Perennial Growth Australian Shares Trust

Monthly Report as at 30 April 2013

	Month %	3 Months %	Financial YTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Growth Australian Shares Trust*	2.4	3.1	26.4	16.2	4.3	4.2	1.7
S&P/ASX 300 Accumulation Index	4.3	7.3	30.8	22.7	8.1	7.0	2.9
Value Added (Detracted)	**-1.9**	**-4.2**	**-4.4**	**-6.5**	**-3.8**	**-2.8**	**-1.2**
Net Performance	2.3	3.0	26.0	15.6	3.7	3.5	1.0

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

- The top performer during the month was National Australia Bank (up 10.2%), which remains the Trust's largest overweight bank position.
- QBE Insurance and Telecom New Zealand were added to the Trust during the month.
- Stronger performing sectors included telecommunications (up 10.6%), financials (up 8.5%) and property (up 8.2%).

Trust Performance Overview

The Perennial Growth Australian Shares Trust (the Trust) finished up 2.4% in April, underperforming the S&P/ASX300 Accumulation Index (the Index) by 1.9%, with the Index finishing up 4.3% for the month.

The top performer during the month was National Australia Bank (NAB) (up 10.2%), which remains the Trust's largest overweight bank position. As the market sought high yielding stocks, all banks were well supported with Australia and New Zealand Banking Group (ANZ) and NAB seeing the greatest gains. While underlying credit growth remains anaemic, the banks have managed to hold, and in some cases increase, lending margins. This, associated with improving credit quality and a long overdue focus on costs has resulted in modest after tax profit gains and the ability to increase dividends to shareholders. NAB has continued to lift its market share in mortgages and while its UK operations continue to hold back group profitability, that market is no longer deteriorating.

ANZ (up 11.6%) also contributed positively during the month, finishing the period strongly driven in part by an above expectations interim result. Elements of the result that were compelling included good cost control and continuing bad debt decline. In addition, the bank, in providing dividend guidance, indicated that its payout ratio would be higher. Revenue growth was modest and reflects the difficult credit conditions in Australia rather than loss of market share to its competitors. Finally, capital generation was strong and puts the bank in a strong position as the industry migrates to comply with APRA's interpretation of the global banking standard under Basel III.

Challenger (up 9.1%) also contributed positively. During the month, the government released an announcement detailing proposed changes to superannuation and its taxation. As part of these changes, the government will encourage the take-up of deferred lifetime annuities (DLAs) by providing these products with the same concessional tax treatment that superannuation assets supporting income streams receive. The reform is to apply from 1 July 2014. This is a major new revenue opportunity for Challenger and even though it may not be introduced in time for the election, there is bipartisan support for this policy amendment and this marks an important step in its introduction.

The Trust's biggest detractor to performance was Newcrest Mining (down 16.2%), with two key events contributing to the underperformance. Firstly, there was a significant fall in the gold price, driven by investors aggressively selling gold in response to fears of forced central bank selling and the release of Federal Open Market Committee March meeting minutes that revealed

Perennial Growth Australian Shares Trust

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 portfolio 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.

Portfolio Manager: Lee Mickelburough	**Risk Profile:** High
Trust FUM (as at 30/04/13): AUD316.2 million	**Income Distribution Frequency:** Half yearly
Team FUM (as at 30/04/13): AUD2.2 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: March 2001	**APIR code:** IOF0201AU

further talk of tapering quantitative easing and potential for halting asset purchases by year end. Gold equities underperformed the fall in the underlying spot price of gold. The price fall resulted in a strong pickup in physical demand, which we believe should continue to support prices around current levels into the foreseeable future. Secondly, Newcrest's March quarter production report disappointed the market as actual cash costs were higher than expectations. Both growth projects (Cadia East and Lihir) for Newcrest are performing well, and should over the next year continue to ramp up providing substantial production volume growth. We also believe that the fall in the gold price has created an additional sense of urgency for management to improve the cash flow generation and returns in the business.

Also detracting from performance was WorleyParsons (Worley) (down 7.8%), during the month as global commodity prices, in particular crude oil, were under pressure. In addition, a number of Worley's peers reported quarterly results with many citing project delays as customers re-evaluate project costs. While not immune, Worley is relatively well placed given that around 40% of revenues are derived from long term asset optimisation projects versus greenfield new build. We are attracted to Worley's exposure to resilient global hydrocarbons capex and also recovering North American economies (almost 45% of revenue).

Fortescue Metals Group (Fortescue) (down 11.2%) also underperformed. Fortescue was a negative contributor to performance during the month despite a strong quarterly production report release that saw volumes in line with expectations and cash costs come in lower than expectations. Iron ore prices remained relatively stable during the month, however, high steel inventories, pessimism towards China and growing iron ore supply forecast for later this year continue to weigh on iron ore equities. Despite a forecast fall in iron prices later this year, we expect Fortescue to deliver significant cash flow growth as volumes ramp up from lower cost sources of supply. We remain confident that the partial sell down of the rail and port infrastructure in the next few months will be a significant positive catalyst for the stock.

Also detracting from performance was Origin Energy (down 7.2%). There was no new news announced during the month, however, with a weaker oil price, most energy related companies underperformed. During the month, the NSW energy regulator announced a pricing framework for electricity but the changes had been largely anticipated and were certainly not as onerous as the Queensland pricing that surprised the market in 2012. The Australia Pacific Liquefied Natural Gas project continues to be on track despite wet weather during the quarter in its Queensland drilling areas.

