Perennial Yield Plus Conservative Trust

Information Memorandum (IM)

11 May 2021

Contact details

Trustee
Perennial Investment
Management Limited

ABN 13 108 747 637 | AFSL 275101

Registered Office
Level 27, 88 Phillip Street
Sydney NSW 2000
Phone 1300 730 032 (Australia)
+612 8823 2534 (NZ)

Investment Manager
Perennial Value Management Limited

ABN 22 090 879 904 | AFSL 247293

Principal place of business
Level 27, 88 Phillip Street
Sydney NSW 2000

Website: **www.perennial.net.au**

Client Services
Monday to Friday
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Phone 1300 730 032 (Australia)
+612 8823 2534 (NZ)
Email **perennial@unitregistry.com.au**

Postal Address

Level 27, 88 Phillip Street
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Updated information
The information in this IM is up to date at the time of preparation. Information in this IM is subject to change from time to time. Where changes are not materially adverse to investors, updated information about the Trust can be obtained anytime from Perennial's website **www.perennial.net.au.** A paper copy of updated information will be provided free of charge on request. All parties have given and have not, as at the date of this IM, withdrawn their consent to be named in the form and context in which they are named in this IM.

The investment offered in this IM is available only to persons receiving this IM (electronically or in hard copy) within Australia and New Zealand. Applications from outside Australia and New Zealand will not be accepted.

All monetary amounts referred to in this IM are given in Australian dollars and all phone numbers are to phone numbers in Australia (unless otherwise stated).

APIR Code: WPC3204AU | **ISIN**: AU60WPC32040

1. About the Trustee and Manager

About Perennial Investment Management Limited

Perennial Investment Management Limited (PIML) is the trustee of the Trust and is responsible for the management and administration of the Trust. PIML is referred to as 'trustee, 'we', 'us' and 'our' throughout this document. PIML has appointed Perennial Value Management Limited ABN 22 090 879 904 AFSL 247293 (Perennial Value) to manage the investment assets of the Trust. PIML and Perennial Value are collectively referred to in this document as 'Perennial'.

Neither PIML nor Perennial Value guarantees the performance of the Trust or the return of capital or income. Your investment in the Trust is subject to investment risk. This could involve delays in repayment and loss of income or the principal invested.

PIML may appoint fixed income managers as sub-managers to invest cash holdings within the Trust. PIML has appointed Daintree Capital Management Pty Ltd ABN 45 610 989 912 AFSL 487489 as a sub-manager of the Trust.

PIML has appointed National Australia Bank Limited (NAB), ABN 12 004 044 937, as the Custodian of the assets of the Trust. The Custodian's role is limited to holding the assets of the Trust as agent of the Trustee.

About Perennial Value

Perennial Value is a specialist, active investment management firm. Formed in 2000 and led by well-known investor John Murray, Perennial's sole focus is to deliver excellence in funds management through equity ownership and the alignment of interests between key investment management staff and its clients.

Perennial Value has expertise in equities, derivatives, and quantitative strategies; combining discretionary investment experience with an in-house quantitative platform for strategy design. Perennial Value aims to craft bespoke, targeted solutions to investor needs.

Perennial Value is a related body corporate of PIML. An investment in the Trust does not represent an investment in, deposit or other liability of PIML or Perennial.

About Daintree Capital

Daintree Capital is a boutique investment management firm specialising in building fixed income portfolios.

Daintree's investment philosophy is based on a conservative credit culture with an intense focus on capital preservation and protection against downside risk. As such Daintree's active, absolute return style is focused on providing a positive return, low volatility and high liquidity in most market environments.

Risk management is an integral part of Daintree's investment management process and an essential element to achieving the key objectives of income generation, capital protection and strong risk adjusted returns.

