

Perennial Value Australian Shares Trust

Monthly Report as 31 December 2011

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception [^] % p.a.
Perennial Value Australian Shares Trust*	-1.1	1.8	-10.3	-12.2	9.2	-0.8	10.4
S&P/ASX 300 Accumulation Index	-1.4	2.1	-9.8	-11.0	7.7	-2.4	6.5
Value Added (Detracted)	0.3	-0.3	-0.5	-1.2	1.5	1.6	3.9
Net Performance	-1.2	1.5	-10.7	-13.0	8.2	-1.7	9.5

*Gross Performance. ^Since inception: March 2000. Past performance is not a reliable indicator of future performance.

- The Trust outperformed the Index return by 0.3%.
- The better performing sectors included telecommunications (up 5.1%), utilities (up 3.8%), healthcare (up 1.7%) and financials (flat).
- The best performing stock in the Trust was Gloucester Coal (up 11.8%).

The Australian equities market finished lower in December, with the S&P/ASX300 Accumulation Index falling 1.4%. The Perennial Value Australian Shares Trust (the Trust) outperformed the Index return by 0.3%, finishing down 1.1%.

Pleasingly, the Trust has outperformed the Index return in two of the last three months.

The focus for global markets continued to remain on the European debt issues. The S&P500 finished up 0.9%, assisted by the US unemployment rate falling to 8.6% - the lowest since March 2009. The FTSE and Nikkei 225 finished up 1.2% and 0.2% respectively. However, the Shanghai Composite was down 5.7%.

Domestic economic data releases remained soft, with building approvals and housing starts falling and the unemployment rate edging up 0.1% to 5.3%. A number of companies, particularly in the discretionary retail space, downgraded earnings expectations. The Reserve Bank of Australia (RBA) continued to reduce interest rates, cutting the cash rate by 25 basis points to 4.25%, given the deteriorating global economic outlook. The Australian dollar weathered the rate cut, finishing flat at USD1.02.

The better performing sectors during December included telecommunications (up 5.1%), utilities (up 3.8%), healthcare (up 1.7%) and financials (flat). Energy (down 5.1%), resources (down 4.7%), materials (down 4.1%) and consumer discretionary (down 3.9%) all underperformed.

The Trust benefitted from its overweight position in Telstra and the major banks, as well as being underweight resources.

Perennial Value 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, and to provide a total return (after fees) that exceeds the S&P/ASX 300 Accumulation Index measured on a rolling three-year basis.

Trust Manager:
John Murray

**Trust FUM
(as at 31/12/11):**
AUD2.1 billion

**Team FUM
(as at 31/12/11):**
AUD8.5 billion

Trust Inception date:
March 2000

Risk Profile:
High

**Income Distribution
Frequency:**
Half yearly

**Minimum Initial
Investment:**
\$25,000

APIR code: IOF0200AU

The best performing stock in the Trust was Gloucester Coal (up 11.8%), after announcing a merger proposal with Chinese firm Yanzhou Coal that will see shareholders receive cash and shares in the merged entity. Gloucester Coal has performed well for the Trust in recent times, with a total return of 27% in the quarter ended 31 December 2011.

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 and Telstra (up 5.4%).

Stocks which detracted from performance included Billabong International (Billabong) (down 51.9%) after it significantly downgraded its guidance due to weak pre-Christmas sales. While the downgrade is disappointing, we remain comfortable with Billabong's underlying business and used the share price weakness to add to our position.

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%).

During the month, we added to our holdings in Premier Investments on weakness and we reduced our positions in Gloucester Coal, Graincorp and Treasury Wine Estates on strength.

At month end, stock numbers stood at 53 and cash was 2.0%.

Top 10 Holdings as at 31 December 2011

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	10.5%	11.2%
Commonwealth Bank.	8.2%	7.9%
ANZ Banking Grp Ltd	7.4%	5.5%
National Aust. Bank	7.2%	5.3%
Telstra Corporation.	6.2%	4.2%
Westpac Banking Corp	4.3%	6.2%
RIO Tinto Limited	4.1%	2.7%
Amcor Limited	3.0%	0.9%
Brambles Limited	2.6%	1.1%
Macquarie Group Ltd	2.4%	0.8%

Asset Allocation as at 31 December 2011

Asset Class	Trust Weight %	Index Weight %
Energy	4.1%	7.1%
Materials	29.7%	25.0%
Industrials	5.5%	7.2%
Consumer Discretionary	9.9%	3.9%
Consumer Staples	4.2%	8.0%
Health Care	0.1%	3.6%
Financials-x-Real Estate	32.2%	31.7%
Real Estate	4.5%	6.6%
Information Technology	0.0%	0.7%
Telecommunication Services	6.2%	4.5%
Utilities	0.5%	1.6%
Other	3.1%	-

Rounding accounts for small +/- from 100%.