Perennial Growth High Conviction Shares Trust

Monthly Report as at 30 November 2012

	Month %	3 Months %	Financial YTD %	1 Year %	2 Years **% p.a.**	3 Years **% p.a.**	Since Inception^ **% p.a.**
Perennial Growth High Conviction Shares Trust*	0.5	7.8	14.2	12.2	0.9	2.3	-0.8
S&P/ASX 200 Accumulation Index	0.5	5.8	12.6	14.8	3.9	3.1	-0.1
Value Added (Detracted)	**0.0**	**2.0**	**1.6**	**-2.6**	**-3.0**	**-0.8**	**-0.7**
Net Performance	0.4	7.5	13.7	11.0	-0.2	1.3	-1.8

* Gross Performance. ^ Inception Date: 6 March 2007. **Past performance is not a reliable indicator of future performance**.

- The Chinese economy showed signs of improvement, with manufacturing moving back into expansionary territory and industrial production increasing.
- The strongest performing sectors were telecommunications (up 5.6%), property (up 5.2%) and industrials (up 3.6%)
- The biggest positive contributor to performance was CSL (up 8.8%).

Trust Performance Overview

The Perennial Growth High Conviction Shares Trust (the Trust) finished up 0.5% during November, in line with the S&P/ASX 200 Accumulation Index (the Index) return.

The top performer during the month was CSL (up 8.8%), after revising its profit forecast upwards from 12% growth to 20% late in the month. The earnings upgrade was attributed to a combination of higher sales volume and a better mix of higher priced liquid intravenous immunoglobulin, supply chain efficiencies (especially in plasma collection) and higher than expected royalties from the Gardasil vaccine. CSL has the industry leading position in terms of product breadth and geographic reach, and is the low cost operator in the industry. This is allowing CSL to grow faster than the already healthy industry growth rates and deliver superior cash generation.

Also contributing positively was Challenger (up 3.1%). The company announced it had received final APRA approval for its transition to the new LAGIC capital standards and also announced its plans to buy back AUD50 million of stock on market over the next six months. Financial year 2013 guidance was also reiterated at its AGM.

Another significant positive contributor was Crown (up 5.5%). Crown performed well during the month, largely due to improved volume and market share figures from its Macau gaming investment, Melco Crown. Following a mid-year slump in growth rates from Macau (especially in the premium player market), the past two months have seen a stabilisation and modest recovery in volumes. The mass market in Macau has remained robust during the year, with growth still running above 10%. Domestically, market growth is subdued, but Crown in Melbourne has been helped by the introduction of ATM restrictions in pubs and clubs that do not apply to the casino.

Perennial Growth High Conviction Shares Trust

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and income, by investing in a concentrated selection of shares. Although the Trust is benchmark unaware in Trust construction, the Trust will aim to provide a total return (before fees) that exceeds the S&P/ASX 200 Accumulation Index by 4% p.a. measured on a rolling five-year basis.

Trust Manager: Lee Mickelburough	**Risk Profile:** High
Trust FUM (as at 30/11/12): AUD14.2 million	**Income Distribution Frequency:** Half yearly
Team FUM (as at 30/11/12): AUD2.9 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: March 2007	**APIR code:** IOF0089AU

The most significant negative contributor during the month was Origin (down 3.3%). The company announced a small downgrade to its earnings guidance for 2013 following a combination of negative regulatory decisions in Queensland, New South Wales and South Australia, including the Queensland decision on wholesale power announced some months earlier and an adverse decision on price recovery for subsidised domestic solar panel installations. These imposts are expected to knock approximately 5% off reported net profit in the current financial year. Despite the negative developments in the electricity market, east coast gas prices have been moving up significantly over the past two quarters. Given Origin's rising gas production profile, we expect to see some solid gains from that division through 2013.

Another stock to detract value during the month was Fortescue (down 4.2%), which underperformed on the back of easing iron ore prices. Over the next four months Fortescue is going to enter a strong volume growth period which will see production almost double from current levels. While we acknowledge that there is commissioning risk associated with the significant volume ramp up, we remain comfortable owning the stock given the forecast valuation upside and strong cash flow growth.

Trust Activity

We added BHP to the Trust during the month. We believe that one of the key differentiators in the mining sector going forward will be the ability of management to reduce costs and sweat assets harder. We believe that BHP has a significant opportunity to differentiate itself in this respect through both an improved focus on operating assets and asset sales.

Caltex was added to the Trust in November. Caltex is a leading distributor, marketer and refiner of transport fuels in Australia. Caltex's distribution and marketing operations earn above average return on invested capital (ROIC) and achieve steady growth of 5% to 10% per annum to retail and commercial customers. However, this solid performance has been masked by the extreme earnings volatility and cash hungry nature of the refining operations. Caltex announced a strategic plan in July to close the high cost refinery at Kurnell in Sydney and transform the site into a bulk refined product import terminal in 2014. This site will supply the majority of transport fuels in New South Wales and is a highly strategic asset. This plan is expected to reduce earnings volatility and allow capex to be focused on higher ROIC opportunities in terminal infrastructure and convenience outlets. We value Caltex at AUD22.00 (20% upside) with earnings risk in the near term from elevated global refiner margins, which do not appear to be reflected in consensus earnings forecasts.