2. How the Trust Works

The Trust is an unregistered managed investment scheme. When you invest in the Trust, your money will be pooled with that of other investors. So that you know what your share of the managed investment scheme is worth, the total value of the assets in the scheme is divided into 'units'. Each unit that a unitholder holds in the Trust gives a unitholder a beneficial interest in the Trust as a whole, but not in any particular asset of the Trust. Holding units in the Trust does not give a unitholder the right to participate in the management or operation of the Trust. Each unit in the Trust is of equal value and identical rights are attached to all units.

We will quote you a price for each unit and will keep a record of the number of units you have bought. The unit price is usually calculated each business day. The unit price will change in response to rises and falls in the market value of assets in the Trust.

You can increase your investment at any time by buying more units in the Trust. Generally, you can decrease your investment by selling, transferring or withdrawing some of your units, although in certain circumstances (such as a freeze or suspension on withdrawals or the Trust becoming illiquid) you may not be able to reduce your investment within the usual period upon request.

When you make an investment in the Trust, your units will be allocated to you based on the entry price for the business day your application is effective. When you withdraw, your units will be redeemed based on the exit price for the business day on which your withdrawal request is effective.

The entry price is calculated by taking the net asset value of the Trust and adding to it an amount which reflects the estimated cost of acquiring the Trust's assets (subject to PIML's discretion to reduce or waive such costs) and dividing the net figure by the number of units on issue in the Trust.

The exit price of the Trust is calculated by taking the net asset value of the Trust and subtracting from it an amount which reflects the estimated cost of selling the Trust's assets (subject to PIML's discretion to reduce or waive such costs) and dividing the net figure by the number of units on issue in the Trust.

Current unit prices for the Trust are available on Perennial's website **www.perennial.net.au** or by contacting a Client Services Representative on 1300 730 032 (or +612 8823 2534 New Zealand) or by emailing **perennial@unitregistry.com.au**.

The constitution of the Trust allows PIML to exercise discretions (for example, determining transaction costs and rounding) which may affect unit pricing. The unit pricing discretions policy sets out, among other things, the principles that PIML adheres to when exercising these discretions. This policy is available upon request.

Applications and withdrawals

	Amount $
Minimum initial investment	50,000
Minimum additional investment amount	5,000
Minimum switch amount	5,000
Minimum withdrawal amount	5,000
Minimum investment balance	25,000

Your initial investment and additional investments may be made by electronic funds transfer.

Confirmation of your withdrawal will be sent to you usually within seven business days after your withdrawal request is finalised.

Where a valid application for an initial investment or additional investment, withdrawal or switch request is received before 2.00 pm via EFT on a Melbourne business day, we will generally process the request using the unit price applying to the close of business that day.

PIML may, at its discretion accept amounts less than the minimum initial investment amount.

Restrictions on withdrawals

We will not satisfy a withdrawal request (including switches) if the Trust becomes illiquid (as defined under the Corporations Act 2001 (Corporations Act)). In certain circumstances we may suspend withdrawals. In some circumstances we may compulsorily redeem your units, for example where the law prohibits you from being an investor in the Trust.

Distributions

Investing in the Trust means that you may receive regular income (depending on the nature of the underlying investments this may include interest, dividends and realised capital gains) from your investments in the Trust in the form of distributions. However, there may be times when distributions cannot be made, or are lower than expected. Investing in the Trust provides the opportunity to have any distributions reinvested without incurring transaction costs.

The net distributable income of the Trust is allocated to unitholders on a per-unit basis according to the number of units held in the Trust at the end of the distribution period. Distributions are calculated quarterly and are generally sent to unitholders within one month of the last day of the distribution period. However, the constitution of the Trust provides for distributions to be paid within a period of two months of the last day of the distribution period (unless an audit is required, in which case distributions may be made as soon as possible after completion of the audit).

You can nominate your preferred distribution method in the Investment Details section of the Perennial Trusts application form. If you do not nominate your preferred distribution method, this will be taken to be a direction to reinvest distributions as additional units in the Trust.

For cash distribution, you will generally receive the funds and statement detailing your distributions via email within 10 business days after the distribution declaration date.

