PERENNIAL FIXED INTEREST

Perennial Income Focused Trust

Monthly Report as at 31 March 2013

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	Since Inception % p.a.^
Perennial Income Focused Trust*	0.96	1.68	-	-	-	-	3.85
UBS Credit Floating Rate Note Index	0.48	1.30	-	-	-	-	2.07
Value Added (Detracted)	**0.48**	**0.38**	**-**	**-**	**-**	**-**	**1.78**
Net Performance	0.94	1.59	-	-	-	-	3.65

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

- The Trust performed well as the rally in Australian credit spreads resumed and outperformed the Index return by 0.48%.
- The best performers in March were corporate and bank subordinated debt.
- The RBA may now be on hold for a considerable period of time.

Performance

The Perennial Income Focused Trust (the Trust) enjoyed healthy returns from nearly all of the securities in the portfolio during March. On top of a running yield of about 0.45%, an additional 0.50% came from the capital gains generated by the resumption in the long term rally in credit spreads. The Trust outperformed the UBS Credit Floating Rate Note Index (the Index) return of 0.48% by 0.48%.

The reason credit spreads improved in March are many, but among them were at least two factors: 1) despite the ructions in Cyprus, further signs emerged that the USA, China and Australia were on track to experience reasonable levels of growth in the year ahead; and, 2) after a couple of months of heavy new supply, the market reached a better balance and allowed prices to improve back toward what we consider to be “fair value” in what amounts to a sustained, low interest rate environment.

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 31/03/13): AUD6.6 billion	**Income Distribution Frequency:** Quarterly
Trust FUM (as at 31/03/13): AUD81.3 million	**Minimum Initial Investment:** $25,000
Trust inception date: October 2012	**APIR Code:** IOF0127AU

Market Review

Europe wrestled back the world’s attention in March, with the clumsy handling of the Cypriot banking crisis. While many commentators criticised the so called “Troika” for its management of what amounted to a pretty small problem, it seems to us that many fail to recognise the broader, and difficult political imperative. In Germany especially, where national elections are due in September (and a tangible ground swell of sentiment in favour of abandoning the Euro is beginning to emerge), Ms. Merkel is obliged to demonstrate a hard line and effectively punish the promiscuous financial practices of the past just to keep her own country and the entire Eurozone together.

This unwelcome development early in the month tended to dull the global credit market’s enthusiasm for a further rally in March even though in many parts of the world the economic news remained encouraging.

In China, despite the market having to cope with the disappointing news that the government intended to tighten the availability of housing finance early in the month, by month’s end things looked brighter with the March HSBC China manufacturing PMI lifting to 51.7. In the USA, March got off to a good start when the Dow hit a new high and stronger economic data in both employment and the services sector boosted the belief that a continuation of the economic recovery in the US was intact. Japan too had a good month, with the Nikkei returning over 7.25% for the period, reflecting the brighter prospects for the country as a result the government’s recently announced stimulus package.

Back in Australia, the news was also generally positive. Total employment rose a remarkable 71,500 in February, retail sales for January came in at a robust 0.9% (mom) and we received the final quarter of GDP for 2012 leaving the nation with a growth rate for last calendar year of an above average 3.6%.

For Australian credit markets specifically, returns were quite healthy. After a couple of months of stagnating prices, unlisted credit spreads tightened a little, but more noticeably, late in the month the listed credit market saw credit spreads come in further as the supply overhang of the recent Westpac and NAB issues seemed to be absorbed and the search for yield in a low interest rate environment resumed.

Market Outlook

In our view, the rally in March was warranted and brings prices back closer to what we consider to be “fair value”. We still see value in the market, but a lot of the “easy” money has been made from credit. From here on, securities with stable capital values and “reasonable” running yields should remain the market’s preferred focus.

Trust Snapshot as at 31 March 2013

Top 10 Holdings

Security	Trust Weight %	Credit Rating#
CITIBANK N.A NCD	8.61	A-1
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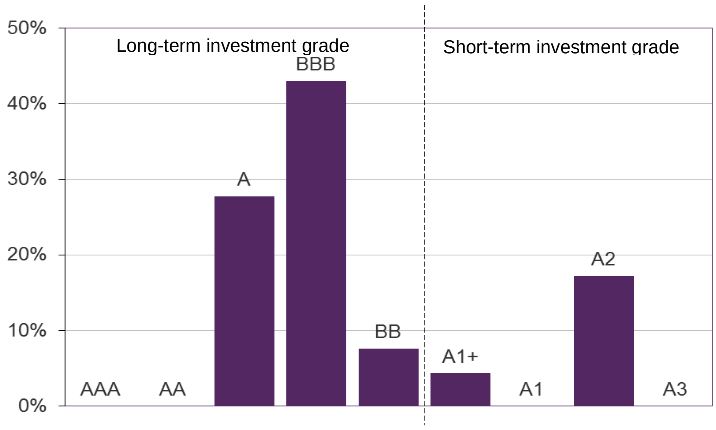
Westpac Subordinated Debt FRN	6.37	A-
ANZ Subordinated Notes FRN	6.35	A-
Colonial Group Subordinated FRN	6.27	BBB+
NAB Subordinated Debt FRN	5.15	A-
NAB Convertible Preference Shares	4.92	BBB
CBA PERLS VI	3.79	BBB
Goodman Australia Industrial Fund Senior Fund MTN	3.68	BBB
ANZ Subordinated Debt FRN	3.17	A-

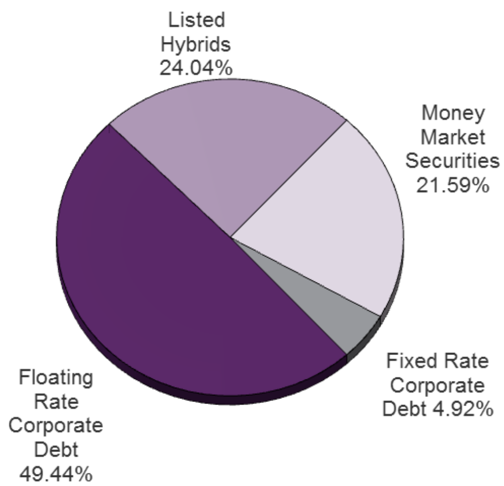
Credit rating source: S&P and Perennial Fixed Interest.

Credit Rating Distribution



Weighted Average Credit Quality:	**BBB-**
Weighted Average Yield to Maturity:	**5.68%**
Number of Securities:	**37**

Asset Allocation



Rounding accounts for small +/- from 100%.