

Perennial International Equities Trust

Monthly Report as at 30 June 2012

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Equities Trust ^	-2.8	-6.4	-4.3	-4.3	2.0	-7.1	-3.5
MSCI World ex Australia Net Dividends Index in AUD	-0.6	-4.1	-0.5	-0.5	2.4	-6.7	-3.3
Value Added (Detracted)	-2.2	-2.3	-3.8	-3.8	-0.4	-0.4	-0.2
Net Performance	-2.9	-6.7	-5.5	-5.5	0.7	-8.2	-4.6

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

- Markets were volatile in June, due largely to concerns over Europe and a slowing global economy.
- During June, Sky Deutschland AG was added to the Trust.
- Indonesia remains one of the more attractive emerging markets.

Global equity markets were quite volatile in June. The MSCI World ex Australia Net Dividends Index in AUD (the Index) finished the month down 0.6% in local currency, rallying 2.0% off its monthly lows in the last two trading days. The Perennial International Equities Trust (the Trust) underperformed the Index return by 2.2%. During the year ended 30 June 2012, the Perennial International Equities Trust (the Trust) underperformed the Index return by 3.8%. During this period, the AUD weakened 2.4% against the USD.

Market Conditions During the Month

During the month, the market's focus remained firmly on Europe. However, weaker US data and lingering concerns over Chinese growth also weighed on sentiment.

Markets were buoyed at the end of the month as Eurozone leaders agreed to consider allowing the European Stability Mechanism (ESM) to lend directly to banks, rather than only lending to national governments as is currently allowed. This move should reduce the likelihood of widespread bank failures. Furthermore, it is likely to allow central governments to concentrate on the business of righting their economies and leave the problem of banks to the banks themselves. On a Eurozone wide basis, economic data remains a concern, with retail sales, industrial production and unemployment all showing continued weakness. Worryingly, the wider regional issues are continuing to weigh on Germany, which despite its role as the saviour of Europe, continues to see economic deterioration.

In the US, non-farm payrolls again came in weaker than expected and factory orders were very weak. However, new home sales continued their tepid recovery and small business capex plans were on an upward trend, albeit gradual.

Perennial International Equities 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 30/06/12):

AUD41.4 million

Team FUM

(as at 30/06/12):

AUD226.9 million

Trust Inception date:

July 2001

Income Distribution

Frequency:

Half Yearly

Minimum Initial

Investment:

\$25,000

APIR code:

IOF0213AU

GDP growth across many emerging economies, including China and Brazil, continues to slow, while inflation in India remains stubbornly high at over 10%.

During June, emerging market currencies such as the Indian rupee, the Indonesian rupiah and the Russian ruble all saw a halt to their seemingly endless downward trend. The stabilisation of these currencies could go some way in assisting to control inflation in these economies and may prompt a return of foreign investor appetite for emerging market stocks.

Trust Activity

During June, the following position was added to the Trust.

Sky Deutschland AG (SKYD) – SKYD is a pay TV operator located in Germany. The network recently bought the rights to broadcast the Bundesliga (German Premier League) and European Cup to viewers in Germany and Austria. SKYD has significant growth opportunities in Germany due to the currently low penetration rate of pay TV. At present, just 7.5% of German households subscribe to pay TV, compared to 30% in Italy and around 50% in the UK. SKYD is a subsidiary of News Corporation, the owner of the Fox Network in the US and Sky TV in Britain. We believe that the stock offers a compelling valuation given its potentially exciting growth opportunities.

During the month, the following position was exited:

Lenovo Group Limited (Lenovo) – Lenovo is a Chinese based manufacturer of personal computers. The hardware it produces is largely a legacy of the PC business bought from IBM some years ago. Lenovo has been held in the Trust for some time and generated good outperformance. However, the company is facing operational headwinds and at the time of the sale, the valuation appeared full. The stock price has fallen 17% since being sold from the Trust.

Team Member Activity

During the month, a member of the Team visited a number of companies in regional areas of Canada including Manitoba, Saskatchewan, Alberta and Ontario. Companies visited were largely based in the mining, oil and gas and agricultural sectors.

Gold mining companies remained quite bullish on their operational outlook. Management within these companies remained perplexed as to the underperformance of stocks in this sector. Our view on these stocks is that valuations looked quite full prior to the recent sell-off.

