

Perennial Asian Shares Wholesale Trust

Monthly Report as at 31 July 2012

	1 month %	3 months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI [^] %p.a.
Perennial Asian Shares Wholesale Trust*	1.5	-4.1	0.4	-1.6	1.7	-3.6	4.2
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	0.2	-5.4	-6.9	-3.2	-0.8	-3.9	4.0
Value Added (Detracted)	1.3	1.3	7.3	1.6	2.6	0.3	0.2
Capital Growth	1.2	-4.5	1.0	-2.1	0.9	-6.1	-1.7
Income Distribution	0.0	0.0	0.0	0.0	0.0	1.5	5.0
Net Performance	1.2	-4.5	1.0	-2.1	0.9	-4.6	3.3

* Gross Performance. ^Since Inception: June 2001. Past performance is not a reliable indicator of future performance.

- Local markets in Singapore and Indonesia were the strongest in the region.
- The Trust added Daum Communication and Korea Zinc during the month.
- Bank Rakyat of Indonesia and Siam Commercial Bank were the best performers.

Most markets fluctuated during the month on global macroeconomic news, particularly the events in Europe, however ended in positive territory. The Perennial Asian Shares Wholesale Trust (the Trust) returned 1.5% in AUD terms for the month, outperforming the MSCI AC Far East (ex Japan) Net Dividends Index (the Index) return of 0.2%. The Australian dollar is trading higher against all major Asian currencies.

Local markets in Singapore and Indonesia were the strongest in the region, returning more than 4.5% for the month. Markets in north Asia remain weak and continue to underperform the rest of the region. Hong Kong's trade sector continues to face headwinds with both exports and imports contracting in June and the People's Bank of China cutting benchmark rates for the second time this year. Earnings revisions in the technology sector and proposals for capital gains tax continue to be a drag in the Taiwanese market. Local markets in India fell by 1.1%, despite announcing better than expected industrial production growth for May and easing inflation for June.

Financials like Bank Rakyat of Indonesia and Thailand's Siam Commercial Bank were the best performers of the month, up 10.2% and 9.2% respectively in local currency terms. This is closely followed by Korea's electronics giant Samsung Electronics Co Ltd (up 9.0%) and Singapore's industrial conglomerate Keppel Corp (up 8.8%). Defensives like Malaysia's Media Prima Berhad and Axiata Group Berhad also outperformed, both returning more than 7.0% in local currency terms. Our holdings in Sarin Technologies Ltd and coal player Sakari Resources Limited detracted from performance.

Perennial Asian Shares Wholesale 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 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 31/07/12):
AUD209 million

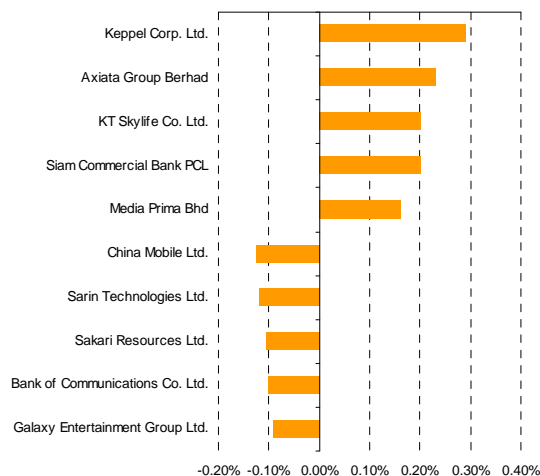
Income Distribution Frequency:
Annually

Trust Inception date:
June 2001

Minimum Initial Investment:
\$25,000

APIR code: IOF0203AU

Stock Attribution



Trust Activity

During the month, the Trust sold its position in China Overseas Land and Investment Ltd following strong outperformance. The Trust also sold out of Hyundai Department Store Group due to a change in its fundamentals. Department store sales in Korea have slowed and the company revised down its stores opening program.

The Trust initiated two new positions, one in Korea's internet portal service provider Daum Communication and another in one of the world's biggest zinc smelter Korea Zinc.

Outlook

Asia remains a tough market, as it largely remains a call on exporters, followed by consumption in Europe and the US. The most solid part of Asia ex-Japan remains in ASEAN, as Thailand and Indonesian economies continue to have a steady performance. The most critical part remains in China, where we have yet see any signs of bottoming.

Valuations across the rest of Asia, in particular Indonesia, are also quite low. Therefore cyclicals, across Asia, should benefit from any good news and/or any improvement in sentiment. One of the concerns in Asia is the return of food inflation (due to poor crops yield in the US and India) which may limit the policy options.

Stock Story – Korea Zinc

Korea Zinc is one of the biggest zinc smelters in the world and its products include zinc, lead, copper, gold, silver, and indium. It was incorporated in 1974 and produced 50,000 tonne per year of zinc in 1978. In 1986, the company started lead refinery with 35,000 tonnes per year operation. In 2000, the company completed construction of its TSL plant, which enables the recovery of various valuable metals from the residue generated in the smelting process. In 2003, Korea Zinc completed a residue fumer project using TSL technology. In 2004, Korea Zinc expanded copper capacity to 20,000 tonnes per year and commenced operation of the indium plant. Zinc accounts for 33% of the company's earnings and silver 27% of earnings.

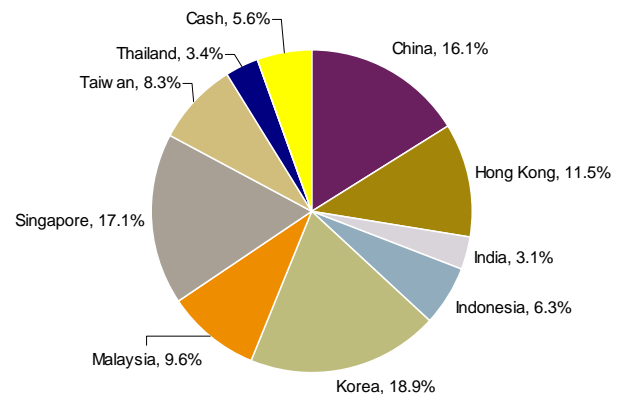
The implementation of volume expansion could be better than expected, and silver volumes could surprise on the upside thanks to a smooth ramp up of the new capacity and greater usage of silver rich lead concentrates. We note that the company's actual silver sales volume has been 3-30% higher than the original guidance since 2007 and the trend may continue this year. A higher than expected sales volume should provide positive earnings surprise in the second half of the year.

The operation of its mining business in Peru is largely in line with expectations, but will not contribute in a significant way due to limited production. However, earnings contribution from mining should continue to improve every year with increasing self-sufficiency. This is due to :

- Margin improvements through volume increase of lucrative by-products such as silver, gold, indium, copper, sulfuric acid, zinc, and lead.
- The company's transition into an integrated player from a pure smelter through ample cash position.

Going forward, silver and zinc prices and quarterly earnings should remain key catalysts for Korea Zinc shares.

Regional Allocation as at 31 July 2012



Signatory of:



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