Perennial International Equities Trust

Monthly Report as at 31 January 2013

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Equities Trust ^	5.0	8.0	13.5	16.9	4.1	-2.6	-2.2
MSCI World (ex Australia) Index unhedged	4.6	7.7	12.6	18.0	4.5	-1.8	-2.1
Value Added (Detracted)	**0.4**	**0.3**	**0.9**	**-1.1**	**-0.4**	**-0.8**	**-0.1**
Net Performance	4.9	7.7	12.6	15.4	2.7	-3.9	-3.3

^ Gross Performance. * Since inception: July 2001. **Past performance is not a reliable indicator of future performance.**

- Over the past year, the Trust has returned 16.9%.
- Markets saw a buoyant start to 2013 in AUD terms.
- During January, TNT Express NV, the Netherlands based global transport company was added to the Trust.

Trust Performance

The Perennial International Shares Equities Trust (the Trust) returned 5.0% over the month of January, outperforming the MSCI World (ex Australia) Index unhedged (the Index), return of 4.6% by 0.4%.

Market conditions during the month

Global equity markets continued their run in January, having posted strong gains since their June lows. The US printed the best January for the Dow since 1989 and the best since 1997 for the S&P 500 (up 5%). Day 1 of trading began in the green following a temporary agreement reached by the US senate to avert the fiscal cliff, lifting the S&P500 by 2.5%, the biggest one day gain in over a year. On 31 January, congress gave final approval to a plan to temporarily suspend the legal limit on the national debt, permitting the Treasury Department to keep borrowing and lifting the threat of a government default until August. Without congressional action, the administration had been warning that the Treasury would run out of money to pay the nation's bills by early March. On the data front, the news was mixed during the month. January non-farm payroll employment figures disappointed, but were revised upwards on 1st February. ISM print was reassuring. Later in the month, the US reported that GDP contracted 0.1% in 4Q12, significantly below expectations. This was due to a reversal in defence spending and a sharp contraction in inventory accumulation. However, this poor figure looks somewhat distorted by large inventory accumulation in 3Q12, drought conditions likely reducing farm inventories and non-farm inventories falling as businesses were caught by stronger demand into year end. FOMC commentary was reassuring.

The Eurostoxx 50 rose 2.5%. Within Europe, Switzerland's SMI (+8.3%), the FTSE Italia (+7.2%) and the UK FTSE (+6.4%) were the best performers, whilst Germany's DAX (+2.1%) and Spain's IBEX (+2.4%) were the laggards. The FTSE 100 and the DAX touched their highest levels since mid-2008, giving the former its best start to a year since 1989. European Financials (+3% relative), Telecoms (+0.9%) and Health Care (+0.6%) were the best sectors in January, whilst Utilities (-5.9% relative), Materials (-2.6%) and Industrials (-1.6%) were the worst sectors. Small Caps (+5.3% absolute) led Large Caps (+2.7%), high risk outpaced low risk and Value stocks beat Growth stocks.

During the month, the Basel Committee unexpectedly eased its liquidity requirements for banks, making it easier for them to meet their liquidity coverage ratio. The ECB left rates unchanged, due to a marked improvement in market confidence. However, German industrial production was much weaker than expected once again,

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 Accumulation (ex-Australia) Index unhedged measured in Australian Dollar terms on a rolling three-year basis.

Portfolio Manager: James Soutter, Graham Hay	**Risk Profile:** High
Trust FUM (as at 31/01/13) AUD46.8 million	**Income Distribution Frequency:** Half Yearly
Team FUM (as at 31/01/13): AUD237.1 million	**Minimum Initial Investment:** $25,000
Trust Inception date: July 2001	**APIR code:** IOF0045AU

with output only gaining +0.2% month on month in November vs expectations of +1.0%. Later in the month, EMU PMI, the German ZEW and IFO Business survey were all well ahead of expectations. Spain reported their GDP slightly below expectation (-0.7% qoq) as consumers brought forward their purchases ahead of the planned VAT rate hike in January. The IMF cut its global growth forecast to 3.5% from 3.6% in the belief that the global recovery is likely to gather momentum at a slower place.

