Perennial International Shares Wholesale Trust

Monthly Report as at 31 December 2012

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Shares Wholesale Trust ^	1.5	3.0	8.2	16.7	1.0	-5.5	-5.6
MSCI World ex Australia Net Dividends Index in AUD	2.3	2.5	7.7	14.1	1.9	-4.6	-5.3
Value Added (Detracted)	**-0.8**	**0.5**	**0.5**	**2.6**	**-0.9**	**-0.9**	**-0.3**
Capital Growth	1.3	2.7	7.4	15.2	-0.4	-7.2	-7.3
Income Distribution	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Net Performance	1.3	2.7	7.4	15.2	-0.4	-6.7	-6.8

^ Gross Performance. * Since inception: August 2007. **Past performance is not a reliable indicator of future performance.**

- Global equity markets rallied during December having posted strong gains since their June lows.
- Alent plc, MetroPCS Communications and Mitsubishi Heavy Industries were added to the Trust during the month.
- Stocks in the consumer, information technology and financial sectors contributed strongly to performance

The Perennial International Shares Wholesale Trust (the Trust) underperformed the Index return during December by 0.9%. For the year ended 31 December 2012, the Trust outperformed the MSCI World ex Australia Net Dividends Index in AUD (the Index) return by 2.6%. During this period, stocks in the consumer, information technology and financial sectors contributed strongly to performance. Apple contributed most positively to performance, while Intel detracted the most value over the period.

Market Conditions During the Month

Global equity markets rallied during December having posted strong gains since their June lows. The S&P 500 finished up 0.7% and the FTSE100 posted 0.5%. Japan outperformed (up 10%), while Europe (up 1.4%) and Hong Kong (up 2.8%) both posted positive returns. Japan benefited from weakness in the Yen and as well as the election of a new LDP government led by Shinzo Abe, which raised hopes that his pro-growth agenda will bear fruit. Emerging markets benefited in a risk-on environment, with China gaining 4.8%, Brazil up 7.0% and Russia up 6.2%.

Despite major concerns over Eurozone sovereign debt, defaults and global slowdown, especially in China, global markets held up well with MSCI World Index unhedged finishing the year up 13.4%. Asia Pacific ex Japan led with an 18.6% gain, while Japan was the worst performer, up 5.8%, staging a late rally. Emerging markets shone up 15.2%, while the US finished up 13.5% and Europe held up well up 15.2%.

During 2012, media was the best performing sector up 32%, financials rebounded from previous low levels, with

Perennial International Shares Wholesale 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 31/12/12) AUD105.1 million	**Income Distribution Frequency:** Half Yearly
Team FUM (as at 31/12/12): AUD226.5 million	**Minimum Initial Investment:** $25,000
Trust Inception date: August 2007	**APIR code:** IOF0045AU

diversified financials up 31%, insurance up 26% and banks up 23%. The worst performing sectors were utilities (flat year on year), energy (up 2%) and telecommunications (up 4%).

Trust Activity

During December, the following positions were added to the Trust:

Alent plc (Alent) – manufactures advanced surface treatment and plating chemicals as well as electronics assembly materials and was recently spun-off from specialty materials company Cookson plc. Alent plays in a diversified array of electronics and industrial end markets. Alent's margins and return on invested capital have seen great improvement and should move higher on stronger volumes and the move away from commoditised segments. Management is incentivised to drive these metrics higher and the stock looks cheap versus its peer group on 11x earnings.

MetroPCS Communications (PCS) – is a wireless communications provider in the US. PCS has seen an increase in 4G adoption. PCS expects to close a deal with T-Mobile in 1H13. Synergies from this deal include upside from expanding the PCS brand/business model to Seattle and other cities, and the expected to incremental addition, ultimately, of 100 million POPs post-merger. There is also potential upside from a higher bid.

Mitsubishi Heavy Industries (Mitsubishsi) – is a manufacturer of machinery, ships, turbines and engines, prime movers, aircrafts and machine parts for military and commercial use. Mitsubishi also researches and develops nuclear power plants. Management recently made steps to optimise the company's portfolio, with the announced merger of its thermal power generation business with Hitachi's and the spin-off of the forklift business to Nippon Yusoki. The 2012 business plan targets an increase in the return on equity from 1.9% in FY12 to 8.9% in FY15.

These purchases were funded by exiting the following position during December:

America Movil ADR – provides wireless communications in 18 countries across Latin America, the Caribbean and the US. It also offers fixed-line phone, internet and pay-TV services. A tougher regulatory environment in Mexico and Colombia, pricing competition in Mexico under new President Enrique Pena Nieto, and use of cash following an acquisition spree in Europe were key concerns prompting the sale.

Outlook

The US fiscal cliff and the re-election of President Obama continued to take the spotlight from European markets in recent weeks. Post this reporting season, the early January 2013 Obama signing of the fiscal crisis bill passed by Congress is likely to provide some short term relief to markets. While the American Taxpayer Relief Act of 2012 does preserve some tax cuts for middle American households, it only delays for two months billions of dollars in across-the-board spending cuts in defence and domestic programs. Households will still be saddled with a tax hike of about 1% of GDP, and there is some risk of lower consumption and/or lower savings. 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% as long as inflation does not exceed 2.5%.

Economic growth in developed economies should remain below trend given Europe's recovery is slow. However, this is forcing many companies to take a hard look at efficiency measures and explore ways to optimise operational and financial structures; given the low valuations of many companies listed through Europe, the investment opportunities are growing in number.

Recent data out of China and Hong Kong such as watch/jewellery sales, manufacturing and IP illustrate a possible bottoming out and acceleration, with earnings estimates now looking more realistic than previously. We believe that certain Chinese and Brazilian companies are becoming increasingly attractive, as macroeconomic news continues to outweigh otherwise strong fundamentals and cheap valuations. India's slowing growth and rising inflation seem unlikely to abate in the foreseeable future and as such, we remain largely on the sidelines in this market. Japanese stocks have done very well recently. However, there may be further to go thanks to Abenomics, whereby government led public works and construction spend and pressure on the Bank of Japan to pursue monetary easing and lift the inflation target from 1% to 2%, may drive growth.

We believe that cheaper stocks, that are at, or approaching, cyclical lows in profitability offer good opportunities at present, particularly in out of favour geographies such as Europe.

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. Macroeconomic considerations form part of this fundamental analysis, but do not drive stock selection.

Top Ten Stocks as at 31 December 2012

Stock Name	% of Trust
SAP AG	2.6%
Intuit Inc.	2.1%
General Electric Co.	2.1%
Google Inc. Cl A	2.1%
Capital One Financial Corp.	2.0%
Coca-Cola Femsa S.A.B. de C.V. ADS	1.9%
Franklin Resources Inc.	1.9%
Mexichem S.A.B. de C.V.	1.9%
Philip Morris International Inc.	1.8%
Petrofac Ltd.	1.8%

Source Perennial Investment Partners

Regional Allocation as at 31 December 2012