Perennial International Shares Wholesale Trust

Monthly Report as at 31 May 2012

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Shares Wholesale Trust ^	-2.6	1.6	-1.5	-3.7	2.1	-7.1	-3.9
MSCI World ex Australia Net Dividends Index in AUD	-1.8	2.1	0.1	-2.0	2.1	-7.2	-3.6
Value Added (Detracted)	**-0.8**	**-0.5**	**-1.6**	**-1.7**	**0.0**	**0.1**	**0.3**
Capital Growth	-2.7	1.2	-2.6	-4.9	0.3	-8.8	-2.4
Income Distribution	0.0	0.0	0.0	0.0	0.5	0.6	5.5
Net Performance	-2.7	1.2	-2.6	-4.9	0.8	-8.2	3.1

^ Gross Performance. * Since inception: August 1994. **Past performance is not a reliable indicator of future performance.**

- Market weakness in May was due to issues in Greece and Spain, with fears of a Euro breakdown again dominating the mass media.
- As markets continue to decline, non-Euro European companies are becoming more attractive.
- New positions in Fiat S.p.A. and 3D Systems were added to the Trust.

Global equity markets again plunged in May, with the MSCI World ex Australia Net Dividends Index in AUD (the Index) finishing the month down 1.8%, but down a whopping 8.8% in local currency. The Perennial International Shares Wholesale Trust (the Trust) underperformed the Index during May by 0.8%. During the year ended 31 May 2012, the Trust underperformed the Index return by 1.7%. During this period, the AUD weakened 9.2% against the USD.

Market Conditions During the Month

During the month, the market's focus remained firmly on Europe, with speculation of a Greek exit from the Euro again returning to the fore. In addition, Bankia, a recently listed Spanish bank with over EUR302 billion in assets announced a requirement for a EUR19 billion bailout from the Spanish government. Worryingly, the ECB refused to approve the Spanish government's bailout plans, raising further fears of Spanish insolvency.

Fears that the US economy will not be the great saviour gained momentum during May. Despite a small improvement in housing starts and small business capex plans, most other economic indicators came in worse than expected in May. Notably, non-farm payrolls and the Philadelphia Fed business outlook, which came in much worse than expected.

In China, further details of a fiscal stimulus package were released to the market late in the month. Despite a slowing economy, the bailout features were far less generous than originally expected, adding further pressure to the negative market sentiment.

Perennial International Shares Wholesale Trust Facts:

The Trust aims to grow the value of your investment over the long term by investing in a diversified portfolio of international shares and to provide a total return (after fees) that exceeds the return of the MSCI World ex Australia Net Dividends Index in Australian Dollar terms on a rolling three-year basis.

Portfolio Manager: James Soutter, Clay Carter	**Risk Profile:** High
Trust FUM (as at 31/05/12 AUD105.1 million	**Income Distribution Frequency:** Half Yearly
Team FUM (as at 31/05/12): AUD250.2 million	**Minimum Initial Investment:** $25,000
Trust Inception date: August 1994	**APIR code:** IOF0045AU

Consequently, during May, the 'risk off' trade again became the norm. During the month, the AUD sold off 6.7%, iron ore 7.7%, Brent crude oil 15.9% and emerging markets equities 10.7%. This 'risk off' trade has seen some apparently irrational pricing in 'safe haven' assets, with yields on the German 10 year bund falling to 1.2%, from 1.7% one month ago and over 3.0% one year ago.

Trust Activity

During May, the following positions, among others, were added to the Trust.

Fiat Industrial S.p.A (Fiat Industrial), is not the maker of small Italian cars, but did however once sit under the larger umbrella of Fiat. Based in the US, under the brand of CNH, the company's main business is the manufacture of agriculture and construction equipment. Fiat Industrial currently trades on a discount to CNH, however movement is afoot to clean up the corporate structure allowing for a potential re-rating of shares.

3D Systems Corporation (3D Systems), is a US listed 3D machine manufacturer and one of only two investable opportunities in this sector. 3D manufacturing is a process which consists of building an object via successive thin layers of material (similar to an inkjet printer). While it has long been used to build prototypes only, as the machines have become faster and less expensive the utilisation of the 3D machines has been progressively extended to other areas (building final products). 3D manufacturing also allows companies to launch new products more rapidly and reduces costs (less tooling and less material required). 3D Systems was added to the Trust as we see a lot of potential in this industry, with high growth and good margins expected.