3. Benefits of investing in the Trust

The Trust aims to provide stable gross income, targeting the RBA Cash Rate +2.5% with low volatility, and potential outperformance during large equity drawdowns.

The significant benefits of investing in the Trust include:

Access to investment opportunities

Investing in the Trust means that your money is pooled with that of other investors. This provides the Trust with the investment buying power not often available to you as an individual investor with smaller amounts to invest. This means you can gain access to investment markets and risk management techniques that would not normally be accessible to individual retail investors.

Professional management

Perennial Value's investment professionals manage the Trust using a disciplined investment approach aimed at delivering returns in excess of the relevant benchmark.

Right to distributions (if any)

Investing in the Trust means you may receive regular income from your investments in the Trust in the form of distributions. However, there may be times when distributions cannot be made, or are lower than expected or are delayed.

Easy access to your information

For the latest available information on the Trust, you can visit **www.perennial.net.au**, log on to Perennial Online, contact a Client Services Representative on 1300 730 032 (+612 8823 2534 New Zealand), email **perennial@unitregistry.com.au** or speak to your financial adviser.

4. Risks of managed investment schemes

All investments carry risk. The likely investment return and the risk of losing money is different for each managed investment scheme as different strategies may carry different levels of risk depending on the portfolio of assets that make up the scheme. Those assets with potentially higher long term returns may also have a higher risk of losing money in the shorter term.

Risks of investing in the Trust

The significant risks, in no particular order, that may affect the value of your investment and the distributions paid by the Trust include:

- **Market risk** – Unexpected conditions (e.g. economic, technological or political) can have a negative impact on the returns of all investments within a particular market. Perennial's careful analysis and detailed research in combination with diversified holdings, aims to minimise this risk.
- **Concentration risk** – When investments are concentrated in a small number of securities, this may introduce volatility to the unit price of the Trust. The derivative strategy employed by the investment manager ensures a diverse portfolio is held; and the fixed income sub-manager(s) employ both security and issuer limits relative to market indices which aim to manage this risk by ensuring satisfactory diversification.
- **Company or security-specific risk** – A number of factors can adversely affect the value of a specific security in which the Trust invests and therefore impact the Trust. The investment manager, and sub-manager(s) aims to minimise this risk by conducting careful analysis and detailed research in combination with diversified holdings
- **Currency risk** – Trusts investing in international markets are exposed to changes in exchange rates. The possibility that foreign currencies may fall in value relative to the Australian dollar can have an adverse impact on investment returns. This risk may be partially or fully offset by hedging using forward exchange contracts or appropriate derivative instruments.
- **Liquidity risk** – If a security cannot be sold quickly enough to minimise a potential loss or to satisfy withdrawal requests, the Trust's performance may be impacted or it may experience difficulty satisfying its commitments including withdrawals. The risk management guidelines adopted by Perennial are designed to minimise liquidity risk through applying limits to ensure there

is no undue concentration of liquidity risk to a particular counterparty or market.

- **Interest rate risk** – Changes in interest rates can influence the value and returns of investments. The fixed income sub-manager(s) aim to minimise this risk by limiting duration exposure.
- **Credit risk** – A counterparty's failure to meet its contractual obligations could result in a financial loss to the Trust. The fixed income sub-manager(s) seek to reduce this risk, by ensuring that a diversified portfolio of securities is held in the Trust.
- **Derivative risk** – The investment manager, and sub-manager(s), use derivatives both as a form of investment, and to hedge the various risks associated with investing by modifying the exposure to particular assets, asset classes or currencies. Hedging involves establishing offsetting positions in derivative markets to protect the value of the underlying assets from anticipated adverse price movements over time. Derivatives are also frequently used by the investment manager as an alternative to investing in physical assets because of their cost and liquidity efficiency, or as a way to access premia only available in the derivative markets themselves. Gains or losses can result from investments in derivatives. In addition to any risk associated with the underlying asset (or index) for which a derivative is valued, derivative prices are affected by other factors including: market liquidity; interest rates; and counterparty risk. Perennial seeks to mitigate the risks through a range of risk management strategies including the use of limits on positions.
- **Investment manager risk** – Is the risk that the Trust's investment objective will not be achieved and/or it may underperform the benchmark or may underperform other investment managers in the same asset class. The risk is reduced by PIML monitoring Perennial and Daintree Capital.
- **Trustee risk** – Is the risk that PIML, the trustee for the Trust, does not properly discharge its duties in the management of the Trust. We aim to keep trustee risk to a minimum by monitoring the Trust, acting in your best interests and ensuring compliance with legislative requirements.
- **Other risks** – Managed investment schemes are also subject to operational risk in that circumstances beyond our control may prevent us from managing the Trust in accordance with its investment strategy. These circumstances may include strikes or industrial disputes, fires, war, civil disturbances, terrorist acts, state emergencies and epidemics.

