

Perennial Growth Australian Shares Trust



**PERENNIAL
GROWTH
MANAGEMENT**

PERENNIAL GROWTH WAS
FORMED AUGUST 1999

A TEAM OF SEVEN
INVESTMENT
PROFESSIONALS, HEADED BY
LEE MICKELBROUGH

STYLE – GROWTH
INVESTMENT
PHILOSOPHY

We believe that growing companies generate the most value for shareholders. These companies tend to attract management interested in building businesses rather than merely managing them. Lee Mickelbrough

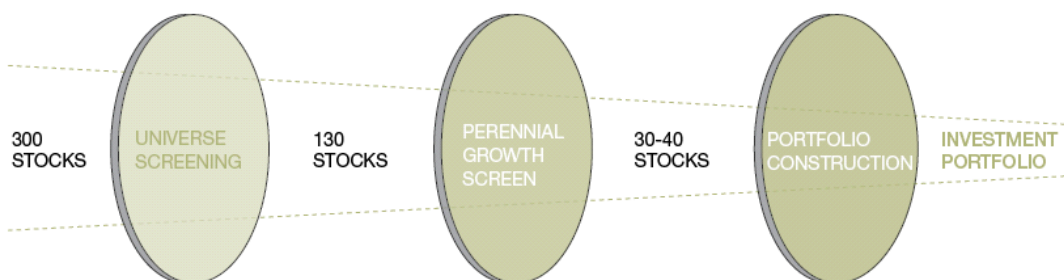
Stock Selection Process

In determining whether a business offers profitable growth and has a sound fundamental base in which to grow, Perennial Growth determines the answers for the following questions: Firstly, does the company have the opportunity to grow? Secondly, can the company execute on these opportunities? Thirdly, does the company pass the profitable growth test and is not merely growing for growth's sake? Finally, what is the appropriate price to pay for the expectation of growth?

Perennial Value
Australian
Shares

Perennial
Growth
Australian
Shares

Perennial Growth Investment Process



Perennial
International
Shares

Perennial
Australian
Fixed Interest

Perennial
Real Estate
Investments



Perennial Growth is a profitable growth investor, seeking to invest in companies that can grow their businesses profitably, as only profitable growth adds value for shareholders.

INVESTMENT PHILOSOPHY

Perennial Growth is a specialist active Australian equities manager, whose investment process is based on a 'growth' investment philosophy. Perennial Growth is a profitable growth investor. Perennial Growth seeks to invest in companies that can grow their businesses profitably.

KEY FEATURES

Perennial Growth focuses on:

1. Profitable Growth – We seek to identify companies that grow profitably, rather than grow their businesses for growth's sake. To do this we focus on the drivers of profitable growth.
2. Lifecycle Valuation Approach – We aim to avoid long-term valuation risks. This approach helps us avoid the typical "growth trap" of paying for blue-sky expectations, commonly built into company valuations. This often occurs because investors underestimate the increase in competition as an industry matures.
3. Original Research – This is Perennial Growth's cornerstone. We value non-broker, independent research. The combination of knowing what the market does and does not know is the basis for assessing growth and valuation.

STOCK SELECTION PROCESS

The process used to analyse and assess investment opportunities focuses on answering four key questions.

1. Opportunity – Can the company grow?
2. Execution – Can the company execute on these opportunities?
3. Profitable Growth Test – Is the growth profitable?
4. Lifecycle Valuation Approach – What should we pay for this growth?

Investment opportunities are those companies which pass all of these tests.

PORTFOLIO CONSTRUCTION

Perennial Growth uses six key measures to rank investment opportunities:

1. Growth in cash earnings – An indication of true underlying growth
2. Return on investment (ROI) – A measure of profitability
3. Change in ROI – Shows the trend in company performance
4. Management – The right personnel employing the right strategy
5. Industry – What is the company's positioning, the industry structure and outlook
6. Lifecycle Valuation Approach – What should we pay, given the long-term valuation risks.

Stocks are then ranked according to an internally generated modelling process with the portfolio showing a bias to the best ranking stocks.

RISK MANAGEMENT

- Target tracking error range: 3-5%.
- Minimum number of stocks: 20.
- Stocks are chosen on their own merit. Sector and size biases play no role in the portfolio's construction.
- Cash exposure will not exceed 5% for any length.

INVESTMENT TEAM

The Perennial Growth team is made up of seven portfolio managers and analysts. The team's first love is stock picking and focusing on original research. The team is headed by Lee Mickelborough who has 24 years investment experience. He conducts portfolio management responsibility for the Perennial Growth Australian Shares capacity. Prior to joining Perennial in 2001, Lee worked with Alpha and CIGNA investment management firms.. Other investment professionals in the team include:

Adrian Mulcahy Firm: 11 years Industry Experience: 23 years	Richard Macdougall Firm: 7 years Industry Experience: 28 years
Andrew Sutherland Firm: 9 years Industry Experience: 19 years	Nick Sladen Firm: 4 years Industry Experience: 10 years
Paul Phillips Firm: <1 year Industry Experience: 8 years	Chris Collins Firm: 1 year Industry Experience: 7 years

The Perennial Growth Team was awarded the Money Management/LONSEC 2008 Fund Manager of the Year – Broadcaps.

