

Perennial Australian Listed Property Securities Trust

Monthly Report as at 31 December 2011

	Month %	3 Months %	FYTD [^] %	1 Year %	3 Years % p.a.	5 Years % p.a.	SI ^{^^} % p.a.
Perennial Australian Listed Property Securities Trust*	-2.6	3.4	-4.5	-1.0	2.5	-14.0	-8.0
S&P/ASX 200 A-REIT Accumulation Index	-2.7	3.7	-4.6	-1.5	1.9	-14.9	-8.8
Value Added (Detracted)	0.1	-0.3	0.1	0.5	0.6	0.9	0.8
Net Performance	-2.7	3.2	-4.8	-1.7	2.1	-14.5	-8.4

* Gross Performance. [^]Financial Year to Date. ^{^^} Since Inception: March 2006. Past performance is not a reliable indicator of future performance.

- The Index underperformed the broader market by 1.3%.
- The Trust marginally outperformed the Index, with the main contributors being overweight positions in Thakral Holdings Group, Goodman Group and Charter Hall Retail REIT.
- During the month, the Trust increased its weighting to Goodman Group and Westfield Group.

The S&P/ASX 200 A-REIT Accumulation Index (the Index) finished December down 2.7%, underperforming the broader market by 1.3%. The Perennial Australian Listed Property Securities Trust (the Trust) finished down 2.6%, outperforming the Index return by 0.1%.

The main contributors during the month were the Trust's overweight positions in Thakral Holdings Group (Thakral Group), Goodman Group and Charter Hall Retail REIT (CQR). The main detractors were the Trust's underweight positions in Charter Hall Office REIT (CQO) and Commonwealth Property Office Fund (CPA).

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 CQO 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

Perennial Australian Listed Property Securities 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 Australian property investments. The Trust aims to provide a total return (after fees) that exceeds the S&P/ASX 200 A-REIT Accumulation Index measured on a rolling three-year basis.

Portfolio Manager:

Stephen Hayes

Risk Profile:

Moderate to High

Trust FUM

(as at 31/12/11):

AUD9.3 million

Team FUM

(as at 31/12/11):

AUD1.7 billion

Trust Inception date:

March 2006

Income Distribution

Frequency:

Half yearly

Minimum Initial

Investment:

AUD25,000

APIR code:

IOF0079AU

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 CQO (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.

Market news during December included:

