

Perennial Socially Responsive Shares Trust

Monthly Report as at 31 December 2011

	Month %	3 Months %	Financial YTD %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.
Perennial Socially Responsive Shares Trust*	-1.9	0.9	-11.1	-13.4	-6.9	8.5	-2.9
S&P/ASX 300 Accumulation Index	-1.4	2.0	-9.8	-11.0	-4.8	7.7	-2.4
Value Added (Detracted)	-0.5	-1.1	-1.3	-2.4	-2.1	0.8	-0.5
Net Performance	-2.0	0.7	-11.5	-14.2	-7.7	7.4	-3.8

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

- The Trust finished the month down 1.9%.
- Energy (down 5.1%), materials (down 4.1%), property (down 4.1%) and consumer discretionary (down 4.0%) were the weakest performing sectors.
- Orica continued to be added to the Trust during the month.

The Perennial Socially Responsive Shares Trust (the Trust) closed down 1.9% in December, underperforming the S&P/ASX300 Accumulation Index (the Index) return by 0.5%, with the Index finishing down 1.4%.

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.

During the month, the European Central Bank (ECB) announced its plan to conduct longer term refinancing operations (LTROs). The LTROs involve an expansion of the ECB's balance sheet to provide liquidity to the European banking system in exchange for collateral (principally European sovereign debt). This initiative has led to an unprecedented increase in the size of the ECB balance sheet with European financial institutions accessing €489 billion in December alone through the LTROs. Further to this, the ECB reduced its policy rate by 0.25% to 1.00%.

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.

Perennial Socially Responsive Shares Trust

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, by investing in a selection of listed companies which also embrace and engender social performance in their corporate culture.

Trust Manager:
Lee Mickelborough

Risk Profile:
High

Trust FUM (as at 31/12/11):
AUD 53.6 million

Income Distribution Frequency:
Half yearly

Team FUM (as at 31/12/11):
AUD 2.7 billion

Minimum Initial Investment:
\$25,000

Trust Inception date:
December 2001

APIR code: IOF0117AU

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 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.

The largest positive performance contributor was Infigen Energy (up 17.4%). The stock outperformed as it recovered following a period of weaker performance in November, the Renewable Energy Certificate market held up well and the stronger USD also benefitted the company.

The Trust's holding in Heartware Inc. also added value (up 6.2%). The company manufactures ventricular assistance devices, and with heart disease accounting for over a third of deaths within the developed world, the company continues to experience ongoing growth in the sales of its products. It has recently presented at a number of medical conferences and has provided upbeat comments around its future product range.

During the month, Tox Free Solutions Limited (up 3.8%) completed a AUD27 million placement, with the proceeds used to partly fund the acquisition of Chemsal, BCD Technologies, Entech Industries and Waste Audit, from DoloMatrix International Limited. The transaction should provide immediate EPS accretion. We regard the acquisition favourably and, as a consequence, we elected to participate in the capital raising and increase the Trust's allocation to the company.

The biggest detractor to performance in December was JB Hi-Fi Limited (JB Hi-Fi), down 27.4%. 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 (EBIT) to be down 5% for the first half of 2012 with earnings per share (EPS) down 1%. This EBIT reduction was largely the result of gross sales margin pressure with a 0.3% reduction. This has been attributed to the high level of discounting with some competitors pricing inventory below cost to drive foot traffic and clear excess

inventory. The toughest category was in televisions, with price declines in the range of 20 to 25% but volume impacts only 15%. Stronger categories were computers, IT and accessories with an improving trend in telecommunications which showed solid growth following the release of the iPhone 4S in early October 2011. Online transactions continue to grow strongly with sales up 80% and the group recently launching its music streaming service JB Hi-Fi NOW.

The Trust's holding in Newcrest Mining Limited (down 14.5%) also detracted value. In our opinion the decline is largely explained by the 10.5% fall in the gold spot price over the month which negatively impacted gold equities globally. This view is supported by the declines witnessed in both the HUI (Amex Gold BUGS Index) and XAU (Philadelphia Gold and Silver Index) which were down 14.6% and 13.2% in AUD, respectively. The gold miner issued a reduced full year production guidance with forecast output of 2.43 to 2.55 million ounces of gold, representing a downgrade to previous guidance of around 6%. Disruptions at the company's Cadia Valley and Lihir mines and lower feed grades and recoveries at Telfer, were cited as the primary reasons for the downgrade.

OneSteel Limited (OneSteel) also detracted value (down 15.2%). Local and global steel companies were sold down in December and OneSteel fared worse than most despite no negative news emerging. Local competitor, Bluescope Steel Limited announced a AUD600 million equity capital raising to assist it in the closure of one of its Port Kembla blast furnaces and restructure of other parts of the business. This led to speculation that OneSteel may also raise capital, something the company CEO and Chairman continue to refute. The company also announced the write-down on the valuation of intangible assets (mainly goodwill on some Smorgon Steel Group Ltd assets purchased four years ago) and a number of smaller asset sales, neither of which have a significant impact on valuation.

The Trust continued to add to the position in Orica Limited (Orica). In December the NSW Environmental Protection Agency lifted the Prevention Notice on the ammonia storage system at Orica's Kooragang Island site, allowing the start-up of the ammonium nitrate plant. The company began partial ammonium nitrate production and expects to resume full production in early January.

We see the current sell-off of JB Hi-Fi as a buying opportunity and we added to the Trust's position in the

stock. We believe the company is well positioned to weather the current cyclical down turn in consumer spending. The company is attractively valued and continues to grow its store numbers profitably.

We reduced the Trust's holding in the Australian Infrastructure Fund as the company reached our valuation target. Positions in Asciano Limited, Computershare Limited and James Hardie Industries were also trimmed to bring back to target following outperformance of the market.

At month end, stock numbers stood at 39 with cash at 1.0%.

Top Ten Holdings as at 31 December 2011

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	8.1%	5.5%
Westpac Banking Corp	7.7%	6.2%
National Aust. Bank	7.5%	5.3%
Commonwealth Bank.	5.8%	7.9%
CSL Limited	4.3%	1.7%
Origin Energy	4.3%	1.5%
Sims Metal Mgmt Ltd	4.1%	0.2%
Newcrest Mining	4.0%	2.3%
AMP Limited	3.9%	1.2%
Woodside Petroleum	3.6%	1.9%
Total	53.3%	33.6%

Asset Allocation as at 31 December 2011

Stock Name	Trust Weight %	Index Weight %
Energy	10.8%	7.1%
Materials	18.9%	25.0%
Industrials	14.1%	7.2%
Consumer Discretionary	1.9%	3.9%
Consumer Staples	0.0%	8.0%
Health Care	8.1%	3.6%
Financials-x-Real Estate	36.7%	31.7%
Real Estate	2.2%	6.6%
Information Technology	3.6%	0.7%
Telecommunication Services	0.0%	4.5%
Utilities	2.9%	1.6%
SPI Futures	0.0%	-
Cash	1.0%	-

Rounding accounts for small +/- from 100%.

100.0%

100.0%