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- the value of your investment will go up and down;
- investment returns will vary and future returns may be different from past returns;
- returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on a range of factors including your age, investment time frame, where other parts of your wealth are invested and your risk tolerance.

5. How we invest your money

WARNING: When it comes to choosing to invest in the Trust, you should consider: the likely investment return, the risk, and, your investment timeframe.

Investment return objective	The aim of the Trust is to provide a steady stream of income and capital stability over the medium term; and to provide a total return (after fees) that exceeds the Benchmark measured throughout a market cycle, with potential outperformance during large equity drawdowns.
Minimum suggested investment timeframe	Three Years
Suitable investor profile	The Trust may be suitable for investors with an investment horizon of three or more years, who are seeking a return in excess of cash and other short-term investments, combined with potential outperformance during large equity drawdowns. The Trust is only available to wholesale investors.
Asset classes and asset allocation ranges	See table below.
Benchmark	RBA Cash Rate
Description of Trust	The Trust aims to generate income by harvesting equity, credit and volatility risk premia; with a conservative risk profile. A portion of this income is invested in an explicit rules-based equity option defensive strategy to offset, or benefit from, market drawdowns. Perennial Value manages the overall asset allocation, equity and volatility risk premia program, and defensive program. These programs are systematic, but dynamic with respect to market conditions. Discretionary input may also be required when unusual risks or opportunities arise. Daintree Capital manages the fixed income portion of the fund, primarily via harvesting credit risk premia.
Risk level	Low to medium risk of short-term underperformance of benchmark target; and low risk of capital loss compared to other investment strategies
Trust performance	For up to date performance, unit prices and commentaries, please visit www.perennial.net.au.
Income distribution frequency	Quarterly
Labour standards, environmental, social, and ethical considerations	Perennial Value and Daintree Capital take labour standards, environmental, social and ethical considerations into account when selecting, retaining or realising investments. As signatories to the United Nations-backed Principles for Responsible Investment, both organisations have incorporated environmental, social and corporate governance (ESG) principles into their investment processes. Perennial Value believes that a holistic view of investments including consideration of ESG factors will promote a well-rounded approach to investing with better return outcomes for clients. For further information, please visit the ESG section of Perennial's website **www.perennial.net.au**.
Changes to the Trust Details	We have the right to close or terminate the Trust and make changes to it including the investment return objective, benchmark, asset classes and asset allocation ranges and currency strategy (if any), without prior notice in some cases. We will inform investors of any material change to the Trust's details via Perennial's website **www.perennial.net.au**, in the next regular communication or as otherwise required by law.
Switches	You may switch from the Trust to another Perennial Trust at any time. A switch operates as a withdrawal of units in one Trust and the investment of units in another and therefore may have taxation implications. Please contact a licensed financial or taxation adviser for further information. There is no switching fee applicable as at the date of this IM. However, a buy/ sell spread or a contribution fee may apply at the time of the switch. Before making a decision to switch, you should read the relevant offer document.

