Perennial Socially Responsive Shares Trust

Monthly Report as at 30 November 2012

	Month %	3 Months %	Financial YTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Socially Responsive Shares Trust*	0.5	3.7	11.5	14.0	1.8	1.9	-3.4
S&P/ASX 300 Accumulation Index	0.4	5.6	12.3	14.2	3.5	2.9	-3.0
Value Added (Detracted)	**0.1**	**-1.9**	**-0.8**	**-0.2**	**-1.7**	**-1.0**	**-0.4**
Net Performance	0.4	3.4	11.1	12.9	0.8	0.9	-4.3

* Gross Performance. **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 Mayne Pharma (up 21.6%).

Trust Performance Overview

The Perennial Socially Responsive Shares Trust (the Trust) finished up 0.5% during November, outperforming the S&P/ASX 300 Accumulation Index (the Index) return of 0.4% by 0.1%.

The top performer during the month was Mayne Pharma (up 21.6%). The pharmaceutical company announced the completion of the acquisition of Metrics during the month. Metrics is a US based provider of contract development services to the pharmaceutical industry and also develops generic drugs. The acquisition will significantly increase Mayne Pharma's revenues and offers the company transformational growth opportunities in a number of markets.

Another significant positive contributor was Infigen Energy (up 16.7%). At the end of last month the company provided Q3, 2012 production and revenue figures which showed that total group production and revenue ahead 4% and 9% respectively compared to the previous comparable period.

Also performing strongly 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.

Perennial Socially Responsive Shares Trust

The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis, by investing in a selection of listed companies which also embrace and engender social performance in their corporate culture.

Trust Manager:
Lee Mickelburough

Risk Profile:
High

Trust FUM (as at 30/11/12):
AUD53.9 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 30/11/12):
AUD2.9 billion

Minimum Initial Investment:
$25,000

Trust Inception date:
December 2001

APIR code: IOF0117AU

The most significant detractor to performance was QBE Insurance (down 17.0%). The company announced that the retained losses from Hurricane Sandy are likely to be USD350 to USD450 million. The impact of this, coupled with a number of other provisions, led to the company downgrading the guidance for its insurance margin to 'around 8%' and financial year 2012 net profit after tax pre-amortisation to 'in excess of $1,000 million'. We believe that the company is dealing with a number of legacy issues, which date back some years ago, and this latest downgrade has negatively impacted our confidence in the company, its return profile and the outlook for its share price. As a result, we elected to significantly reduce our position during the month, initially to Index weight. We believe that management has a serious credibility issue with the market and decided to reduce our exposure. We await the full year result to reassess our view on this company.

Another stock to detract value during the month was Telstra (not held, up 4.1%). Telstra hosted its annual investor day at the end of October where management confirmed ‘low single digit’ growth to earnings and maintenance of the coveted AUD0.23 dividend for the 2013 financial year. Management also alluded to continued strength in the mobile market, where Telstra is taking further market share from Vodafone, but with an offsetting decline in the fixed line and media businesses. Once again, the yield provided attraction for investors despite its expensive valuation versus global peers.

Trust Activity

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.

Seek was also added in November after falling back to attractive levels. The combination of material valuation upside, strong and improving ROIC and strong long term growth make this a compelling investment opportunity. Recent share price weakness followed a series of weak data points surrounding employment in Australia. This business is a material part of the group and attracts most of the market’s attention. Our expectation is that this business will continue to dominate its space, but will struggle to grow strongly given its market share. Our attraction to the company is its rapidly developing international businesses where it hopes to replicate this local success. The most developed business is Zhaopin China, where it is number two in the market place. This fast developing market, which in total is still less than the size of Seek in Australia, has the potential to create significant value for shareholders. The current market focus is very short term and in our view does not appear to be recognising these valuable growth drivers.

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 added to positions in ALS, WorleyParsons 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 intends to move into the white goods, cooking and home appliance markets, which we view negatively.

We reduced our holdings in QBE Insurance.

At the close of the month the Trust held 35 stocks and had a cash balance of 2.0%.

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

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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 %
SPI Futures	7.9%	0.0%
ANZ Banking Grp Ltd	7.7%	6.0%
National Aust. Bank	7.0%	5.0%
Commonwealth Bank.	6.7%	8.7%
Origin Energy	5.0%	1.1%
Westpac Banking Corp	4.8%	7.1%
CSL Limited	4.7%	2.4%
Lend Lease Group	4.1%	0.4%
Challenger Limited	3.4%	0.2%
Newcrest Mining	3.3%	1.8%

Asset Allocation as at 30 November 2012

Stock Name	Trust Weight %	Index Weight %
Energy	13.8%	6.5%
Materials	12.9%	21.4%
Industrials	8.8%	6.7%
Consumer Discretionary	0.0%	3.7%
Consumer Staples	0.0%	8.6%
Health Care	11.7%	4.5%
Financials-x-Real Estate	33.4%	33.7%
Real Estate	4.1%	7.3%
Information Technology	2.2%	0.7%
Telecommunication Services	0.0%	5.1%
Utilities	3.1%	1.8%
SPI Futures	7.9%	
Cash	2.0%	

Rounding accounts for small +/- from 100%.

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