

Perennial Value Shares Wholesale Trust



**PERENNIAL
V A L U E
MANAGEMENT**

PERENNIAL VALUE WAS
FORMED JANUARY 2000

A TEAM OF EIGHT
INVESTMENT
PROFESSIONALS, HEADED
BY JOHN MURRAY

STYLE – VALUE
INVESTMENT
PHILOSOPHY

“Perennial Value aims to buy good businesses that are undervalued with an underlying belief that good businesses are always eventually recognised by markets and re-rated to overall market multiples” . John Murray

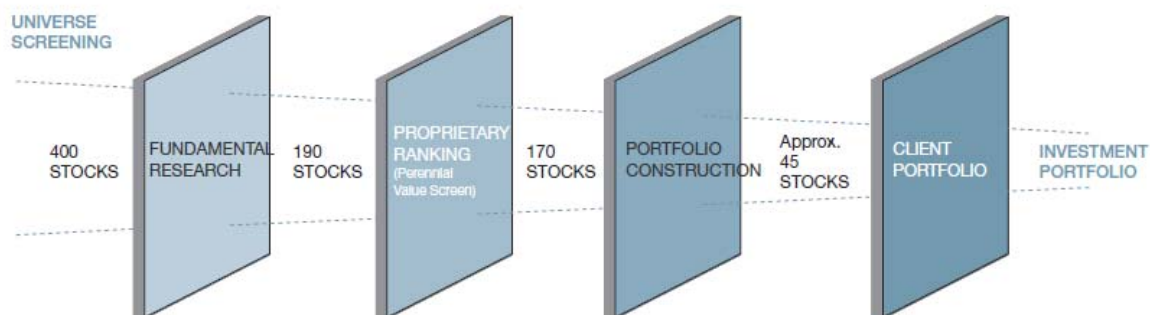
Stock Selection Process

Perennial Value’s investment process begins with screening approximately 400 stocks. These stocks have a market capitalisation of \$50 million or greater. Stocks are eliminated based on factors such as expensive P/E’s, high debt and lack of earnings track record.

Perennial Value
Australian
Shares

Perennial Growth
Australian
Shares

Perennial Value Investment Process



Perennial
International
Shares

Perennial
Australian
Fixed Interest

Perennial
Real Estate
Investments



Perennial Value is a specialist active Australian equities manager, whose investment process is based on a 'value' stockpicking investment style. Perennial Value holds the belief that investment markets are not fully efficient, as asset prices are sometimes driven by irrational influences.

INVESTMENT PHILOSOPHY

Perennial Value is a specialist active Australian equities manager, whose investment process is based on a 'value' stockpicking investment style. Perennial Value holds the belief that investment markets are not fully efficient as asset prices are sometimes driven by irrational influences. As a value investor, Perennial Value aims to buy good businesses that are undervalued, with an underlying belief that good businesses are eventually recognised by markets and rewarded to overall market multiples. Perennial Value aims to return outperformance of 3% p.a. above the Index (S&P/ASX300 Accumulation Index), over rolling three year periods.

STOCK SELECTION PROCESS

Perennial Value's investment process begins with screening approximately 400 stocks. These stocks have a market capitalisation of \$50 million or greater. Stocks are eliminated based on factors such as expensive P/E's, high debt and lack of earnings track record. Detailed modelling and research is then conducted on approximately 170 stocks. To qualify for investment, stocks must have sustainable businesses (qualitative) and offer good value at the current share price (quantitative). Every potential investment opportunity is assessed on its key qualitative and quantitative criteria. These criteria include:

- Sound financial position (low debt).
- Good management.
- Demonstrable profit track record.
- Strong market positions.

Direct company and industry contacts are an integral part of the stock selection process. Relative value is measured by Perennial Value's proprietary stock ranking model, known as the Perennial Value Screen. Having ratified the numbers in the company models, six key financial measures are downloaded from each company model into the Value Screen:

1. Price to earnings.
2. Price to free cash flow (a more rigorous measure than gross cash flow).
3. Gross dividend yield.
4. Price to net tangible assets.
5. Net interest cover (to measure financial strength).
6. Earnings growth.

For each of the six measures, stocks are assigned a ranking, with each measure evenly weighted. Each stock is then assigned a weighted average final score, which determines the final ranking. The outcome of this detailed research process is a list of stocks that are eligible for portfolio inclusion. The next phase of Perennial Value's process is portfolio construction. The major driver of portfolio construction is Perennial Value's desire to deliver a true to label value portfolio at all times. This means that the portfolio has a strong bias towards the best ranking, or best value, stocks in the Value Screen.

RISK MANAGEMENT

- Min./max. investment in any one stock to be not greater than 5% away from index.
- Max. investment in any one stock is 12.5% of issued capital.
- Min./max. investment per GICS sector not greater than 20% from the index.
- Minimum stock market cap. of \$50m at time of acquisition.
- Target ex-ante tracking error of 3-5%.
- Maximum cash holding of 10%.

INVESTMENT TEAM

John Murray is the Managing Director of Perennial Value which he established in January 2000. John has been involved in investment management for 27 years, specialising in Australian equities analysis and portfolio management. He is one of Australia's most respected value investors and is supported by a team of eight:

Tony Oesterheld is a Senior Portfolio Manager and has over 25 years experience managing share portfolios, with expertise in Australian equities value management.

Stephen Bruce joined Perennial Value in April 2000. In 2011, he was promoted to Portfolio Manager and has research responsibility for the banking, healthcare, telecommunications, chemical and agricultural sectors.

Paul Durham has 24 years investment experience and prior to joining Perennial worked as a Senior Analyst at Ord Minnett for 12 years.

Grant Oshry brings over 12 years analysis and dealing experience to the Team. Grant's core responsibility is managing the Smaller Companies Trust and researching small capitalisation industrial stocks.

Damian Cottier joined Perennial Value in May 2005. He is a Senior Equities Analyst/Research Co-ordinator with research responsibility for the insurance, media and LPT sectors.

Andrew Smith focuses on researching smaller companies and has over 11 years experience from previous roles at Linwar Securities and Tyndall.

Terry Couper is a Chartered Accountant and brings to the team a strong grounding in financial analysis from his previous roles at JP Morgan, General Electric and Deloitte.

Steven Yee comes to Perennial with seven years dealing experience for Australian equities portfolios.

Perennial Value was awarded the Morningstar Fund Manager of the Year 2009 – Domestic Equities. The Team was also a finalist in the 2010 S&P Fund Awards – Australian Equity Fund Manager of the Year.

