Perennial Cash Enhanced Trust

Monthly Report as at 30 November 2012

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Cash Enhanced Trust*	0.38	1.96	3.24	7.14	6.34	6.55	6.64
UBS Bank Bill Index	0.25	0.87	1.46	4.09	4.55	4.56	5.00
Value Added (Detracted)	**0.13**	**1.09**	**1.78**	**3.05**	**1.79**	**1.99**	**1.64**
Net Performance	0.36	1.89	3.12	6.85	6.05	6.26	6.35

* Gross Performance. **Past performance is not a reliable indicator of future performance.**

- The Trust outperformed the Index return by 0.13%.
- Sector strategies were the primary contributor to the Trust's outperformance.
- Corporate debt and listed property trust related securities are our preferred sectors.

Performance

The tone of economic news from around the globe, particularly from China, continued to be more positive and reflected an improved outlook. The slight rise in money market and bond yields in November reflect the improved outlook as well as the notion that the Reserve Bank of Australia's (RBA) march on easing monetary policy will be more gradual and measured, than previously priced in. Spread sectors, including the credit sector, continued to outperform risk free assets as the search for additional yield in a low yield environment continued. These developments also helped high quality corporate floating rate notes (FRNs), which benefited from the general 'risk on' environment evidenced over the month. The UBS Bank Bill Index (the Index) returned 0.25% in November.

The Perennial Cash Enhanced Trust (the Trust) again outperformed the Index return by 0.13%, finishing up 0.38% for the month.

Interest rate strategies had a neutral impact on performance over the month. Sector strategies were the primary reason for the outperformance. Overweight allocations to semi-government and corporate FRNs outperformed bank bills over the month. Security selection, including overweight allocations to selected offshore financial issuers, major bank senior debt and prime 'AAA' rated residential mortgage backed securities (RMBS) added value, as these securities outperformed others within the corporate sector. Our overweight allocation to Queensland semi-government securities also proved beneficial, as they rallied when New South Wales and Western Australia were put on negative credit rating watch by Standard & Poor's.

At month end, the weighted average yield of the Trust was 4.12%, as compared to the Index yield of 3.28%.

Perennial Cash Enhanced Trust

The Trust aims to provide a total return that exceeds the benchmark, UBS Bank Bill Index, over rolling three-year periods by 0.50% p.a. (before fees).

Portfolio Manager: Glenn Feben	**Risk Profile:** Low
Trust FUM (as at 30/11/12): AUD1.5 billion	**Income Distribution Frequency:** Quarterly
Team FUM (as at 30/11/12): AUD6.2 billion	**Minimum Initial Investment:** $100,000
Trust Inception date: August 2002	**APIR code:** IOF0111AU

Market Review

Yields traded in a wide range over the month. After being buffeted by mixed offshore and domestic leads, yields ended the month slightly higher. At its early November board meeting, the RBA left the cash rate unchanged at 3.25%, emphasising in its commentary that the stimulatory effects of earlier easings were still working their way through the economy.

Data readings remained mixed over the month, but were consistent with some moderation in the rate of economic growth over the second half of 2012. While a rebound in consumer sentiment was welcome, the NAB Survey pointed to difficult conditions in the business sector. The labour market remains subdued and wages growth moderate. Third quarter capital expenditure data, while solid for the quarter, revealed an earlier and lower, peak in mining spending than forecast by the RBA in its Statement on Monetary Policy released in early November. Against this backdrop, three and six month bank bills ended the month 12 and 10 bps higher at 3.26% and 3.23%, respectively. The yield on a three year government bond ended up 5 bps at 2.62%.

At the longer end of the curve, the ten year government bond yield rallied down to 3.02% mid-month, following the deferral of a deal on Greece. A subsequent deal led to a reversal of flight to quality flows, though this was tempered late in the month on renewed fears that US politicians would be unable to broker a deal that would avoid a dramatic tightening in US fiscal policy early in 2013. The ten year government bond yield ended the month 3 bps higher at 3.16%. Given these moves, there was some marginal flattening in the spread between three and ten year government bonds which came in 2 bps to 54 bps.

Credit markets continued to perform well, albeit the rate of spread contraction has slowed from the hectic pace of recent months. The Australian iTraxx index ended the month 7 bps tighter at 131 bps, while spreads on cash bonds were stable to moderately lower. Primary markets were extremely active as continued demand for credit saw issuers seek to lock in funding prior to the Christmas period. The month saw a diverse range of issues which included industrials such as Telstra and Coca Cola Amatil, utilities such as ETSA, overseas financial institutions such as HSBC and Goldman Sachs, and domestic names, National Wealth Management and Bank of Queensland. Suncorp also issued its second covered bond for the year, which was heavily oversubscribed.