Trust Activity

During the month, we initiated a new position in QBE Insurance. We had previously exited our position in QBE Insurance in January, following the events of Hurricane Sandy in the US and the subsequent downgrading of the earnings expectations for FY12. We were primarily concerned about capital levels, and had a residual concern with the new management team. After the stock rebounded from its lows we took the opportunity to exit and wait for further clarification on both the trajectory of earnings and the adequacy of the capital level. Following the full year result, and our subsequent meetings with management, we satisfied ourselves that the issues were manageable and that further management changes were setting the business on a new footing and hence we have reinvested in the company.

Telecom New Zealand was also added to the Trust during the month. With a new management team focusing closely on costs and improving its competitive position in both the New Zealand mobile and fixed line broadband industries, we see the company returning to growth next year. It is also coming to the end of a significant investment period upgrading its mobile network. With improving cash flow, lower capital expenditure and a lightly geared balance sheet, the company will have numerous options to improve returns to shareholders over the next few years.

We added to the Trust's positions in AMP and Newcrest Mining.

We reduced our position in Aurizon Holdings after the share price approached valuation. Aurizon is currently in the process of renegotiating its below rail infrastructure agreement (UT4) with the Queensland Regulator and restructuring its balance sheet which are critical outcomes for the company. However, we also remain concerned about the soft back drop for coal in Australia and therefore reduced the portfolio's holding.

We took advantage of a bid at a significant premium from existing private equity holders for a significant portion of the Trust's holding in Miclyn Offshore Express.

We reduced our position in Computershare, ALS, ANZ, Brambles and Resmed.

At month end, stock numbers were at 36 with cash at 2.2%.

Market Overview

Most equity markets rose during the month with Japan's Nikkei (up 11.8%), Hong Kong's Hang Seng (up 2.0%), the US S&P500 (up 1.8%) and UK's FTSE100 (up 0.3%) all rising, with China's Shanghai Composite (down 2.6%) the exception.

It was a slightly disappointing month for US economic data releases. Q113 GDP came in at an annualised rate of 2.5%, which fell short of expectations, while the ISM manufacturing number also missed forecasts at 51.3. Consumer confidence fell, non-farm payrolls for March were reported at 88,000, which again fell short of estimates, and while the unemployment rate fell to 7.6%, this was attributable to the participation rate falling to its lowest level since 1979. On a positive note, activity in the housing market continues to improve, with housing starts printing at an annualised rate above 1 million for the first time since mid-2008.

Chinese data generally fell short of expectations, with Q113 GDP coming in at 7.7% year on year (yoy), and industrial production falling to 8.9% yoy. While these figures are lower than the growth rates enjoyed over the past few years, they remain high in absolute terms, and with inflation falling (Chinese CPI for March dropped to 2.1% yoy) the Chinese government should have great scope to provide stimulus to growth should things deteriorate further. The government currently have a growth target for 2013 of 7.5% p.a.

Elsewhere, the Japanese government announced a major expansion of its quantitative easing policy, increasing asset purchases to ¥50 trillion per year and extending the breadth of assets to be purchased to longer maturity bonds along with other financial assets. The economic backdrop in Europe remains particularly weak, with Eurozone unemployment increasing to another record level of 12.1% for March and the manufacturing PMI falling to 46.5. Following inconclusive elections in February, Italy formed a new government with Enrico Letta appointed Prime Minister. Markets welcomed the news with Italian and Spanish bond yields falling to their lowest levels since late 2010.

Domestically, the Labor government announced that the budget would move into deficit by year end in the face of falling tax receipts. There was a reduction of 36,100 in the number employed, with the unemployment rate increasing to 5.6%. The Reserve Bank of Australia elected to keep interest rates at 3%, although in the face of a weakening economic backdrop market expectations for future interest rates fell during the month.

The Australian dollar weakened slightly, falling 0.5% over the month to finish at USD1.037, although it remains extremely resilient in the face of weakening commodity prices and falling terms of trade. Commodity markets were universally weak during the month, with nickel (down 7.6%), Brent crude (down 7.0%), copper (down 6.4%), iron ore (down 2.3%) and aluminium (down 1.8%) all falling. Gold (down 7.6%) sold off aggressively mid-month in the face of gold ETF redemptions, central bank sales and fears of the end of US quantitative easing, with prices regaining some ground from the lows to finish the month at $1,472 an ounce.

Within the domestic equity market, the strongest performing sectors were those offering higher yields. Telecommunications (up 10.6%), financials (up 8.5%) and property (up 8.2%) provided the highest returns for the month. For a fourth consecutive month the weakest sector was materials (down 4.4%), followed by energy (down 1.7%) and IT (down 1.6%).

Asset Allocation as 30 April 2013

Sector	Trust Weight %	Index Weight %
Energy	13.5%	5.9%
Materials	23.8%	16.8%
Industrials	8.0%	6.7%
Consumer Discretionary	2.1%	4.2%
Consumer Staples	0.0%	9.0%
Health Care	6.9%	4.3%
Financials-x-Real Estate	42.7%	38.0%
Real Estate	0.1%	7.0%
Information Technology	0.4%	0.7%
Telecommunication Services	0.7%	5.1%
Utilities	0.0%	1.7%
SPI Futures	13.5%	5.9%
Cash	1.7%	-

Rounding accounts for small +/- from 100%.

Top Ten Holdings as at 30 April 2013

Stock Name	Trust Weight %	Index Weight %
BHP Billiton Limited	10.1%	8.2%
National Aust. Bank	9.4%	6.2%
ANZ Banking Grp Ltd	8.9%	6.8%
Commonwealth Bank.	6.6%	9.2%
Westpac Banking Corp	6.5%	8.2%
CSL Limited	4.4%	2.4%
Rio Tinto Limited	3.6%	1.9%
Lend Lease Group	3.1%	0.4%
WorleyParsons Ltd	2.9%	0.4%
QBE Insurance Group	2.9%	1.2%