Perennial Australian Property Wholesale Trust

Monthly Report as at 30 November 2012

	Month %	3 Months %	FYTD^ %	1 Year %	3 Years % p.a.	5 Years % p.a.	SI^^ % p.a.
Perennial Australian Property Wholesale Trust*	-1.3	5.4	11.0	27.2	10.3	-7.4	8.0
S&P/ASX 200 A-REIT Accumulation Index	-1.3	5.2	11.1	25.9	9.5	-10.1	6.7
Value Added (Detracted)	**0.0**	**0.2**	**-0.1**	**1.3**	**0.8**	**2.7**	**1.3**
Capital Growth	-1.4	5.2	10.6	20.4	3.9	-12.8	-1.1
Income Distribution	0.0	0.0	0.0	5.9	5.6	4.7	8.4
Net Performance	-1.4	5.2	10.6	26.3	9.5	-8.1	7.3

* Gross Performance. ^Financial Year to Date. ^^ Since Inception: August 1994. **Past performance is not a reliable indicator of future performance.**

- We remain cautious on the office sector which we view as trading on expensive relative valuations and continue to maintain an underweight position in this sector.
- Goodman Group and Dexus were the best performing stocks in November.
- The unemployment rate fell 0.2% to 5.2% despite full-time employment decreasing during November.

Trust Performance

The Perennial Australian Property Wholesale Trust (the Trust) finished the month down 1.3%, marginally underperforming the S&P/ASX 200 A-REIT Accumulation Index (the Index) return of 1.3%.

Post this reporting period, at its 4 December meeting, the Reserve Bank of Australia (RBA) cut the official cash rate from 3.25% to 3.00% in line with market expectations. The accompanying statement appeared a touch dovish, with risks to the global economy still noted and commentary on the domestic economy being relatively downbeat.

Despite the improving global economic environment over recent months, domestic economic indicators have not improved markedly in response to monetary policy easing to date. In particular, housing demand has not responded to policy easing and foreshadows further weakness into the New Year.

The overall tone of economic data remains mixed, with the unemployment rate falling 0.2% to 5.2% despite full-time employment decreasing during November. This headline result is primarily due to the participation rate falling as people left the labour market. In a similar vein, GDP data points are highlighting the anaemic growth outside of the mining sector suggesting a softening in labour demand going forward.

The past six weeks have seen the emergence of equity raisings in the sector, with approximately AUD1.0 billion in new equity issuance, across Charter Hall Retail REIT (AUD100 million), Goodman Group (AUD400 million) and the creation of SCA Property Group (AUD472 million), a Woolworths spin-off of 69 retail assets. In our view, the activity on this front, is a direct result of the strong unit price performance of the sector and early signs are emerging of a more acquisitive phase given the earnings accretion on offer.

A declining interest rate environment provides a supportive backdrop for A-REIT performance, with property earnings at historic highs versus bond yields. Additionally, the A-REIT sector continues to provide earnings clarity against an uncertain economic backdrop, while transaction markets remain healthy for prime assets.

S&P/ASX 200 A-REIT Accumulation Index (the Index) gave back some of October's outperformance, finishing the month –down 1.34% versus the broader market which finished up 0.47%. A-REITs however, continued to be well supported by yield hungry investors in an uncertain

Perennial Australian 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 Australian property investments. The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 200 A-REIT Accumulation Index measured on a rolling three-year basis.

Portfolio Manager: David Kivell

Risk Profile: Medium

Trust FUM (as at 30/11/12): AUD86.7 million

Income Distribution Frequency: Half yearly

Team FUM (as at 30/11/12): AUD963 million

Minimum Initial Investment: $25,000

Trust Inception date: August 1994

APIR code: IOF0044AU

macroeconomic environment, and have enjoyed relative 13% outperformance of 13% year-to-date.

Goodman Group was again the sector's top performer (up 4.29%) during November, after announcing a AUD400 million equity raising to fund its share of project developments and launch the Group's expansion into the Brazilian market. The stock has been a core overweight in the Trust's positioning and year-to-date has achieved the highest total return of up 66%. Dexus Group (up 2.03%) also posted a strong month, after confirming it had entered into exclusive, non-binding negotiations with a buyer for the sale of the majority of its remaining US industrial portfolio.

