

Perennial Socially Responsive Shares Trust

Monthly Report as at 31 October 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*	2.3	7.2	10.9	9.1	1.7	1.9	-4.1
S&P/ASX 300 Accumulation Index	2.9	7.4	11.9	9.9	2.8	3.4	-3.6
Value Added (Detracted)	-0.7	-0.2	-1.0	-0.8	-1.1	-1.5	-0.5
Net Performance	2.2	6.9	10.6	8.0	0.7	1.0	-5.0

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

- The Chinese economy showed signs of improvement, with quarter three 2012 GDP coming in at 7.4%.
- 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 Fortescue (up 16.9%).

Trust Performance Overview

The Perennial Socially Responsive Shares Trust (the Trust) finished up 2.3% during October, underperforming the S&P/ASX 300 Accumulation Index (the Index) return of 2.9% by 0.7%.

The top performer during the month was Fortescue (up 16.9%). Iron ore markets continued to recover during October, resulting in the outperformance of Fortescue. The site visit at the end of the month also confirmed that the expansion projects are on track and substantially progressed. This provided the market with greater confidence that timelines and budgets will be achieved.

Another significant positive contributor was Lend Lease (up 10.4%). The stock reversed the prior month's underperformance as an investigation into accounting discrepancies at construction subsidiary Abigroup was satisfactorily concluded. As we anticipated, the investigation found that the discrepancies were isolated to two projects and the net effect had no material impact on the group's profit or outlook of the fundamental value of the company. Management involved have been terminated. We increased our Trust weighting to index positive 2.75%, as we expect the market focus to return to Lend Lease's attractive ROIC and growth profile, supported by its strong construction and development order book. There is significant valuation upside to the stock based on our valuation metrics.

JB Hi-Fi (up 13.0%) also contributed positively during the month. The recent rate cut by the Reserve Bank of Australia (RBA), and expectations of further cuts, provided some support to the discretionary retail sector. JB Hi-Fi also provided an update on trading conditions at its AGM and stated that while conditions remain challenging, they are within previously stated expectations. Additionally, we believe that a material amount of JB Hi-Fi stock that had been sold short may have been recalled by holders of the

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 Mickelborough

Risk Profile:
High

Trust FUM (as at 31/10/12):
AUD53.9 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 31/10/12):
AUD2.9 billion

Minimum Initial Investment:
\$25,000

Trust Inception date:
December 2001

APIR code: IOF0117AU

stock in order to vote on AGM resolutions, and this in turn may have created forced short cover in the name.

The most significant detractor to performance during the month was Heartware International (down 11.7%). The company announced that it would be withdrawing from the REVIVE-IT medical trials, which compares the safety and efficacy of its HeartWare Ventricular Assist System versus optimal medical therapy in less sick (Class III) heart failure patients. The stock has been a significant outperformer over the past twelve months and apart from this announcement, there was no material stock specific news to drive the weakness in the share price in October.

Another significant detractor to performance was Infigen Energy (down 9.4%). The company provided third quarter 2012 production and revenue figures, which showed that total group production and revenue ahead 4% and 9% respectively, compared to the previous comparable

period. Despite this seemingly positive update, the stock underperformed.

The most significant detractor to performance was Newcrest (down 9.3%). Newcrest's performance during the month was driven by the decline in gold price and the release of the Wafi-Golpu Technical Report, which highlighted relatively poor economics for this project given the substantial upfront capital expenditure required. In the shorter term, the investor day and site visit early in the month provided confidence that management has provided a platform from which they should be able to meet the ramp up targets at both Cadia and Lihir

Trust Activity

Worley was added to the Trust during the month, as we took advantage of share price weakness around the company's AGM commentary. Worley is a global leading provider of engineering and project management services for the hydrocarbons, minerals, power and environmental sectors. At Worley's AGM during the month, the company stated that it expected first half profit will be flat but that financial year profit is still expected to deliver "good" growth (which we interpret as meaning greater than 10%). The more difficult first half performance reflected some reorganisation and redundancy costs in the Australian mining business and some project delays in Canada. Both issues are expected to be transitory and the underlying core business in hydrocarbons continues to grow solidly. Worley's business is 70% exposed to hydrocarbons projects, with specialisation in large and challenging projects for Tier 1 global producers where capital expenditure plans tend to be less cyclical. The company has a long track record of superior return on invested capital and growth, and significant valuation upside based on our valuation metrics.

