

Perennial Asian Shares Wholesale Trust

Quarterly Report as at 31 December 2012

	Quarter %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI [^] %p.a.
Perennial Asian Shares Wholesale Trust*	5.4	28.6	4.4	4.9	-0.8	5.5
MSCI Far East Free (ex Japan) Accum. Index	6.4	20.5	1.3	2.5	-2.6	5.1
Value Added (Detracted)	-1.0	8.1	3.1	2.4	1.8	0.4
Capital Growth	5.1	26.7	4.0	4.1	-3.3	-0.3
Income Distribution	0.0	0.0	0.0	0.0	1.5	4.8
Net Performance	5.1	26.8	4.0	4.1	-1.8	4.5

* Gross Performance ^Since Inception June 2001.

- The best performing equity markets for the quarter were China (up 12.8%), Philippines (up 9.8%) and Hong Kong (up 5.6%).
- Telkomunikasi, BYD Electronic and Central China Real Estate Ltd were added to the Trust during the quarter.
- Currencies in Asia were mixed against the USD during the quarter.

Asian markets finished off 2012 in a strong fashion, with the final quarter rising 6.4%. Over this period the Perennial Asia Equity Trust (the Trust) underperformed the MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index), returning 5.4%. However, this has been a strong year for the Trust, with a total return of 28.6%, more than 8% ahead of the Index return.

The best performing equity markets for the quarter were China (up 12.8%), Philippines (up 9.8%) and Hong Kong (up 5.6%). The weakest markets were Taiwan (up 0.2%), Korea (up 0.9%) and Indonesia (up 1.8%). The best performing countries for 2012 were Thailand (up 34.9%), Singapore (up 31.0%) and New Zealand (up 30.4%). The weakest countries were Indonesia (up 5.2%), Malaysia (up 14.3%) and Taiwan (up 17.7%).

Among the sectors which performed the best through the December quarter in Asia-Pacific ex-Japan were healthcare (up 9.3%) and financials (up 8.0%). The worst performing sector was telecommunications (up 3.3%). In 2012, the best performing sector was health care (up 46.0%). Materials (up 8.7%) was the worst performing sector over 12 months.

Currencies in Asia were mixed against the USD during the quarter. The largest loss against the USD was the Japanese yen's 11.3% decline, a significant move and saw the yen down 12.7% for the year, making it the worst performing currency in 2012. Although the Trust does not invest in Japan, it is a major trading partner in the region. The South Korean won again gained the most against the USD, rising 4.5% and was the best performing currency for 2012, up 8.2%. The worst performing currency in the calendar year was the Japanese yen, down 12.7%.

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 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 31/12/12):**
AUD226.5 million

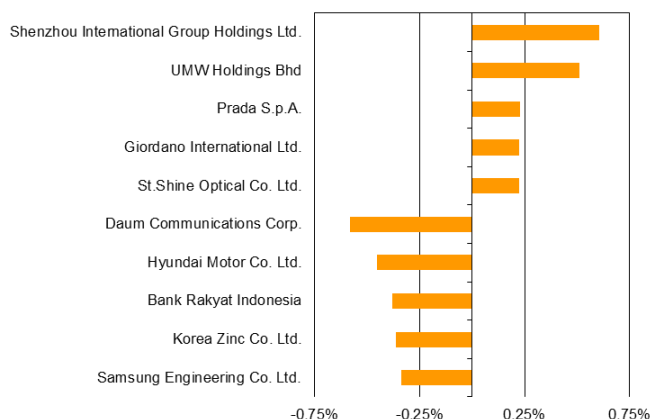
**Income Distribution
Frequency:**
Annually

Trust Inception date:
June 2001

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

APIR code: IOF0203AU

Stock Attribution



Trust Activity

There was limited activity in the Trust during the quarter. On the whole we maintained a positive view on the majority of the Trust's holdings. The Trust initiated a new position in Indonesia's largest integrated telecommunications operator, Telkomunikasi. The stock was added, as we saw potential for both solid medium term growth and the return of excess capital to shareholders. Other names to be added included BYD Electronic and Central China Real Estate Ltd, both listed in Hong Kong. BYD Electronic is the developer and manufacturer of mobile telephone handset components for companies such as Nokia. The recent upswing in sales at Nokia should have positive flow through effects on BYD Electronic and its capacity utilisation, while the company trades on 8x cyclically depressed earnings. Central China Real Estate, as the name suggests, owns and develops real estate assets in the Henan province of China. The company is seeing increased end demand while trading at half its book value. The position in Korean biotech company Celltrion was sold, on concerns over near term fundamentals and its revenue recognition policy.

The better performing stocks during the quarter were UMW, the Malaysian auto retailer and machinery distributor, up 19%; Shenzhou, the Chinese textile manufacture, up 32%; and, Prada, up 28% as the Hong Kong listed, Italian luxury retailer rose on the back of a more sanguine global outlook. The laggard, Korea Zinc fell 17% as precious metals were out of vogue as a risk on environment chased more cyclical names.

Outlook

The year ended with the global economy in slightly better shape, but the outlook remains weighed down by ongoing fiscal uncertainty in the US, where attempts to solve the fiscal cliff late in December were torpedoed by recalcitrant republicans in the Congress. While a deal in early January was reached, ongoing negotiations surrounding the debt ceiling remain. That said, the Fed are running very accommodative monetary policy vowing to keep interest rates near zero until the unemployment rate falls to 6.5% provided inflationary expectations do not exceed 2.5%.

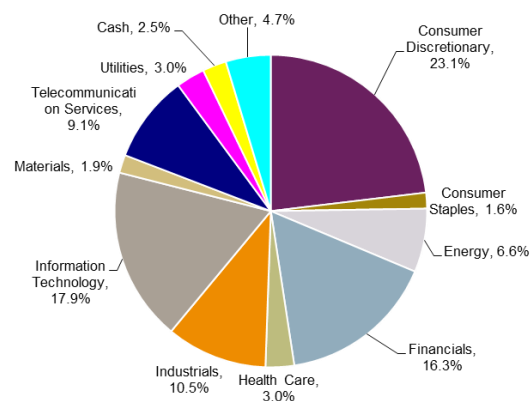
If the US can find fiscal clarity in early 2013, then the stage is set for a year where global growth could surprise on the upside with the tempo of growth improving through the year. However, an extended period of fiscal uncertainty in the US could delay, or at worst, derail the improving momentum the global economy had in late 2012.

A smooth progression in the US will be positive for the Asian region which is greatly reliant on the US for much of its export led economic growth. Our positive stance on the US economy bodes well for Asian companies and we enter 2013 with a more positive stance relative to 2012. China has also gone through its electoral process and has a new leader in Xi Jinping. Sentiment towards China and its stock market may depend on how the new Communist leader approaches his reform agenda.

Environmental Social and Governance

During the quarter, the Trust encountered no environmental, social and governance issues. We continue to liaise with companies where it is deemed corporate governance could be improved.

Sector Weightings as at 31 December 2012



Rounding accounts for small +/- from 100%.

Signatory of:



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