The worst performing names included Commonwealth Property Office Fund (down 5.56%) as the market continued to focus on the Group's challenging lease expiry profile in FY14, while Westfield Retail Trust (down 3.55%) released a quarterly update which confirmed weak specialty retail sales growth and negative releasing spreads on its new leases. Despite the challenging operating environment for retailers, we continue to support Westfield Retail Trust's portfolio of fully-let regional malls which generate the highest sales productivity, as a key defensive holding for the Trust.

Outlook

During November, the Trust took advantage of attractive relative pricing to buy back into CFS Retail Trust, which traded down during the course of the month. In anticipation of a pending announcement regarding its United States industrial portfolio, the Trust also reduced its underweight position in Dexus Group. The Trust also took the opportunity to book profits in Goodman Group and BWP Trust which traded at one-year highs during the course of November.

The Trust continues to be positioned with a defensive bias towards stocks with stable, recurring high quality income streams, with a focus on high quality assets and robust underlying fundamentals as well as strong capital structures.

We continue to support Goodman Group which is seeing strong momentum in its development and funds management businesses, as evidenced by the recent capital raising for its Australian wholesale fund GAIF and expansion into Brazil through a joint venture with the Brazilian property group WTORRE.

We continue to support high quality retail names, such as Westfield Retail Trust, with exposure to strong assets that would be difficult to replicate and exposure to defensive grocery anchored assets that are capturing non-discretionary spending, such as the Charter Hall Retail REIT.

We remain selective with our residential exposure and continue to hold the view that groups with projects targeting the mid-end of the market should benefit from a stronger and more consistent level of demand. In this regard, we prefer Mirvac Group at this stage in the cycle which comes with the benefit of having a majority of its earnings backed by a quality passive property portfolio.

Asset Allocation as at 30 November 2012

Sector Name	% of Trust
Retail	63.6
Office	11.4
Industrial	11.3
Hotel	1.0
Residential investment	0.1
Residential development	4.2
Infrastructure	0.0
Construction	0.0
Funds mgt	6.6
Other	1.8
Total	**100**

We remain cautious on the office sector, which we view as trading on expensive relative valuations and continue to maintain an underweight position in this sector. Office fundamentals remain challenging, with historically high incentive levels and an economic backdrop not conducive

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of business expansion and subsequent net absorption of office space.

Sector News

During the month, sector news included:

- Stockland announced that it has appointed Mark Steinert as the new CEO of the Group to replace Matthew Quinn who has run the company for the past 12 years. Mr Steinart was previously as the Global Head of Product Development within Asset Management at UBS. His previous roles at UBS include Head of UBS Global Real Estate Research, Head of Australasian Equities and Head of Global UBS Research. Prior to joining UBS, he spent eight years in direct property, primarily with Jones Lang LaSalle.
- Mirvac Group announced the appointment of Jonathan Hannam to the position of Group Executive, Capital. Mr Hannam will join the Executive Leadership Team in January 2013, reporting to the CEO and Managing Director. The new position will focus on cultivating wholesale equity relationships to ensure that Mirvac has a broad network from which to source capital. In addition, the role allows Mirvac to retain its relationships and expertise in house.
- In a separate announcement, Mirvac raised AUD150 million in a five-year medium term note issue quoted at spread to swap of 230 basis points which equates to a yield of 5.66%. The settlement date is 5 December 2012. The transaction was upsized from an initial AUD100 million.
- Dexus Property Group announced the acquisition of 40 Market Street, Melbourne for AUD46.7 million (excluding acquisition costs) representing an 8.9% initial yield. The property is a nine storey, B-grade property located in Melbourne's western core precinct. Dexus intends to reposition the property through refurbishment and extend the lease term with the current tenant beyond December 2018.
- Commonwealth Property Office Fund announced it had executed AUD150 million of new long-dated debt through two separate medium term note (MTN) issuances, to ensure continued duration and diversity of debt. The Manager has issued:
- AUD125 million of 7 year MTNs at 5.25% coupon (5.385% yield being swap+1.85% margin), and
- AUD25 million of 10 year MTNs at 5.75% coupon (5.830% yield being swap+2.05% margin).
- GPT Wholesale Shopping Centre Fund, rated A- by S&P, made its debut issue, with a 5 year AUD200 million MTN priced at 175bps over swap which was 10bps tighter than indicative pricing. The notes equate to an issue yield of 5.02%.

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