

Finally, a share fund with an airbag

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Portfolio Manager
Perennial Value Wealth Defender

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The Investors' Dilemma – Good Returns Without Major Drawdowns



Source: Perennial Value. For illustrative purposes only. The protection strategy in place may not protect the portfolio to the same extent. Example is based on S&P/ASX 200 Index returns between 2006 – 2011.

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Portfolio Manager

Dan Bosscher – Portfolio Manager
BCom/LLB (Hons)



Summary

- Core skill, active risk management
- 18 years derivative trading and risk management experience
- Former
 - Managing Director UBS Investment Bank
 - Co-Head UBS Equity Trading and Derivatives
 - Head UBS Fundamental Investment Group
 - Registered market maker both ASX and SFE
 - ASX Accredited Derivatives Advisor Level 2

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**.

Long only equity portfolio with dynamic protection



The Investors' Dilemma - "Time in" versus "Timing" the Market

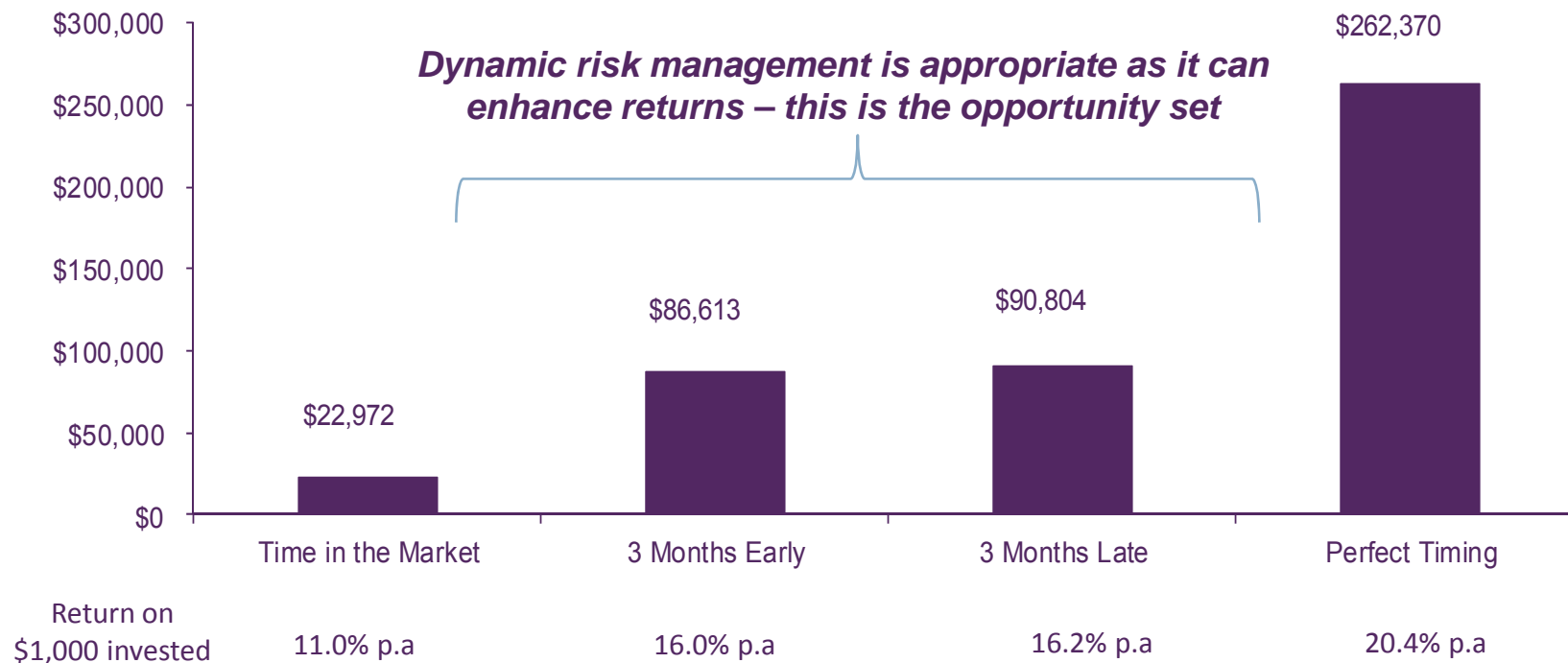


Time period: 30 years (1982 – 2012)

Source: Perennial Value. Based on ASX All Ordinaries Accumulation Index return.

