



# Perennial Australian Fixed Interest Wholesale Trust

Perennial Fixed Interest's investment approach is fundamentally driven and seeks to take advantage of situations where market pricing has become misaligned with economic and investment fundamentals.

## About the Trust

The Trust provides an actively managed exposure to a portfolio of cash and fixed interest securities.

## Description of the Trust

The Trust invests in a range of interest bearing securities including:

- ▶ Commonwealth and semi-government bonds;
- ▶ Corporate debt; and,
- ▶ Asset backed securities.

All securities must carry an investment grade rating (BBB- or higher) at the time of purchase. The Trust may invest in non Australian dollar denominated securities on the basis that the associated risks inherent in foreign securities are offset by hedging using appropriate derivative instruments.

In managing the portfolio Perennial Fixed Interest applies a range of strategies that include duration and yield curve management (actively managing the maturity profile of the portfolio), sector rotation and individual security selection.

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## Objective

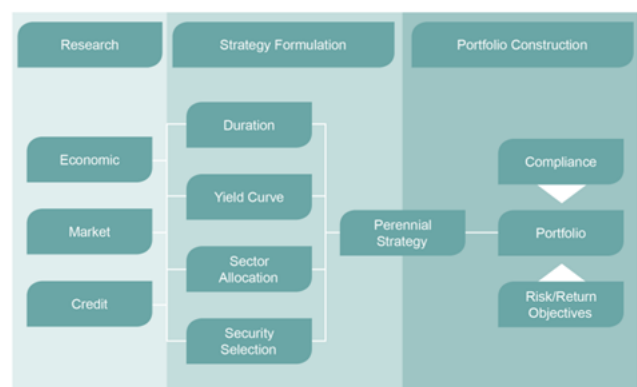
The Trust aims to provide investors with a total return (after fees) that exceeds the benchmark, Bloomberg AusBond Composite 0+ Yr Index, measured on a rolling three-year basis.

## Investment philosophy

Perennial Fixed Interest believe that investment markets are at times influenced by non-fundamental factors that cause prices to periodically overshoot their fair value levels. For Australian fixed interest portfolios the biggest inefficiency that we seek to exploit is the disproportionate impact that short term factors have on the valuation of long term securities.

Using an active approach, we seek to add value relative to market benchmarks by identifying these situations and constructing portfolios to capture value as these price overshoots unwind. In Australian fixed interest, this can occur in the absolute level of interest rates, the shape of the yield curve, the relative value between sectors or the pricing of individual securities.

## Investment process



## Portfolio construction

The Fixed Interest team follows a three stage portfolio construction process that starts with fundamental research. This research covers three key areas:

- ▶ Economic outlook (predominantly driving interest rate management);
- ▶ Market research (predominantly sector allocation); and,
- ▶ Credit research (predominantly security selection).

This research allows the team to identify periods where there is a gap between market/security pricing and the team's estimates of fair value. The size of these gaps will determine the interest rate, sector and security strategies reflected in the portfolio, i.e. the second stage of the portfolio construction process, strategy formulation.

From a bottom up perspective, our credit research uses a three stage filter to determine which securities, and in what magnitude, they find their way into the portfolio:

1. Credit analysis (assessment of quality, price and the diversification benefits to the portfolio);
2. Pricing for risk (to make an assessment of "fair value"); and,
3. Investment guidelines (sector exposures and concentration limits).

The third stage of the process is portfolio construction. Our proprietary risk tool, Perennial One, is used to construct the portfolio through the measurement of interest rate risk, sector risk, credit risk and exposure by security type.

Trust summary	
APIR Code	IOF0046AU
Inception date	August 1994
Risk/return profile	Medium
Income distribution	Quarterly
Minimum recommended investment period	3 years
Investment management fee % p.a.	0.47
Performance fee	No
Buy/sell spread %	Nil
Unit pricing, applications and redemptions	Daily

Investment guidelines summary	
Number of securities - typical	50 to 100
Sector constraints	
Aust govt, Semi-govt. & Aust govt g'teed	30 to 100%
Supranational debt	0 to 70%
Corporate & other non-govt g'teed debt	0 to 70%
Minimum credit rating (security level)	BBB-
Minimum credit rating (portfolio level)	A
Modified duration (relative to benchmark)	+/-1.5 years
Tracking error	0.60%

## Investment team

**Glenn Feben**  
Portfolio Management  
Interest rate  
Sector strategy  
Perennial: 27 years  
Industry: 34 years

**Frank Uhlenbruch**  
Macroeconomics  
Interest rate strategy  
Perennial: 19 years  
Industry: 29 years

**Noel Murphy**  
Portfolio Management  
Interest rate  
Sector strategy  
Perennial: 12 years  
Industry: 34 years

**Jay Sivapalan**  
Portfolio Management  
Relative value  
Perennial: 14 years  
Industry: 16 years

**Ashley Kopczynski**  
Credit analysis  
Relative value  
Perennial: 8 years  
Industry: 12 years

**Taf Mugwagwa**  
Analyst  
Dealing  
Perennial: 1 year  
Industry: 7 years

For further information contact us on 1300 730 032 or visit [www.perennial.net.au](http://www.perennial.net.au)

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