Perennial Asia Equity Trust

Monthly Report as at 31 March 2013

	1 month %	3 months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI^ %p.a.
Perennial Asia Equity Trust*	-0.9	5.2	19.0	7.8	6.2	3.5	4.5
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	-3.9	-0.7	6.9	0.4	2.6	0.7	1.4
Value Added (Detracted)	**3.0**	**5.9**	**12.1**	**7.4**	**3.6**	**2.8**	**3.1**
Net Performance	-1.0	4.9	17.4	7.4	5.4	2.5	3.7

* Gross Performance. ^Since Inception: July 1997. **Past performance is not a reliable indicator of future performance.**

- The Trust continued to outperform the Index return, finishing 3.0% ahead for the month.
- Indonesia and Malaysia were the better performing regions.
- Techtronic (up 19.8%) and PGAS (up 17%) added to performance during the month.

Asian markets fell heavily in March as a number of geopolitical and social concerns weighed on equities. The MSCI AC Far East (ex Japan) Net Dividends Index in AUD (the Index) fell 4.0%. The Perennial Asia Equity Trust (the Trust) continued its positive outperformance relative to the Index finishing down 0.9%, resulting in outperformance of more than 3.0% for the month and over 12.1% for the 12 month period.

Markets

Asian markets were mixed over the month with China leading bourses lower, falling 5.5%. This placed pressure on Hong Kong which followed China, retreating 3.1%. Beyond this, returns were muted. Despite the issues on the Korean peninsula, the KOSPI only fell 1.1% and was surprisingly resilient in the face of possible conflict. Elsewhere in the Asian region, markets edged higher with the ASEAN tigers producing the highest returns - Indonesia up 3.0% and Malaysia up 2.1%. However, Japan's with the introduction of 'Abenomics', in an attempt to increase inflation and stimulate spending had a significant impact on regional returns. While the Japanese market rose 6.1%, much of those gains were offset by the 3.7% fall in the yen.

Trust Activity

The significant outperformance over the month was driven by a number of companies whose share prices were buoyed by improving corporate newsflow. Leading the way was Techtronic (up 19.8%), the maker of power tools including Ryobi. Post stellar performance in 2012, the share price had pulled back recently on profit taking, however, the strong underlying fundamentals driven by a better housing and DIY market in the US has seen the shares step higher once more. PGAS (up 17%), a perennial favourite of ours also outperformed. The Indonesian gas transmission and distribution company which has been a holding in the Trust since 2009 has delivered more than 30% p.a. since its purchase. In addition to its underlying business which is performing well a recent gas block acquisition and expansion plan could significantly boost future earnings.

The Trust prides itself on being an "all cap" fund, which allows it to invest in companies across the market capitalisation spectrum. Taiwanese company, St Shine has a market cap of less than USD1 billion, however, we deem this to be a little diamond in the rough that we have uncovered. Over the month, the shares were up 12.1% and since it was added to the Trust it has risen over 45%. St Shine manufactures contact lenses, a strategic growth area that has allowed the company to increase its earnings per share every year since it listed in 2004.

A few names underperformed the market through March, led by Central China Real Estate. This small, high quality, Chinese developer from the Henan province in China fell 10.8%, hit by profit taking and risk aversion to the overall Chinese markets in relation to tax reforms that will likely negatively impact the bottom line of most Chinese property developers. Other detractors included SK

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 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 31/03/13): AUD238.6 million	**Income Distribution Frequency:** Annually
Trust Inception date: July 1997	**Minimum Initial Investment: $25,000**
APIR code: IOF0203AU	

Innovation, a Korean refining and chemical company whose cheap valuation fell 9.6%, and, Bank Rakyat in Indonesia (down 5.4%), on profit taking.

North Korea

After markets had posted a strong start to the year, events in late March unfolded pushing the spectre of armed conflict on the Korean peninsula to new heights, thus pushing equity markets lower.

