Perennial Cash Enhanced Wholesale Trust

Monthly Report as at 28 February 2013

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Cash Enhanced Wholesale Trust*	0.45	1.41	4.69	6.62	6.10	6.31	6.75
UBS Bank Bill Index	0.22	0.78	2.26	3.73	4.32	4.47	4.80
Value Added (Detracted)	**0.23**	**0.63**	**2.43**	**2.89**	**1.78**	**1.84**	**1.95**
Net Performance	0.42	1.30	4.42	6.21	5.68	5.90	6.32

*Gross Performance. **Past performance is not a reliable indicator of future performance.**

- The Trust again outperformed its benchmark, exceeding the Index return by 0.23%.
- In terms of sector strategies, the stand out performer was Australian AAA rated prime Residential Mortgage Backed Securities (RMBS).
- We continue to believe that an overweight position to the corporate debt and asset backed securities will outperform bank bills.

Performance

Money market yields finished the month little changed, although cash rate expectations edged a little higher offset by Overnight Index Swap (OIS) spreads narrowing to historically tight levels. While the Reserve Bank of Australia (RBA) did not ease monetary policy at its February meeting, markets have priced in another cash rate easing by the April meeting and another by mid to late 2013. This pricing has been supported by the weaker domestic economic data that followed including retail sales, employment data when one looks deeply into it and credit growth.

The UBS Bank Bill Index (the Index) returned 0.22% over the month. The Perennial Cash Enhanced Wholesale Trust (the Trust) returned 0.45% and again exceeded the Index return by 0.23%.

The Trust's meaningful overweight exposure to the OIS spread, through mid-term bank bills, added value when the OIS spread contracted by some 10 basis points (bps).

Sector and security strategies remain an important source of alpha as the additional spreads being paid by regional banks for 3 to 12 month deposits remain historically high. Term deposits offered by the 'big four' Australian banks, which continued to pay up for fixed term deposits, also added value.

At month end, the weighted average yield of the Trust was 3.95%, as compared to the Index yield of 3.00%.

Market Review

Yields trended up over most of the month before rallying into the close due flight to quality flows resulting from an inconclusive outcome from the Italian election. The resultant modest fall in yields over the month resulted in some capital gain which helped boost fixed interest returns.

On the economic data front, releases were on the soft side and reinforced the picture of sluggish economic conditions late last year. Retail sales, building approvals and housing finance all fell over December. On the brighter side, consumer confidence bounced strongly in February and there was a small lift in business confidence in January, albeit off low levels. Perhaps the key release for the month was Q4 capital expenditure. The first look at the 2013/14 spend was $152.5 billion, which compared with a spend of $168 billion for 2012/13 suggests that business investment will modestly detract from growth over the coming financial year.

Perennial Cash Enhanced Wholesale Trust: Facts

The Trust aims to provide a total return that exceeds the benchmark, UBS Bank Bill Index, over rolling three-year periods by 0.50% p.a. (before fees).

Portfolio Manager: Glenn Feben	**Risk Profile:** Low
Trust FUM (as at 28/02/13): AUD89.5 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 28/02/13): AUD6.4 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: August 1994	**APIR code:** IOF0047AU

Ratings: Lonsec Recommended

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Against this backdrop, the three year government bond yield rose to a high of 2.94% before ending the month at 2.74%. Yields at the shorter end of the curve were little changed with three and six month bank bills ending the month at 2.97% (up 2 bps) and 2.93% (down 2 bps).

At the longer end of the yield curve, the ten year government bond yield rose to a high of 3.59% on stronger global risk appetite before the inconclusive Italian election result triggered flight to quality flows that helped the long bond end the month 10 basis points lower at 3.35%. Given these moves, there was some minor flattening in the spread between three and ten year government bonds, which came in 2 basis points, to +61 bps.

Credit markets finished the month 7 bps tighter with the iTraax index at 114 bps, thus continuing the strong start to 2013. The earnings season produced an overall positive set of results, particularly in the banking sector. Primary markets took a breather after an active January, but it did not stop the CBA and Westpac both raising over $2 billion by issuing residential mortgage backed securities into the domestic primary market. The month concluded with the inaugural AUD bond issued by the National Bank of Abu Dhabi. This issue provided further evidence of both the demand for AUD denominated debt as well as the continued diversity of companies issuing bonds in the Australian corporate bond market.

Market Outlook

Modest downward revisions to its near term growth and inflation forecasts in the February Statement of Monetary Policy and subsequent commentary from officials, indicated that the RBA have a clear easing bias.

Our view remains that the growth and inflation outlook will allow the RBA room to ease monetary conditions further in the quarters ahead and we continue to target a 2.5% cash rate as the nadir in the current easing cycle. By 2014, we expect to see the interest rate sectors of the economy gaining momentum and the RBA beginning to wind back the amount of monetary policy accommodation. Such a profile is largely priced in by the market which is discounting a 2.5% cash rate by September 2013. We continue to regard the shorter end of curve as broadly fairly valued.

The main risk to our view is that a powerful and persistent rise in equity markets creates a positive feedback loop into the real economy and negates the need for further easing as consumer and business spending lift.

We still regard the longer end of the curve as being on the expensive side of fair value and offering investors' little protection against an ongoing improvement in risk appetite, further improvement in the economic outlook or signalling by the US Fed of a wind back in quantitative easing. While we remain of the view that a major sell-off at the long end is still some time away, given offshore policy settings, we continue to hold a modest strategic defensive duration bias.

While the rally in credit spreads has released much of the value we saw in the sector, credit spreads at current levels remain moderately attractive in a low yield environment and we continue to persist with an overweight allocation to spread sectors, most notably semi-government and corporate debt.

Investment Strategy

The following is a summary of the key strategies in the Trust.

Interest rates – at the end of the month, the duration position of the Trust was as follows:

Modified Duration	Years
Trust	0.11
Index	0.13
Active Position	-0.02

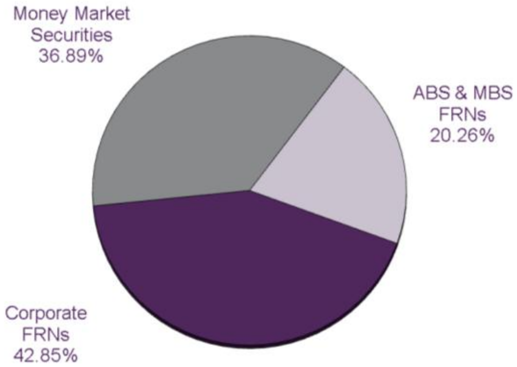
Interest rates – neutral duration: Short term interest rates, including the market's cash rate expectations through 2013 and early 2014, are broadly in line with our assessment of 'fair value' given the slightly softer domestic economic conditions and well contained inflation. Accordingly, we maintain a neutral duration position relative to the Index.

Sector allocation: Regional and Australian branches of some large global banks continued to pay a premium to attract deposits. These premiums have reduced, but are still worth participating in for investors of the Trust for a prudent portion of the Trust. We continue to selectively access the term deposits of the 'big four' Australian banks. The deposits offer attractive yields while ensuring that a spread of maturities exists within the Trust to improve overall flexibility.

Given the very tight levels of OIS spreads, some caution is being exercised in relation to our exposure to this through the purchase of mid-term bank bills.

Trust Snapshot

Sector Allocation



Credit Rating Distribution