Perennial Cash Enhanced Wholesale Trust

Monthly Report as at 31 December 2011

	Month %	Quarter %	FYTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Cash Enhanced Wholesale Trust*	0.44	1.21	1.98	5.44	6.10	7.10	6.32
UBS Bank Bill Index	0.40	1.22	2.47	5.00	4.83	4.38	5.48
Value Added (Detracted)	0.04	-0.01	-0.49	0.44	1.27	2.72	0.84
Net Performance	0.41	1.11	1.77	5.02	5.68	6.67	5.89

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

- Credit spreads on high quality corporate floating rate notes recovered a little from the previous month.
- The higher running yields on AAA rated Australian residential backed mortgage securities also contributed positively.
- We maintain a meaningful underweight duration position.

Performance

The Perennial Cash Enhanced Wholesale Trust (the Trust) returned 0.44% in December, outperforming the UBS Bank Bill Index (the Index) return of 0.40% by 0.04%.

Interest rate strategies in the form of an underweight duration position, relative to the Index, had a neutral impact on performance over the month as shorter term bond yields did not change much.

Credit spreads on high quality corporate floating rate notes recovered a little from the previous month, given our allocation to this sector this added to the Trust's return. The higher running yields on AAA rated Australian residential backed mortgage securities also contributed positively.

At month end, the weighted average yield of the Trust was 5.82% as compared to the Index of 4.45%.

Market Review

The Australian bond market recorded moderate returns over December, with yields flat to lower. At the shorter end of the curve, three year government bonds rallied over the first two thirds of the month, helped along by a cut in the official cash rate from 4.5% to 4.25% on 6 December and a number of weaker domestic economic readings. These included softer than expected building approval, labour force and housing finance approval data. Despite recent monetary easing, consumer sentiment fell sharply with consumers particularly bearish on the outlook for economic conditions one year ahead. After getting down to as low as 2.99%, the three year government bond yield rose again towards the end of the month, on stronger US economic data, finishing the month at 3.13%. This was largely unchanged from November's close of 3.12%.

Perennial Cash Enhanced Wholesale Trust: Fund Facts

The Trust aims to provide a total return that exceeds the benchmark, UBS Bank Bill Index, over rolling three-year periods by 0.50% p.a. (before fees).

Portfolio Manager: Glenn Feben	**Risk Profile:** Low
Trust FUM (as at 31/12/11): AUD219 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 31/12/11): AUD5.0 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: August 1994	**APIR code:** IOF0047AU

Ratings: Lonsec Recommended

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Not all domestic data releases were softer than expected. GDP rose 1% over the September quarter, lifting the yearly growth rate from 1.9% to 2.5%.

Expectations for the future path of the cash rate varied over the month, with periods of heightened uncertainty about prospects for European sovereign debt coinciding with markets pricing in a very aggressive easing cycle. The yield on the August 2012 30 day interbank futures contract got down to 2.81% on 19 December, before ending the month at 3.07%.

At the longer end of the government curve, ten year bond yields continued to benefit from flight to quality flows. Yields fell progressively and ended the month at 3.67%, a fall of 26 basis points. As a result of these moves, the spread between 10 year and 3 year government bond yields narrowed by 27 basis points to 54 basis points.

Credit markets recovered some of the margin widening that occurred in the prior month, with the Australian Itraxx 5 year series narrowing by 14 basis points to close the month at 181. However, there were a few subsectors that underperformed, including offshore financials. This was mainly on the back of Standard and Poor's (S&P) sector wide credit ratings downgrades of the banking system. The primary reason was some sweeping changes to the way S&P rate financial institutions. The new methodology, released by S&P in November 2011, changed ratings depending on an entity's 'systemic' importance, potential level of government support, country ratings (BICRA), notching of subordinated debt and strength of parental support for subsidiaries (in particular foreign), among others.

The industry wide changes adversely affected the ratings of a number of US and European financials, and included downgrades of Australia's 'big four' banks. While there was no credit deterioration in the underlying balance sheets, the downgrade of the Australian banks was country specific as a result of the respective BICRA rating. Conversely, oversold European supra-nationals, in particular those explicitly guaranteed by Germany, performed particularly well during December.

