

Perennial Asia Equity Trust

Monthly Report as at 31 October 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*	-0.4	10.4	20.6	0.3	5.8	-2.9	3.9
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	0.4	7.3	10.2	-1.7	2.8	-4.8	1.1
Value Added (Detracted)	-0.8	3.1	10.4	2.0	3.0	1.9	2.8
Net Performance	-0.5	10.0	19.0	-0.2	4.9	-3.9	3.1

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

- Korean listed SK Innovation Co Ltd was added to the Trust during the month.
- The Hang Seng Index reached a 14 month high, up 3.9% in local currency terms.
- Chinese textile manufacturer Shenzhou International Group was the best performer, up over 13.5% in local currency terms.

Asian markets saw mixed performances in October led by weak corporate earnings and some better than expected data coming out from China. The Perennial Asia Equities Trust (the Trust) fell 0.4% in AUD terms for the month, underperforming the MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index). The Australian dollar is trading slightly higher against the US dollar, Hong Kong dollar and Indonesian rupiah but lower against most other Asian currencies.

The Hong Kong Monetary Authority intervened with the market for the first time since December 2009 to increase liquidity and curb the strength of the Hong Kong dollar following QE3 in the US. This resulted in the Hang Seng Index reaching its 14 month high, rising 3.9% in local currency terms in October. This was followed closely with a rise in the Malaysian and Indonesian equity markets by more than 2% in local currency terms. The Taiwanese market was the weakest in the region, down 7.1% in local currency terms, as bellwether technology stocks in the US announced disappointing results and weak guidance. Concerns of Korea's export driven growth model and the appreciation of the Korean Won against the US dollar led the Korean market lower, down 4.2% for the month.

In the Trust, Chinese textile manufacturer Shenzhou International Group was the best performer, increasing by more than 13.5% in local currency terms. This was closely followed by Indonesian Perusahaan Gas Negara up 12.7%. Hong Kong listed high end fashion brand Prada S.p.A. and China Construction Bank Corporation also outperformed strongly for the month. Our holdings in Korean Samsung Engineering Co Ltd and Daum Communication Corp 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 31/10/12):**
AUD222.3 million

**Income Distribution
Frequency:**

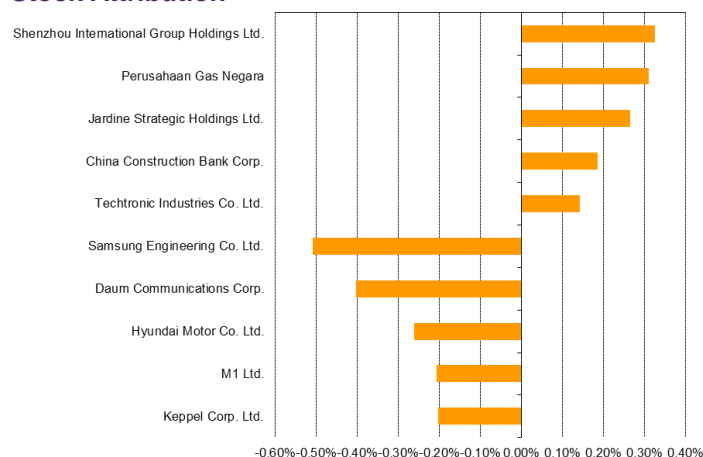
Annually

Trust Inception date:
July 1997

**Minimum Initial
Investment:**
\$25,000

APIR code: IOF0112AU

Stock Attribution



Trust Activity

During the month, the Trust sold its position in Macau casino operator Galaxy Entertainment Group and India's HDFC Bank. Both stocks have outperformed strongly year to date and have reached our target price.

The Trust initiated a new position in Korean listed SK Innovation Co Ltd. The company refines, produces and markets a variety of petroleum products. We expect refining margins to remain healthy and lube base oil price/margin should see an improvement going forward.

Outlook

We continue to see soft demand conditions in developed markets especially in the European region. It remains to be seen if Chinese mainland growth has stabilised. As stock markets in Asia are largely uncorrelated and show wide variance in performance, we believe there are opportunities to add value and will continue to be very selective in stock picking.

Stock Story – Tata Consultancy Services

Tata Consultancy Services (Tata) is a diversified Indian based IT services firm, founded in 1968 and part of the Tata Group. The company has a very diversified customer base across a range of industries and countries, although its largest sector is made up of US financial services, who are one of the earliest adopters of the outsourcing model. In total, Tata had in excess of 1000 customers at the end of the last fiscal year, with only fourteen of these representing in excess of \$100 million in sales. Tata's revenue is made up of:

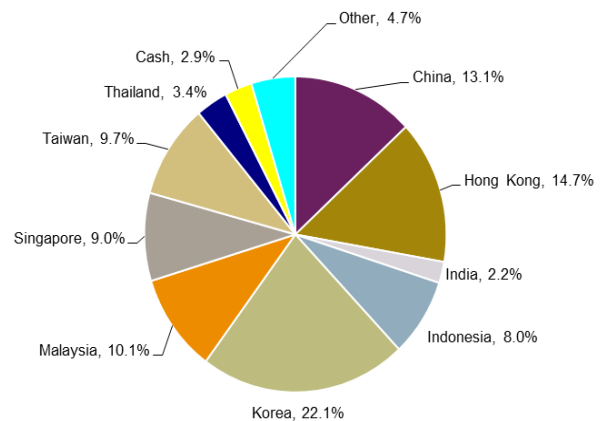
- 44% Application, Development and Maintenance
- 12% BPO
- 15% Enterprise Solutions
- 10% Infrastructure Services.

In the year ended March 2012, over 22% of Tata's revenues came from new services which included BPO, Infrastructure Assurance and Asset Leveraged Solutions. Tata's high level relationships put them in a very strong position to launch new and innovation services and solutions.

The maturation of the cloud computing model offers companies such as Tata an opportunity to develop and deliver new solutions to the market. An example of this is their joint venture called C-Edge, dubbed banking in a box being rolled out in India. This product offers new branches the ability to scale out their IT infrastructure requirements remotely turning their capex into OPEX. This particular project began slowly but has seen rapid acceleration in the past 6 to 12 months, adding over 1,000 branches as customers. The company expect to add a further 1,000 branches over the coming six months.

Over the past five years, the company have delivered strong top and bottom line growth with sales and EPS compounding at 24% and 27%, respectively. It is expected the company can deliver similar levels of growth going forward. Trading at just 14x 2013 earnings and high return on equity of more than 40%, Tata could potentially offer returns in excess of 30% from current levels.

Regional Allocation as at 31 October 2012



Rounding accounts for small +/- from 100%.

Signatory of:



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