, we had a high level of protection that started to have a positive impact (at around 98% of spot in shorter dated maturities) which was partly funded by further dated and further out-of-the-money options. When volatility is very expensive, these time spreads can help fund a protection portfolio.

### Behavioural risk

Part of the benefit we believe in investing in the Trust is investing in a share portfolio with built in protection characteristics. The chart below shows the Trust's effective exposure compared to the market. As the market falls, so too does our exposure to it.



Source: Perennial.

Hopefully what this means is that an investor is less likely to panic and sell out of equities when markets become a bit worrisome (like they have been for the last few months). When markets bounce back, we want to be able to participate on the upside as quickly as possible. In respect to the Trust, if the market does drop significantly, our investors will see the 'airbag' deployed, and if not they can enjoy the ensuing bounce.

At month end, we have a structure in place to mitigate a 15% fall in equity markets by up to 70%. That is, in an overnight fall of 15%, we expect that the Trust should fall by approximately 4.57%.\* While slightly more than normal, we believe this makes sense given the situation in Greece.

### Share portfolio news

Major markets declined, with the S&P500 (down 2.1%), FTSE (down 6.6%), Nikkei (down 1.6%) and the Shanghai Composite (down 7.3%) all finishing the month lower. US economic data continues to be positive, supported by stronger labour market and manufacturing indicators as well as a continued improvement in homebuilder sentiment. In China, the People's Bank of China reduced its 2015 GDP growth forecasts marginally to 7.0%, cut the benchmark 1 year lending and deposit rates by 0.25%, and the banks' reserve requirement ratio by 0.5% in attempt to stimulate growth.

In Australia, the domestic data flow was mixed. Even with strong Q1 nominal GDP growth (up 2.3%), overall nominal growth was still only up 1.2% year on year. Employment in May grew at the strongest rate since April 2011, causing the unemployment rate to fall to a better than expected 6.0%. Business confidence lifted following the popular investment measures announced in the federal budget. Consumer confidence, however, remains fragile and retail sales growth also was consequently weak. The housing market remained strong and the Reserve Bank of Australia left the cash rate steady at 2.0%, with the Australian dollar closing the month flat at 77 US cents.

In a more defensive environment, the better performing sectors were Telcos (down 1.3%) and REITs (down 4.0%). Financials (down 2.9%) also outperformed, with stronger relative performance from the major banks. The more cyclical sectors underperformed, with Consumer Discretionary (down 10.9%) the worst performing sector, followed by Resources (down 9.7%) and Industrials (down 7.8%).

The best performing stock in the Trust for the month was Sandfire Resources (up 7.7%) following promising drilling results adjacent to its existing copper mine in Western Australia. Other strong performers included Macquarie Group (down 0.4%) and Telstra (down 1.3%) as investors sought its defensive characteristics. Asciano (down 1.6%) also outperformed. During the month, the company hosted a tour of its Port Botany operations which highlighted the efficiency gains being made from its new automated container handling systems. Asciano is one of the Trust's largest active positions. Other stocks which outperformed included the major banks which recovered, in a relative sense, post their recent sell-offs, as well as Aristocrat Leisure (down 1.9%), Stockland (down 2.8%) and Orica (down 2.8%).

The worst performing stock was Flight Centre (down 26.7%) which fell sharply after warning that profit would come in at the lower end of its previous guidance. In our view this is an overreaction. Flight Centre is a quality business with strong management and a net cash position of around \$500 million. At the month end price of \$34.11, the stock is trading on a FY16 P/E of 13.3 times and offering a gross yield of 6.5%. Importantly, this dividend is underpinned by the very strong balance sheet and is based on a conservative payout ratio of only 60% of NPAT. Other stocks which underperformed in the risk-off environment included Fairfax (down 20.9%) on no news, Myer (down 18.3%) despite announcing a debt refinancing and BlueScope Steel (down 14.5%). Resource holdings also underperformed, with South 32 (down 18.3%), AWE (down 15.4%), Iluka Resources (down 14.7%), Origin Energy (down 10.1%), BHP (down 8.6%) and Rio Tinto (down 7.6%).

During the month we continued to take profits in stocks which had performed strongly in recent times including Henderson Group, Harvey Norman and QBE. Proceeds were reinvested into a number of existing holdings including AGL, CIMIC Group, Origin Energy and Orica.

\*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 %
National Aust. Bank	7.7	6.2
Westpac Banking Corp	7.5	7.1
BHP Billiton Limited	6.7	6.1
Commonwealth Bank	6.6	9.8
Telstra Corporation	5.0	5.3
ANZ Banking Grp Ltd	4.9	6.3
Woodside Petroleum	2.9	1.7
QBE Insurance Group	2.7	1.3
Rio Tinto Limited	2.5	1.6
AMP Limited	2.5	1.2

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.1	5.1
Materials	18.3	14.8
Industrials	5.4	7.2
Consumer Discretionary	9.5	4.3
Consumer Staples	5.0	6.5
Health Care	1.2	6.0
Financials-x-Real Estate	35.6	39.2
Real Estate	3.5	7.9
Information Technology	0.2	1.0
Telecommunication Services	5.0	5.9
Utilities	2.6	2.0
Other	7.5	-

Rounding accounts for small +/- from 100%.

Signatory of:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Manager: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, reference guides and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).