Market Outlook

The economy appears to have been hit with an income shock in the form of a sharp fall in the terms of trade in the September quarter. Ongoing offshore policy uncertainty is fuelling more cautious consumer and business behaviour and growth looks to have slipped to below trend levels. Both the RBA and Treasury have cut their growth forecasts for 2012/2013 to 3%. An earlier peak in the mining boom, as suggested by the latest capex data, points to downside risks to these forecasts.

As we mentioned last month, monetary policy will be asked to do a lot over the coming year as some of the other macroeconomic policy tools are either politically constrained, or, as in the case of the exchange rate, behaving differently. The underlying imperative remains to provide policy support to aid the re-balancing in the mix of growth sooner rather than later. We look for the RBA to provide another short burst of easing, with the cash rate to trough at 2.75% in the first half of 2013. Thereafter, we expect the RBA to hold the cash rate at that level until early 2014. By then, fiscal policy will no longer be acting as a drag on growth and the worst of the drag from austerity measures on global growth should be behind us. Some improvement in the housing sector should be evident and we then look for the RBA to gradually return monetary conditions to more neutral levels.

Markets continue to price a low in the cash rate at 2.50% to 2.75% by mid 2013, followed by a long period of stability. This is largely in line with our view and we regard the shorter end of the curve as broadly fair value. However, we still regard the longer end of the curve as expensive, offering investors' insufficient protection against an improvement in risk appetite or an improvement in the economic outlook. We continue to hold a modest strategic defensive bias.

Despite the recent rally in credit spreads, we still hold a fundamentally positive view on credit in a prolonged low interest rate environment where any additional yield becomes increasingly valuable. Further to this, spreads remain at levels above longer term averages. Within the corporate sector, our emphasis is on large financials, particularly the senior debt of the 'big four' Australian banks as well as senior bonds, 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:

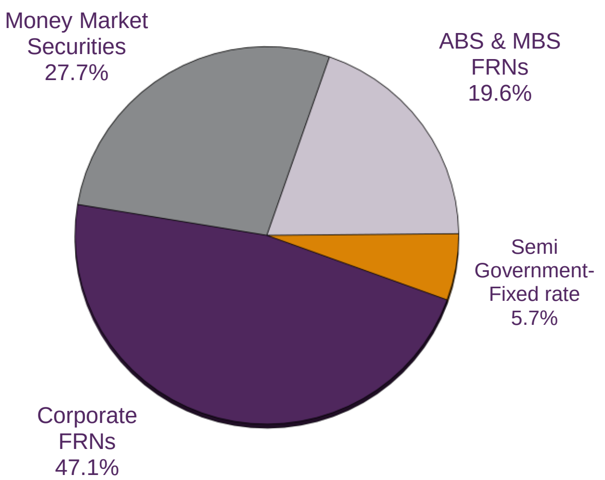
Modified Duration	Years
Trust	0.10
Index	0.12
Active Position	-0.02

Interest rates – neutral duration: Bond and money markets sold off a little (yields higher) during November. At the time of writing, markets have priced in a cash rate of between 2.50% to 2.75% by the middle of next year. While this is a little lower than we expect, we do not have a meaningful disagreement with market pricing. Where we do differ is in the longer term outlook for monetary policy. Based on the current futures market, cash rates are expected to stay at these very level levels right through to 2015. We think this is too pessimistic. While there is no doubt the Australian economy has recently lost some momentum, we still believe monetary policy will work and that by the end of 2014, the RBA's focus, and for that matter the market, will be on the need to move policy back to more normalised levels. Accordingly, we continue to view bond yields as a little expensive.

Corporate debt and asset backed – overweight: While there has been a meaningful rally in credit spreads over the past three to four months, we continue to favour spread sectors, particularly corporate FRNs, over bank bills on a forward looking basis given the running yield advantage and some potential for capital gains through spread contraction. We have been looking for opportunities to reduce our holdings in those classes of securities that have performed particularly well over this period, such as major bank covered bonds, and replace these with other high quality securities that have lagged the credit rally. One prime example is 'AAA' rated prime Australian RMBS. While we are not looking to add to our positions, we are comfortable with our overweight allocation to this part of the market. The longer money market and bond yields remain low, the more demand there will be for any spread product that provides some additional yield. This should bode well for our spread product strategy. Our favoured sub sectors are senior and subordinated bonds from the 'big four' Australian banks as well as listed property trusts and infrastructure debt.

Trust Snapshot

Sector Allocation



Credit Rating Distribution