Oil and gas companies are seeing an operational resurgence. The productivity of many of their resources has increased markedly through improvements in extraction techniques, thus giving a 'new lease of life' to

many of their assets. Smaller, more risky companies are meeting funding issues; however, those with stronger balance sheets remain in good stead. Gas remains an unloved commodity due to oversupply.

Within the agricultural sector, companies remained positive on their outlooks. Companies such as Viterra Inc. (a grain trading company) and Agrium Inc. (a manufacturer of agricultural chemicals) are benefiting from a better grain crop in the US and Canada, combined with good grain prices.

Several investment opportunities are being investigated further as a result from the findings of this trip, particularly gold and agricultural companies.

Outlook

The European debt crisis remains the key over hang to markets. A double dip recession appears to be priced in across much of Europe. We remain wary of Europe generally and continue to be concerned about the outlook for many European financials. The situation in Spain appears to be further deteriorating and Greece remains un-investable. Worryingly, European sovereign debt yields remain stubbornly high, with spreads on Spain's five year debt trading at over 5% (above the EU rate of 1.2%) and Greece at over 16%. Markets in Europe generally will remain range bound and volatile until a resolution to the funding worries of Greece, Spain, Italy and Portugal is found.

The continued irrational market moves are creating selective opportunities, such as SKYD, which was added to the Trust in June.

As markets continue to decline, non-Euro European companies are becoming more attractive, due to better fundamentals and stronger, more stable currencies.

We remain positively disposed towards the US economy (relative to Europe) and news flow continues to support our thesis of a sluggish recovery. We need to see more consistent improvements in housing, unemployment and capital expenditure before adding further weight to this region.

Within the emerging markets, Indonesia remains one of the more attractive markets. With improving corporate

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governance, a pro-investment government and strongly growing consumer market, many opportunities abound. We remain cautious on Brazil, India and China. However, given the widely publicised macro economic headwinds in these markets, selective companies offer extremely attractive valuations, coupled with strong growth.

In recent times, the AUD seems to have found a floor at around USD1.00. At these levels, we see structural risk to the downside in the currency. Further rate cuts by the Reserve Bank of Australia and a return to risk adversity, see the likelihood of the AUD falling below 90 cents versus the USD increasing.

The market turmoil is no doubt a concern for equities investors, both in Australia and globally. However, periods of panic generally create excellent opportunities to buy good stocks at irrationally low valuations. Times of turmoil, such as these, are usually not times to panic. Indeed, it is worth remembering the quote by Baron Rothschild in the 18th century: "Buy when there is blood on the streets, even if the blood is your own". While there is no blood on the streets at present, further turmoil in Europe should create some tremendous buying opportunities.

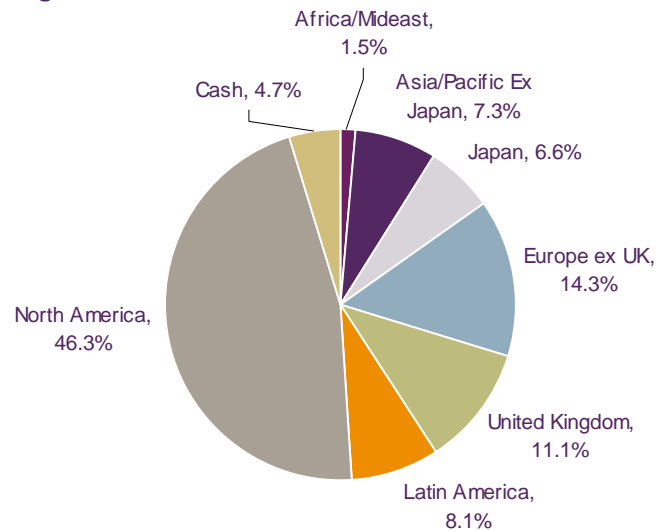
We continue to favour attractively valued companies displaying strong business models, consistent, visible cash flows and lowly geared balance sheets. Stocks are selected based on various screening attributes, followed by extensive fundamental analysis. Macro economic considerations form part of this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

Top Ten Stocks as at 30 June 2012

Stock Name	% of Trust
Apple Inc.	2.5
Philip Morris International Inc.	2.3
Intuit Inc.	2.1
General Electric Co.	2.1
SAP AG	2.0
British American Tobacco PLC	2.0
BG Group PLC	2.0
Capital One Financial Corp.	1.9
Cardtronics Inc.	1.9
GNC Holdings Inc. CI A	1.9

Source Perennial Investment Partners

Regional Allocation as at 30 June 2012



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