PERENNIAL REAL ESTATE INVESTMENTS

Perennial Hedged Global Property Wholesale Trust

Monthly Report as at 31 May 2012

	Month %	3 Months %	1 Year %	2 Years % pa.	3 Years % p.a.	5 Years % p.a.	SI^^ % p.a.
Perennial Hedged Global Property Wholesale Trust*	-5.5	-1.4	-2.5	10.6	18.2	-8.3	-2.7
FTSE EPRA/NAREIT Developed TR Index (Hedged to AUD)	-4.7	-0.4	-1.9	12.6	18.2	-5.8	0.0
Value Added (Detracted)	-0.8	-1.0	-0.6	-2.0	0.0	-2.5	-2.7
Capital Growth	-5.6	-1.7	-6.9	7.5	15.5	-12.9	-7.3
Income Distribution	0.0	0.0	3.4	2.0	1.5	3.6	3.6
Net Performance	-5.6	-1.7	-3.5	9.5	17.0	-9.3	-3.7

* Gross Performance. ^Financial Year to Date. ^^ Since Inception: April 2006. **Past performance is not a reliable indicator of future performance. On 15 September 2011, the name of the Trust was changed from the Perennial Global Property Wholesale Trust to the Perennial Hedged Global Property Wholesale Trust.**

- Equity markets were hit hard during the month, with global REITs following suit.
- The European region outperformed for the month, partially due to the sector previously pricing in some of the financing issues facing the region.
- Despite the challenging and volatile market conditions, we expect the better quality stocks to outperform.

Performance

The FTSE EPRA/NAREIT Developed Total Return Index (Hedged to AUD) (the Index) finished the month down 5.5%. The Perennial Hedged Global Property Wholesale Trust (the Trust) finished the month down 4.7%, underperforming the Index return.

The old adage "sell in May and stay away" has very much been the story for 2012. Equity markets were hit hard during the month, with global REITs following suit. Concerns over Greece leaving the EU exacerbated stressed European markets and saw the re-emergence of the risk off trade, as investors struggled with the losses that bank and sovereign balance sheets would have to wear.

In addition, concerns about growth in China as the infrastructure build out showed signs of slowing down and heightened risk that domestic consumption may not grow sufficiently to maintain Chinese growth, also weighed on the market. In the US, we saw weaker economic data for production indicators and continuing jobless claims not slowing as much as the market would like. This coupled with the Eurozone issues saw US 10 year government bonds trade below 1.6% for the first time - once again highlighting investor aversion to risk.

In terms of regional performance, Europe was the best performer for the month. This was partially due to the sector previously pricing in some of the financing issues facing the region and reporting season news. The Trust's regional holdings performed in line with the Index, with our position in Derwent London being one of the better performers. Our zero weighting to poor office stock in France, Benelux and Sweden, also positively contributed to performance.

Perennial Hedged Global 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 international property securities. The Trust aims to provide a total return (after fees) that exceeds the FTSE EPRA/NAREIT Developed Total Return Index hedged to AUD measured over a rolling three-year period.

Portfolio Manager: David Kivell	**Risk Profile:** Moderate to High
Trust FUM (as at 31/05/12): AUD118.5 million	**Income Distribution Frequency:** Half yearly
Team FUM (as at 31/05/12): AUD1.3 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: April 2006	**APIR code:** IOF0081AU

Notwithstanding solid 1Q12 earnings US REITs finished the month down 4.2%, but did manage to outperform the broader US market indices. The broader market Canadian and Brazilian indices were also lower, down 6.3% and 11.9%, respectively. Canadian real estate stocks (down 0.3%) easily outpaced their Brazilian real estate brethren (down 9.1%). Asian markets were lower, with money being channelled back to the safe haven offered by the US. This was despite property fundamentals in Hong Kong remaining strong, as retail sales continued their solid growth and commercial occupancy and rents in Central seeming to have found a base. Australia performed well, finishing the month down slightly given the relatively high yields on offer.

Trust Activity

Trust activity during the month predominantly strengthened our overweight to high quality stocks with more defensive characteristics and reduced exposure to some of the more economically sensitive REITs.

During the month for example, we reduced our weights to three US hotel REITs, namely Host Hotels, LaSalle Hotel Properties (LHO) and Chatham Lodging (CLDT), given their perceived sensitivity to the economic cycle.

We added to our exposure to the more defensive healthcare space by increasing our position in US HCP, Inc. whose portfolio is characterised by low risk, long term triple net health care leases.

We also reduced our underweight position in Japan on selective names based on pricing weakness. Regionally, we remain overweight to quality landlord names with defensive characteristics, strong balance sheets and strong recurrent earnings.

