Perennial Socially Responsive Shares Trust

Monthly Report as at 30 June 2012

	Month %	3 Months %	Financial YTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Socially Responsive Shares Trust*	0.6	-6.0	-7.3	-7.3	-0.6	4.4	-4.8
S&P/ASX 300 Accumulation Index	0.5	-5.0	-7.0	-7.0	2.0	5.6	-4.2
Value Added (Detracted)	**0.1**	**-1.0**	**-0.3**	**-0.3**	**-2.6**	**-1.2**	**-0.6**
Net Performance	0.6	-6.2	-8.2	-8.2	-1.6	3.4	-5.7

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

- Ongoing challenges faced by Europe once again gained greater investor attention.
- The strongest performing sectors were financials (up 4.5%), telecommunications (up 3.6%), and property (up 2.7%).
- The biggest positive contributor to performance was James Hardie Industries (up 12.3%).

Perennial Socially Responsive Shares Trust

The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis, by investing in a selection of listed companies which also embrace and engender social performance in their corporate culture.

Trust Manager:
Lee Mickelburough

Risk Profile:
High

Trust FUM (as at 30/06/12):
AUD48.7 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 30/06/12):
AUD2.7 billion

Minimum Initial Investment:
$25,000

Trust Inception date:
December 2001

APIR code: IOF0117AU

Trust Performance Overview

The Perennial Socially Responsive Shares Trust (the Trust) finished up 0.6% during June, outperforming the S&P/ASX300 Accumulation Index (the Index) by 0.1%, with the Index up 0.5% for the month.

The biggest positive contributor to performance during the month was James Hardie Industries (James Hardie) (up 12.3%). The company was buoyed by further positive data points on sales of new and existing homes in the US, and positive quarterly profit releases from US home builders. James Hardie paid a USD0.38 dividend during the month (effectively returning 30% of the proceeds received from the successful case against the Australian Tax Office) however the share price more than carried the dividend amount. James Hardie remains underleveraged (cash and available drawing facilities of almost USD400 million) and is likely to announce a more aggressive capital management strategy at its annual general meeting in August.

Another significant contributor to performance was HeartWare International Inc. (up 6.0%). The stock continued to perform strongly as it moves closer to the commercial launch of its Ventricular Assist System (VAS), with progress being made towards full Food and Drug Administration (FDA) Advisory Committee approval for the device.

Another positive performance contributor was BHP Billiton Limited (not held, down 1.6%). Versus the Index, the company underperformed the market following the deterioration in the outlook for global growth, with investor concern around a slowdown in China, and subsequent easing of demand for commodities, heightened.

The Trust's position in ANZ (up 5.4%) also contributed positively to performance. This recent outperformance is attributable to continued improvement in the optionality presented by the super regional strategy, the growing clarity on capital rules for financial institutions and confidence in the sustainability of dividends. Having recently returned from Asia seeing most of ANZ's operations in the region, including the key executive running the business, in our view ANZ will continue to differentiate itself compared to its peer group. Its network and personnel should provide the group with a strong chance of generating superior value for shareholders.

The biggest detractor to performance during the month was Sims Metal Management Limited (Sims) (down 12.4%). The company's stock price continued to weaken during the month following a downbeat trading update in May. The ongoing softness in the global scrap market and the slowdown in the economic recovery (as indicated by recent data points in the US), weighed on the outlook for Sims.

Another significant detractor was Arrium Limited (Arrium) (formerly OneSteel Limited, down 18.0%). There was no significant company specific news during the month but the share price followed the sell off in other cyclical sectors. Arrium's major profit influence is the iron ore price which was broadly flat over the period. Profit warnings from industrial stocks such as Boral Limited (Boral) weighed on sentiment and Arrium's debt levels Newcrest Mining Limited (Newcrest) (down 9.3%) also detracted value. The first half of the month saw gold and gold related equities benefit from increased anticipation of supportive comments for further quantitative easing from the Federal Open Market Committee meeting only to be disappointed by non-committal comments by Chairman Bernanke. We continue to like the investment thesis for Newcrest, with around 25% valuation upside to the stock price based on our valuation estimates. We expect a stabilisation of operational performance to the end of calendar year 2012 before we see substantial growth into calendar year 2013 from both the Cadia Valley and Lihir operations as a result of the investment the company is currently undertaking.

Santos Limited (Santos) (down 11.2%) impacted performance. The underperformance was initially driven by a significant decline in oil prices, and accelerated when the company released an update for the Gladstone LNG (GLNG) joint venture project (Santos 33%) stating that total capex had increased by USD2.5 billion (15.6% increase) as a result of including 300 additional wells to be drilled. Consequently our estimate of GLNG capex has increased to USD20.4 billion (assuming the AUD at parity). Despite the large increase in capex for this project, we continue to see substantial value in Santos given our forecast for rising east coast gas prices and near term growth based on delivery of a significant number of projects, and based on our valuation metrics have material valuation upside of around 40%.

