

Perennial Absolute Return Trust

The Trust has a “market neutral” approach whereby Perennial Growth uses both the positive and negative views of the broader investment team to construct a portfolio of long and short equity positions.

About the Trust

The Trust is an actively managed portfolio of long and short positions in listed Australian companies that aims to provide consistent, positive returns above the RBA Cash Rate (the benchmark) through all cycles of the Australian equity market with little or no correlation to that market.

Description of the Trust

The key drivers of the investment strategy of the Trust include providing investors with a highly liquid investment opportunity, capital preservation and the delivery of long term equity market returns without the market volatility of a long only equity investment.

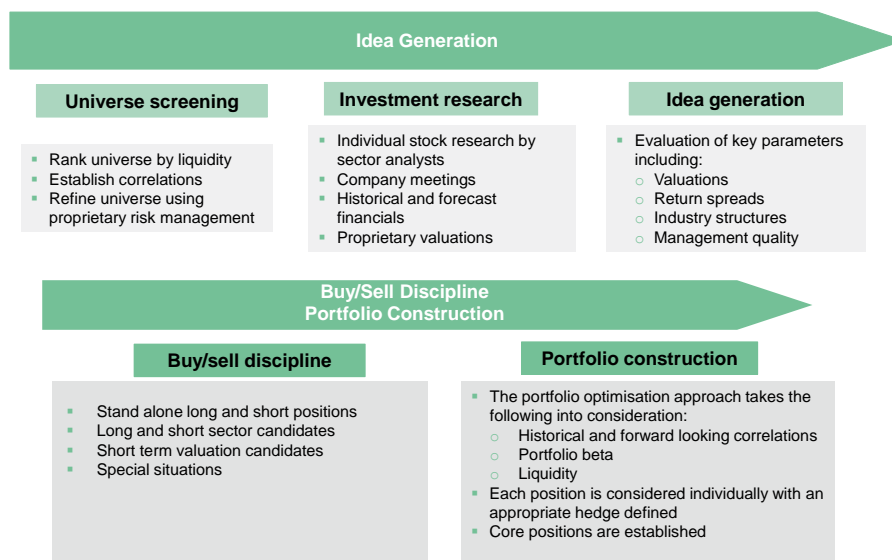
The Trust aims to hold equal long and short positions, with returns generated by better performance of the long positions relative to the short positions. Stocks that satisfy the investment manager's valuation criteria and are expected to deliver performance outcomes are bought and held; while positions in those stocks identified as

expensive, relative to the valuation model, are sold at a high price in anticipation of buying the stocks at a lower price at some point in the future, when market pricing approaches the investment manager's valuation.

Unlike a traditional long only investment, where a fund's performance is measured relative to a market index (with the fund objective to rise further or fall less than the market index), the Trust aims to generate positive absolute returns in both rising and falling markets.

Therefore, there is a focus on the Trust's long positions performing relatively better than the Trust's short positions. In a rising market (where all stocks tend to increase in value), it is expected that gains on the long positions will be greater than the losses generated by the short positions. Conversely, in a falling market it is expected that gains on the Trust's short positions will be greater than losses on its long positions.

Investment process



Stock selection process

Perennial Growth uses its proprietary fundamental research and valuation model to identify, screen and value investment opportunities for the Trust. Given the "market neutral" investment approach for the Trust, the portfolio manager uses both the positive and negative views of the broader investment team to construct a portfolio of long and short equity positions.

A number of investment strategies are used to construct the portfolio including:

- ▶ Holding long and short equity positions - as outlined above.
- ▶ Derivative strategies - exchange traded and over-the-counter instruments such as futures contracts and put or call options, may be used to manage risks in the portfolio, enhance the return on stocks and/or the overall portfolio and as a means of gaining exposure to a particular stock.
- ▶ Leverage - in order to enhance the quantum of potential positive returns, the Trust may utilise leverage from time to time through a prime broker.

Trust summary

APIR Code	IOF0227AU
Inception date	May 2013
Risk/return profile	High
Income distribution	Half yearly
Minimum recommended investment period	5 years
Investment management fee % p.a.	1.00
Performance fee	Yes
Buy/sell spread %	0.60
Unit pricing, applications and redemptions	Daily

Investment guidelines summary

Number of stocks – minimum/maximum	40 to 80
Number of stocks – long	20 to 40
Number of stocks – short	20 to 40
Value of longs versus value of shorts	+/-10%
Maximum gearing level	400%
Maximum investment in any one stock	10%
Listed ex-benchmark stocks permitted	Yes

Investment team

Lee Mickelborough

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.

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