

Perennial Global Shares High Alpha Trust

Monthly Report as at 31 October 2012

| | Month % | 3 Months % | Financial YTD % | 1 Year % | 3 Years % p.a. | 5 Years % p.a. | SI* % p.a. |
|---|-------------|------------|-----------------|-------------|----------------|----------------|-------------|
| Perennial Global Shares High Alpha Trust [^] | -0.6 | 8.0 | 6.4 | 10.7 | 5.3 | -5.2 | -1.4 |
| MSCI World ex Australia Net Dividends Index in AUD [#] | -0.5 | 6.1 | 4.5 | 12.1 | 3.1 | -5.1 | -3.1 |
| Value Added (Detracted) | -0.1 | 1.9 | 1.9 | -1.4 | 2.2 | -0.1 | 1.7 |
| Net Performance | -0.7 | 7.7 | 6.0 | 9.4 | 3.0 | -6.8 | -3.0 |

[^] Gross Performance. ^{*} Since Inception: February 2006. **Past performance is not a reliable indicator of future performance.** [#] As at 1 April 2010, the Trust revised its Index to the MSCI World ex Australia Net Dividends Index in AUD. In other respects, the investment strategy used by the investment management team has remained the same. Please note that the above table reflects all past performance against the new Index.

- European markets were broadly higher over the month, with France and Spain posting small gains.
- Better performers during the month included 3D Systems Corporation rising 32% and LKQ Corporation up 13%.
- During the month, the Trust added a new position in internet search giant Google Inc.

Global equity markets paused during October, having posted strong gains since their June lows. We continued to see deteriorating corporate fundamentals play against further central banks stimulus in all of the major geographies around the world. High profile downgrades from the likes of Intel Corporation, FedEx Corporation and Caterpillar Inc. among others are a reminder that trends in the real economy remain tepid, in the third year of recovery. The S&P 500 declined 2% over the month, with the Nasdaq down 4.5%, while several Asian markets were hit hard, notable among them were Korea (down 4.2%) and Taiwan (down 7.1%). Meanwhile, European markets were broadly higher over the month, with France and Spain posting small gains. Ever the laggard, Japan, posted a small positive return. The AUD was flat over the month, with commodities generally lower in October.

The Perennial Global Shares High Alpha Trust (the Trust) posted returns in line with the MSCI World ex Australia Net Dividends Index in AUD (the Index) over the month. Among the better performers were industrial printing company 3D Systems Corporation, rising 32% after strong results and LKQ Corporation which posted a 13% gain on the back rising confidence in the long term outlook for alternative car parts usage. The laggards included Mead Johnson & Company down 16% over the month on weak earnings, Hyundai Motors Company down 10% and Whiting Petroleum Corporation down 11.1% as energy shares generally underperformed. During the month the Trust added a new position in internet search giant Google Inc. after the shares retreated on softer than expected quarterly results.

Examining the Corporate Profit Cycle

Amidst the cut and thrust of quarterly earnings season we thought it useful to take the proverbial step back to see where we are in the corporate profit cycle. To do this we have taken quarterly trailing 12 month S&P500 earnings

Perennial Global Shares High Alpha Trust Facts:

The Trust aims to grow the value of your investment over the long term by investing in a portfolio of international shares and to provide a total return (after fees) that exceeds the rate of return MSCI World ex Australia Net Dividends Index in AUD.

Portfolio Manager:
Clay Carter, James Soutter

Risk Profile:
High

Trust FUM (as at 31/10/12):
AUD112.2 million

Income Distribution Frequency:
Half Yearly

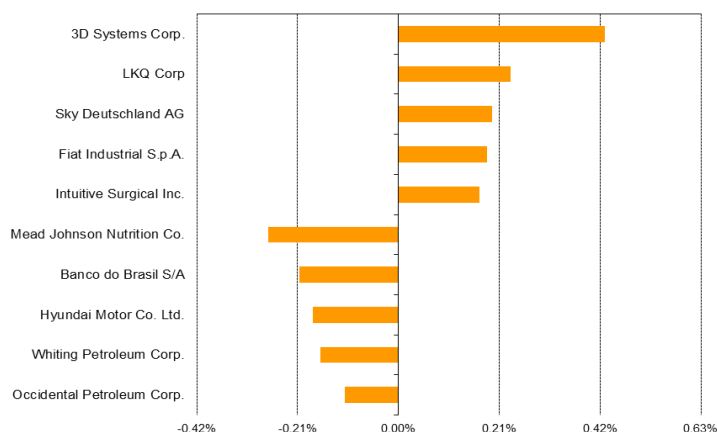
Team FUM (as at 31/10/12):
AUD222.3 million