Assumptions: 1) Does not include tax free threshold. 2) Assumes highest marginal tax rate including Medicare levy (46.5%). 3) CGT Free Asset does not apply. 4) Assumes 50% CGT discount method. 5) No CGT in periods where funds were invested in cash. Only Individual tax applies (46.5%). 6) Assumes cash rate of 5.0%. 7) Losses are not taxed but carried forward. 8) Interest is not earned if prior period was a loss.

The Investors' Dilemma - "Time in" versus "Timing" the Market



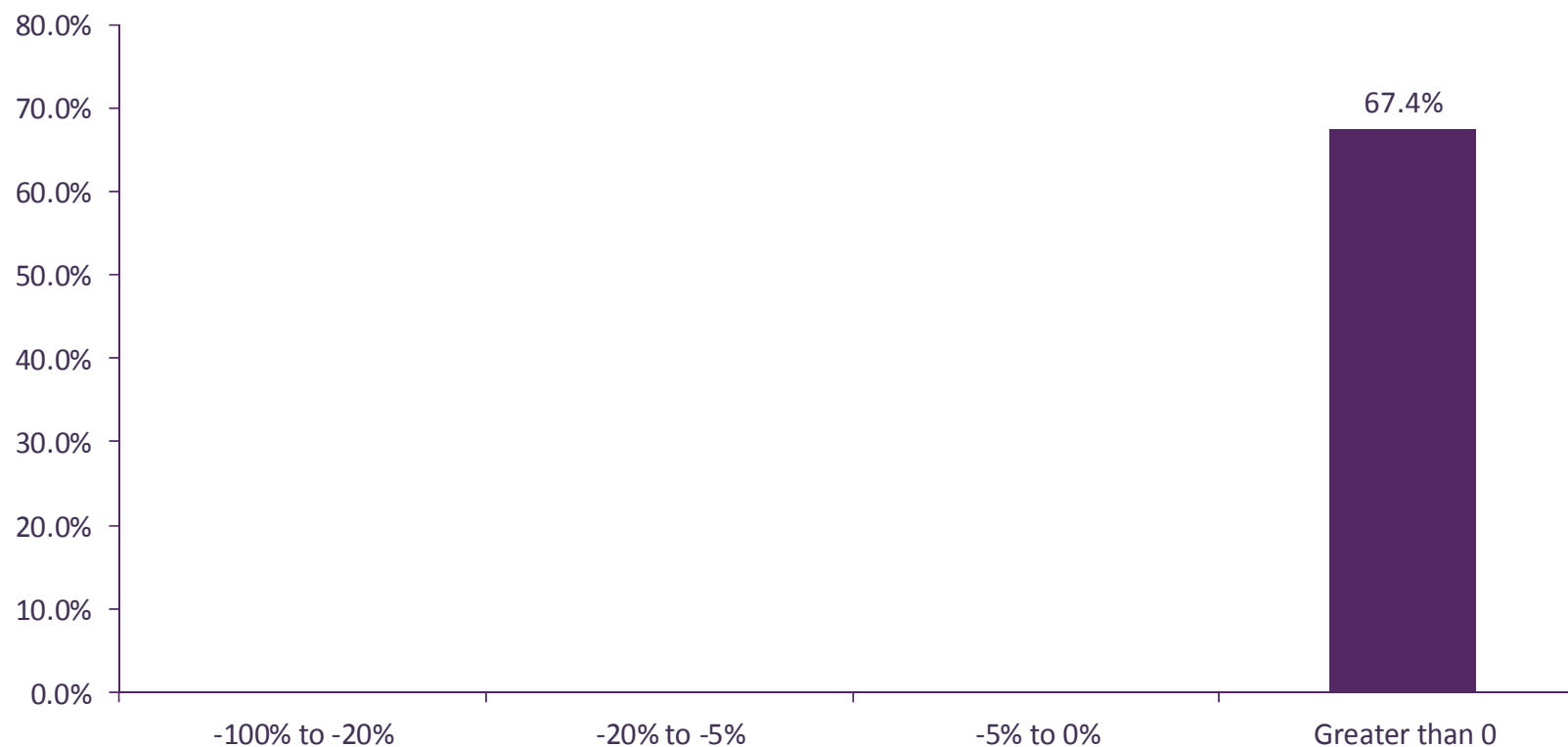
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“Dynamic Protection” - Assessing the Real Downside Potential

