

Perennial Cash 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 a low risk exposure to secure cash investments and returns that closely track the prevailing level of short term interest rates.

Description of the Trust

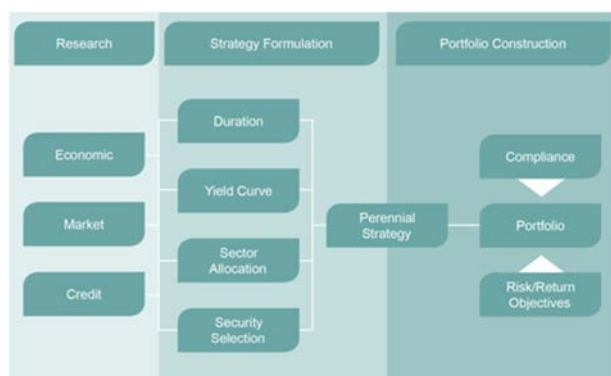
The Trust invests in a range of high quality short term securities including:

- ▶ bank bills;
- ▶ deposits; and
- ▶ commercial paper.

Perennial Fixed Interest seeks to add value using a combination of interest rate and yield enhancement strategies.

In managing cash portfolios, actively allocating between various maturities of money market securities can provide investors with a better return outcome without compromising the defensive nature of cash investing.

Investment process



Objective

The Trust aims to provide investors with a total return (after fees) that exceeds the benchmark, Bloomberg AusBond Bank Bill Index over rolling annual periods.

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.

In managing cash portfolios we aim to consistently deliver three things:

- ▶ Returns commensurate with, or better than, those available from the wholesale money market;
- ▶ A high degree of capital security; and
- ▶ Liquidity.

Perennial believes that while fundamentals ultimately determine market prices, for a range of reasons markets tend to overshoot fair value for a time. We believe that by applying a rational and disciplined valuation framework, an active approach in both interest rate and credit management can take advantage of these market overshoots and deliver superior risk adjusted returns over time compared to a purely passive approach.

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")
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	IOF0141AU
Inception date	July 2008
Risk/return profile	Low
Income distribution	Monthly
Minimum recommended investment period	1 year
Investment management fee % p.a.	0.22
Performance fee	No
Buy/sell spread %	Nil
Unit pricing, applications and redemptions	Daily

Investment guidelines summary

Minimum invested in securities maturing within 6 months	50%
Minimum credit rating (security level)	A-1, AA-
Average credit rating (portfolio level)	AAA
Modified duration	0 to 0.5 years
Tracking error ex-ante	0.10%

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

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