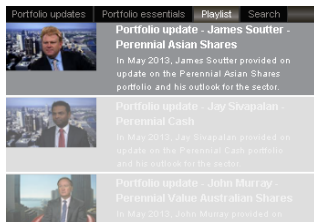


Perennial Investment Manager Updates

In addition to reading the latest commentaries from Perennial's investment managers, you can find video updates on our website.



While you are on the site, you can read some of the latest news and articles including:

- ▶ The Clough stock story from the Perennial Value Smaller Companies team.
- ▶ David Rosenbloom's market neutral article published in Financial Planning Magazine.
- ▶ An update on global REITs from David Kivell.

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More award recognition for Perennial Fixed Interest

After taking out the top prize for Australian Bonds in SmartInvestor's Fund Manager of the Year in August, the Perennial Fixed Interest Team once again won the Domestic Fixed Interest category of the 2013 Australian Fund Manager Awards. Congratulations to Glenn Feben and the Team.



US Company Visits: August and September 2013



Clay Carter, Head of Perennial International, spent the last week of August and the first week of September visiting companies in the US. Clay had over 50 face to face meetings on the west coast and in New York City. While many of these discussions involved specific company related business, Clay was able to gain a sense of some of the major issues facing the US market and economy for the rest of 2013. Following is a summary of some of his key observations.

- **CEO succession is an issue**, with over 20 companies looking for a new leader. These include Microsoft, JC Penney, Toys 'R' US, Pandora Media (who Clay met with and said they were close to choosing a successor), Electronic Arts, and Juniper Networks. Impatient boards, activist investors, and the retirement of "baby boomer" executives are driving this phenomenon.
- **Health insurers** will have to deal with the Affordable Health Care Act as it passes into law. Many have launched new online insurance exchanges that could well be a game changer for retirees and the some seven million uninsured Americans about to be enrolled. Towers Watson, one of the companies Clay met with, has a promising exchange product.
- **Subpar economic growth** at home and abroad and a stubbornly high unemployment rate are affecting both the manufacturing and retail industries. Manufacturers remain cautious and capital spending and hiring are on hold at the moment. A recent survey by an industry group showed some 66% of industrial companies surveyed expected weak employment growth well into 2014.
- **For retailers**, sluggish back to school sales do not augur well for third quarter earnings. Wal-Mart Stores and mid-west retailer Kohl's have lowered earnings forecast for the rest of the year. While consumers are still spending on big ticket items such as autos and appliances, they insist on big discounts on everything else.
- **Technology** giants such as Samsung Electronics, Apple, Google and Qualcomm are embracing the new technology phenomenon known as "wearables" as computers morph into familiar shapes such as watches, wristbands, glasses etc. While Clay was in the US, Samsung launched a "smart watch" the Galaxy gear (essentially a small computer with a watchband) tied to its Android phone line. Chip maker Qualcomm also introduced a smart watch. Apple introduced its new underwhelming "Cheaper" iPhone line and is rumoured to shortly be launching a watch sized computer. Google followed up with an announcement that the impressive "Google glasses" will be widely available next year. It is no surprise that the majority of semiconductor companies Clay met with are gearing up for the miniaturisation of the computer.