

# Perennial Asia Equity Trust

Monthly Report as at 30 September 2012

	1 Month %	3 Months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI <sup>^</sup> %p.a.
Perennial Asia Equity Trust*	6.8	12.4	21.8	2.7	5.1	-1.8	3.9
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	5.7	7.1	13.1	-1.1	1.8	-4.0	1.1
<b>Value Added (Detracted)</b>	<b>1.1</b>	<b>5.3</b>	<b>8.7</b>	<b>3.8</b>	<b>3.3</b>	<b>2.2</b>	<b>2.8</b>
Net Performance	6.7	11.9	22.6	2.2	4.3	-2.8	3.1

\* Gross Performance. <sup>^</sup>Since Inception: July 1997. Past performance is not a reliable indicator of future performance.

- The local Indian market was the strongest in the region, returning more than 7.6%.
- Tata Consultancy Services and Celltrion were added to the Trust during the month.
- Consumer discretionary stocks continued their rally in September.

Most equity markets around the world continued to rally in September after the US Federal Reserve announced the third round of quantitative easing to spur economic growth and the European Central Bank unveiled an aggressive plan to deal with the region's sovereign debt crisis. The Perennial Asia Equity Trust (the Trust) finished up 6.8% in AUD terms for the month, outperforming the MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index) return of 5.7%. The Australian dollar traded higher against the US dollar, but lower against most Asian currencies.

Local markets in Hong Kong outperformed, returning close to 7% for the month, as the market anticipated a new round of monetary easing from China. The August trade figures came in better than expected, as demand from China and Japan improved notably, while demand from developed markets such as the US and Europe remained soft. The local Indian market was the strongest in the region, returning more than 7.6% after the government announced a series of policies including increasing the foreign direct investment limit in multi-brand retail, aviation and broadcasting services. The announcement of debt restructuring of state electricity boards and the reduction of withholding tax, also boosted investor sentiment. The Malaysian market was the weakest in the region, down 0.6% in local currency terms, with its current sovereign debt rating under threat should the government fail to cut spending as promised. Accordingly, the government unveiled a budget that cut sugar subsidies as well as hinted at the eventual introduction of a VAT as part of a wider review of the tax system in the future.

Consumer discretionary stocks such as Macau's casino operator, Galaxy Entertainment Group, and Hong Kong power tools maker, Techtronic Industries continued to rally in September, increasing by 17.9% and 20.0% respectively, in local currency terms. Our holdings in Korea Zinc Co Limited and satellite broadcasting

## 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 30/09/12):

AUD224.2 million

### Income Distribution

Frequency:

Annually

### Trust Inception date:

July 1997

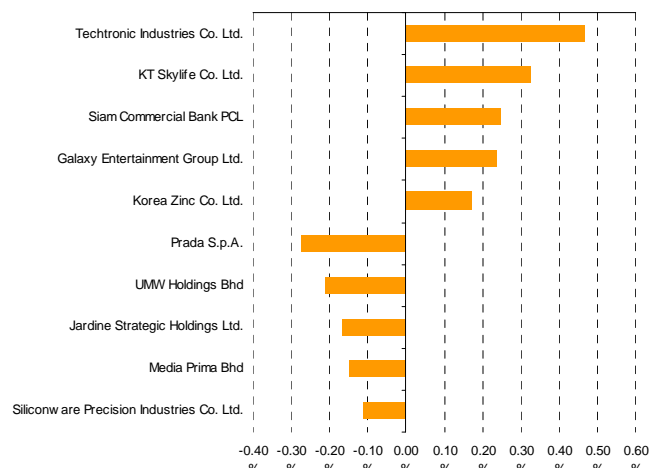
Minimum Initial

Investment:

\$25,000

APIR code: IOF0112AU

## Stock Attribution



provider KT Skylife Co Limited also outperformed, both returning more than 19% in local currency terms. More defensive players such as Taiwan Mobile Co Limited and Malaysia's Media Prima Berhad detracted from performance.

### Trust Activity

During the month, the Trust initiated two new positions:

- Indian listed IT services provider Tata Consultancy Services.
- Korean listed Biopharmaceutical maker Celltrion.

The Trust sold its position in Bank of Communications Limited in China. The Trust also reduced its position in Hong Kong listed luxury brand Prada S.p.A. and power tools maker Techtronic Industries Company Limited following recent strong performance.

### Outlook

QE3 has created hope for some in the market. Like the previous phases of QE, it may have some positive short term effect, by supporting more risk on and weakening of the USD, both usually favourable for Asian markets. However, there are also a lot of side effects (on commodity prices and confidence in the monetary system) which could have some medium to long term negative effects. Overall, we view QE as neutral at best.

At the same time, we continue to receive bad news from Europe and China, which will continue to affect Asian exporters. Most of the good news continues to come from domestic demand in ASEAN regions, as well as exports to the US. We will continue to be very selective by focusing on selective stocks, rather than expecting macroeconomic improvement.

### Stock Story – The Philippines

During the month, time was spent evaluating a number of opportunities in the Philippines. The Philippines, off the radar for many investors, has seen significant changes over the last few years culminating in a market that now has sufficient liquidity combined with interesting investment opportunities.

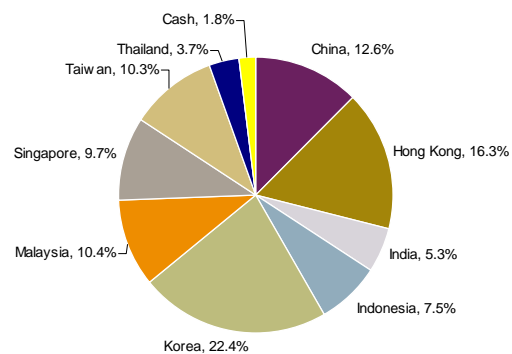
With a population in excess of 92 million people, the Philippines has gone through a seismic shift from the

days when the Marcos family ruled the archipelago state to a true democratic government under the leadership of Benigno Aquino III. The current government has clamped down on corruption and focused on economic policy that has opened up the Philippines to inward investment. The government is rolling out a number of Public Private Partnerships (PPP) contracts focused on building infrastructure including roads, rail and airports. From all reports the traffic in Manila is appalling, if not a little dangerous! The PPP work should supply benefits to a number of companies we met with including banks (the funding of infrastructure works), construction (building of said works) and the eventual owner of the income streams derived from the concessions.

Business process outsourcing is booming in Manilla with one of the major international banks employing over 13,000 people and growing. The Philippines offers the new outsourcing hub in Asia, clearly taking over from India with a number of benefits including lower costs, less government bureaucracy and well spoken English. The benefits of this inward investment are visible across Manila in terms of improving wealth, living standards and buildings.

All in all, in our view the Philippines has taken a seismic shift from an investment backwater to a very interesting emerging opportunity with a magnitude of factors playing into its hands. We expect to see more opportunities in this market.

### Regional Allocation as at 30 September 2012



Rounding accounts for small +/- from 100%.

### Signatory of:



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