PERENNIAL GROWTH MANAGEMENT

Perennial Socially Responsive Shares Trust

Monthly Report as at 31 May 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*	-7.3	-4.6	-7.9	-9.0	-2.4	5.5	-4.7
S&P/ASX 300 Accumulation Index	-6.7	-4.4	-7.5	-9.3	0.4	6.8	-4.3
Value Added (Detracted)	**-0.6**	**-0.3**	**-0.4**	**0.3**	**-2.8**	**-1.3**	**-0.4**
Net Performance	-7.4	-4.9	-8.7	-9.9	-3.4	4.5	-5.6

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

- The largest positive performance contributor was HeartWare International Inc (up 8.4%).
- The Trust added to the existing position in QBE Insurance Group Limited (QBE) during the month.
- Chinese data released during the month suggested a slowing of some areas of the economy.

Trust Performance Overview

The Perennial Growth Socially Responsive Shares Trust (the Trust) finished down 7.3% in May, underperforming the S&P/ASX300 Accumulation Index (the Index) return by 0.6%, with the Index down 6.7% for the month.

On current measures the valuation of a number of domestic defensive stocks appear to be stretched. Stocks such as Telstra Corporation Limited (Telstra) and Woolworths Limited (Woolworths) are trading at a significant premium to our valuation target. Conversely, the valuation upside to our current Trust based on valuation metrics is at elevated levels. Rarely has the valuation gap between the Trust and the defensive areas of the market been so pronounced.

The largest positive performance contributor was HeartWare International Inc (up 8.4%). Following a favourable vote last month regarding the safety of the company's Ventricular Assist System (VAS) from the US Food and Drug Administration Advisory Commission (FDA), the company announced the publication of results from ADVANCE, the company's U.S. clinical trial evaluating the use of the HeartWare VAS as a bridge to heart transplantation in patients with advanced heart failure. The company is still awaiting full FDA approval for the device, but recent company announcements suggest that progress is being made towards achieving this. Given the stock is listed in both the US and Australia, the share price has also been a beneficiary of the appreciation of the US dollar versus the Australian dollar.

Another positive performance contributor was BHP Billiton Limited (not held, down 10.1%). The company underperformed the market as a consequence of concerns around the health of the global economy and the outlook for growth, with concerns around a slow down in China seeing commodity markets and resource stocks sold off.

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 31/05/12):
AUD48.4 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 31/05/12):
AUD2.7 billion

Minimum Initial Investment:
$25,000

Trust Inception date:
December 2001

APIR code: IOF0117AU

Mayne Pharma Group Limited (Mayne) (up 22.4%) also contributed positively. At the start of the month the company announced that the US District Court for the District of New Jersey upheld the validity of the US patent covering its Doryx 150mg product. While it also determined that competitor generic versions of the drug did not infringe the patent, it was still seen as a positive outcome for the company. Mayne also announced the appointment of a new sales and marketing manager during the month, who will have a focus on growing sales within the domestic own brand business.

The biggest detractor to performance during the month was Sims Metal Management Limited (down 22.9%). During the month, the company provided a trading update which stated that earnings for FY12 will be materially less than 85% of the prior corresponding period, including a $36 million pre-tax gain on an asset sale. Global competitor Schnitzer Steel also provided a trading update which noted that global demand for scrap has remained soft and a tepid US recovery and lower than normal spring scrap flows have resulted in tighter supply and margins.

Challenger Limited (Challenger) (down 17.6%) also underperformed. There have been a number of recurring concerns expressed by investors, most of which, while not completely resolved, look to be more than imputed into the current stock price. The areas of concern are largely related to capital and the potential need for a raising to supplement current levels. Revised capital rules are set to be finalised by Australian Prudential Regulation Authority in October, with the new framework taking effect from 1 January 2013. The areas of focus include the composition of capital, asset charges under various stress scenarios, the illiquidity premium relating to discounting future liabilities and the transition arrangements for subordinated debt. The sum of these impacts, after taking account of organic capital generation, leaves us feeling confident that the transition to the new regime is manageable, with a low probability of the need for a capital raising. With this in mind our fundamental assessment shows significant valuation upside from current levels.

Telstra (not held, up 0.3%) also detracted value. The stock performed relatively well during May, as the company was seen as a safe haven given its predictable dividend yield over the next year. Over the past six months, it has tracked the performance of government bonds closely as international investors, in particular, focused on the company's elevated dividend payout ratio.

Trust Activity

The Trust added to the existing position in QBE Insurance Group Limited (QBE) during the month, taking advantage of weakness to add to the position. There was no shortage of issues to drive the stock, with the regulator's review on Lenders Placed Insurance in New York the latest challenge for the group. This represents 1% of QBE's Lenders Placed business but does highlight some of the concerns around the pricing of such a cover. This is a cyclical business and we expect that it will in time become less of a driver of earnings. The more compelling news has been from fellow Property and Casualty insurers in the US. The commentary from many of these companies on insurance rates has been consistently positive and in line with QBE's own comments.

