

Perennial Asia Equity Trust

Monthly Report as at 31 May 2012

	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*	-3.4	1.4	-4.1	-1.0	5.2	-1.9	3.3
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	-2.7	-1.5	-8.4	-1.9	3.0	-1.7	0.8
Value Added (Detracted)	-0.7	2.9	4.3	0.9	2.2	-0.2	2.5
Net Performance	-3.5	1.1	-3.5	-1.5	4.4	-2.9	2.6

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

- Markets around the world tumbled in May, with Hong Kong and China the weakest markets in the region.
- PT Perusahaan Gas and Jubilant Foodworks Limited, were among the strongest performing stocks for the month.
- Asia is now facing a number of challenges including deterioration of its main export markets, slowing regional consumption and weakening currencies.

As a result of the renewed turmoil in Europe and softer than expected data in the US and China, markets around the world tumbled in May. The Perennial Asia Equities Trust finished the month down 3.4%, underperforming the MSCI Far East Net Dividends (ex-Japan) Index in AUD (the Index) return. The Australian dollar was weaker against all Asian currencies.

Markets in Hong Kong and China were the weakest in the region, falling by more than 11% for the month of May. This represented the biggest monthly decline since September 2011, as China's April economic data came in weaker than expected and implied a broad based slowdown in economic activity. This led to a subsequent 0.50% basis points reduction in the reserve requirement ratio by the People's Bank of China and a series of measures, such as subsidies and tax reforms, designed to boost growth. Local markets in Korea, Singapore, India, Thailand and Indonesia, all fell by 6% or more. Malaysia was the only market to post a positive return, as its defensive nature was favoured by risk averse investors.

In terms of stocks, the stronger performers for the month included Indonesia's PT Perusahaan Gas Negara (Persero) tbk and India's fastfood operator Jubilant Foodworks Limited which returned 10.4% and 7.8% respectively, in local currency terms. Defensive stocks such as Singapore's mobile operator M1 and Taiwan Mobile also outperformed. A number of large cap Chinese holdings, such as Petrochina, Bank of Communications, CNOOC Limited and Standard Chartered, decreased by more than 15% in local currency terms. Retail and consumption related plays, such as Giordano International, Bosideng International Holdings Limited and Galaxy Entertainment Group, also detracted from performance.

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 31/05/12):

AUD250.2 million

Income Distribution

Frequency:

Annually

Trust Inception date:

July 1997

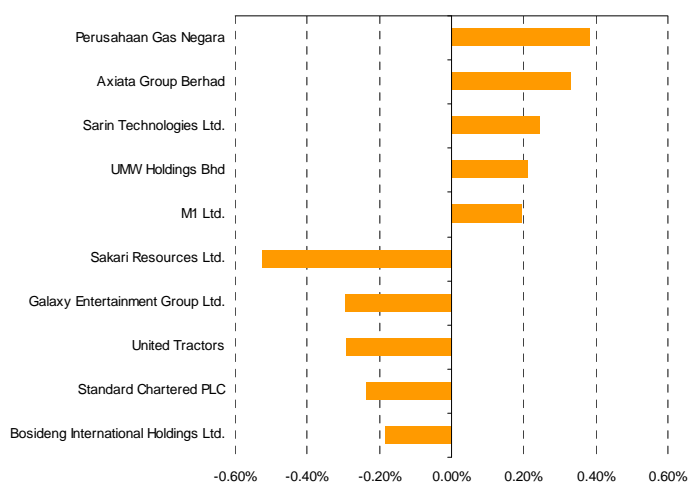
Minimum Initial

Investment:

\$25,000

APIR code: IOF0112AU

Stock Attribution



Trust Activity

Over the month, there were few changes to the Trust. The Trust's cash position was increased slightly by reducing the position of cyclical stocks such as United Tractors in Indonesia and HDFC Bank Ltd in India.

Outlook

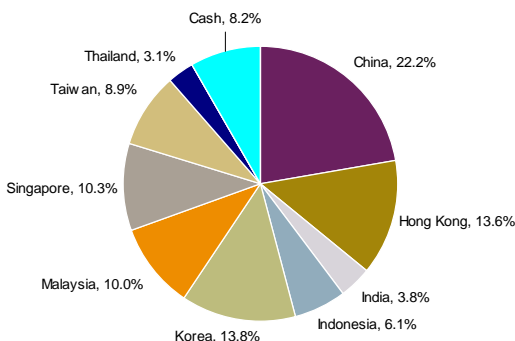
Asia is now facing a number of challenges, including:

- the deterioration of its main export markets;
- a slowdown in consumption in more and more Asian markets (namely, China, Hong Kong, Singapore and Korea); and,
- weakening currencies (flight to USD).

At the same time, valuations have already significantly corrected, particularly for Hong Kong and Chinese stocks. We now find good proxies of developed countries at much cheaper valuations (for example, Shenzhou International Group Holdings Limited being a proxy for Fast Retailing, Nike and Adidas; or Techtronic Industries Co. Ltd. being a proxy for Stanley Black and Decker).

Accordingly, we maintain our strategy of a concentrated stock portfolio, with a high level of cash that we will progressively invest as we identify more opportunities.

Regional Allocation as at 31 May 2012



Rounding accounts for small +/- from 100%.

Stock Story: PT Bank Rakyat Indonesia (Persero) Tbk

PT Bank Rakyat Indonesia (Persero) Tbk (BBRI) is the second largest bank in Indonesia. Established in 1895 and listed in 2003, the Indonesian government has a controlling 57% stake. BBRI operates 392 branches, 347 sub-branches, 4,420 micro outlets and 232 cash counters, with 35,041 employees. BBRI's traditional strength, microfinance and consumer loans, has contributed to its high net interest margin. In recent years, it has been expanding its corporate loan book. This approach has helped BBRI achieve above average growth and it now has a 12% market share of deposits.

BBRI's loan book breakdown consists of 62% in Java and 38% in non-Java. Loan composition is 32% microfinance, 21% corporate, 22% small commercial, 20% consumer and 5% others. Its large micro-lending exposure has seen it maintain a relatively healthy non-performing loans (NPL) ratio and relatively low credit cost.

Shareholder returns have been consistently strong and have averaged above 25% since 2005. Tangible common equity to total assets was 11% at the end of Q3 2011. The rough approximation to Basel III core tier 1 is well above the potential minimum of 8%. Book value per share has grown each year since 2003 and has increased at an average compound annual growth rate of 22%. During this period, there were no major capital increases.

Management has a proven track record of delivering results. The company has the potential to significantly grow its earnings domestically.

Signatory of:



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