

| | Month | Quarter | FYTD | 1 year | 3 years | 5 years | Since Inception [^] |
|-----------------------------------|------------|---------|------|--------|---------|---------|------------------------------|
| | % | % | % | % | % p.a. | % p.a. | % p.a. |
| Perennial Volatility Alpha Trust* | 3.6 | - | - | - | - | - | 4.1 |
| RBA Cash Rate Target | 0.1 | - | - | - | - | - | 0.3 |
| Value Added (Detracted) | 3.5 | - | - | - | - | - | 3.8 |

*Net performance (including performance fee). [^]Since inception: 14 March 2017. Past performance is not a reliable indicator of future performance.

Perennial Volatility Alpha Trust

The Trust aims to outperform the RBA Cash Rate Target by investing in global equity derivatives that provide volatility exposure such as futures and options on the CBOE S&P 500 VIX index (VIX).

Trust manager

Michael Pollard

Risk profile

High

Trust FUM

AUD \$0.9 million

Distribution frequency

Annual

Trust redemption price

\$ 1.0396

Any material changes to risk profile, strategy, key service providers or portfolio managers during the period

Nil

Minimum initial investment

\$100,000 (wholesale investors only, as per Reg. S761G of the Corps Act 2001)

Trust inception date

March 2017

APIR code

WPC8778AU

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May saw the fleeting return of volatility to the market as news broke that recently defenestrated ex-FBI director Comey was not prepared to go gentle into that good night, instead claiming that Trump had attempted to influence the outcome of the FBI's investigations into Russian interference with the US election. Whilst Putin and his merry men seem to have been the object of affection for a number of members of team Trump, including the man himself, up to this point there was no substantive grounds for any potential moves against the President. Having said that, as impeachment is a political process it seems unlikely that that particular denouement will be realised. This did not, however, stop the VIX from experiencing one of its largest single day percent moves in history, albeit off a very low base. We then saw an equally dramatic reversal. Indeed outside the few days around mid-May, the VIX spent much of the month between 10.0 and 10.5, at historic lows.

Pleasingly the Perennial Volatility Alpha Trust was positioned long coming in to the event, as a contrarian strategy, and unwound on the day of the event. This yielded a profit on the day of just under 5.0%. Of course we do not claim that we will catch every opportunity to profit from events like these, but by only putting on trades when the risk metrics are aligned we at least believe we can minimise the risk of getting stuck in a persistent value trap, and maximise the potential to gain as risk is re-assessed. Looking forward we certainly hope that markets awake from their stupor. The strategy was in cash for 74.0% of May, and we may see similar in June if conditions persist. With a growing divergence in signals from the bond and equity markets, some macro leading indicators rolling over, and the risk of further Trump headlines, there is certainly growing scope for a reset.

| | Portfolio Characteristics (since inception) | | VIX Strategies Utilised* (since inception) | |
|------------------------------|---|---------|--|----------|
| | Trust | S&P 500 | Strategy | Utilised |
| Volatility | 12.7% | 7.5% | Long Momentum | 11.0 |
| Upside Deviation | 11.8% | 5.3% | Short Momentum | 14.0 |
| Downside Deviation | 4.6% | 5.3% | Contrarian | 29.0 |
| Sharpe Ratio | 1.3 | 1.2 | Carry | 0.0 |
| Largest Drawdown | -2.0% | -2.2% | | |
| Correlation to Equity Market | -34.0% | - | | |

Long momentum: positioned long for expected short-term rise in VIX

Short momentum: positioned short for expected short-term fall in VIX

Contrarian: positioned short (or long) for expected medium-term fall (rise) from high (low) levels relative to historical levels

Carry: positioned to earn structural decay over the short to medium term

Signatory of:



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