During the month, the following positions were exited:
GEA Group Aktiengesellschaft, this German industrial company, a global leader in the design of food production lines and processors, was sold from the Trust as not even the structural demand of its end markets could offset the slowdown in Europe.

Alliance Data Systems (ADS) – is a diversified technology and financial company that owns the LoyaltyOne Air Miles scheme in Canada and a private label credit card business. It also provides direct marketing solutions. ADS was identified during a Team member's trip to the US in 2011. While it performed strongly since it was acquired, we exited the position as the price approached our target.

Team Member Activity

During the month, a member of the Team conducted a research trip to the US and the UK. Cities visited included Chicago, New York and London. Large and small Cap stocks in a number of sectors were met. Key finding were as follows.

Companies in all three cities expressed concern over the situation in Europe. Financial instability and slowing demand are impacting capital expenditure and expansion plans in Europe. Most companies believed that Greece would remain in the EU and the necessary fiscal and monetary reforms would eventually be implemented.

US companies remained relatively upbeat, with low interest rates, strong balance sheets and improving consumer sentiment buoying outlooks. The election remains an overhang to markets in the US, but impacts on capital expenditure depend upon the circumstances of individual companies.

The outlook for growth in emerging markets remains strong, particularly in Mexico, Brazil and peripheral Asia. Several companies expressed doubts about doing business in China and were concerned about the Chinese outlook.

Several potential investment ideas were identified, some of which may be added to our portfolios in coming months, as further fundamental analysis is performed.

Outlook

The European debt crisis remains the key over-hang to markets. A double-dip recession appears to be priced in across much of Europe. We remain wary of Europe generally and we continue to be concerned about the outlook for many European financials. The situation in Spain appears to be deteriorating further and Greece remains un-investable. The continued irrational market moves are creating selective opportunities, such as Fiat Industrial, which we added during May.

As markets continue to decline, non-Euro European companies are becoming more attractive, due to better fundamentals and stronger, more stable currencies.

We remain positively disposed towards the US economy (relative to Europe) and news flow continued to support our thesis of a sluggish recovery. We need to see more consistent improvements in housing, unemployment and capital expenditure before adding further weight to this region.

Within the emerging markets, Indonesia remains one of the more attractive markets. With improving corporate governance, a pro-investment government and a strongly growing consumer market, many opportunities abound. We remain cautious on Brazil, India and China. However, given the widely publicised macroeconomic headwinds in these markets, selective companies offer extremely attractive valuations, coupled with strong growth.

Despite the recent 11% sell-off, the risk remains to the downside for the AUD. Further rate cuts by the Reserve Bank of Australia and a return to risk adversity, see the likelihood of the AUD reaching 90 cents versus the USD increasing.

The market turmoil is no doubt, a concern for equities investors, both in Australia and globally. However, periods of panic generally create excellent opportunities to buy good stocks at irrationally low valuations. Times of turmoil, such as these, are not times to panic. Indeed, it is worth remembering the quote by Baron Rothschild in the 18th century: “Buy when there is blood on the streets, even if the blood is your own”. While there is no blood on the streets at present, further turmoil in Europe is sure to create some tremendous buying opportunities.

We continue to favour attractively valued companies displaying strong business models, consistent, visible cash flows and lowly geared balance sheets. Stocks are selected based on various screening attributes, followed by extensive fundamental analysis. Macroeconomic considerations form part of this fundamental analysis, but do not drive stock selection.

Top Ten Stocks as at 31 May 2012

Stock Name	% of Trust
Apple Inc.	2.5
Philip Morris International Inc.	2.3
General Electric Co.	2.2
Intuit Inc.	2.1
Coca-Cola Femsa S.A.B. de C.V. ADS	2.1
SAP AG	2.0
Steven Madden Ltd.	2.0
Coach Inc.	1.9
British American Tobacco PLC	1.9
GNC Holdings Inc. Cl A	1.9

Source Perennial Investment Partners

Regional Allocation as at 31 May 2012