Minimum Initial Investment:
\$25,000

Fund Inception date:
February 2006

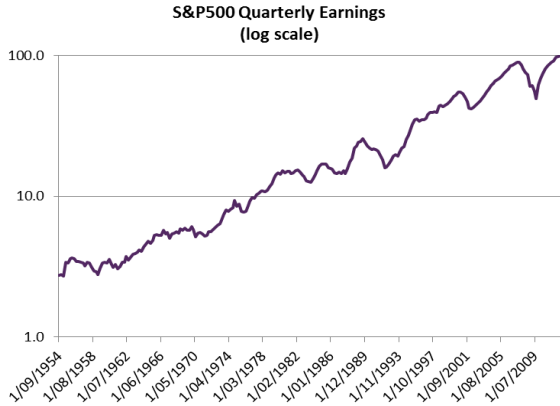
APIR code: IOF0080AU

Stock Attribution



per share going back to the early 1950's. Placing this data on a log-scale shows the remarkable and consistent growth of US corporations over the past 60 years, with operating EPS having grown by 36 fold over the period, for a compound annual growth rate of 6.3%.

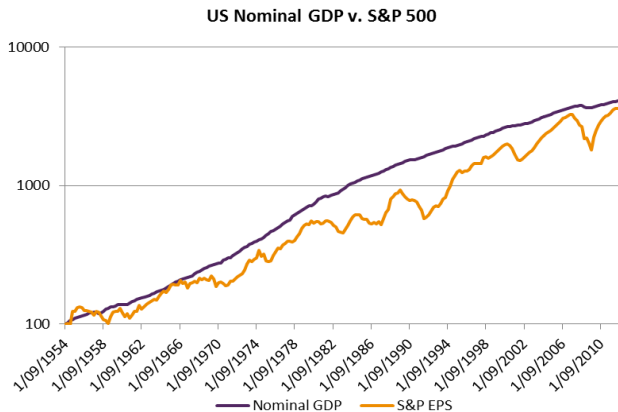
Chart 1:



Source: Bloomberg Data, Perennial International.

Overlaying this EPS data against nominal GDP in chart 2 below shows both the proximity of corporate earnings to the overall economy as well as highlighting its relative volatility. Nominal GDP over the past 60 years has compounded at 6.5%, slightly faster than corporate earnings. Over the past 20 years however, corporate earnings appear to have outgrown GDP (9.2% versus 4.7%), having underperformed for the first 40 years of this study (5.1% versus 7.5%).

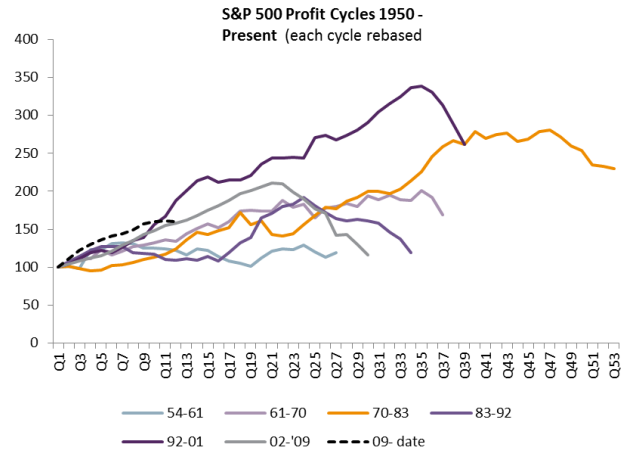
Chart 2:



Source: Bloomberg Data, Perennial International.

Our objective here though is to disaggregate the data in order to present the discrete cycles contained with the time series. Chart 3 below rebases each of the profit cycles of the past 60 years according the trough in economic activity that occurred at the time. Rebasing each of the episodes to 100 allow us to compare the performance and duration of the cycles, and to look at the present 2009-to-date cycle in an historical context.

