PERENNIAL REAL ESTATE INVESTMENTS

Perennial Australian Property Wholesale Trust

Monthly Report as at 30 September 2012

	Month %	3 Months %	FYTD^ %	1 Year %	3 Years % p.a.	5 Years % p.a.	SI^^ % p.a.
Perennial Australian Property Wholesale Trust*	1.3	6.6	6.6	29.7	5.8	-9.8	7.8
S&P/ASX 200 A-REIT Accumulation Index	1.3	6.9	6.9	29.1	5.1	-12.0	6.5
Value Added (Detracted)	**0.0**	**-0.3**	**-0.3**	**0.6**	**0.8**	**2.2**	**1.3**
Capital Growth	1.2	6.4	6.4	22.8	-0.3	-15.1	-1.3
Income Distribution	0.0	0.0	0.0	6.0	5.4	4.6	8.5
Net Performance	1.2	6.4	6.4	28.9	5.1	-10.5	7.2

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

- The Trust finished the month up 1.3%.
- We remain cautious on the office sector, which we view as expensive relative to valuations and we continue to maintain an underweight position in this sector.
- Charter Hall Group and Mirvac Group were the best performing stocks in September.

Trust Performance

The Perennial Australian Property Wholesale Trust (the Trust) finished up 1.3%, in line with the Index return.

September news flow was relatively subdued post reporting season. However, activity picked up with both Goodman Group (Goodman) and Mirvac Group (Mirvac) announcing new capital partnerships to drive development returns and manage operational risk.

International macroeconomic news flow continued to dominate financial markets. On the domestic front, economic data releases during the period remained soft with July retail sales declining 0.8% and employment falling 8,800 in August.

The Reserve Bank of Australia (RBA) left the official cash rate on hold at 3.50% at its September meeting, while releasing a neutral accompanying statement, with a clear easing bias. Post this reporting period, the RBA delivered a 25 basis point cut on 2 October outlining its concerns on international developments and a weakening domestic growth outlook for 2013.

A declining interest rate environment provides a supportive backdrop for A-REIT performance, with property earnings at historic highs versus bond yields. Additionally, the A-REIT sector continues to provide earnings clarity against an uncertain economic backdrop, while transaction markets remain healthy for prime assets.

The best performing names in the Trust included Charter Hall Group (up 7.9%) and Mirvac (up 5.9%), as investors recognised groups with strong capital partnerships and growing funds management models. Stockland gained 5.0% following recent underperformance in a declining interest rate environment supportive of residential developers.

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 30/09/12):
AUD86.3 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 30/09/12):
AUD1.1 billion

Minimum Initial Investment:
$25,000

Trust Inception date:
August 1994

APIR code:
IOF0044AU

Conversely, underperforming stocks included: Abacus Property Group (down 4.0%) as it continued its business simplification to improve the quality of its recurring cash flow and Centro Retail Australia (down 2.3%) as much of the upside to earnings is currently accounted for in its unit price.

Outlook

During September, the Trust maintained the majority of its equity positions, while it took advantage of favourable pricing to increase its exposure towards the GPT Group. The Trust continues to be positioned with a defensive bias towards stocks with stable, recurring high quality income streams, with a focus on high quality assets and robust underlying fundamentals as well as strong capital structures.

We maintain our support of Goodman which continues to see strong momentum in its development and funds management businesses, as supported by the launch of a new Japanese partnership with the Abu Dhabi Investment Council and further equity commitments to its Australian fund announced at the beginning of October.

We continue to support high quality retail names such as Westfield Retail Trust and CFS Retail Property 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 remain 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 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 expensive relative to valuations and we continue to maintain an underweight position in this sector. Office fundamentals remain challenging with historically high incentive levels and an economic backdrop that is not conducive to business expansion and subsequent net absorption of office space.

Asset Allocation as at 30 September 2012

Sector Name	% of Trust
Retail	64.0
Office	11.3
Industrial	10.1
Hotel	2.0
Residential investment	0.1
Residential development	4.6
Infrastructure	0.0
Construction	0.0
Funds mgt	6.2
Other	1.8
Total	**100**

Sector News

During the month, sector news included:

- Goodman Japan announced the establishment of the Goodman Japan Development Partnership (GJDP), which is a 50/50 venture between Goodman and the Abu Dhabi Investment Council. A combined USD500 million of equity has been allocated to GJDP, with the leverage capability of the partnership allowing for an initial investment target in excess of USD1 billion. GJDP will target logistics development opportunities in key Japanese markets with an initial focus on Tokyo and Osaka. GJDP will capitalise on the proven land sourcing expertise of the Goodman Japan team, strong local and global customer relationships and high levels of customer demand for modern logistics space.
- Mirvac announced the sale of a 50% interest in the Old Treasury building in Perth to K-REIT Asia for AUD165 million. The sale represents Mirvac's second co-investment with K-REIT, following the sale of a 50% interest in its 8 Chifley Square office development in Sydney. The sale allows Mirvac to de-risk the project, whereby a funding partner for construction and a AUD15 million development profit has been secured. When completed, the office tower will be approximately 98% leased to the government of Western Australia for a period of 25 years with an option to extend for a further 25 years.
- Mirvac separately announced it had received development approval from the Central Sydney Planning Committee for precincts 1 and 2 at its landmark redevelopment at Harold Park.
- BWP Trust announced the acquisition of a bulky good centre anchored by a Bunnings Warehouse and Harvey Norman in Gladstone for a purchase price of AUD27 million representing an 8.8% initial yield.
- Westfield Retail Trust and Westfield Group announced the exchange of contracts to sell their half shares in Westfield Downtown, Auckland for NZD43 million representing a 5.6% premium to the current book value.

- Westfield Group also announced it had priced a USD500 million ten year senior guaranteed debt issue with a coupon of 3.375%, slightly lower than the company's weighted average debt rate of 4%. The group has separately launched a tender offer to partially buy back USD 300 million of outstanding 5.125% bonds and 7.5% bonds due in 2014.