



Perennial Value Australian Shares Trust

“Perennial Value aims to buy good businesses that are undervalued with an underlying belief that good businesses are always eventually recognised by markets and re-rated to overall market multiples.” John Murray

About the Trust

The Trust provides an actively managed exposure to a portfolio of Australian shares (employing a value style investment process).

Description of the Trust

The Trust invests in a range of companies listed (or soon to be listed) on the ASX which Perennial Value believes have sustainable operations and whose share prices offer good value. The cornerstone of this approach is a strong emphasis on company research. The aim is to develop a detailed understanding of each company before committing investors' funds.

The portfolio will hold between 20 and 70 stocks.

Objective

The aims of the Trust are to grow the value of your investment over the long term via a combination of capital growth and income, by investing in a diversified portfolio of Australian shares, and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

Investment philosophy

Perennial Value is a specialist active Australian equities manager, whose investment process is based on a ‘value’ stock picking investment style. Perennial Value holds the belief that investment markets are not fully efficient as asset prices are sometimes driven by irrational influences. As a value investor, Perennial Value aims to buy good businesses that are undervalued, with an underlying belief that good businesses are eventually recognised by markets and re-rated to overall market multiples. The Trust aims to achieve outperformance of 3% p.a. above the S&P/ASX300 Accumulation Index, over rolling three year periods.

Stock selection process

Perennial Value’s investment process begins with screening approximately 400 stocks. Stocks are eliminated based on factors such as expensive P/Es, high debt and lack of earnings track record. Detailed modelling and research is then conducted on approximately 250 stocks. To qualify for investment, stocks must have sustainable businesses (qualitative) and offer good value at the current share price (quantitative). Every potential investment opportunity is assessed on its key qualitative and quantitative criteria.

Investment process



These criteria include:

- ▶ Sound financial position (low debt).
- ▶ Good management.
- ▶ Demonstrable profit track record.
- ▶ Strong market positions.

Direct company and industry contacts are an integral part of the stock selection process. Relative value is measured by Perennial Value's proprietary stock ranking model, known as the Perennial Value Screen. Having ratified the numbers in the company models, six key financial measures are downloaded from each company model into the Value Screen:

1. Price to earnings.
2. Price to free cash.
3. Gross dividend yield.
4. Price to net tangible assets.
5. Net interest cover (to measure financial strength).
6. Earnings growth.

For each of the six measures, stocks are assigned a ranking, with each measure evenly weighted. Each stock is then assigned a weighted average final score, which determines the final ranking. The outcome of this detailed research process is a list of stocks that are eligible for portfolio inclusion. The next phase of Perennial Value's process is portfolio construction.

The major driver of portfolio construction is Perennial Value's desire to deliver a true to label value portfolio at all times. This means that the portfolio has a strong bias towards the best ranking, or best value, stocks in the Value Screen.

Trust summary	
APIR Code	IOF0200AU
Inception date	March 2000
Risk/return profile	High
Income distribution	Half yearly
Minimum recommended investment period	5 years
Investment management fee % p.a.	0.92
Performance fee	No
Buy/sell spread %	0.60
Unit pricing, applications and redemptions	Daily

Investment guidelines summary	
Cash - minimum/maximum	0 to 10%
Number of stocks - minimum/maximum	20 to 70
Number of stocks - typical	45
Minimum market capitalisation	\$50m
Maximum/minimum investment in any one stock (versus benchmark weight)	+/-5%
Listed ex-benchmark stocks permitted	Yes
Maximum/minimum investment per GICS sector relative to benchmark	+/-20%
Tracking error range ex-ante (soft)	3 to 5%

Investment team

John Murray

Managing Director of Perennial Value
Perennial Value: 15 years
Industry: 30 years

Stephen Bruce

Portfolio Manager/
Senior Equities Analyst
Perennial Value: 15 years
Industry: 15 years

Dan Bosscher

Portfolio Manager
Perennial Value: 2 years
Industry: 19 years

Mike Zhang

Analyst
Perennial Value: 1 year
Industry: 6 years

Andrew Smith

Small Cap Portfolio
Manager/ Analyst
Perennial Value: 7 years
Industry: 14 years

Damian Cottier

Senior Analyst/
Research Co-ordinator
Perennial Value: 10 years
Industry: 10 years

Steven Yee

Dealer
Perennial Value: 5 years
Industry: 12 years

Tony Oesterheld

Senior Portfolio Manager
Perennial Value: 7 years
Industry: 29 years

Paul Durham

Senior Equities Analyst
Perennial Value: 14 years
Industry: 28 years

Scott Stewart

Portfolio Manager
Perennial Value: 1 year
Industry: 16 years

Grant Oshry

Senior Small Cap Portfolio
Manager/ Analyst
Perennial Value: 12 years
Industry: 16 years

Sam Berridge

Equities Analyst
Perennial Value: 3 years
Industry: 7 years

William Wu

Analyst
Perennial Value: 3 years
Industry: 3 years

For further information contact us on 1300 730 032 or visit www.perennial.net.au.

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