

# Perennial International Shares Wholesale Trust

Monthly Report as at 30 November 2012

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Shares Wholesale Trust ^	1.5	4.4	6.6	12.9	1.9	-5.6	-5.9
MSCI World ex Australia Net Dividends Index in AUD	0.7	2.3	5.2	11.8	2.3	-5.1	-5.8
<b>Value Added (Detracted)</b>	<b>0.8</b>	<b>2.1</b>	<b>1.4</b>	<b>1.1</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.1</b>
Capital Growth	1.3	4.0	6.0	11.3	0.6	-7.4	-2.6
Income Distribution	0.0	0.0	0.0	0.0	0.0	0.6	-0.5
Net Performance	1.3	4.0	6.0	11.3	0.6	-6.8	-7.1

^ Gross Performance. \* Since inception: August 2007. Past performance is not a reliable indicator of future performance.

- The Trust outperformed the Index return by 0.8%.
- General Motors, Barclays and Lowe's were added to the Trust during the month.
- Stocks in the consumer, information technology, healthcare and financial sectors contributed strongly to performance over the past year.

The Perennial International Shares Wholesale Trust (the Trust) outperformed the MSCI World ex Australia Net Dividends Index in AUD (the Index) during November by 0.8%. For the year ended 30 November 2012, the Trust outperformed the Index return by 1.1%. Over the past year, the best performing stock in the Trust was Galaxy Entertainment, which rallied over 69% in AUD terms. Asos Plc and Coca Cola Femsa also performed strongly, each rallying more than 60%. During this period, stocks in the consumer, information technology, healthcare and financial sectors contributed strongly to performance.

## Market Conditions During the Month

Markets lost as much as 3% during the month, but recovered strongly in the second half of November to finish up slightly. Uncertainty surrounding the US Presidential election weighed on markets early in the month, as did concerns over the fracas in the Gaza strip between Israel and Palestinian forces. The S&P 500 acted as a proxy for global markets over the month, declining in the first half of the month, but finishing up slightly. Notably, the domestic Chinese market, in Shanghai, continued its decline. The further 6% fall in November means that performance has declined 22% since May 2012, bringing it into bear market territory. European markets were again broadly higher, as the squabble over Greek funding was resolved; further 'kicking the can down the road'. The AUD rallied slightly over the month, despite expectations of the rate cut that came to fruition on 4 December 2012.

## Trust Activity

During November, the following positions were added to the Trust:

**General Motors (GM)**, the US car manufacturer, has seen its balance sheet completely recapitalised and its business totally overhauled since the company declared bankruptcy in 2009. The company now has

## 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 30/11/12)

AUD103.7 million

### Team FUM

(as at 30/11/12):

AUD223.4 million

### Trust Inception date:

August 2007

### Income Distribution

#### Frequency:

Half Yearly

#### Minimum Initial

Investment:

\$25,000

#### APIR code:

IOF0045AU

strong earnings growth potential following an internal restructure. Furthermore, it offers investors a compelling capital arbitrage, as it redeems its expensive preference shares and buys out the US government's 32% stake.

**Barclays (BARC)**, the UK's largest bank has an interesting footprint, being the largest mortgage lender and card issuer in the UK, along with its majority ownership of ABSA in Africa and the company behind Barclays Capital. Having avoided a bailout from the UK government during the financial crisis, BARC's destination is largely in its own hands, unlike the other domestic UK banks. Its current valuation of 0.6x book does not account for its ability to consistently return over 12% on shareholder's equity throughout the cycle.

**Lowe's (LOW)**, is a US retailer that specialises in building materials and 'DIY' supplies. Lowe's is a key beneficiary of

the recovering US housing market, particularly as many home owners choose to DIY their existing home, rather than move to a new address.

During the month, the following positions were exited:

**Cardtronics (CATM)**, an owner of ATMs in the US, was sold as the entry of new competitors and changes to regulations have seen the business case play out more negatively than expected. The position was slight, with a minor gain to the average acquisition price.

**Joy Global (JOY)**, an US based manufacturer of mining equipment, with approximately 50% of its sales earned outside the US. JOY was sold as other holdings in the mining space offered more attractive risk/reward profiles.

#### Outlook

The US fiscal cliff and the re-election of President Obama have taken the spotlight from European markets in recent weeks. The next two months may bring more volatility to US markets, as uncertainty regarding the relationship between the Congress and the President lingers. Resolution of the US deficit funding issue is the President's first challenge in his second term and could well determine the path of the US market over the next year.

Outside of the US, the global slowdown appears to have taken some of the steam out of a market that had rallied 15% year to date at the end of September. In the recent reporting season, stocks either missing estimates, or reducing guidance were punished by the markets. This is a sure sign that investors are becoming more wary regarding valuations. We believe that cheaper stocks, that are at, or approaching cyclical lows in, profitability offer good opportunities at present, particularly in out of favour geographies such as Europe.

In the emerging markets, we believe that certain Chinese and Brazilian companies are becoming increasingly attractive, as macroeconomic news continues to outweigh otherwise strong fundamentals and cheap valuations. India's slowing growth and rising inflation seems unlikely to abate in the foreseeable future and as such, we remain largely on the sidelines in this market.

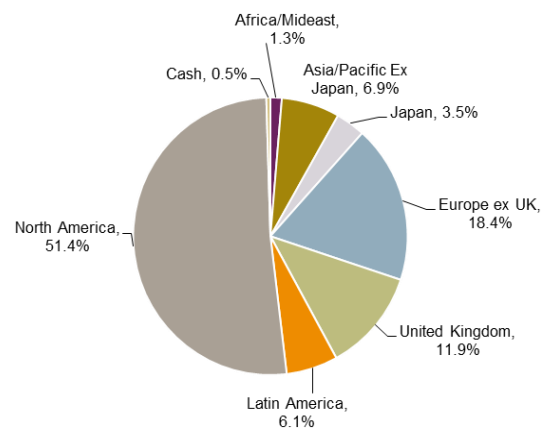
We continue to favour attractively valued companies displaying strong business models, consistent, visible cash flows and lowly geared balance sheets. Stocks are selected based on various screening attributes, followed extensive fundamental analysis. Macroeconomic considerations form part of this fundamental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

#### Top Ten Stocks as at 30 November 2012

Stock Name	% of Trust
SAP AG	2.6%
Intuit Inc.	2.1%
General Electric Co.	2.1%
Google Inc. Cl A	2.1%
Capital One Financial Corp.	2.0%
Coca-Cola Femsa S.A.B. de C.V. ADS	1.9%
Franklin Resources Inc.	1.9%
Mexichem S.A.B. de C.V.	1.9%
Philip Morris International Inc.	1.8%
Petrofac Ltd.	1.8%

Source Perennial Investment Partners

#### Regional Allocation as at 30 November 2012



Signatory of:



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