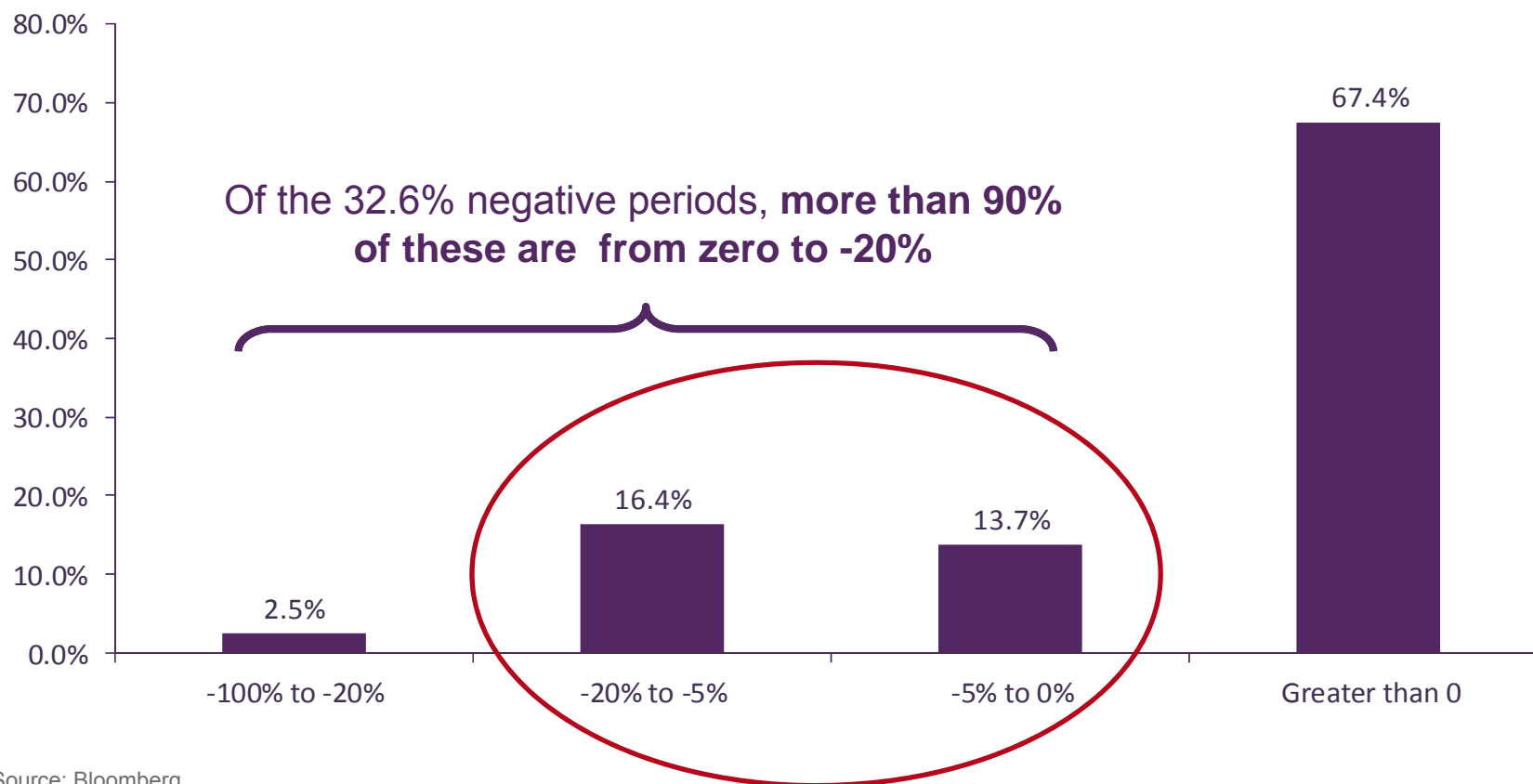
S&P/ASX 200 Index - 6 monthly rolling returns



