

Perennial Hedged Global Property Wholesale Trust

Monthly Report as at 31 December 2011

	Month %	3 Months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI ^{^^} % p.a.
Perennial Hedged Global Property Wholesale Trust*	2.3	7.7	-4.0	5.5	12.9	-8.9	-4.5
FTSE EPRA/NAREIT Developed TR Index (Hedged to AUD)	1.4	7.2	-3.5	7.4	15.3	-6.3	-1.8
Value Added (Detracted)	0.9	0.5	-0.5	-1.9	-2.4	-2.6	-2.7
Capital Growth	2.0	7.2	-8.3	2.6	10.3	-13.5	-9.3
Income Distribution	0.2	0.2	3.4	1.9	1.4	3.6	3.8
Net Performance	2.2	7.4	-4.9	4.5	11.7	-9.9	-5.5

* Gross Performance. ^Financial Year to Date. ^^ Since Inception: April 2006. Past performance is not a reliable indicator of future performance. On 15 September 2011, the name of the Trust was changed from the Perennial Global Property Wholesale Trust to the Perennial Hedged Global Property Wholesale Trust.

- The Trust finished the month up 2.3%, outperforming the Index by 0.9%.
- US REITs were best performers, finishing the month up 4.4%.
- We maintain our overweight position to Asia Pacific.

The Perennial Hedged Global Property Wholesale Trust (the Trust) finished the month up 2.3%, outperforming the FTSE EPRA/NAREIT Developed Total Return Index (Hedged to AUD) (the Index) return by 0.9%.

US REITs reversed November's poor performance and were the best performers in December, finishing the month up 4.4% in local currency terms. Better than expected economic data in the US with signs of a modest but welcome improvement in the labour market, together with increased activity in the sector, contributed to price gains during the month. Across the Atlantic, despite concerted efforts to address Europe's ongoing sovereign debt issues, concern about the situation continued to dominate the market and investor sentiment. European REITs were the worst performing region, finishing the month down 1.8% in local currency terms and significantly underperforming the broader equity market

Regional Performance as at 31 December 2011

Region	Trust %	Index %	Allocation
Americas	5.1	4.4	Underweight
Europe	-1.3	-1.8	Underweight
Asia Pacific	-0.1	-2.0	Overweight
World	2.1	1.3	

Source: FTSE EPRA/NAREIT Developed Total Return Index and Perennial Investment Partners. All returns expressed in local currencies.

Effects of Hedging as at 31 December 2011

Performance	Trust %	Index %	Value Added (Detracted)
Performance Local currency	2.1	1.3	0.8
Performance Hedged in AUD	2.3	1.4	0.9
Effect of hedging			0.1

Source: Perennial Investment Partners

Perennial Hedged Global 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 international property securities. The Trust aims to provide a total return (after fees) that exceeds the FTSE EPRA/NAREIT Developed Total Return Index hedged to AUD measured over a rolling three-year period.

Portfolio Manager:

Stephen Hayes

Risk Profile:

Moderate to High

Trust FUM

(as at 31/12/11):

AUD123.3 million

Team FUM

(as at 31/12/11):

AUD1.7 billion

Trust Inception date:

April 2006

Income Distribution

Frequency:

Half yearly

Minimum Initial

Investment:

\$25,000

APIR code:

IOF0081AU

The Asian real estate securities markets finished down for the second month in row, as signs that China's growth has begun to moderate and weak European economies weighed on property markets and investors. While markets in Australia, Hong Kong and China finished in positive territory, any good news was tempered by the falls in the Japanese (down 6.1%) and Singaporean markets (down 6.8%) as well as poor sector performance relative to equity markets. While finishing the month up 2.7%, Australian REITs underperformed the broader equity market by 1.3%. Despite the relative poor regional performance during December, in our view the region, and Australia in particular, continue to offer compelling value. Accordingly, we maintain our overweight position to Asia Pacific.

Trust Performance

In terms of monthly price performance, the leading stocks from the Americas region (owned for the full month) were Camden Property Trust (up 7.8%), Du Pont Fabros (up 7.5%) and CubeSmart (up 6.7%). December's laggards (owned for the full month) were Boardwalk Real Estate (down 2.9%), Taubman Centers (down 0.4%) and LaSalle Hotel Properties (0.0%).

Regionally in Asia Pacific, the Trust outperformed the Index largely due to defensive positioning. Relative better performance came from holdings in Sunway Reit (up 6.8%), IGB (up 24.2%), Mitsubishi Estate (down 8.9%) and Shimao Property (up 8.7%). CapitaMall Asia (down 11.0%) and Aeon Mall (down 7.6%) were the main detractors to relative performance.

In Europe, the Trust's returns were slightly better than the market. The return on our European positions was down 1.4% in local currency terms. Hufvudstaden (up 3.2%), the owner of high quality retail and office assets in Sweden, Polis Immobilien (up 2.2%), Mercialis (up 1.2%) and Unibail Rodamco (up 0.5%) all outperformed and helped our relative performance. Our UK positions, including Hammerson (down 8.0%), Unite Group (down 5.4%) and Big Yellow Group (down 2.5%), were the poorer performers for the month.