Trust Activity

During the month, UGL Limited (UGL) was added to the Trust. UGL is an engineering and services business with a growing exposure to the global property services industry. The firm acquired DTZ, a UK based group that specialises in commercial property management, sales and valuations, and this acquisition complements UGL's Equis and Unicco facilities and property management businesses in the US. Combined, the group can now compete with the major global firms for contracts with multinational companies. The other major divisions contributing to the company's growth include both rail and infrastructure. The rail division has seen a significant lift in orders for new locomotives to the iron ore industry that should sustain good growth over the next two years. These contracts complement the growing city transit rail operations that have a far greater exposure to long term maintenance revenues. The company's infrastructure contracting division specialises in power and water. The large number of major contracts in the mining and energy sectors has seen an increased level of expenditure on facilities to service these projects. UGL has been winning contracts for both construction and maintenance of these facilities. UGL has a solid growth profile over the next five years and industry leading returns on funds employed. We have used the recent weakness in the market (and especially among engineering stocks), to begin building a position in a company that we believe has excellent long term attributes.

The Trust also added Incitec Pivot Limited (Incitec) during the month. The majority of the group's earnings are derived from explosives, demand for which has grown at twice the rate of minerals production over the long term (8% versus 4%) due to declining grades and increasing strip ratios. Industry structure is attractive, with Incitec and Orica Limited being duopoly producers in eastern Australia and the USA. We are also attracted to Incitec's low risk expansion strategy of only adding capacity where binding take, or pay off take, arrangements are in place. Incitec is forecast to achieve strong growth in financial year 2013 and financial year 2014 as the Moranbah ammonium nitrate plant reaches full production, and fertiliser earnings recover from trading losses incurred in first half financial year 2012. Return on invested capital is forecast to improve from 10% to 13% as the AUD1 billion investment at Moranbah delivers its business case. Our valuation is $3.60, representing 25% upside.

We also added to the position in Lend Lease Group during the month.

We sold down the positions in Tox Free Solutions Limited, Sonic Healthcare Limited and Seek Limited during the month as each company's share price approached our valuation. The Trust trimmed positions in Bank of Queensland Limited, Fortescue Metals Group Ltd and ANZ.

At month end, stock numbers stood at 35 with cash at 3.5%.

Market Overview

Developments in Europe were once again the biggest driver of investor sentiment. The elections in Greece resulted in the formation of a new government and the European Union (EU) summit at the end of the month provided a number of measures aimed at recapitalising the European banking system and easing the pressure on government borrowing in the region. A strong rally on the final trading day of the month, following the EU Summit, saw most equity markets finish in positive territory, with Japan's Nikkei (up 5.4%), UK's FTSE100 (up 4.7%), Hong Kong's Hang Seng (up 4.4%) and the US S&P500 (up 4.0%) rising. China's Shanghai Composite (down 6.2%), was the only major market to fall.

The Chinese government continued to take measures to support economic growth, reducing the one year lending rate by 0.25% and loosening controls on banks' lending and deposit rates. Inflation in the country continues to fall, coming in at a 3.0% annualised rate, and remains supportive of additional easing measures. US economic data overall showed some signs of weakening during the month, with nonfarm payrolls increasing by 69,000 – a figure well short of consensus expectations – and the unemployment rate increasing slightly to 8.2%. US manufacturing data points were mixed, although the housing market continues to recover with building permits, new home sales and pending home sales, all exceeding forecasts.

Domestically, the Reserve Bank of Australia took the decision to further ease rates by 0.25%, taking the cash rate to 3.5%. The move was followed by a strong first quarter GDP figure of 1.3%, and official employment data showed the economy adding 38,900 new jobs in May (although a significant increase in the participation rate saw the unemployment rate increase slightly to 5.1%).

The domestic equity market witnessed a significant number of companies raising capital, including Brambles Limited, Echo Entertainment Group Limited (Echo), Ten Network Holdings Limited, Metcash Limited and Billabong International Limited (Billabong). A number of companies, including Qantas Airways Limited, Echo, Perpetual Limited, Boral and Billabong issued profit warnings, highlighting that despite recent economic data points, a number of areas of the domestic economy remain weak, with consumer spending and confidence relatively subdued. The Australian dollar strengthened considerably against most major currencies, with the AUD/USD exchange rate closing the month at US$1.024, a rise of 5.2%.

Commodity markets were mixed during the month, although rose sharply following developments out of Europe at month end. Copper (up 3.5%), nickel (up 3.1%) and zinc (up 0.3%) all rose while aluminium (down 4.2%), oil (down 4.0%) and iron ore (down 0.6%) fell. Gold rallied to close at USD1597 per ounce (up 2.4%).

In the domestic equity market the strongest performing sectors were financials (up 4.5%), telecommunications (up 3.6%) and property (up 2.7%). Energy (down 6.2%), industrials (down 5.5%) and materials (down 3.6%), were the weakest performing sectors.

Top Ten Holdings as at 30 June 2012

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	8.6	5.9
Westpac Banking Corp	8.0	6.5
National Aust. Bank	7.3	5.3
Commonwealth Bank.	6.6	8.5
CSL Limited	4.6	2.0
Origin Energy	4.0	1.3
Woodside Petroleum	3.6	1.9
CASH	3.5	0.0
Newcrest Mining	3.4	1.7
QBE Insurance Group	3.4	1.6

Asset Allocation as at 30 June 2012

Stock Name	Trust Weight %	Index Weight %
Energy	13.2	6.9
Materials	14.3	22.2
Industrials	6.2	7.1
Consumer Discretionary	1.8	3.7
Consumer Staples	0.0	8.3
Health Care	8.9	4.1
Financials-x-Real Estate	41.4	33.1
Real Estate	2.4	7.3
Information Technology	2.1	0.7
Telecommunication Services	0.0	4.9
Utilities	2.8	1.9
SPI Futures	3.3	-
Cash	3.5	-

Rounding accounts for small +/- from 100%.