Asset classes and asset allocation ranges

Asset Class	Investment range %
Fixed Income Securities	50 – 100%
Cash	0 – 50%
Derivatives[1]	-25 – 25%

[1] Equity derivatives are employed to harvest the equity and volatility risk premium; and run defensive strategies against market drawdowns. The investment range here refers to the net value of these programs. The net value may turn negative after a large drawdown event, when defensive strategies are monetised to cash, and only the equity and volatility risk premia strategies remain for a period of time.

6. Fees and costs

This section provides summary information about the main fees and costs that you may be charged for the Trust. The fees and costs charged by the Trust may be deducted from your account, from the returns on your investment or from the Trust assets as a whole.

You should read all of the information about fees and costs because it is important to understand their impact on your investment.

The information in the template can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your account or deducted from your investment returns.

For information on tax, please see section 7 of this IM.

Types of fee or cost	Amount
Fees when your money moves in or out of the Trust	
Establishment	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Exit fee	Nil
Management costs	
The fees and costs for managing your investment	At the date of this IM, management costs consist of the following components: **Investment Management Fee:** 0.60% p.a.[1] **Indirect costs:** Nil **Expense recovery**: up to 0.10% p.a.

[1] This fee excludes any unusual or non-recurrent expenses. This amount is deducted from the Trust's assets.

The fees are inclusive of the Goods and Services Tax (GST) and take into account any expected Reduced Input Tax Credits (RITCs). Where fees have been quoted to two decimal places, the actual fee may have been rounded up.

Additional Information on fees and costs

Investment management fee

The investment management fee of 0.60% p.a. of the net asset value of the Trust is payable to PIML for overseeing the management and administration of the Trust. Out of this fee PIML pays a portion to Perennial Value and any sub-managers for managing the assets of the Trust. The investment management fee is accrued daily and is paid from the Trust monthly in arrears.

Indirect costs and expense recovery

Indirect costs are an estimate of the costs incurred in managing the Trust's assets which directly or indirectly reduce the return on the Trust. We are entitled to recover expenses incurred in the proper performance of our duties in respect of the Trust. These normal expenses (such as custody charges, administration and accounting costs, registry fees, audit fees and tax fees) are recouped through the expense recovery fee of 0.10% p.a. noted above as part of the management costs. It is estimated that there are no additional indirect costs associated with investing in the Trust. However, if unusual or non-recurrent expenses are incurred, such as the expenses incurred in holding a unitholder meeting, we reserve the right to deduct these expenses from the Trust's assets.

Indirect costs do not include transaction costs (see 'Transactional and Operational Costs' section below).

Transactional and Operational Costs

In managing the assets of the Trust, transaction costs such as brokerage, settlement, clearing, stamp duty, and the difference between the actual price paid or received for acquiring or disposing of an asset and its actual value at that time may be incurred by the Trust. These costs are generally incurred as a result of applications or redemptions from the Trust or when the Trust sells or buys assets as part of its day to day trading activities.

Buy/sell spread

Transactional costs which arise as a result of applications and redemptions will be recovered from the applicants and redeeming unitholders in the form of a 'buy spread' and a 'sell spread'. The buy/sell spreads are an additional cost to you when transacting but, as they are included in the unit price of the Trust, they are not charged to you separately. The buy/sell spread is the difference between the entry price and the exit price of the units in the Trust. Buy/sell spreads are not retained by us but rather paid to the Trust to ensure that other unit holders are not disadvantaged by the trading activity arising from applications or redemptions. As at the date of this PDS, the estimated buy/sell spread added on buying or deducted on selling is 0.15%. The following example is based on an application or redemption of $50,000 in or from the Trust.

	Buy/Sell spread	Cost
Application	0.15%	$75.00
Redemption	0.15%	$75.00

From time to time, we may vary the buy/sell spread and we will not ordinarily provide prior notice. Any revised spread will be applied uniformly to transacting investors while that spread applies.

Other transactional costs

Transaction costs which arise from trading activity to execute the Trust's investment strategy and are not the result of applications into and redemptions from the Trust are not covered by the buy/sell spread. They are instead paid out of the Trust's assets. These costs are an additional cost to you and are reflected in the Trust's unit price and are not paid to us.