If the North Korean government were to accede to the demands of the West and give up its nuclear ambitions, then it is widely expected that the regime itself would also fall. *"Absolute power corrupts absolutely"*. An all-out armed conflict is in no one's interest, least of all the North Koreans, thus other than the possibility of some minor skirmishes, we believe that probability of all-out conflict remains very low. However, desperate people can carry out desperate acts.

Japan economics and its impact

As the Trust is an ex-Japan Trust, it does not invest into Japan. However, the throes of monetary and fiscal policies still cast their shadow over the region. 'Abeconomics' is taking shape, with the language and intention pushing the Japanese yen lower over the last six months. Post the end of the quarter, on 4 April, the Bank of Japan announced the introduction of a "quantitative and qualitative monetary easing". The announcement had significant consequences, with the yen weakening further and the Japanese stock market surging higher on a plan that is more aggressive than most analyst expected.

From an Asia ex Japan point of view; is this huge dynamic shift in Japanese monetary and fiscal policy positive or negative for the wider Asian region?

There are a number of reasons that we can take a positive stance on both Chinese GDP and its stock market in the face of Abeconomics, for a number of reasons, including the following:

- It has been projected that Japanese quantitative easing could likely boost China export growth by 1% and China's GDP growth should increase by 0.1%.
- As for the impact on China's equity market, the improved Japanese economic outlook could support investors' appetite for equity markets in Asia. If we follow an earlier point, that the Japanese easing will be positive for Chinese GDP growth, this could in turn improve the attractiveness of Chinese markets.
- The weaker yen is a clear negative for Korea, especially the Korean automotive industry which could see greater competitive pressures from its Japanese peers in terms of pricing on the back of a weaker yen.

Outlook

Although there are a number of exogenous risks that could potentially throw Asian equity markets off course (bird flu, North Korea, Japanese quantative easing), in our view, overall the end demand dynamics and current valuations, combined with growing economies and minimal debt relative to the rest of the world, puts Asia in a great place moving forward.

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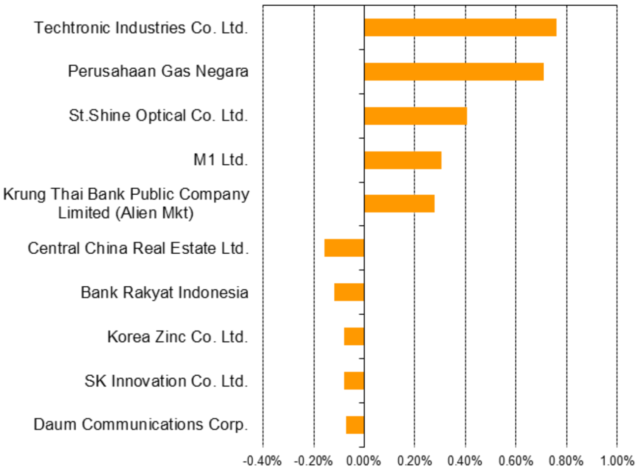
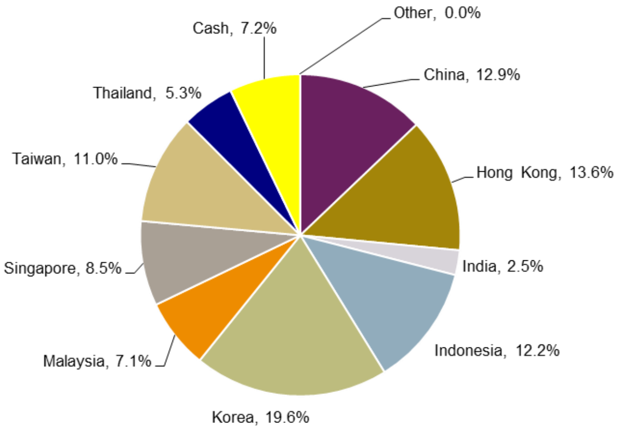


Regional Allocation as at 31 March 2013



Rounding accounts for small +/- from 100%.

Signatory of:

PRI Principles for Responsible Investment