Source: Bloomberg.
Time period: 20 years (1992 -2012)

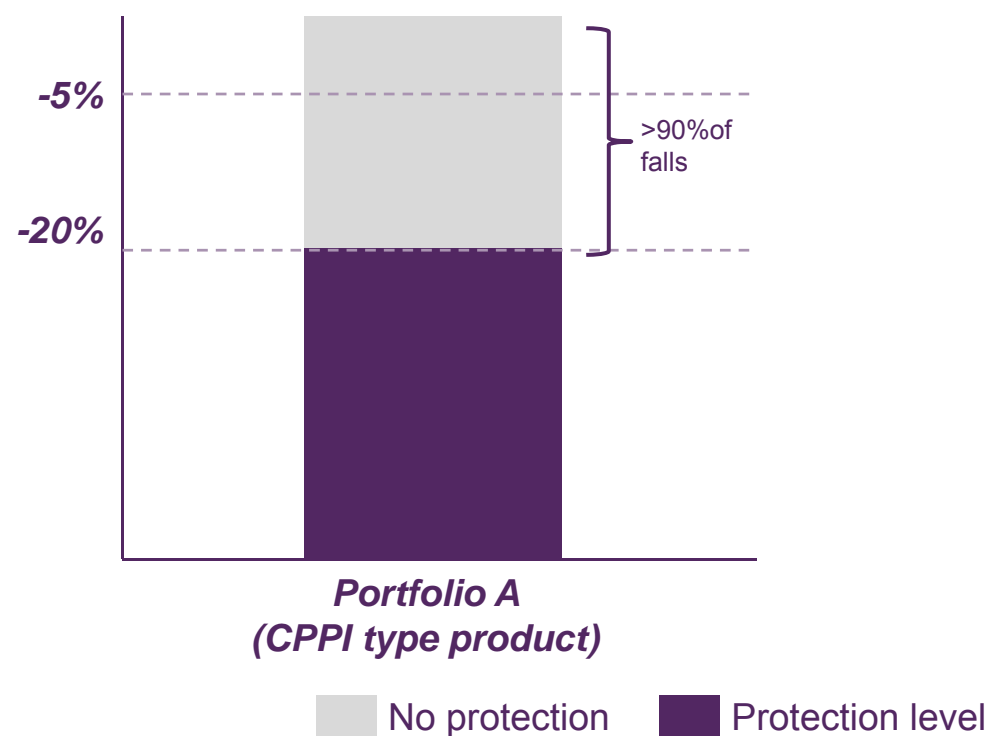
“Dynamic Protection” - Assessing the Real Downside Potential

