

Perennial Asia Equity Trust

Monthly Report as at 30 June 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* | -2.2 | -4.6 | -2.7 | -2.4 | 4.6 | -3.0 | 3.2 |
| MSCI AC Far East (ex Japan) Net Dividends Index in AUD | -2.9 | -5.6 | -8.1 | -3.7 | 2.4 | -2.8 | 0.6 |
| Value Added (Detracted) | 0.7 | 1.0 | 5.4 | 1.3 | 2.2 | -0.2 | 2.6 |
| Net Performance | -2.3 | -4.9 | -2.1 | -2.9 | 3.8 | -4.0 | 2.4 |

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

- Most Asian markets posted a slight recovery in June.
- India (up more than 9% in local currency terms) was the strongest performer in Asia.
- During the month, KT Skylife was added to the Trust.

Following the sharp decline in the previous month, most Asian markets posted a slight recovery in June. The Perennial Asia Equity Trust (the Trust) finished June down 2.2% in AUD terms. The MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index) finished down 2.9%. The Australian dollar recovered strongly (up 5.2% against the USD) and traded higher against all major Asian currencies.

Markets in north Asia remained weak during the month. Local markets in China, Korea and Taiwan barely increased. Markets in Hong Kong, Indonesia and Thailand posted positive returns between 4% and 6%. India was by far the strongest regional performer, returning more than 9% in local currency terms.

In terms of stocks, the stronger performers for the month were Malaysia's UMW Holdings Berhad (up 14.3% in local currency terms) and Chinese retailer Bosideng International Holdings Limited (up 11.2% in local currency terms) which were both supported by good results. Financials Bank Rakyat of Indonesia (up 12.4% in local currency terms) and HDFC Bank of India (up 11.3% in local currency terms) also outperformed.

Stocks which detracted from performance included India's fast food operator, Jubilant Foodworks Limited which reversed its strong outperformance from the previous month. Cyclical stocks such as Taiwan Semiconductor Manufacturing Company Limited, Korea's Samsung Engineering Co Ltd and Singapore listed Sakari Resources Limited also 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 30/06/12):
AUD226.9 million

Income Distribution

Frequency:
Annually

Trust Inception date:

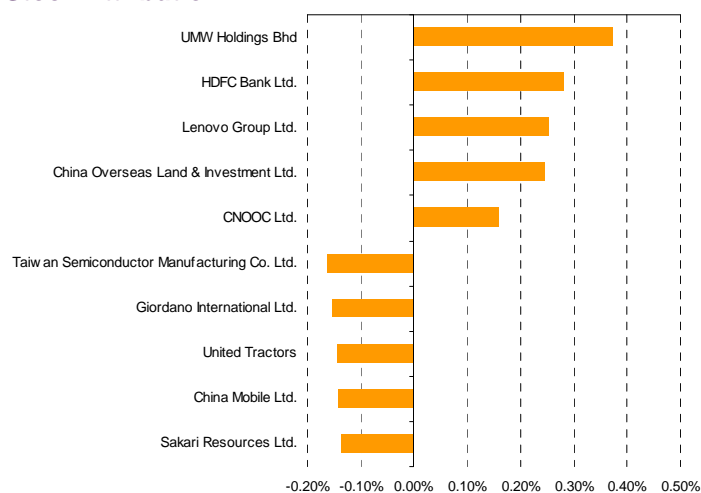
July 1997

Minimum Initial

Investment:
\$25,000

APIR code: IOF0112AU

Stock Attribution



Trust Activity

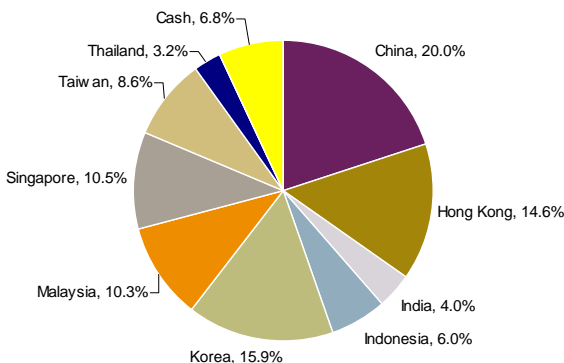
During the month, the Trust initiated a new position in Korea's direct broadcast satellite operator KT Skylife Co Ltd (KT Skylife). The company has enjoyed very strong growth in subscribers over the past three years. The Trust sold its position in Chinese PC vendor Lenovo Group Limited (Lenovo) following a period of strong outperformance. The selling from the Trust appeared timely, as the stock soon after lost close to 15% over a few days, as the market reassessed its growth outlook. We still think that Lenovo is a well run company, and we expect to revisit at a lower level.

Outlook

There are now clear signs that Asian ex Japan markets are affected by the slowdown in global demand. The main uncertainty remains in China, where both exports and consumption are now slowing down. The government's policies have so far failed to stop the deterioration. However, the government is acutely aware of the threat of inflation and has therefore been very cautious in the early stages of this round of fiscal loosening.

Valuations now look quite appealing in Hong Kong, we are able to identify companies with a rather stable profit profile and high dividend yield (7% to 8%) compared with the yield of around 1% for Hong Kong ten year bonds.

Regional Allocation as at 30 June 2012



Rounding accounts for small +/- from 100%.

Stock Story – KT Skylife

KT Skylife is the only direct broadcast satellite operator in Korea. Pay TV in Korea is a mature industry, dominated (70% of all subscriptions) by a diversified group of cable operators who have existed without the threat of competition or technology risks for many years. Skylife, in conjunction with fixed line operator KT (which has a controlling stake in Skylife) have been aggressively pushing its service.

What makes Skylife interesting and advantageous for shareholders is its parent company's heavy subsidisation of this push into the market, as well as the benefit of being in a position to leverage KT's very large base of fixed line customers. This is providing Skylife with somewhat of a free ride as they go through this period of rapid subscriber growth. Typically, a business in this part of the S curve would be burning through lots of cash and funding the growth through equity and debt issuance - this is not the case for Skylife.

The other angle is that the competition looks ripe for the picking. Competitors, namely the cable operators, in this space have existed for many years without having to innovate their product. They have been slow to introduce new technologies, are fragmented and financially quite weak. At the end of 2012, Korea will begin to switch off its analogue signal and move to digital services only. The cable operators are yet to negotiate new terms with the free to air channels to transmit the stations in digital. Skylife is benefitting from this uncertainty as it takes its complete package to the market.

Signatory of:



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