PERENNIAL REAL ESTATE INVESTMENTS

Perennial Australian Property Wholesale Trust

Monthly Report as at 31 January 2013

	Month %	3 Months %	FYTD^ %	1 Year %	3 Years % p.a.	5 Years % p.a.	SI^^ % p.a.
Perennial Australian Property Wholesale Trust*	4.5	5.7	18.8	32.5	12.6	-1.7	8.3
S&P/ASX 200 A-REIT Accumulation Index	4.4	6.0	19.3	31.7	11.9	-4.7	7.0
Value Added (Detracted)	**0.1**	**-0.3**	**-0.5**	**0.8**	**0.7**	**3.0**	**1.3**
Capital Growth	4.5	4.5	17.2	27.2	6.5	-7.4	-0.7
Income Distribution	0.0	1.0	1.1	4.3	5.3	5.0	8.4
Net Performance	4.5	5.5	18.3	31.5	11.8	-2.4	7.7

* Gross Performance. ^Financial Year to Date. ^^ Since Inception: August 1994. **Past performance is not a reliable indicator of future performance.**

- The Trust outperformed the Index return by 0.1%.
- The best performing names were Astro Japan Property Group (up 19.1%) and Commonwealth Property Office Fund (up 8.3%).
- The Trust's holding in Goodman Group and Dexus Group were added to during the month.

Trust Performance

The Perennial Australian Property Wholesale Trust (the Trust) finished the month up 4.5%, outperforming the S&P/ASX 200 A-REIT Accumulation Index (the Index) return of 4.4 by 0.1%.

The best performing names were Astro Japan Property Group (up 19.1%), following an institutional placement which resolved its ability to retain a major portion of its Japanese portfolio and Commonwealth Property Office Fund (up 8.3%), supported by large trading volumes as domestic and international capital flows superseded fundamental concerns in the office space.

The worst performing names included Stockland Group (down 2.3%) following ongoing concerns regarding its residential business, with the focus now turning to its first result under new CEO Mark Steinert. Australand Property Group (up 1.5%) was also a laggard for the month following its strong performance in December 2012. The stock is now viewed as trading at fair value following its unsolicited takeover offer from GPT Group in December.

The Reserve Bank of Australia (RBA) has kept interest rates on hold at 3.0% in its February meeting but there is scope for further cuts during the first half of the year, especially with inflation oscillating in the lower range of the RBA's target band. Domestic economic data remained mixed, with building approvals dropping by 4.4% and job advertisements falling by 0.9%. This suggests the RBA's expansionary monetary policy decisions have failed to gain the desired traction with the majority of economic indicators underperforming relative to a similar easing cycle back in 2001.

However, on a more promising note, the housing sector seems to be grinding up slowly with the Australia RP Rismark Median house price up 1.2% after falls in November and December 2012. Global economic headwinds continue to plague worldwide markets with recessions still anticipated in some European countries.

The International Monetary Fund forecasts that the world economy is on track for growth of 3.5% over 2013 mainly underpinned by emerging and developing economies. A major source of global market disruption was resolved over the month with the US avoiding falling off the so called 'fiscal cliff'. The deal, which was completed in early January, diluted and deferred prospective fiscal tightening that would have tipped the economy into recession.

Outlook

During January, the Trust took the opportunity to book profits in Westfield Group which has benefited from an improving operating environment recently, particularly in

Perennial Australian Property Wholesale Trust Facts:

The Trust aims to grow the value of your investment over the long term through a combination of capital growth and income by investing in a broad selection of Australian property investments. The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 200 A-REIT Accumulation Index measured on a rolling three-year basis.

Portfolio Manager:
David Kivell

Risk Profile:
Medium

Trust FUM (as at 31/01/13):
AUD67.5 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 31/01/13):
AUD810.8 million

Minimum Initial Investment:
$25,000

Trust Inception date:
August 1994

APIR code:
IOF0044AU

the United States. These proceeds were used to further add to the Trust's holding of Goodman Group, which we continue to view as attractive based on its solid earnings growth profile and strong development pipeline. Additionally, during the month the Trust took advantage of favourable short-term pricing to increase its exposure to Dexus Group.

The Trust continues to be positioned with a defensive bias towards stocks with stable, recurring high quality income streams, a focus on high quality assets and robust underlying fundamentals as well as strong capital structures. We continue to support high quality retail names such as Westfield Retail Trust with exposure to strong assets that would be difficult to replicate and also those exposed to defensive grocery anchored assets that are capturing non-discretionary spending such as Charter Hall Retail REIT.

We continue to be selective in our residential exposure believing that Groups with projects targeting the mid-end of the market should benefit from a stronger and more consistent level of demand. In this regard, we prefer Mirvac Group at this stage in the cycle which comes with the benefit of having a majority of its earnings backed by a quality passive property portfolio. We remain cautious on the office sector which we view as trading on expensive relative valuations and continue maintain an underweight position in this sector. Office fundamentals continue to remain challenging with historically high incentive levels and an economic backdrop not conducive to business expansion and subsequent net absorption of office space.

Asset Allocation as 31 January 2013

Sector Name	% of Trust
Retail	63.7
Office	11.4
Industrial	11.1
Hotel	1.0
Residential investment	0.1
Residential development	4.1
Infrastructure	0.0
Construction	0.0
Funds mgt	6.6
Other	1.9
Total	**100.0**

Sector News

During the month, sector news included:

- GPT Group announced it had divested its Brisbane Homemaker Centres at Aspley ($41.2 million) and Jindalee ($50.5 million) for a total of $91.7 million in separate transactions, representing a -3.8% discount to book value. The sale of these two non-core asset strengthens the quality of its retail portfolio and supports its move toward its target sector weightings.

- Stockland Group entered into a conditional contract to sell 175 Castlereagh Street, Sydney for $56 million, above its book value of $50.5 million.

- GPT Group announced a $6 million investment towards LiquidSpace, a United States Silicon Valley start-up firm. LiquidSpace offers an online marketplace for professionals to book workspace and meeting rooms. GPT Group intends on gaining expertise through its minority stake in LiquidSpace and subsequently leading the establishment of the business in Australia using the information technology platform.
- Westfield Parramatta Shopping Centre in Sydney's western suburbs is set to be transformed into a $2 billion retail and office complex as the Westfield Group ramps up development. Plans by the retail giant to add a floor to the existing five-level complex and top it with a 20-storey office tower have gone on exhibition. The move adds to the aggressive build-up of Westfield's development pipeline from $11 billion to approximately $14 billion in the past few months.

- Mirvac Group received approval from the Western Australian Government to proceed with the sale of a 50 per cent interest in the commercial office tower forming part of the Old Treasury Building development in Perth to KREIT (Singapore), further strengthening its capital partnership.

- CFS Retail Property released quarterly retail sales figures which were up 1.9% for the twelve months to December 2012, which compared to 0.6% to June 2012 and 1.1% for the same period last year.

- Mirvac Group announced that major professional services firm Ernst & Young has signed an agreement to lease premium office space at 200 George Street, Sydney following the recent Development Approval obtained for the site's redevelopment. Ernst & Young has committed to approximately 28,000 square metres of office space (74% of the building's net lettable area) for a ten year term.

- GPT Group announced that NAB has agreed to an 11 year lease extension from 2016 to 2027 in a whole-of-building transaction at 800-808 Bourke Street Docklands in Melbourne. The agreement, signed at the end of 2012, covers an area almost 60,000 square metres in the GPT Wholesale Office Fund (GWOF) asset, making it one of the largest leases signed in Australia for 2012 and marks one of the first major firms to commit to renewing its lease in the new Docklands precinct.