

# Perennial Partners Trust



PERENNIAL WAS FORMED IN SEPTEMBER 1999

PERENNIAL PARTNERS TRUST INCEPTION DATE IS MAY 2008

A TEAM OF 41 INVESTMENT PROFESSIONALS, HEADED BY JAMES SOUTTER

The Perennial Partners Trust aims to invest in a concentrated exposure of the highest conviction opportunities across Perennial's boutique businesses, with the objective of a high level of capital growth over the long term. It has an absolute return focus, seeking to identify investment opportunities that will deliver strong returns in excess of cash.

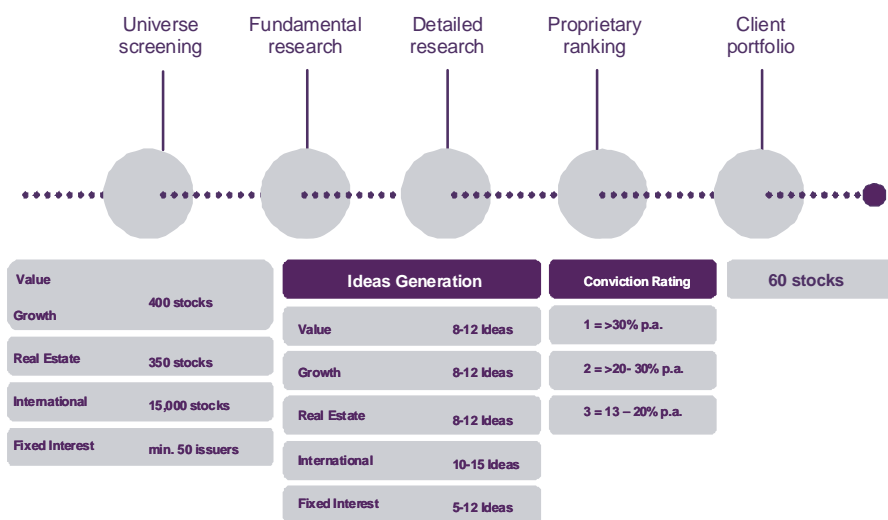
## Stock Selection Process

Whilst each boutique has its own disciplined process, the common feature across all of Perennial's boutique businesses is their commitment to internally generated, bottom-up company research. It is this fundamental research that will uncover those stocks with the most potential. In addition to this, the Partners Trust is benchmark unaware, allowing the investment professionals to choose and weight stocks according to their merits as opposed to being restricted by indices.

Perennial Value Australian Shares

Perennial Growth Australian Shares

## Perennial Investment Process



Perennial International Shares

Perennial Australian Fixed Interest

Perennial Real Estate Investments



## INVESTMENT PHILOSOPHY

Perennial's investment philosophy is that attractive investment opportunities across asset classes can be identified by a disciplined and thorough research process.

Perennial believe that investment markets are not fully efficient as asset prices are sometimes driven by irrational influences. These influences often create market "overshoots" where the market value of a company differs significantly from its true worth. Through the use of a detailed proprietary investment process framework, we are able to identify and exploit these investment opportunities and produce superior investment performance. Furthermore, we believe that undervalued stocks possessing sustainable business are ultimately re-rated to overall market multiples. Conversely, overvalued stocks are de-rated and this means reversion process is the source of our added value.

## INVESTMENT APPROACH

The Partners Trust combines the best ideas of Perennial's boutique investment firms in a single portfolio. This gives the portfolio exposure across a range of investment markets, as outlined below:

- Australian Shares selected with a "Value" style approach – Perennial Value.
- Australian Shares selected with a "Growth" style approach – Perennial Growth.
- Global Property Securities – Perennial Real Estate Investments.
- International Shares – Perennial International.
- Fixed Interest Securities – Perennial Fixed Interest.

The investment ideas are generated by each boutique's own internally-generated fundamental research. The highest conviction ideas are then candidates for inclusion in the Partners Trust portfolio. Please see individual boutiques capabilities documents for further details on their individual investment process.

Each boutique's best ideas are assigned a Conviction Rating. This rating ranks the investment opportunities into three categories, according to that boutique's expectation of the total absolute return over the next two years:

Each boutique will then rank their best stock ideas as a Rating level 1, level 2 or level 3 based on performance expectations derived from proprietary modelling. The higher the Conviction Rating, the higher the expected return. Currently over 75% of the stocks are Rating Level 2 or higher, illustrating the opportunities that our boutique firms are uncovering. (Source: Perennial, as at 6 May 2008)

Each boutique presents its high conviction securities to the Partners Trust monthly meeting, which comprises the

heads of each of the boutique businesses. This meeting is chaired by the Portfolio Co-ordinator.

To construct the portfolio, capital is distributed starting from Conviction Rating 1, ensuring the portfolio is tilted towards our highest expected return stock convictions. Next, Conviction Rating 2 securities populate the portfolio, followed by Conviction Rating 3. Consequently, the portfolio securities and weights are assigned. Once the portfolio has been agreed, each boutique is responsible for implementing their stock positions.

Whilst each boutique has a neutral position of 20% of the total portfolio, we can move away from this neutral position should the opportunities available in other boutiques be more compelling. This is only done with the consensus of all Portfolio Managers.

The Perennial Partners portfolio aims to outperform the UBS Bank Bill Index by 5% p.a. (net of fees) over a three to five year time frame.

## RISK MANAGEMENT

- Maximum 10% in any one company or security.
- Minimum number securities held: 40.
- Portfolio cannot be geared.
- Maximum cash limit: 20%.
- The neutral position for each boutique is 20% of the portfolio.

## INVESTMENT TEAM

All Perennial's boutiques contribute to the Partner's Trust, totalling over 45 investment professionals. The Portfolio Managers involved in the Partners Trust and their respective experience includes:

John Murray  
Managing Director  
Perennial Value Australian Shares  
Experience: 25 years

Lee Mickelborough  
Partner  
Perennial Growth Australian Shares  
Experience: 22 years

Stephen Hayes  
Managing Director  
Perennial Real Estate  
Experience: 14 years

Clay Carter  
Senior Portfolio Manager  
Perennial International Shares  
Experience: 27 years

Glenn Feben  
Managing Director  
Perennial Fixed Interest and Cash  
Experience: 30 years

James Soutter  
Partners Trust Portfolio  
Co-ordinator  
Experience: 14 years



FOR MORE INFORMATION  
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