



Perennial Value Wealth Defender

Australian Shares Trust

‘The Perennial Value Wealth Defender Australian Shares Trust is designed to deliver the upside of an investment in Australian equities, while more efficiently and cost effectively managing the downside risks in equity portfolios.’ John Murray

About the Trust

The Trust is an actively managed Australian equities portfolio, with dynamic protection strategies that aim to provide the long term benefits of share market investment while reducing the impact of major equity market falls on investors’ capital.

Description of the Trust

By actively managing the allocation between equities, derivative protection and cash throughout the market cycles, the Trust aims to enhance the long term performance outcomes by maximising returns when markets rally and reducing the magnitude of significant losses when markets fall.

The Trust invests in a range of large and smaller listed (or soon to be listed) companies which Perennial Value believes have sustainable operations and whose share prices offer good value.

The cornerstone of this approach is a strong emphasis on proprietary company research. The aim is to develop a detailed understanding of each company before committing investors’ funds.

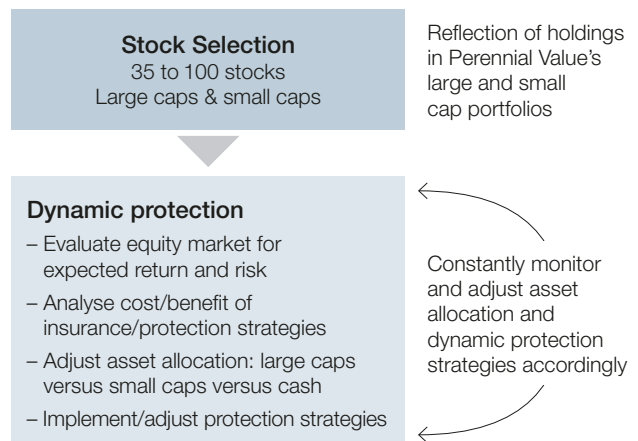
The portfolio typically holds between 35 and 100 stocks.

The protection strategies for the Trust, including equity and index derivatives, are used to cushion the impact of losses when equity markets fall in a cost effective manner. The types of derivatives used include index futures and options on share and volatility indices as well as options on single stocks.

In periods where Perennial Value believes that there is higher than normal market risk, the amount of derivative protection in the portfolio may increase. Conversely, when the market view is more positive, the amount spent on portfolio protection may be lower.

Investment process

Perennial Value’s comprehensive investment process seeks to ensure that its stock selection and derivative expertise is combined to produce a portfolio that can outperform its benchmark in both rising and falling markets.



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.

Perennial Value believes that risk managing investment portfolios can lead to better returns over the longer term. By implementing various dynamic portfolio protection strategies, we believe that we can manage drawdowns in equity markets in a more efficient manner.

Objective

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.

Stock selection process

For the Trust's equity exposure, Perennial Value uses its bottom up, value-style investment process to invest in a range of companies which Perennial Value believes have sustainable operations and whose share prices offer good value.

Perennial Value's investment process begins with screening of the Australian share market and eliminating companies 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 300 stocks. Every potential investment opportunity is assessed on its key qualitative and quantitative criteria. To qualify for investment, stocks must have sustainable businesses (qualitative) and offer good value at the current share price (quantitative).

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 flow.
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 its final ranking. The outcome of this detailed research process is a list of stocks that are eligible for portfolio inclusion. The portfolio has a strong bias towards the best ranking, or best value, stocks in the Value Screen.

Perennial Value will constantly monitor and adjust the portfolio's asset allocation and dynamic protection strategies. Market pricing and timing determines the type of derivative strategies employed.

Trust summary	
APIR Code	IOF0228AU
Inception date	May 2014
Risk/return profile	High
Income distribution	Half yearly
Minimum recommended investment period	5 years
Investment management fee % p.a.	0.98
Performance fee	Yes
Buy/sell spread %	0.60
Unit pricing, applications and redemptions	Daily

Investment guidelines summary	
Cash – minimum/maximum	0 to 50%
Number of stocks – typical range	35 to 100
Minimum market capitalisation	\$50 million
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: 14 years
Industry: 29 years



Dan Bosscher
Portfolio Manager
Perennial Value: 1 year
Industry: 18 years



Grant Oshry
Senior Small Cap Portfolio
Manager/ Analyst
Perennial Value: 10 years
Industry: 15 years



Andrew Smith
Small Cap Portfolio
Manager/ Analyst
Perennial Value: 5 years
Industry: 13 years

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

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