Perennial Cash Trust

Monthly Report as at 30 June 2012

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	Since Inception % p.a.^
Perennial Cash Trust*	0.34	1.14	4.95	4.95	5.18	4.88	5.04
UBS Bank Bill Index	0.28	1.05	4.70	4.70	4.84	4.52	4.69
Value Added (Detracted)	0.06	0.09	0.25	0.25	0.34	0.36	0.35
Net Performance	0.32	1.09	4.74	4.74	4.96	4.66	4.82

*Gross Performance. ^Since Inception: July 2008. **Past performance is not a reliable indicator of future performance.**

- The Trust outperformed the Index return by 0.06%.
- Given the recent sell off in cash futures, we took the opportunity to lock in profits for our investors.
- Credit markets responded favourably following developments at the European Union summit.

Performance

A sell off in bond and money markets yields occurred early in June as yields rose on the back of higher yields offshore. This was a result of an easing of investor concern surrounding a Greek exit from the European Union (EU) and other European debt issues including recapitalising the Spanish banking system. This was further supported by the Reserve Bank of Australia (RBA) cutting domestic cash rates by 0.25% rather than the widely expected 0.50% which also boosted bond yields.

The Perennial Cash Trust (the Trust) returned 0.34% for the month of June, outperforming the UBS Bank Bill Index (the Index) returned 0.28%.

Pleasingly many of the strategies employed over the past few months, which were built around fundamentals and 'fair value', bore fruit in June.

Interest rate strategies, in the form of a short position in cash futures when we assessed money market yields to be too expensive, protected capital and added to performance as yields rose over the month. The Trust also continued to access the 'funding premiums' paid by banks to secure slightly longer maturities as incorporated within the bank bill swap rate which had a small positive impact on performance.

Sector and security strategies continued to added value over the month as regional banks paid premium yields for three to six month deposits. In addition, the Trust benefitted from the higher yields provided by term deposits with around 35% allocated to this sector.

At month end, the weighted average yield of the Trust was 3.98%, as compared to the Index yield of 3.53%.

Perennial Cash Trust

The Trust aims to provide investors with a low risk exposure to secure cash investments, and returns that closely track the prevailing level of short-term interest rates. The Trust aims to outperform the UBS Bank Bill Index, over rolling annual periods.

Portfolio Manager: Jay Sivapalan	**Risk Profile:** Low
Trust FUM (as at 30/06/12): AUD755 million	**Income Distribution Frequency:** Monthly
Team FUM (as at 30/06/12): AUD5.7 billion	**Minimum Initial Investment:** $100,000
Trust Inception date: July 2008	**APIR code:** IOF0141AU

Market Review

The Australian bond market ended the month higher as cash rate expectations shifted and the worst case scenario of a disorderly Greek exit from the European Economic and Monetary Union (EMU) and major contagion from the undercapitalisation of the Spanish banking sector were not realised.

At the shorter end of the curve, the yield on a three year government bond ended the month 27 basis points (bps) higher at 2.40%. The RBA began the month by cutting the cash rate by 25 bps to 3.50%, in what the minutes from the meeting described as a finally balanced decision. At that point, market expectations were for more aggressive policy action.

Economic data releases following the RBA's move were on the stronger side with the national accounts revealing that the economy expanded by a thumping 1.30% over the March quarter. Following that was May labour force data, where employment gained 39,000 and exceeded expectations for the third time in a row. There were some softer releases though, with the NAB Survey of business conditions falling to its lowest level since May 2009 and consumer sentiment remained subdued, despite 75 bps of easing since May.

Against this overall backdrop, markets began to wind back the amount of prospective easing. After falling to as low as 3.45%, the one month bank bill rate ended the month at 3.58%. Likewise, after falling to 3.27% and 3.09% early in the month, the three and six month bank bill rates ended the month at 3.49% and 3.44%, respectively.

At the longer end, the ten year government bond yield ended the month 12 bps higher at 3.04%. Like shorter dated bonds, long bonds made their lows early in the month before stronger domestic data and progress in Europe, particularly at the EU summit, led to a rise in yields. As a result of these moves, there was some flattening in the yield curve with the spread between three and ten year government bonds narrowing by 15 bps to end the month at +64 bps.

Credit markets were stronger over the month with the iTraxx index finishing 22 bps tighter at 183 bps. Credit markets responded favourably to the news out of Europe, in particular the Spanish bank recapitalisation plan, and the removal of preferred creditor status as announced at the EU summit late in the month. Primary markets welcomed ANZ Wealth's launch of its inaugural bond issue, and most of the major banks tapped existing bond lines to raise funds prior to the financial year close.