S&P/ASX 200 Index - 6 monthly rolling returns



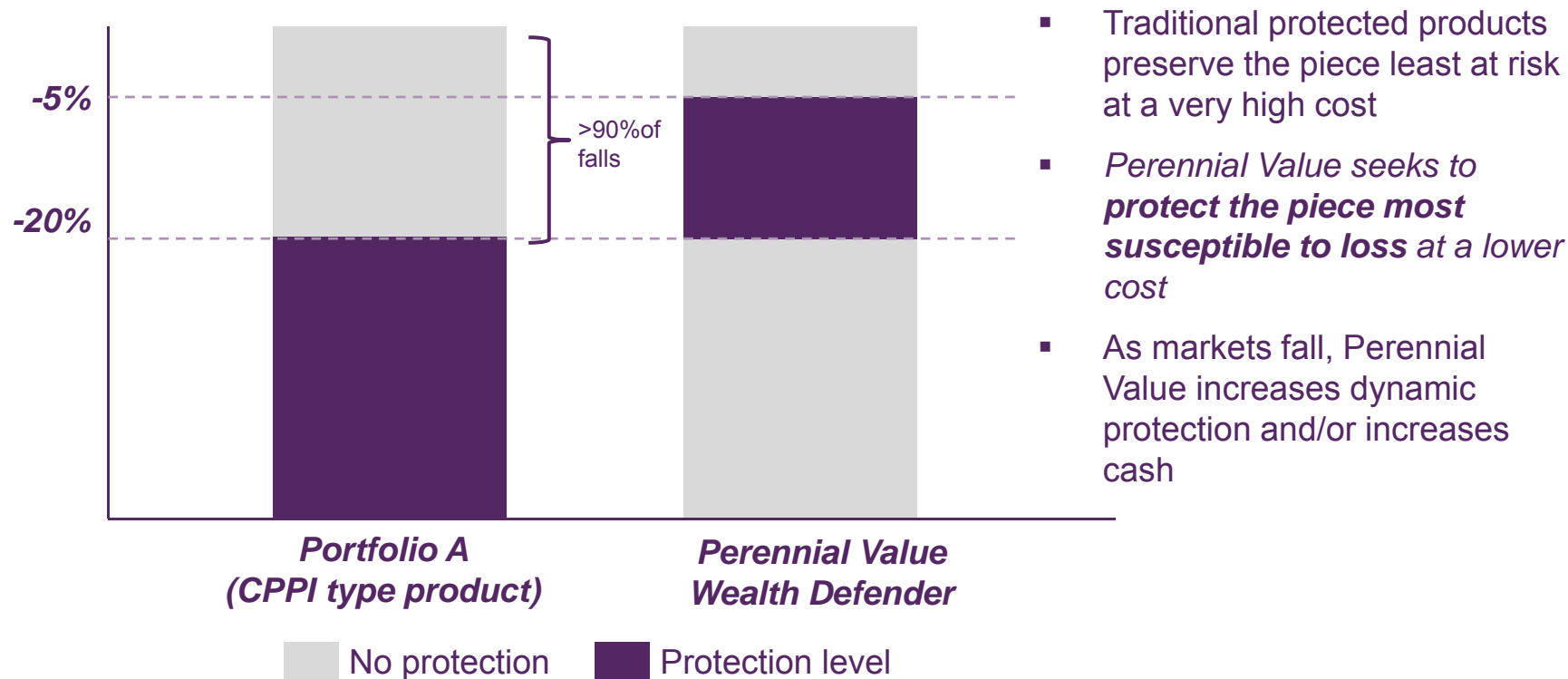
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“Dynamic Protection” – Focuses on insuring the likely loss range, unlike CPPI



- Traditional protected products preserve the piece least at risk at a very high cost


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- Traditional protected products preserve the piece least at risk at a very high cost
- *Perennial Value seeks to protect the piece most susceptible to loss at a lower cost*
- As markets fall, Perennial Value increases dynamic protection and/or increases cash

Note: Perennial Value will employ dynamic protection strategies meaning the level and type of strategy will vary at Perennial Value's discretion

“Dynamic Protection” – The Process



Evaluate the share
market for
expected return
and risk

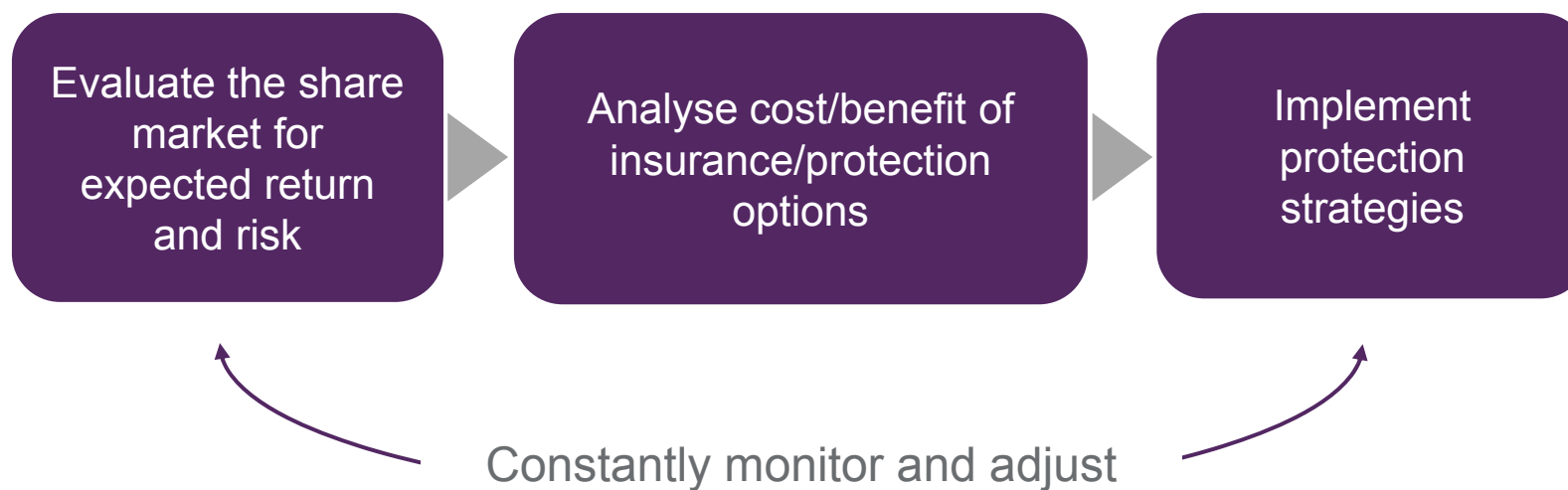
Protection strategies allow time for Perennial Value to implement physical portfolio changes during times of severe market stress

