

Perennial Income Focused Trust

Monthly Report as at 31 January 2013

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	Since Inception % p.a. [^]
Perennial Income Focused Trust*	0.53	2.67	-	-	-	-	2.67
UBS Credit Floating Rate Note Index	0.42	1.19	-	-	-	-	1.19
Value Added (Detracted)	0.11	1.48	-	-	-	-	1.48
Net Performance	0.50	2.53	-	-	-	-	2.53

*Gross Performance. ^Since Inception: 31 October 2012. **Past performance is not a reliable indicator of future performance.**

- The Trust delivered a positive return of 0.53% for the month, outperforming the Index by 0.11%.
- Credit spreads continued to rally, albeit at a more subdued pace.
- Westpac issued a new capital note that was well received by the market.

Performance

The Perennial Income Focused Trust (the Trust) returned 0.53% for the month, outperforming the UBS Credit Floating Rate Note Index (the Index) return of 0.42% by 0.11%.

Most securities in the Trust comfortably outperformed the Index during the month with the best performers being the AXA Hybrid, the Crown Notes and the NAB Income Securities. Securities that delivered returns lower than cash were the CBA Perls VI, the Suncorp CPS 2 and the Westpac CPS.

Market Review

A major source of near term angst was removed over the month with the US avoiding falling off the so called fiscal cliff. The deal completed in early January, diluted and deferred prospective fiscal tightening that would have tipped the economy into recession. Instead, fiscal tightening looks to be a drag on 2013 growth of around 1% to 1.5%. The latest forecasts for US growth from the International Monetary Fund, even allowing for such a drag from fiscal policy, still have the economy growing by 2% over 2013 and 3% over 2014. Unfortunately for investors, US fiscal machinations will remain a source of volatility with sequestration beginning in early March and a Continuing Resolution required in late March to keep government operations funded. In mid-May, the debt ceiling extension expires. While the most likely outcome is for further dilution and deferral, belligerent politics could prove a source of near term volatility.

In Australia, the data flow since the Reserve Bank of Australia's (RBA) December rate cut has been on the softer side and what we would consider consistent with sub trend rates of growth. Retail sales unexpectedly fell 0.1% in November, while the labour market weakened in December with employment falling 5,500 and the unemployment rate rising to 5.4%. Forward labour market indicators remain soft. Pressure on prices remained subdued with the CPI rising 0.2% on a

Perennial Income Focused Trust

The aim of the Trust is to provide a net return (after fees) that exceeds the UBS Credit Floating Rate Note Index over a rolling three year period.

Portfolio Manager:

Noel Murphy

Risk Profile:

Medium

Team FUM (as at 31/01/13):

AUD6.4 billion

Income Distribution

Frequency:

Quarterly

Trust FUM (as at 31/01/13):

AUD65.6 million

Trust Inception date:

October 2012

APIR Code: IOF0127AU

headline basis over Q4 while the average of the RBA's statistical measures rose 0.54%. While business confidence rebounded in the NAB survey, actual business conditions remains subdued.

In some ways reflecting this softer domestic economic environment, Australian credit markets more or less paused in January only seeing a modest increase in prices and well below the sometimes frenetic pace of price appreciation witnessed in the last twelve months.

Market Outlook

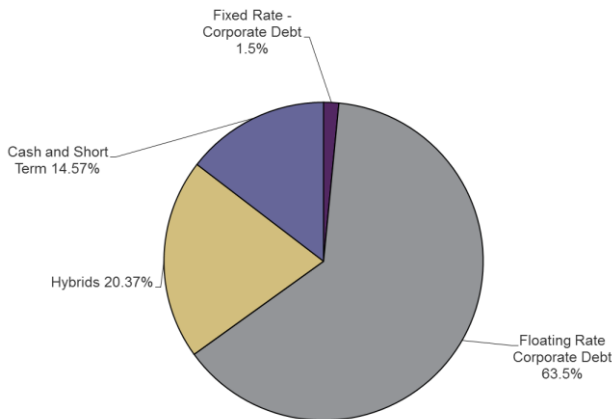
With what appears to be a more constructive global economic environment unfolding, but with a domestic economy likely to run at sub-par for a while yet, credit valuations look like they may be range bound for a period.

Having said that, in the medium term, we remain constructive on credit valuations and do see isolated areas of further capital gain on offer, but in the next month or two we expect returns to be only modestly

above cash until a brighter mood in the economy begins to emerge.

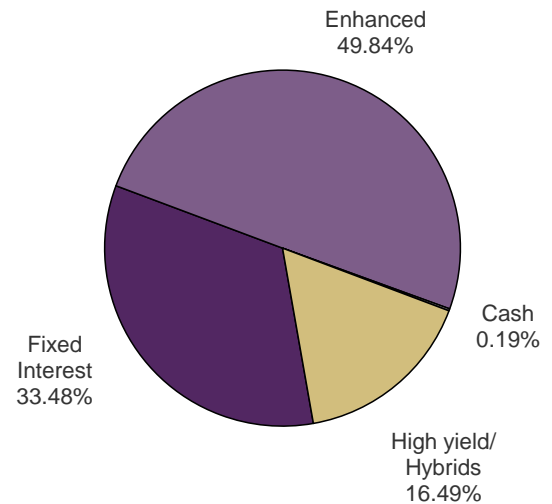
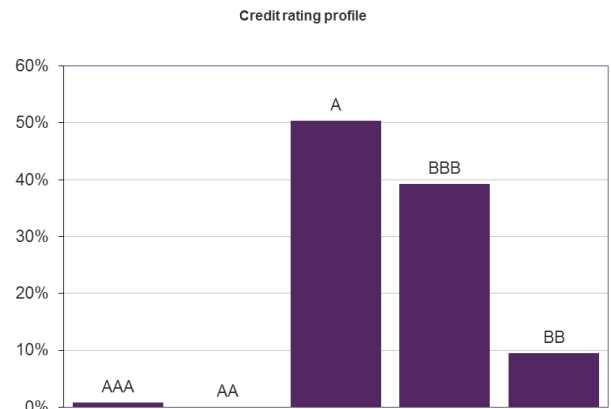
Trust Snapshot

Asset Allocation



Rounding accounts for small +/- from 100%.

Credit Rating Distribution



Signatory of:



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