Fortescue Metals Group Limited (down 18.1%) fell significantly further than the iron ore spot price (down 6.3%) during the month. At current levels we see significant valuation upside to the stock price based on our valuation metrics. We expect the company to achieve its 55 million tons FY12 production target, and the plans to increase production to 155 million tons per annum remain on track with the company well capitalised to do this. We believe the stock is well over sold and took advantage of this weakness to add to the Trust's position during the month.

We also added to the position in PanAust Limited during the month, following share price weakness.

We sold down the position in Carsales.com during the month as the company's share price approached our valuation. The Trust trimmed positions in Heartware International Inc, Sonic Healthcare Limited, OneSteel, National Australia Bank and Seek Limited.

At month end stock numbers stood at 36 with cash at 4.7%.

Market Overview

Macroeconomic factors once again dominated sentiment, with no definitive outcome at the Greek political elections at the start of the month proving the catalyst for heightened concerns for the region's economic sustainability, an elevated risk of a Greek exit from the European Union and increased government borrowing costs in a number of European nations. Alongside this, concerns of slowing economic growth in China and the US added to market woes. As a consequence equity markets fell sharply, with Hong Kong's Hang Seng down 11.7%, Japan's Nikkei down 10.3%, UK's FTSE100 down 7.3%, the US S&P500 down 6.3% and China's Shanghai Composite down 1.0%.

Chinese data released during the month suggested a slowing of some areas of the economy, with industrial production falling to a three year low of 9.3% year on year and a material reduction in both exports and imports pointing to slowing manufacturing activity. Despite this, growth in China remains above the government's 7.5% per annum target, and the Chinese authorities have shown themselves to be committed to providing the necessary measures to stimulate the economy as exemplified by recent reductions to the reserve requirement, increased infrastructure spending and government subsidies for home appliances and autos. US data showed revised economic growth at an annualised rate of 1.9%. The unemployment rate fell slightly to 8.1%, with nonfarm payrolls increasing by 115,000.

Domestically, the Reserve Bank of Australia took the decision to ease rates by 50 basis points, taking the cash rate to 3.75%. This move further highlighted the emergence of a two speed economy within Australia, with the mining related component of the economy running at a growth level well in excess of the non-mining segments. Despite this, employment data showed the economy add 15,500 new jobs in April with the unemployment rate remaining at 5.2%. The Australian dollar weakened considerably against most major currencies closing the month at USD0.97, a fall of 6.6%.

Commodity markets also fell significantly during the month with oil (down 14.7%), copper (down 11.6%), zinc (down 9.3%), nickel (down 9.3%), iron ore (down 7.3%) and aluminium (down 5.9%) all falling. Gold also fell to close at USD1560 per ounce (down 6.3%).

As a consequence of the significant macroeconomic impact on equity markets there was a wide dispersion in performance across the sectors. In the domestic equity market the strongest performing stocks were those with defensive characteristics and lower perceived earnings variability. As a consequence the strongest performers were utilities (up 1.6%), telecommunications (up 0.2%) and healthcare (down 0.5%). Stocks deemed to exhibit cyclical exposures, particularly to energy or natural resources, were dealt with harshly. The weakest performing sectors were materials (down 11.0%), energy (down 10.2%) and industrials (down 8.4%).

Top Ten Holdings as at 31 May 2012

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	8.5%	5.6%
Westpac Banking Corp	7.7%	6.2%
National Aust. Bank	7.0%	5.1%
Commonwealth Bank.	6.2%	7.9%
CSL Limited	4.5%	2.0%
Origin Energy	4.2%	1.4%
Newcrest Mining	3.8%	1.9%
Woodside Petroleum	3.8%	2.0%
QBE Insurance Group	3.2%	1.4%
Heartware Int Inc	3.1%	0.0%
TOTAL	**51.9%**	**33.5%**

Asset Allocation as at 31 May 2012

Stock Name	Trust Weight %	Index Weight %
Energy	13.8%	7.4%
Materials	14.4%	23.1%
Industrials	6.1%	7.4%
Consumer Discretionary	1.9%	3.6%
Consumer Staples	0.0%	8.2%
Health Care	9.4%	4.0%
Financials-x-Real Estate	40.9%	31.6%
Real Estate	2.1%	7.3%
Information Technology	2.1%	0.7%
Telecommunication Services	0.0%	4.7%
Utilities	2.8%	1.9%
SPI Futures	1.9%	-
Cash	4.7%	-

Rounding accounts for small +/- from 100%.