Market Summaries

North America

US REITs gained 4.4%, after slipping 3.3% in November. US REITs outperformed the broader markets in December with the Dow Jones Industrial Average up 1.4%, the S&P 500 up 0.9% and the Nasdaq Composite down 0.6%. For the calendar year 2011, US REITs, with the 4.7% gain (on a price basis), turned in a mixed performance versus the broader equity markets. US REITs outperformed the S&P 500 (flat at 0.0%) and the Nasdaq Composite (down 1.8%), but came up short versus the Dow Jones Industrial Average (up 5.5%). However, on a total return basis (including dividends), US REITs (up 8.7%) outperformed the three major equity market indices: the Dow Jones Industrial Average (up 8.4%), the S&P 500 (up 2.1%) and the Nasdaq Composite (down 0.8%).

In our view, US REIT price gains this month were attributable to a number of factors, including:

- US economic data continued to come in better than expected, with many economists now anticipating a solid fourth quarter gross domestic product report of greater than 3.0%.
- Officials on both sides of the Atlantic took steps to address the Eurozone debt crisis. This was highlighted by the US Federal Reserve easing liquidity concerns by making capital available to both the

European Central Bank (ECB) and European commercial banks at attractive interest rates.

- Transactional activity picked up in the space during December, as two major deals were announced.
- Long term (ten year) US interest rates declined in December, helping bond like investments such as real estate.
- Capital continued to flow into the space, with approximately USD360 million invested in real estate stocks in December.

In terms of stock selection, we continue to focus on a highly select group of REITs that possess attractive earnings growth profiles, strong market positions, sound balance sheets and quality management.

Asia Pacific

The Asia property index lost another 2.0% in December, as the uncertainty within the Eurozone persisted while the market continued to wait for a permanent solution to the sovereign debt crisis. While there were some positive signs with stocks in Hong Kong and China leading a rebound, the property indices in Singapore and Japan still struggled.

The S&P/ASX200 A-REIT Accumulation Index ended the calendar year by giving back November's gains, finishing 2.7% and underperforming the broader market by 1.3%.

Following the NSW Supreme Court approval of its "Aggregation" plan and shareholder approval, the newly formed Centro Retail Australia overcame its final hurdles and commenced trading in December. The new entity entered the S&P/ASX200 Index with a simplified internally managed structure. The majority of its income is derived from its investment property totaling AUD4.4billion in gross value and the management of a retail syndicate business with assets under management totaling AUD2.6 billion. There are still however a number of issues facing Centro Retail Australia, including a high proportion of hedge fund ownership on its share register, outstanding litigation pending and high levels of debt.

Additionally, the independent directors of Charter Hall Office REIT unanimously recommended the proposal by an affiliate of the government of Singapore Investment Corporation in partnership with the Public Sector Pension Investment Board of Canada to acquire its Australian assets for \$2.49 per security, representing a \$0.10 increase on the Consortium's initial approach. The offer reflects a 4.2% discount to the pro-forma estimated net tangible asset position and additionally allows for unit holders to receive the net proceeds from the previously announced sale of its United States portfolio via a special distribution.

The best performers over the month were Thakral Group (up 9.1%), following previous underperformance in November, and Charter Hall Office REIT (up 5.5%), in response to its corporate update advising that the Consortium proposal moved one step closer towards succeeding.

The weaker performers during December included Mirvac Group (down 5.5%), in spite of announcing the sale of the majority of its hotel business for a 15% premium to its book value. CFS Retail Trust (down 4.9%) and Westfield Group (down 4.8%) were adversely impacted by weak sales updates from Australian retailers, such as Billabong International, JB HI-FI and Kathmandu.

The Hong Kong & China Property Index was up 3.4%, outperforming the broader Hang Seng Index by almost 1%. Weak European economies and concerns about China's slowing economic growth weighed on the property sectors in both Hong Kong and China.

In Hong Kong, a few small projects were launched for presale in the primary residential market and take-up rates in the mass market outperformed the high-end segment. However, the situation in the secondary market was disappointing as liquidity dried up due to the special stamp duty launched in November 2010 and the extended loan-to-valuation cap imposed during the year. For the year 2011, Hong Kong residential prices were up by less than 10%, after peaking in late May. In our view, the softening in property prices will continue until mid 2012 as the uncertain global economic outlook weighs on market sentiment, local employment and business activities, putting potential buyers on the side-lines. On the commercial front, with office expansion and leasing activities already slowing down since Q3 2011, CBD spot rents softened by a few percentage points while occupancy levels remained high. Decentralisation continued, with multinationals and banks moving their back office areas out of core Central to save costs. While limited new supply is seen for the years ahead, we expect office rental to reasonably trend down to the same levels we saw at the end of 2010. With respect to the retail sector, while the influx of mainland tourists continued to support sales growth the rate of acceleration is likely to slow in 2012 due to the global economic outlook.

