July 2015

Perennial Socially Responsive Shares Trust

The objective of the Perennial Socially Responsive capability is to invest in a portfolio of companies that not only offer sound investment opportunities, but also deliver a significant level of social responsibility for the community and the environment.

About the Trust

The Trust is an actively managed portfolio of a diversified range of listed (or soon to be listed) industrial and resource companies with sustainable growth prospects and a significant level of social responsibility for the community and the environment.

Description of the Trust

Perennial Growth believes that there can be a strong relationship between social responsibility and quality investments. The portfolio invests using a stakeholder model. This model aims to highlight those companies that deliver sustainable returns, assessed not only by financial factors but also through assessing social, labour, ethical and environmental measures. In addition to positive screening, we also use negative screens to exclude companies associated with unacceptable sectors, industries, and/or activities. Our research for this portfolio is augmented by independent research on social responsibility in the Australian market place.

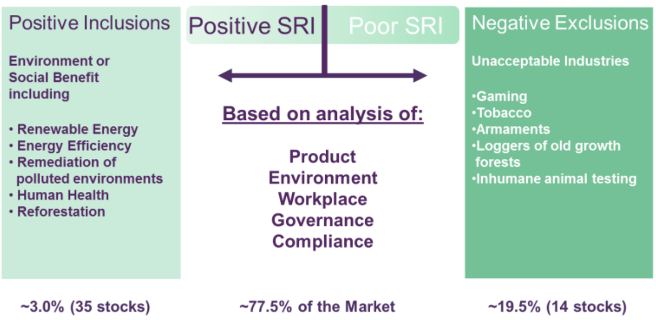
Objective

The aim of the Trust is to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index by 3% p.a. measured on a rolling three-year basis, by investing in a selection of listed companies which also embrace and engender social performance in their corporate culture.

Socially Responsive Investing

Socially responsive investing is achieved by both screening for those companies in unacceptable industries and screening for those companies that are regarded as most socially responsive.

The investment universe is categorised into highly positive companies, which are distinguished by positive environmental or social activities; unacceptable industries; and those in between, as detailed in the diagram below.



Investment philosophy

Perennial Growth is a specialist active Australian equities manager, whose investment process is based on a ‘growth’ investment philosophy. Perennial Growth seeks to invest in companies that can grow their businesses profitably and are attractively priced. We believe that growing companies generate the most value for shareholders and seek to value this future growth through a combination of internally generated bottom-up stock research and quantitative modelling.

Key features

Perennial Growth focuses on:

1. Profitable Growth. We seek to identify companies that grow profitably, rather than grow their businesses for growth’s sake. To do this we focus on the drivers of profitable growth.
2. Lifecycle Valuation Approach. We aim to avoid long-term valuation risks. This approach helps us avoid the typical “growth trap” of paying for blue-sky expectations, commonly built into company valuations. This often occurs because investors

underestimate the increase in competition as an industry matures.

3. Original Research. This is the cornerstone of Perennial Growth's investment process. We value non-broker, independent research. The combination of knowing what the market does and does not know is the basis for assessing growth and valuation.

Stock selection process

The process used to analyse and assess investment opportunities focuses on answering five key questions.

1. Socially Responsive Screens – Does it comply with our socially responsive investment criteria?
2. Opportunity. Can the company grow?
3. Execution. Can the company execute on these opportunities?
4. Profitable Growth Test. Is the growth profitable?
5. Lifecycle Valuation Approach. What should we pay for this growth?

Investment opportunities are those companies which pass all of these tests.

Portfolio construction is a function of:

1. The Socially Responsive Investment Overlay
   - Negative Screens
   - Positive Screens
2. Ranking in the Perennial Growth Screen - the biggest active targets are set for those companies that are richest in the characteristics we seek - growth opportunity, the ability to execute, superior growth and return on invested capital (ROIC) plus are the most attractively priced.
3. Risk Limits – certain constraints will impact portfolio construction

   Market Conditions – the potential impact on a stock is assessed. A negative assessment will preclude a stock from being included in the portfolio or, if the investment case is strong, will limit the active target.

Trust summary	
APIR Code	IOF0117AU
Inception date	December 2001
Risk/return profile	High
Income distribution	Half yearly
Minimum recommended investment period	5 years
Investment management fee % p.a.	0.98
Performance fee	No
Buy/sell spread %	0.60
Unit pricing, applications and redemptions	Daily

Investment guidelines summary	
Cash – minimum/maximum	0 to 5%
Number of stocks – minimum/maximum	20 to 50
Number of stocks - typical	25 to 40
Minimum market capitalisation	$25 million
Maximum 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

Lee Mickelburough
Head of Perennial Growth
Years with Perennial: 13
Years in the Industry: 27

Andrew Sutherland
Partner
Years with Perennial: 13
Years in the Industry: 23

Paul Phillips
Resource Analyst
Years with Perennial: 3
Years in the Industry: 12

Nicholas Sladen
Partner
Years with Perennial: 7
Years in the Industry: 14

David Rosenbloom
Portfolio Manager
Years with Perennial: 3
Years in the Industry: 29

James Drohan
Equities Analyst
Years with Perennial: 1
Years in the Industry: 8

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