Chart 3:



Source: Bloomberg Data, Perennial International.

Notwithstanding the global uncertainties swirling around investment markets (China economic slowdown, European sovereign debt crisis, US fiscal cliff, rising government regulation, central bank balance sheet expansion on an unprecedented scale), the current cycle appears:

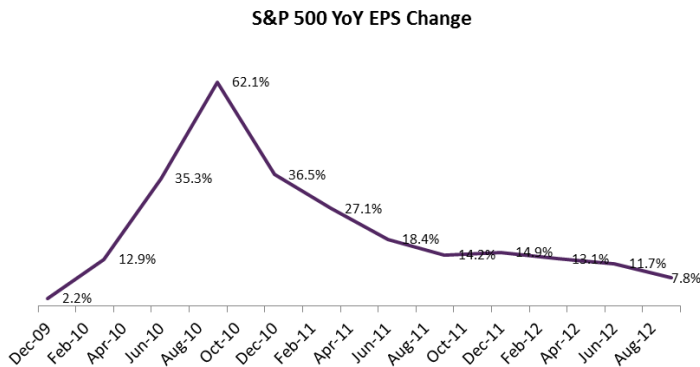
- a) very healthy and
- b) has potentially a long way to run.

One can see from the data that mid cycle pauses or even dips, are a feature rather than an exception of past profit cycles. As shown in Chart 4 below US corporate earnings for the September quarter grew at its slowest pace in three years at just 7.5% year on year, with the accompanying commentary from many companies particularly cautious. With so much uncertainty in the background we think it is natural and prudent for management to be cautious, but would be surprised if the current cycle has already ended.

Signatory of:



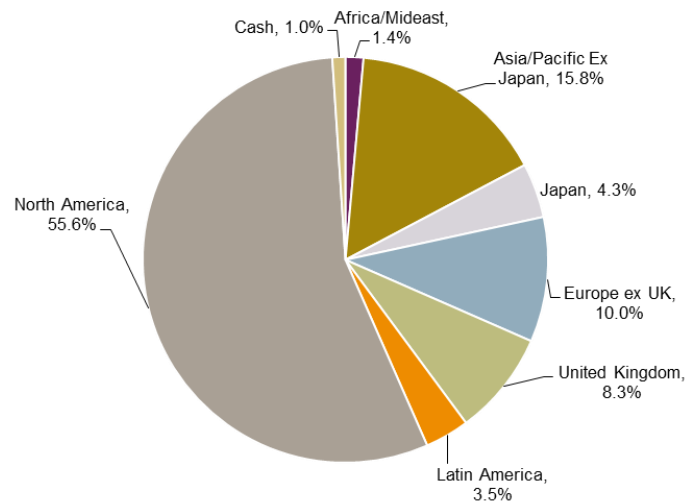
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Chart 4:


Source: Bloomberg Data, Perennial International.

Although we take nothing for granted when investing, we are more inclined to see the current soft patch as a mid-cycle correction in a longer term uptrend of recovery. With confidence coming back into the housing market, and the US reclaiming a more prominent role in global manufacturing (based on its abundance of cheap energy and highly mobile labour force), there are likely to be many years of healthy growth still to come in our opinion. Viewed on cyclically adjusted earnings (i.e. five year trailing average), the S&P 500 is in the lower half of its long term range, and with ultra-low interest rates to remain a feature of financial markets for some time to come, our overall inclination is to be positive on this cycle, considering all of the evidence.

The US is but one market among many for investment consideration, however it represents between 35% and 50% of the opportunity set depending on how it is calculated. At around \$14 trillion annually, US GDP also remains the world's economic engine and developments here bare watching for their impact on corporate earnings, which in turn ultimately hold the key for long term share price performance.

Regional Allocation as at 31 October 2012

Top Five Stocks as at 31 October 2012

| Stock Name | % of Trust |
|--------------------------------|------------|
| Apple Inc. | 2.7% |
| Sky Deutschland AG | 2.3% |
| Giordano International Ltd. | 2.2% |
| Techtronic Industries Co. Ltd. | 2.2% |
| Franklin Resources Inc. | 2.1% |

Source: Perennial Investment Partners

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