In China, there was divergent performance amongst the major developers with only a handful delivering above target annual contracted sales. Austerity measures through capped price and capped purchase as well as credit tightening hurt market sentiment – it is now worse than in 2007. As the top officials in China will change office in Q3 2012, we did not expect any major policy change, neither loosening nor further tightening, in the near to medium term. At the local government level, however, there may be some fine-tuning of policy to stimulate home purchases by first home buyers. While we believe current stock prices have already factored in the lacklustre outlook, we remain cautious and maintain our bearish outlook for this sector. Accordingly, the Trust is defensively positioned.

During the month, the Japanese Real Estate Index fell 6.13%. We see no change in the overall trend of moderate recovery in the real estate sector, led by condominiums sales. The condominium sales contract ratio during the month remained at a healthy level, close to 80%, with new supply up 25% year on year. Positive news continued to flow from this segment, as fundamentals are solid with limited supply and good affordability. As a result, a number of large projects reported very strong sales during the month. As expected, the vacancy rate in the office sector started to edge up again after a short bound of trending down, due to larger offices being completed with low vacancy and pre-committed levels. The outlook for the office sector is still uncertain, though premium grade properties appear to have reached the bottom, the recovery is murky and uncertain within the current global and domestic economic environment. Hence, the Trust is concentrated in the premium investment grade portfolio which we believe will continue to perform relatively better in the down cycle.

Singapore property stocks were hit hard this month and were the worst performers in the region finishing down 6.78%. The Singaporean government surprised the market, yet again, with another severe round of policy measures with the introduction of the new Additional Buyer's Stamp Duty. The new tax will see Foreigners and Corporation pay 10%, while Permanent Residents will pay 3% for a second property and Citizens 3% for a third property.

We maintain our bearish forecast for Singaporean property and expect negative price growth in the residential sector, negative rental growth in the office sector and a flattish outlook for retail.

Europe

European property stocks performed poorly, finishing down 1.8% in local currency terms. This was significantly worse than the broader equity market, which was down around 0.3%. The weak performance of UK listed property stocks (down 5.1%) relative to the broader UK equity market (up 1.3%) largely accounted for the difference.

The European Central Bank cut rates by 0.25% in December and announced additional liquidity measures in an attempt to support the banks and the economy. However, poor economic data released - consumer confidence in December declined more than the market expected to its lowest point in more than two years and GDP grew just 0.2% in the third quarter. The Bank of England again left its policy unchanged with soft economic data released, as austerity measures and the slowdown in the Euro area continued to bite. While unemployment remained high at 8.3% in October, third quarter GDP growth was revised upward from 0.5% to 0.6%.

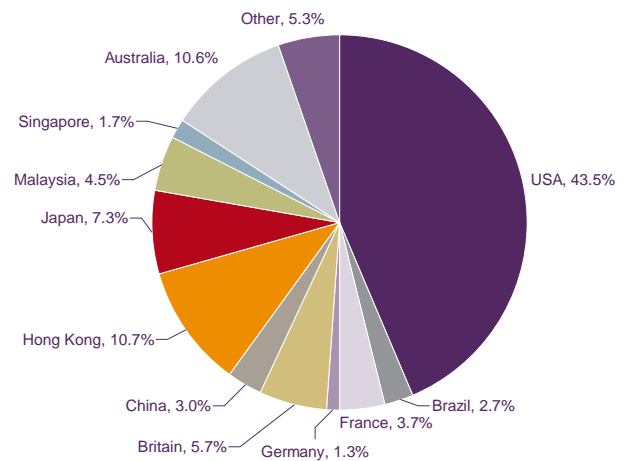
Aside from the dismal returns from UK property stocks, highly leveraged Norwegian and Spanish stocks performed very poorly - down 5.6% and 7.7%, respectively. There was some rebound in Italian (up 6.6%) and Greek (up 8.0%) property stocks from their double digit November declines. Of the major markets, other than the UK, Germany was the worst performer (down 3.4%), followed by Switzerland (down 0.3%). Sweden (up 1.3%), France (up 0.9%) and the Netherlands (up 0.4%) posted respectable returns.

We maintain our preference for quality retail assets in continental Europe and quality management teams operating in more specialist markets. There were no material changes made to our regional Trust positions.

Asset Allocation as at 31 December 2011

Stock Name	% of Trust
Retail	41.1
Office	14.9
Industrial	4.7
Hotel	6.3
Residential investment	9.4
Residential development	6.8
Infrastructure	0.1
Construction	0.1
Funds management	1.7
Other	14.9
Total	100.0
Source: Perennial Investment Partners	

Trust Country Allocation as at 31 December 2011



Refers to location of underlying gross property assets, not listing domicile