

Perennial Core Australian Shares Trust

Monthly Report as at 31 December 2011

	1 Month %	3 Months %	1 Year %	5 Years % p.a.	SI [^] % p.a.
Perennial Core Australian Shares Trust *	-1.6	1.4	-12.4	-	13.2
S&P/ASX 300 Accumulation Index	-1.4	2.1	-11.0	-	11.9
Value Added (Detracted)	-0.2	-0.7	-1.4	-	1.3
Net Performance	-1.6	1.2	-13.1	-	12.1

*Gross Performance. ^Since Inception February 2009. Past performance is not a reliable indicator of future performance.

- Telecommunications (up 5.0%), utilities (up 2.5%) and healthcare (up 1.7%) were the only sectors to finish in positive territory.
- Global equity market performance was mixed.
- Domestically, a number of retailers announced profit downgrades.

The S&P/ASX300 Accumulation Index (the Index) finished the month down 1.4%. The Perennial Core Australian Shares Trust (the Trust) finished down 1.6%, underperforming the Index return by 0.2%.

The European debt crisis remains the most significant driver of market sentiment and, while a number of additional measures were taken to provide further support to the existing structure of the Eurozone, the economic situation in the region remains extremely fragile. On a positive note, US economic data continues to show signs of recovery. Global equity market performance was mixed with Hong Kong's Hang Seng (up 2.5%), UK's FTSE100 (up 1.2%), US' S&P500 (up 0.9%) and Japan's Nikkei (up 0.2%) finishing in positive territory, while China's Shanghai Composite (down 5.7%) was down.

In the US, the flow of macroeconomic data continued to provide evidence of an ongoing economic recovery. Housing market data was stronger with housing starts, building permits and home sales all surprisingly on the upside. Employment data was also positive with the number employed increasing by over 200,000 and the unemployment rate falling to 8.6%. A number of manufacturing indicators were ahead of forecasts, while consumer confidence remained solid.

Domestically, employment data showed the total number of employed decreasing by 6,300 and the unemployment rate increasing slightly to 5.3%. Third quarter gross domestic product came in ahead of expectations at 1.0%, with the previous quarter's figure also revised up 0.2%. However, despite this, the Reserve Bank of Australia reduced rates by 0.25% to 4.25% citing the risks to global growth posed by ongoing sovereign debt market stress. A number of retailers announced profit downgrades highlighting the tough conditions the sector currently

Perennial Core 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 portfolio of Australian shares. 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.

Portfolio Manager:

Lee Mickelburgh
John Murray

Trust Inception date:

February 2009

Risk Profile:

High

Income Distribution

Frequency:

Half yearly

Minimum Initial

Investment:

\$25,000

APIR code: IOF0144AU

faces. The Australian dollar (AUD) and United States dollar (USD) exchange rate traded through a relatively tight range, closing the month at USD1.02 to finish slightly down.

Commodities were mixed over the month with nickel (up 6.9%) and iron ore (up 5.8%) rising, and zinc (down 10.9%), aluminium (down 4.3%), copper (down 3.6%) and oil (down 2.8%) falling. Gold was also sold off, closing the month at USD1,564 per ounce (down 10.5%).

In the domestic equity market, defensive sectors were the strongest performers with telecommunications (up 5.0%), utilities (up 2.5%) and healthcare (up 1.7%) the only

sectors to finish in positive territory. Energy (down 5.1%), materials (down 4.1%), property (down 4.1%) and consumer discretionary (down 4.0%) were the weakest performing sectors.

Gloucester Coal (up 11.8%) outperformed after announcing a merger proposal with Chinese firm Yanzhou Coal that will see shareholders receive cash and shares in the merged entity.

Iluka Resources (up 6.2%) was a standout performer after it announced that it expects to achieve an 80-90% increase in the average price of rutile in the first half of CY12, well ahead of market expectations.

Other strong performers included Graincorp (up 10.0%) due to prospects of a large wheat crop, BlueScope Steel (up 6.6%) after it successfully completed its equity capital raising, Tatt's Group (up 6.1%) which announced that it is acquiring Tote Tasmania, Telstra (up 5.4%), ANZ (up 3.2%) and CSL Limited (up 2.6%).

Stocks which detracted from performance included Billabong International (down 51.9%) after it significantly downgraded its guidance due to weak pre-Christmas sales.

JB Hi-Fi Limited (JB Hi-Fi) (down 27.4%) also underperformed. JB Hi-Fi announced total sales growth of 7.8% (comparative store growth was down 1.8%) for the five months to November compared to 6.6% for the first quarter. While the sales trend is improving, the company expects earnings before interest and tax to be down 5% for the first half of 2012 with earnings per share down 1%.

Other stocks which detracted from performance included Myer (down 18.7%) which declined on weaker consumer sentiment despite the RBA's rate cut, Newcrest (down 14.5%) after it downgraded its FY12 production guidance and Fairfax (down 12.7%).

Asset Allocation as at 31 December 2011

Asset Class	Trust Weight %	Index Weight %
Energy	5.3%	7.1%
Materials	29.5%	25.0%
Industrials	9.0%	7.2%
Consumer Discretionary	5.8%	3.9%
Consumer Staples	3.3%	8.0%
Health Care	1.8%	3.6%
Financials-x-Real Estate	34.1%	31.7%
Real Estate	3.3%	6.6%
Information Technology	1.6%	0.7%
Telecommunication Services	3.1%	4.5%
Utilities	0.2%	-
Other	0.9%	-

Rounding accounts for small +/- from 100%.

Top 5 Holdings as at 31 December 2011

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	11.5%	11.2%
ANZ Banking Grp Ltd	7.4%	5.5%
National Aust. Bank	7.2%	5.3%
Commonwealth Bank.	7.0%	7.9%
Westpac Banking Corp	6.0%	6.2%