Market Outlook

The global outlook progressively deteriorated over the latter part of 2011, with the likelihood of a European recession in early 2012 increasing. The Chinese economy is also slowing more quickly than expected, with an engineered slow down compounded by developments in Europe. Chinese policy makers have already begun to respond but stimulus measures will take several quarters to grip. Growth in the US appears to be lifting but remains vulnerable to developments in Europe. The global economy appears most vulnerable over the first half of 2012 and, it is against this backdrop, that we look for the Reserve Bank of Australia (RBA) to ease in February with a further and final easing in May looking increasingly likely. A burst of front end loaded easing should provide a buffer against negative offshore developments and local fiscal tightening, as well as provide a fillip to the interest rate sensitive sectors of the economy. Once we move into 2013, the worst of the drag from fiscal policy should move behind us and pressure may mount on the RBA to shift monetary conditions from accommodative to neutral levels.

Markets continue to discount a more aggressive easing profile, implicitly factoring in a more dire outcome for Europe despite recent progress. While this remains a possibility, we do not believe it is the most likely outcome given the political capital invested in the Euro vision. In our view, bond yields remain well below fair value levels and we continue to maintain a defensive interest rate bias.

Investment Strategy

The following is a summary of the key strategies in the Trust:

Interest rates. At the end of the month, the duration position of the Trust was as follows:

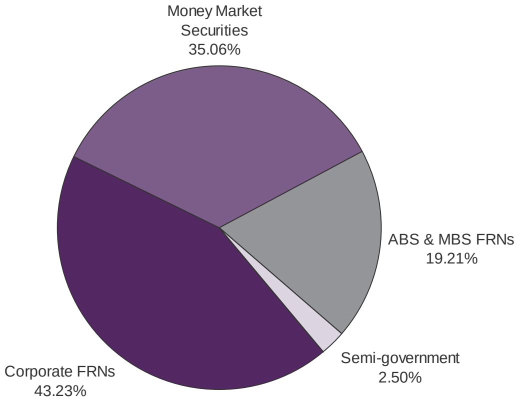
Modified Duration	Years
Trust	-0.18
Index	0.12
Active Position	-0.30

Interest rates: underweight duration.
We maintain a meaningful underweight duration position on the view that government bond yields are very expensive relative to our expectations for the cash rate and the outlook for the economy. Markets continue to price in substantial monetary easing in the near term which we feel may not eventuate to the degree priced in. In the event that they do, given what is already in the price, the risks of running a short duration position will be limited in time.

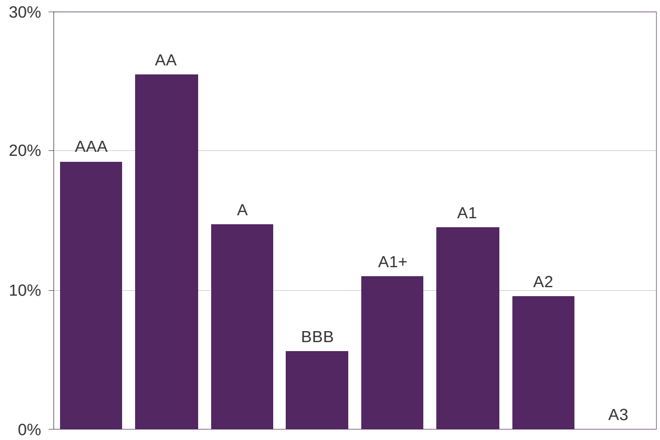
Sector allocation.
High quality corporate and asset backed securities represent sound value when contrasted against their solid fundamentals and economic backdrop. We intend to maintain a significant allocation to investment grade corporate debt and asset back securities and expect them to outperform bank bills over the medium term.

Trust Snapshot

Sector Allocation



Credit Rating Distribution



Rounding accounts for small +/- from 100%.

An investor initiative in partnership with UNEP FI and the UN Global Compact.

Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial International Equities Management Pty Limited ACN 099 336 375, Perennial Growth Management Pty Limited ABN 41 099 336 384 and Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. Whilst every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by the application form attached to the current product disclosure statement. The current product disclosure statement can be found on Perennial's website www.perennial.net.au.