Market Review

As noted above, the European region was the best performer for the month, partially due to the sector previously pricing in some of the financing issues facing the region. The current reporting season brought, as expected, overall positive cash flows as typically existing rental contracts are supported by indexation. However, operating conditions are difficult, with the reletting of office space remaining tough as the pricing power of the landlords moves to the tenant. Retail operators, particularly in southern Europe, are struggling as sales levels continue to deteriorate. Financing continues to be difficult in terms of both obtaining finance and increasing spreads in general. Most players are paying +300bps premium to central bank rates for new 5 to 10 year loans. Although quality operators such as Unibail-Rodamco, can still access funding of 120bps spread for new 10 year finance.

Notwithstanding the recent weakness of US REITs, money continued to flow into the sector. Overall, USD2.3 billion flowed into the REIT space from the three major sources (US mutual funds, ETFs, Japanese mutual funds) in the first four reporting periods of May. Including May's inflows, the total year-to-date 2012 inflows from these three sources now stands at USD10.6 billion.

With May's declining stock market and greater economic uncertainty, upscale shoppers may have become a bit more cautious in some of their spending. Some high end retailers, such as Tiffany's, have seen moderation in their recent results, while some value priced retailers, such as TJ Maxx, have seen strength in their recent sales. This likely affected the May monthly stock price performance of some of the retail REITs such as Taubman Centers and Tanger Factory Outlets.

Office-focused REIT, Vornado Realty Trust, announced that it is marketing some of its mall assets including stakes in three New York City-area malls: Kings Plaza, Green Acres Mall and Monmouth Mall. The sale of these mall assets would represent the first decisive step in the company's plan to simplify its business model and redeploy capital into high quality core CBD office assets in New York City and Washington DC. Overall, investors were pleased with these efforts, with the stock modestly outperforming for the month.

In Hong Kong, it was an active month for commercial property sales, with record high prices and firm yields in some recent transactions in Central and suburban areas due to the combination of low borrowing costs, a low cash rate and firm demand. While retail sales momentum slowed on lower tourism arrival in recent months, albeit from a very high base, market leaders such as Wharf Holdings have been able to deliver double digits year on year growth.

As expected the People's Bank of China delivered its second reserve requirement ratio cut for the year. The announcement came after the latest data showed sluggish trade and domestic consumption combined with disappointing bank lending, suggesting a soft landing of the economy. The Premier indicated that while the current economic slowdown was within expectations, stabilising growth is the priority. With home prices in April down for the seventh consecutive month, price cutting and lower margins are now the norm for residential developers.

In Singapore, REITS performed better than the developers, as large cap developers reported subdued 1Q results. The risk off trade toward the end of the month triggered a sell off across the board. While two planned hospitality focused IPOs were pulled due to market conditions, there was strong sales activity in the residential sector. In the main, however, the sites were won by small or foreign developers, with the margins expected to be relatively thin.

The Japanese property sector recorded a month on month loss, but performed relatively better than the broader market. The Bank of Japan continued to buy JREITs as part of its stimulus program; however it sent out a clear message that the buying program will not be automatically topped up, signalling the support is nearing an end. Tokyo office vacancy rates continued to trend upward as the end of April to 9.23%. We expect at this level, the vacancy rate is very close to peaking in this cycle that said, rental rates are still bottoming. The developers' full year results reported during the month, showed that the condominium segment had recovered significantly across the board. Based on the results, it is the only segment expected to drive growth in the next financial year. The office leasing segment remained a drag to earnings last year and is expected to continue to do so in the coming one year at least. Overall, we forecast a flattish earnings outlook for most developers. However, based on its stable earnings derived from a diversified portfolio of office, retail and strong margin growth from residential sales we expect Mitsui Fudosan to be the exception.

Asset Allocation as at 31 May 2012

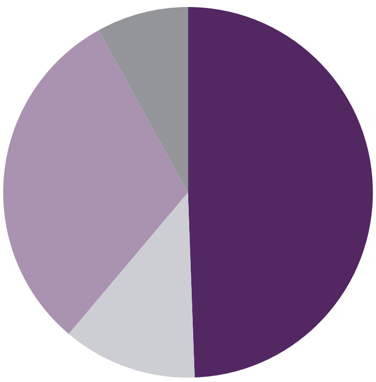
Sector	% of Trust
Retail	41.8
Office	15.8
Industrial	3.0
Hotel	3.0
Residential investment	10.4
Residential development	6.7
Infrastructure	0.2
Construction	0.1
Funds management	1.9
Other	17.1
Total	**100.0**

Source: Perennial Investment Partners

Outlook

Overall, we see the market remaining difficult and volatile, with a number of major macroeconomic and political problems causing concern. Despite the challenges facing markets and investors, in our view the sector continues to offer sound investment grade opportunities from those companies with strong recurring cashflows, quality assets, strong market position, sound balance sheets and quality management. Accordingly, the Trust remains focused on companies offering these qualities and therefore provides some protection in these volatile times.

Trust Country Allocation as at 31 May 2012



Source: Perennial Investment Partners
Refers to location of underlying gross property assets, not listing domicile.