We initiated a position in Regis, a gold producer that we forecast to have strong volume growth and high ROIC. The forecast high return is a direct reflection on management's focus on relatively straightforward projects which results in superior capital efficiency. The strength of the management team is a key attraction to the stock. Regis' key asset is the Duketon Gold Project located in the Laverton region of Western Australia, including the Garden Well and Moolart Well Gold mines. The MacPhillamy's Project, based near Orange in NSW, represents a longer term growth option that provides some diversification.

We also added to positions in ALS, Origin, Mayne Pharma and Challenger.

During the month, we sold our position in JB Hi-Fi following recent outperformance. Given the relatively high fully franked dividend yield, we believe that it has become a focus for yield investors, along with those positioning for a consumer recovery, which we feel may still be premature. Towards the end of the month, the company also announced that it intended to move into the white goods, cooking and home appliance markets, which we view negatively.

We reduced our holdings in QBE Insurance, Crown and Oil Search.

At the close of the month the Trust held 22 stocks and had a cash balance of 1.8%.

Market Overview

Most major global equity markets rose, with Japan's Nikkei (up 5.8%), Hong Kong's Hang Seng (up 1.8%), UK's FTSE100 (up 1.5%) and the US S&P500 (up 0.3%) all rising. China's Shanghai Composite (down 4.3%) was the exception.

The US Presidential election resulted in Barack Obama successfully gaining a second term of office, leaving the Democrats with a majority in the Senate but a minority in the House of Representatives. Subsequent focus has been concentrated on the looming fiscal cliff and the ability of the politicians to broker a deal and avert an outcome that has the potential to significantly derail economic growth. Economic data releases showed an increase of 171,000 in non-farm payrolls, although the unemployment rate increased marginally to 7.9% as a consequence of an increase in the participation rate. The ISM manufacturing measure increased and remains expansionary, while housing market data points suggest ongoing improvement.

As China ushered in a new leadership team, the Chinese economy continued to show signs of improvement, with manufacturing moving back into expansionary territory and industrial production increasing. The trend towards greater stability in Europe was evident, with peripheral European government bond yields falling to the lowest levels in 2012 and the Eurozone reaching an agreement with the International Monetary Fund enabling the next tranche of aid for Greece to be released.

Domestically, the Reserve Bank of Australia elected to keep the cash rate unchanged at 3.25% citing the effects of previous rate cuts and an improving global outlook. There was a net increase of 10,700 jobs, with the unemployment rate holding firm at 5.4%. Estimates for private capex spending intentions in Australia for financial year 2013 fell around 3%, as the forecast peak in the mining boom grows nearer. In the face of ongoing high demand for Australian bonds from central banks, the Australian dollar once again remained resilient versus most major currencies with the AUD/USD exchange rate closing the month up 0.5% at USD1.043.

Most commodities traded stronger during the month, with aluminium (up 9.9%), nickel (up 9.0%), copper (up 3.0%) and Brent Crude (up 2.3%) all rising. The exception was iron ore (down 3.1%) which retraced some of its recent gains. Gold (down 0.3%) fell marginally to finish at USD1,715 per ounce.

All sectors within the domestic market finished in positive territory, with the strongest performing sectors telecommunications (up 5.6%), property (up 5.2%) and industrials (up 3.6%), while IT (up 0.3%), energy (up 1.1%) and utilities (up 1.1%) all underperformed the Index.

Top Ten Holdings as at 30 November 2012

Stock	Trust Weight %	Index Weight %
Challenger Limited	9.3%	0.2%
Origin Energy	8.2%	1.1%
Lend Lease Group	7.9%	0.4%
Incitec Pivot	6.2%	0.5%
CSL Limited	5.4%	2.4%
PanAust Limited	5.0%	0.1%
Brambles Limited	5.0%	1.0%
Crown Limited	4.9%	0.4%
BHP Billiton Limited	4.9%	10.1%
QR National Limited	4.9%	0.0%

Asset Allocation as at 30 November 2012

Stock Name	Trust Weight %	Index Weight %
Energy	17.6%	6.3%
Materials	31.3%	21.3%
Industrials	15.5%	6.5%
Consumer Discretionary	4.9%	3.5%
Consumer Staples	0.0%	8.7%
Health Care	6.6%	4.4%
Financials-x-Real Estate	14.3%	34.3%
Real Estate	7.9%	7.4%
Information Technology	0.0%	0.7%
Telecommunication Services	0.0%	5.1%
Utilities	0.0%	1.8%
SPI Futures	0.0%	
Cash	1.8%	

Rounding accounts for small +/- from 100%.

Signatory of:

PRI Principles for Responsible Investment