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”Dynamic Protection” – Starts with our Market View

Bearish	<i>Market View</i>	Bullish
P/E > 20		P/E < 5
P/FCF > 20		P/FCF < 10
Gross yield < 3%		Gross yield > 5%
P/NTA >3		P/NTA <1

P/E: Prospective 1 year Forward P/E
 (Example.)

“Dynamic Protection” Matrix

Volatility & “Insurance” cost	High	3	High cash (25-50%) Risk off	Moderate Cash (5-30%) Normal risk Low levels of protection	Low cash (0-20%) Low levels of protection
	Low	2	Moderate Cash (15-30%) Average level of protection	Moderate Cash (5-20%) Normal risk Some protection	Low cash (0-15%) Some degree of protection
	1	Low cash (10-20%) Higher level of protection	Low Cash (5-15%) Normal risk Average levels of protection	Low cash (0-10%) Some degree of protection Risk on	
			1	2	3
			Bearish	Value	Bullish
			Market View		

NB: Cash weightings are indicative only. Perennial reserves the right to vary these at its discretion

Comparing Protection Strategies

Attribute	CPPI	Master Trust Protection Overlay	Structured Product	Hedge Fund	Wealth Defender
Flexible	?	?	?	?	✓
Liquid	?	?	?	?	✓
Efficient	?	?	?	?	✓
Transparent	?	?	?	?	✓
Daily Oversight	?	?	?	?	✓
Targets above market returns	?	?	?	?	✓

Conclusion – Wealth Defender

- Objective – outperform Australian stock market over market cycle
- A portfolio of shares, dynamic protection and cash
- Shares – Perennial Value’s proven process and track record
- Dynamic protection
 - In place at all times
 - Cushions investors from significant market falls
 - Significantly lower cost than constant protection and other approaches
 - Always cognisant of market upside

A new, exciting and unique approach driven by the management of capital risk

More Information

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Value Wealth Defender

Finally, a share fund with an airbag

Perennial Value has revolutionised the way investors can manage the downside risk in their Australian equities portfolio.

Launched on 30 May 2014, the Perennial Value Wealth Defender Australian Shares Trust is now available.

Learn how Wealth Defender uses dynamic protection strategies to help cushion the impact of larger market falls here.

Brochure

Product disclosure statement

Fact sheet

The Wealth Defender Team

Trust overview

Name: Perennial Value Wealth Defender Australian Shares Trust

Inception date: May 2014

Portfolio Essentials

- Meet with your Investment Specialist

- Website

www.perennial.net.au/wealthdefender

- Brochure

- Video

- Trust flyer

- PDS



Key Product Features

- Daily Unit Pricing
- Half yearly income distributions
- Fair base fee (0.98%)*
- Performance fee only above the full S&P/ASX 300 Accumulation Index

* Please refer to the Perennial Value Wealth Defender Australian Shares Trust PDS.

Researcher Rating

Zenith rates the product RECOMMENDED



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Where it fits in a Client's Portfolio

- Suited to those investors:
 - Wary of share market risk to capital i.e. most investors
 - Who are accumulators
 - Close to retirement
 - In retirement
 - Who are high net worth, SMSF investors with heightened capital preservation requirements

Disclaimer

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