- CPA announced its intention to undertake an on-market buyback for up to 10% of its issued units over a 12 month period. This includes the 2.8% of units on offer already, bought back under the off-market buyback.
- Investa Property Group (Investa) announced that Tino Tanfara, Fund Manager of Investa Office Fund (IOF) will be retiring from his role effective 1 February 2012, but has agreed to remain with Investa until 30 June 2012 to assist with the transition. Toby Phelps will take over from Mr Tanfara in February 2012. Mr Phelps was previously Head of Real Estate at Barclays Capital in Australia and Managing Director of both GreenOak Real Estate and Tishman Speyer Properties in the UK.
- Thakral announced that Mr John Hudson, Managing Director of the Group, will retire from 31 January 2012. Mr Hudson has acted as the Managing Director for the past ten years. Anthony Story's appointment to the role of Chief Operating Officer will be effective 1 February 2012.
- Thakral announced that Brookfield Asset Management (Brookfield) had acquired a loan to the Thakral family, which controlled a 40% stake in the Group, from GIC Real Estate. Brookfield has agreed to extend the maturity of the loan to February 2012 to allow time for a refinancing or restructure.
- CPA released its December revaluations which increased by 2.0% on the prior book value. The weighted average capitalisation rate remained unchanged at 7.5%. Overall, strength was seen in the Perth market and also in its 225 George Street Sydney asset. CPA recently secured Delloite on a ten year deal at 225 George Street Sydney. The new arrangement resolved some of the JP Morgan vacancy as a result of JP Morgan's move to the new Westfield office tower above its Pitt Street Mall development in Sydney.
- CFS Retail Trust released its December revaluations which saw an 2.4% increase on prior book value. This was largely driven by Chadstone Shopping Centre, its largest asset in Melbourne, and Myer Centre Brisbane. Overall, the weighted average capitalisation rate remained unchanged at 6.5%.
- Mirvac Group (Mircvac) announced the sale of its hotel management business, Mirvac Hotels & Resorts, to a consortium comprising of Accor Asia Pacific and Ascendas. The total proceeds to Mirvac, upon successful completion of the transaction, equal AUD327 million - representing a 15.1% premium to current book values. The final proceeds to Mirvac will be subject to adjustments determined over the 12 month period post settlement, which is scheduled to occur by 30 June 2012. Contracts are subject to a number of conditions and consents including approvals from the Foreign Investment Review Board and New Zealand's Overseas Investment Office. Mirvac's 50% Travelodge investment, with a book value of AUD123 million, is not included in the transaction and Mirvac continues to assess options for this investment.
- Mirvac provided an update on its development pipeline totalling 1,680 hectares of secured land sites:
 - Googong township, a 780 hectare site located 18km from Canberra CBD, will have a 20 year lifespan creating 5,500 homes. The project has received masterplan approval and the first stage of 337 lots have development approval.
 - Clyde North Victoria, a 200 hectare site 50km south east of Melbourne CBD, which Mirvac plans to "transform" into a masterplanned community with over 2,000 homes, parklands and neighbourhood amenities.
 - Rockbank North, 700 hectare site located 28km from Melbourne CBD, will be an "innovative new suburb" with approximately 7,000 new homes and 19,000 residents.
- IOF announced the exchange of a purchase and sale agreement for the sale of its 80% interest in the Homer Building in Washington DC. The sale price of AUD315 million reflects an 11.7% premium to the 30 June 2011 book value. The sale is expected to close in mid January 2012. The expected net proceeds equate to AUD84 million after the repayment of property level debt and transaction costs. As part of the sale, all Fund level USD interest rate hedges will be closed out, these currently have a negative mark-to-market value of approximately USD16 million.
- IOF also announced the sale of its Computer Associates Building in Texas for USD36.8 million, representing a 1.1% discount to the 30 June 2011 book value. The asset was acquired in August 2004 for USD53.5 million. The sale price reflects the expiry of the current lease in January and associated tenancy risk. Proceeds will initially be used to reduce debt and will be hedged using foreign exchange contracts to limit the impact of fluctuations in exchange rates. In line with its stated strategy to re-weight towards Australia, 900 Third Avenue New York is now IOF's only remaining asset in the United States, in which Investa has initiated a right-of-first-offer with the current co-owner.

- IOF announced the sale of its 50% interest in the Neuilly Victor Hugo Building Paris for €68.9 million, reflecting an 11.3% premium to the 30 June 2011 book value. The sale is expected to settle in late February 2012, with the proceeds to be used to reduce the IOF's Euro denominated debt.
- CQO announced the closure of the sale of its fourth United States asset, SunTrust Financial Center Tampa, as part of the sale of the entire United States portfolio to Beacon Capital Partners LLC. As the asset was secured as part of the five asset credit facility, the net proceeds will be reserved as collateral until the loan is restructured as part of the transfer to Beacon Capital Partners LLC.
- CQR announced the acquisition of Gladstone Shopping Centre in Queensland from a syndicate managed by the Centro Group. The neighbourhood shopping centre will be acquired in partnership with Telstra Super for AUD17 million on an 8.75% initial yield. Additionally, the partnership has commenced planning to expand and reposition the centre in the medium term to enhance the supermarket offering and competitive position in the catchment.
- CQR also announced the acquisition of Lansell Plaza in Victoria from the Centro Group for AUD32.5 million on a 9.0% initial yield. It is currently 96.8% occupied over 18,000sqm. The asset will be acquired using the proceeds from two recent asset sales in the United States, which returned AUD25.3 million after the repayment of property level debt. Again, CQR anticipates redeveloping the newly acquired sub-regional shopping centre, located 150km north-west of Melbourne, to enhance its supermarket offering and competitive position in the catchment area.

During the month, the Trust increased its weighting to Goodman Group and Westfield Group and reduced its weighting to IOF and Westfield Retail Trust.

Asset Allocation as at 31 December 2011

Stock Name	% of Trust
Retail	62.1
Office	13.7
Industrial	9.1
Hotel	1.7
Residential investment	0.1
Residential development	5.8
Infrastructure	0.0
Construction	0.0
Funds mgt	5.7
Other	1.8
Total	100.0