Perennial has estimated that the total transaction costs for the Trust will be approximately 0.30% of the net asset value of the Trust for the year, of which approximately 0.15% is estimated to be recouped via the buy/sell spread when applications and redemptions take place. The difference of 0.15% reflects the day-to-day trading costs and is factored into the net investment return of the Trust. These costs may vary in the future. If an investor had a balance of $100,000 through the year, their investment would be impacted by $150 for the year.

No operational expenses will be charged to the Trust.

Can the fees change?

We have the right to increase the fees or to charge fees not currently levied up to the maximum limits set out in the constitution without your consent. If we choose to exercise this right, we will provide you with 30 days prior written notice.

7. How managed investment schemes are taxed

WARNING: Investing in a registered managed investment scheme is likely to have tax consequences. You are strongly advised to seek professional tax advice.

The taxation implications from an investment in the Trust can be quite complex and depend on a number of factors, including whether you are a resident or non-resident of Australia for taxation purposes and whether you hold the units as a long-term investment or for short-term trading purposes.

The following is a brief summary of taxation information relating to Australian tax residents who hold their Trust units on capital account for income tax purposes:

- Unregistered managed investment schemes do not pay the tax liability on behalf of Australian resident investors.
- As an investor, you will be assessed for tax on your share of the income and capital gains generated by the Trust. In normal circumstances, you should expect that some income and/or capital gains will be generated each year.

Attribution Management Investment Scheme

The constitution of the Trust complies with the Attribution Managed Investment Trust (AMIT) regime. This statutory regime adequately deals with “unders” and “over” and, facilitates and simplifies the distribution calculation process.

Under the AMIT regime:

- The Trust will be treated as a fixed trust for income tax purposes which provides certainty in relation to certain aspects of the tax treatment of the Trust.
- For income tax purposes the Trust will be able to attribute amounts of income and tax offsets to unitholders on a fair and reasonable basis.
- Adjustment will be made to the cost base of a unitholder’s interest in the Trust upwards or downwards.

8. How to apply

A	Read this IM
B	Eligible investors should complete all sections of the Perennial Trusts application form available from **www.perennial.net.au** or by calling 1300 730 032 (+612 8823 2534 New Zealand). We need to collect this information to comply with Anti-Money Laundering and Counter-Terrorism Financing Legislation.
C	Read and sign the declaration in the Perennial Trusts application form.
D	Send your Perennial Trusts application form together with your supporting documents and electronic payment for your initial investment to us. We recommend that you keep copies for future reference. For an initial investment via electronic funds transfer please refer to page 2 of the application form.

We reserve the right not to accept (wholly or in part) any application for any reason or without reason. If we refuse to accept an application, any funds received from you will be returned to you without interest.

9. Other important information

Privacy

We collect personal information from you in order to process your application, administer your investment and to provide you with information about your investment. We may disclose that information to other companies that provide services on our behalf.

Foreign Account Tax Compliance Act (FATCA)

There are certain consequences that may occur if you apply to invest and you are, or become, a US entity, a US citizen, reside in the US or have some connection with the US. These consequences may potentially be adverse to you. If this applies to you, we encourage you to seek professional taxation advice.

Common Reporting Standard

The Common Report Standard (CRS) is the global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Under the CRS, banks and other financial institutions will collect and report to the Australian Taxation office (ATO) financial account information on non-residents. The ATO will exchange this information with the participating foreign tax authorities of those non-residents. In parallel, the ATO will receive financial account information on Australian residents from other countries’ tax authorities. This will help ensure that Australian residents with financial accounts in other countries are complying with Australian tax law and act as a deterrent to tax evasion.

Important Information for New Zealand Investors

This offer made to New Zealand (NZ) investors is a regulated offer made under Australian and NZ law and is principally governed by Australian rather than NZ law.

There are differences in how securities are regulated under Australian law. The rights, remedies, and compensation arrangements that apply to Australian securities may differ to those available for investments in NZ securities.