We initiated a position in ALS Limited during the month. The company provides analytical laboratory and technical services to support mining and mineral exploration, commodity certification, environmental monitoring, equipment maintenance, food and pharmaceutical quality assurance. The group, having added new businesses in the food and environmental areas, has reduced the cyclically exposed portion of its business while increasing exposure to areas that we believe have a strong structural tailwind. The core minerals and energy businesses will

continue to be a material driver for the group given its strong competitive position. Based on our metrics, the company exhibits significant valuation upside, strong returns and an attractive growth profile.

We added to positions in Mayne Pharma, Incitec Pivot, Macquarie Atlas Roads Group and Resmed.

We sold our position in Woodside Petroleum due to its limited relative valuation upside and increased concerns that the company is likely to execute relatively expensive acquisitions. We also sold positions in UGL and Transfield Services.

We reduced our holdings in JB Hi-Fi, Sims Metal Management, AMP, CSL and Fortescue.

At the close of the month the Trust held 34 stocks and had a cash balance of 4.8%.

Market Overview

Despite the strong performance of the domestic equity market, global markets were mixed with Hong Kong's Hang Seng (up 3.8%), UK's FTSE100 (up 0.7%) and Japan's Nikkei (up 0.7%) all rose. The US S&P500 (down 2.0%) and China's Shanghai Composite (down 0.8%) both fell.

It was strong month for US economic data releases, with annualised quarter three 2012 GDP coming in ahead of expectations at 2.0% and the unemployment rate falling to 7.8%, its lowest reading since January 2009. The ISM manufacturing measure moved back into expansionary territory, while significant increases in both housing starts and building permits point to the ongoing recovery in the housing market. The consumer sector continued to show evidence of improvement, with both sentiment and credit growth strong. US news flow was focused on the impending presidential election, with polls suggesting the outcome will be tight, while the arrival of Hurricane Sandy caused widespread damage to the East Coast.

The Chinese economy showed signs of improvement, with quarter three 2012 GDP coming in at 7.4%, industrial production increasing and Premier Wen Jiabao highlighting 'stabilising growth'. Within government bond

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markets the peripheral European bond markets saw yields fall as the European Central Bank reiterated its readiness to intervene and make purchases, while yields in the perceived safe havens of the US, UK and Germany ticked up. Despite this, the valuation gap between equities and bonds remained extremely stretched in our opinion, and with asset allocation skewed towards defensive assets, this has the potential to drive meaningful equity outperformance.

Domestically, the RBA cited slowing global economic growth and its expectations for the imminent peak in resources investment, when it elected to reduce the cash rate by 25 basis points to 3.25%. Despite a net increase of 14,500 jobs, the unemployment rate rose to 5.4% following a significant increase in the participation rate. Despite narrowing interest rate differentials, the Australian dollar once again remained resilient against most major currencies, with the AUD/USD exchange rate closing the month unchanged at US1.038.

Most commodities traded softer during the month, with Nickel (down 12.3%), aluminium (down 9.8%), copper (down 5.4%) and Brent crude oil (down 3.3%) all falling. The exception was iron ore (up 14.5%), which continued its recovery to finish up strongly. Gold retreated (down 2.9%) to finish at USD1,721 per ounce.

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

Top Ten Holdings as at 31 October 2012

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	8.1%	6.2%
SPI Futures	7.9%	0.0%
National Aust. Bank	7.5%	5.3%
Commonwealth Bank.	6.5%	8.4%
Origin Energy	4.9%	1.1%
Westpac Banking Corp	4.8%	7.1%
CASH	4.8%	0.0%
CSL Limited	4.4%	2.2%
Lend Lease Group	4.2%	0.4%
Newcrest Mining	3.4%	1.8%

Asset Allocation as at 31 October 2012

Stock Name	Trust Weight %	Index Weight %
Energy	11.9%	6.7%
Materials	12.3%	21.5%
Industrials	6.8%	6.8%
Consumer Discretionary	0.6%	3.5%
Consumer Staples	0.0%	8.5%
Health Care	10.8%	4.2%
Financials-x-Real Estate	35.7%	34.1%
Real Estate	4.2%	7.4%
Information Technology	2.2%	0.7%
Telecommunication Services	0.0%	4.9%
Utilities	2.7%	1.7%
SPI Futures	7.9%	-
Cash	4.8%	-

Rounding accounts for small +/- from 100%.

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