Market Outlook

Following the run of stronger domestic data, further policy stimulus in China and the US, and another incremental step towards European fiscal integration, the bar for further RBA easing has been raised. Market expectations for the low point in the cash rate have shifted significantly, from a low of around 2.00% by February 2013 in early June, to a low of 2.50% by March 2013 at the end of June. We believe this is still too aggressive and continue to factor in a 3.00% cash rate by the end of 2012, followed by a pause and then a gradual tightening cycle commencing late 2013.

To get further easing, we will need to see ongoing sluggishness in the non mining part of the economy, labour market softness and weaker demand conditions in our major trading partners. It may turn out that the economy responds to more recent easings quicker than expected and forestall the need for further easing. To validate market pricing of another 100 bps of easing, a major shock from Europe, which derails the global economy and financial markets, is needed. While a risk, we believe that this is not the most likely outcome. At the longer end, we see little value of a long bond around 3.00%, with investors vulnerable to any improvement in the economic outlook or recovery in risk appetite and on a longer timeframe, any lift in inflation. We continue to persist with defensive interest rate strategies.

At a sector level, our preferred sectors remain semi-government and corporate debt, with the latter currently offering attractive spreads relative to the healthy state of company balance sheets, and strong demand from investors searching for yield. In this regard we believe the benefit of additional yield will be of increasing value to investors as the prospect of further capital gain from lower yields on sovereign bonds diminishes. We maintain an overweight allocation to these sectors. Within the corporate sector our emphasis is on large financials and in particular, the senior debt of the 'big four' Australian banks, listed property trusts and selected infrastructure/utility debt.

Investment Strategy

The following is a summary of the key strategies in the Trust:

Interest rates

At the end of the month, the duration position of the Trust was as follows:

Modified Duration	Years
Trust	0.19
Index	0.12
Active Position	0.07

Interest rates – Broadly neutral

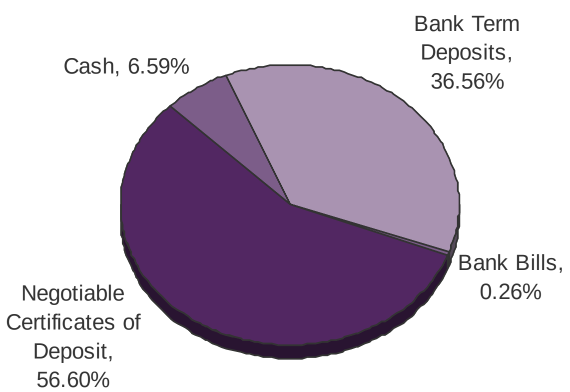
For some months now, our view has been that pricing of money markets has been dislocated, reflecting sentiment (mostly negative from offshore debt issues) rather than the fundamentals of the Australian economy and the outlook for realistic cash rate settings. As such, yields have been well below our assessment for 'fair value'. We have been positioned to protect investor capital during periods of market corrections such as the one we witnessed this month and earlier in the year. Current market pricing has the cash rate falling to 2.75% by year end, which is a little below our expectations. Given the recent sell off in cash futures, we took the opportunity to lock in profits for our investors and have removed the underweight duration bias. Accordingly, we maintain a broadly neutral duration due to the additional funding premium embedded in bank bill pricing as they pay up to secure three to six month funding.

Sector allocation

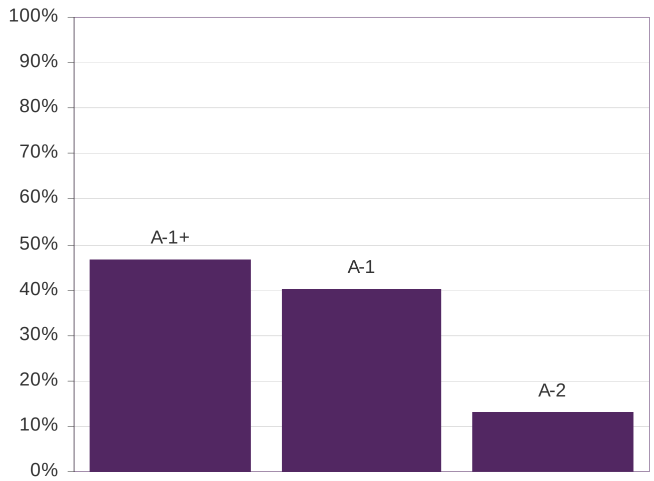
Regional and Australian branches of some large global banks pay a premium to attract short term deposits. We continue to access these premiums on a selective basis to ensure liquidity in the Trust and to add value. We have been selectively participating in the term deposits of the 'big four' Australian banks which offer attractive yields, but we continue to ensure that a spread of maturities exists within the Trust to improve overall flexibility.

Trust Snapshot

Sector Allocation



Credit Rating Distribution



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