

Perennial Value Australian Shares Trust

Quarterly Report as at 30 September 2012

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception [^] % p.a.
Perennial Value Australian Shares Trust*	9.2	11.1	-1.1	-2.4	10.5
S&P/ASX 300 Accumulation Index	8.7	14.5	1.7	-3.6	7.1
Value Added (Detracted)	0.5	-3.4	-2.8	1.2	3.4
Net Performance	9.0	10.2	-2.0	-3.3	9.7

* Gross Performance. ^Since Inception: March 2000. Past performance is not a reliable indicator of future performance.

- Company reporting season was a major focus of the quarter.
- The best performing stock in the Trust was BlueScope Steel Limited (up 40.0%).
- During the quarter, Wesfarmers Limited was introduced to the Trust.

The S&P/ASX 300 Accumulation Index (the Index) finished the quarter up 8.7%. The Perennial Value Australian Shares Trust (the Trust) finished the quarter up 9.2%, outperforming the Index return by 0.5%.

Global equity markets in the September quarter benefited from strong policy moves by central banks in the US, Japan and Europe. The European Central Bank announced a policy of intervention to limit yield in stressed bond markets and the US Federal Reserve announced a new commitment to asset purchases which will continue until the labour market shows substantial improvement. The Bank of Japan also expanded its balance sheet policy. Domestically, the Reserve Bank of Australia left the cash rate steady through the September quarter at 3.5%. The Federal government introduced its carbon tax from 1 July 2012 while the unemployment rate remained unchanged from May to August at 5.1%, assisted by lower participation levels. The Australian dollar gained 1.0 cent finishing at USD1.04.

During the quarter, the market was predominantly focused on company reporting season. Despite somewhat dire predictions, 54% of all companies which reported increased their earnings when compared to the prior year. Within this, industrial earnings were somewhat stronger than resource earnings. In turn, reported earnings of cyclicals were generally in line with or better than, the quite low expectations and the share prices of a number of these stocks held in the Trust reacted positively.

All sectors finished the quarter positively. Information and technology (up 18.0%), healthcare (up 14.6%) and consumer staples (up 12.3%) were the strongest performers.

Perennial Value Australian Shares Trust Facts:

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and tax effective income, by investing in a diversified trust of Australian shares, and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

Trust Manager:
John Murray

Trust FUM
(as at 30/09/12):

AUD1.8 billion

Team FUM
(as at 30/09/12):

AUD7.8 billion

Trust Inception date:
March 2000

Risk Profile:
High

Income Distribution
Frequency:

Half yearly

Minimum Initial
Investment:

\$25,000

APIR code: IOF0200AU

The best performing stock in the Trust was BlueScope Steel Limited (up 40.0%) which rallied as markets expected benefits to flow from lower iron ore and coal prices. Another Australian steel maker, Arrium Limited, received a takeover offer from a consortium of Asian steel makers, highlighting the potential value in the sector.

Boral Limited (up 31.4%) has been running on increased confidence surrounding the US housing recovery and what this may mean for a company that has increased its exposure to this market in recent years. Premier Investments Limited (up 25.2%) released a result that was ahead of market expectations. Despite generally weak retail sales, earnings increased sharply driven by growth of new chains and cost cutting. While the retail sector has been out of favour with investors, this company demonstrates a number of favourable attributes which we look for, including margin expansion, a healthy balance

sheet and a strong retail management team. Other strong performers included Fletcher Building Limited (up 24.0%) on the improving New Zealand housing market and Billabong International Limited (up 23.3%) after it announced that it was approached by TPG Capital with a revised takeover proposal.

Stocks which detracted from performance over the quarter included Fairfax Media Limited (down 23.4%), after delivering a result which was in line with expectations but indicating a weak outlook, FKP Property Group (down 15.8%) following the completion of a discounted entitlement issue to provide more balance sheet lee-way (we supported the issue and the month end closing price was above the entitlement price) and Iluka Resources Limited (down 10.1%) which gave back some of its recent rally as zircon prices softened.

In terms of Trust activity, we introduced Wesfarmers Limited (Wesfarmers) to the Trust, attracted by a FY12 gross dividend yield of 9.2%. We see both earnings and dividend growth into FY13 and the balance sheet is strong, highlighted by a FY12 net interest cover of 8.9 times. While in our view, Wesfarmers overpaid for Coles, it has worked hard and made substantial progress in turning this business around. Wesfarmers can be viewed as a very well managed diversified industrial conglomerate, with operations spanning across food retail (Coles), more discretionary retail (Bunnings, K Mart and Target), coal production, insurance (Coles and Lumleys) and smaller divisions including chemicals, energy, fertiliser and LPG.

We remain alert to environmental, social and corporate governance (ESG) issues in the Trust. During the quarter, the Australian government announced it will abandon its planned \$15 carbon floor from 1 July 2013 and allow firms to meet up to 50% of their carbon liabilities using European Union allowances from that time. The key here is that regulatory uncertainty remains high around this scheme along with the renewable energy scheme which may also be modified.

At quarter end, stock numbers stood at 46 with cash at 1.9%.

Top 10 Holdings as at 30 September 2012

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	8.4%	6.2%
National Aust. Bank	7.6%	5.4%
Commonwealth Bank.	7.4%	8.2%
BHP Billiton Limited	7.0%	9.8%
Westpac Banking Corp	6.5%	7.1%
Telstra Corporation.	6.3%	4.5%
Woodside Petroleum	3.5%	1.9%
Rio Tinto Limited	3.3%	2.2%
Macquarie Group Ltd	3.1%	0.9%
Brambles Limited	2.9%	1.0%

Asset Allocation as at 30 September 2012

Asset Class	Trust Weight %	Index Weight %
Energy	5.1%	6.8%
Materials	25.6%	21.7%
Industrials	4.2%	6.7%
Consumer Discretionary	10.0%	3.6%
Consumer Staples	4.7%	8.5%
Health Care	0.0%	4.3%
Financials-x-Real Estate	37.6%	34.0%
Real Estate	4.2%	7.2%
Information Technology	0.0%	0.7%
Telecommunication Services	6.3%	4.8%
Utilities	0.4%	1.8%
Other	1.9%	-

Rounding accounts for small +/- from 100%.

Signatory of:



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