

Perennial Asia Equity Trust

Monthly Report as at 31 August 2012

	1 Month %	3 Months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI [^] %p.a.
Perennial Asia Equity Trust*	3.8	2.9	9.7	0.0	3.9	-3.1	3.5
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	1.2	-1.6	1.5	-2.9	1.2	-4.5	0.7
Value Added (Detracted)	2.6	4.5	8.2	2.9	2.7	1.4	2.8
Net Performance	3.6	2.5	10.4	-0.5	3.1	-4.1	2.7

* Gross Performance. [^]Since Inception: July 1997. Past performance is not a reliable indicator of future performance.

- The Trust outperformed the Index return by 2.6%.
- BW Plantation Tbk and Siliconware Precision Industries Co Ltd were added to the Trust during the month.
- Thailand was the strongest market in the region, returning more than 2.3%.

Most markets were generally higher as negative sentiment towards Europe eased and a rotation into riskier assets prevailed. The Perennial Asia Equity Trust (the Trust) returned 3.8% in AUD terms for the month, outperforming the MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index) return of 1.2%. The Australian dollar traded lower against all major Asian currencies.

Thailand was the strongest market in the region, returning more than 2.3% for the month, despite the continuing sell-off by foreign investors. The Thai economy expanded solidly in the second quarter, recording GDP growth of 3.3% quarter on quarter. Taiwan reversed its falling trend and returned 1.7% in local currency terms, the second highest in the region. The 8th Cross Strait Conference showed signs of further cooperation between China and Taiwan, and the information technology sector showed signs of earnings revisions bottoming. This spurred higher expectations going into the fourth quarter. The Chinese market was the weakest in the region, with local indices falling by 3 to 5% on the back of weak earnings, slower economic growth and the lack of positive policy response.

Consumer discretionary stocks including Macau's casino operator Galaxy Entertainment Group and Hong Kong power tools maker Techtronic Industries Co were the best performers of the month, increasing by 17.9% and 12.2%, respectively, in local currency terms. This was closely followed by Hong Kong listed luxury brand Prada Spa (up 11.4%) and specialty retailer Giordano Group (up 10.5%). Our holdings in gemmology tools Sarin Technologies and Siam Commercial Bank, detracted from performance.

Perennial Asia Equity Trust Facts:

The Trust aims to grow the value of your investment over the long term by investing in a carefully selected portfolio of Asian shares (excluding Japanese shares) and to provide a total return (after fees) that exceeds the MSCI AC Far East (ex Japan) Net Dividends Index in AUD on a rolling three-year basis.

Portfolio Manager:

James Soutter, Clay Carter

Risk Profile:

High

Team FUM

(as at 31/08/12):
AUD217.9 million

Income Distribution

Frequency:
Annually

Trust Inception date:

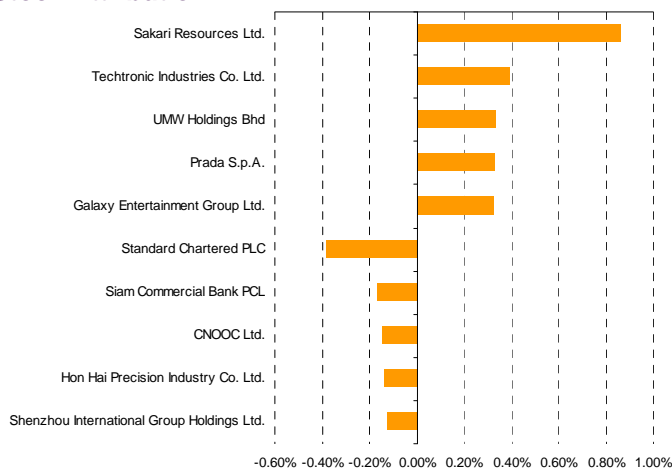
July 1997

Minimum Initial

Investment:
\$25,000

APIR code: IOF0112AU

Stock Attribution



Trust Activity

During the month, the Trust initiated two new positions:

- Indonesian palm oil producer BW Plantation Tbk, the company is positioned to take advantage of the growth in the sector over the next three years as immature plantations start to yield, while the valuations fail to fully price in this growth.
- Taiwanese packaging/testing company, Siliconware Precision Industries Co Ltd (Siliconware Precision). It is the third largest packaging/testing company in the world, with a strong record of solid execution allowing it to maintain above industry margins.

The Trust sold its position in Sakari Resources Limited following a strong rebound of the stock. The rebound occurred after it received a takeover bid from the investment arm of PTT Asia Pacific Mining Pty Ltd, Thailand's largest fully integrated oil and gas company. The Trust also sold Chinese apparel maker, Bosideng International Holdings Limited, and, Indonesian Machinery maker, United Tractors, due to concerns of future growth.

Outlook

The weakness of both China and Europe remains a key concern for Asia. Obviously the problems in Europe affect Chinese exports, but mainland China also faces weakness for domestic demand. Overall, we have received numerous reports showing that inventories are now piling across many industries in China. The poor reporting season has also confirmed that Chinese companies are now facing serious challenges.

In such an environment, we continue to focus on stock picking. For example, currently we prefer exporters versus domestic companies in China, as exporters have traditionally been much cheaper and some of them are now benefiting from stable demand from overseas markets such as, power tools in the US.

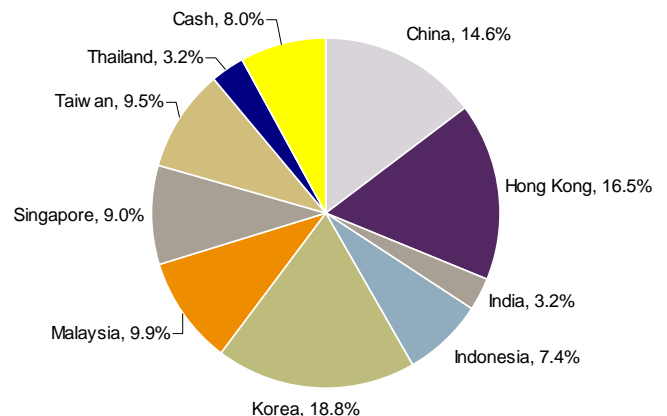
Stock Story – Siliconware Precision

Siliconware Precision is the leading provider of integrated circuit (IC) packaging solutions to the semiconductor industry. The company offers integrated

circuit packaging consultation, design, simulation, assembly and final tests. Its current products are quad flat (QFP) package and small outline (SO) package. The company is the third largest packaging/testing company in the world in terms of sales and has the highest operating margin among the global top-four players due to its solid execution.

Since 2006, its operating margins have declined from 24% to a low of 8% in FY11. Margins now appear to be bottoming with raw material price pressures (copper and gold) abating, and the higher margin mix of new products starting to positively impact its business. The unwinding of margin declines of the past three years should allow Siliconware Precision to benefit from volume growth in new packaging categories over the coming two to three years. In 2012, we have also seen a purging of excess inventory across the major IC categories, with weakness on non-Apple/Samsung phones and the PC supply chain. This established a low base for growth in the second half of 2012 and 2013. We have already started to see year over year recovery in sales off a low base and we expect this to continue into the second half of 2012 and 2013.

Regional Allocation as at 31 August 2012



Rounding accounts for small +/- from 100%.

Signatory of:



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