Globally, Japanese outperformed US and Asian stocks in January. The Topix surged 9.3% on yen weakness and possible reform. The USDJPY gained 5.7% in the month. Following Prime Minister Abe's announcement of a Y10.3tn stimulus package, the BoJ announced a 2% CPI inflation target, as expected, and shifted to open-ended buying under the Asset Purchase Programme. China equities rose 6.5%, with decent Chinese manufacturing PMI and IP data, and news that its GDP rebounded in 4Q12 to +7.9% yoy vs 7.4% prior. The Brazilian market was down 1.95%, while the Mexican market continued to gain, up 3.6%. India rose 2.6%.

Trust Activity

During January, the Trust built a position in TNT Express NV. Based in the Netherlands, TNT transports goods and documents by truck and air. This purchase was a special situation in which the share price of TNT had plummeted on the news that UPS's takeover bid had been formally blocked by EU regulators on antitrust issues. Since this, UPS has formally withdrawn its offer. The share price fall from EUR8.26 to EUR4.84 looked like an overreaction. New management are now completely focused on turning around or selling loss-making Brazil and domestic China operations, re-invigorating the core EMEA express business and stripping out costs. Shares are currently trading around EUR5.60 per share.

This new position, as well as top up purchases in Alent plc, Lowes, Fiat Industrial, Wells Fargo, Capgemini, MTU Aero Engines, B/E Aerospace and BSkyB, were funded by exiting the following positions during January:

Sky Deutschland (SKYD GR). Sky Deutschland AG offers pay television subscription services in Germany. While the business is doing well, it is not yet profitable at the EBITDA level and the share price appears to be incorporating blue-sky scenarios, including a possible bid from News Corp. It is also concerning that SKYD may have to invest massively to add a broadband capability to its offering.

Mexichem SAB de CV (MEXCHEM MM) Mexichem produces a diverse portfolio of chemical and petrochemical products. The stock has gained 65% in the last twelve months and we believe most of the news flow from 2012 is now priced in, including the approval of its joint venture with Pemex for the production of VCM, used to produce PVC.

The Boeing Company (BA) Boeing, together with subsidiaries, develops, produces, and markets commercial jet aircraft, as well as provides related support services to the commercial airline industry worldwide. It is also involved in the space and defense sectors. This was sold on the back of the FAA officially grounding the 787 on overheating battery concerns. Deliveries are likely to come to a screeching halt while Boeing work to demonstrate safety of the battery system. In the meantime, they are likely to build inventory in the 787 rather than sacrifice this long learning curve.

Coach Inc (COH) Coach designs, produces and markets primarily leather goods, including handbags, accessories and luggage for women and men. The company reported a dismal 4Q12 result including a negative 2% same store sales growth rate in the key North American market, citing increased competition, a tough promotional environment and weak macro trends. The brand looks to be maturing.

Additionally, the Trust sold some shares in Facebook (FB) And General Electric (GE) to take profits following share price gains.

Outlook

Major equity markets have rallied 20% or more without a meaningful pull-back. Where do they go from here? Rallies like this have occurred around 100 times since 1970 in the major equity markets of the US, Continental Europe, UK, Japan and Asia ex Japan. Japan has led the current rally rising almost 40% since mid-2012. Studies of previous 20% rallies suggest that for stock prices to fly and make double digit gains over the next 12 months, we need to see a number of factors fall into place.

They include lower than average starting valuations, double digit EPS growth, rising PMIs, rising core government bond yields and sustained flows into equity funds. Given possible single digit EPS growth, mixed PMIs and patchy equity flows, single digit 12 month returns may be more likely than double digit. However, the combination of accelerating (if modest) economic activity, ongoing policy support, and lower systematic risks continue to provide a positive environment for equities. Risk appetite has rebounded. Despite the run, risk premia remain high and valuations undemanding, providing scope for further upside.

Investors are returning to the value and high beta ends of the market. GEM, Materials, Financials and Industrials have done well.

Political hurdles remain but policy support is ongoing. The US is struggling for a fiscal solution and the Eurozone lacks growth and stability. Central banks are quite active though: the Fed has launched QE4, the ECB stands ready to support Spain if (when?) needed, and the Bank of Japan is facing domestic pressures to do more. Looking forward, negotiations around the US budget and debt ceiling present a large potential source of volatility around mid-year.

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 how to optimise operational and financial structure; given the lowly valuations of many companies listed through Europe, combined with the self-help, investment opportunities are growing in number.

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.

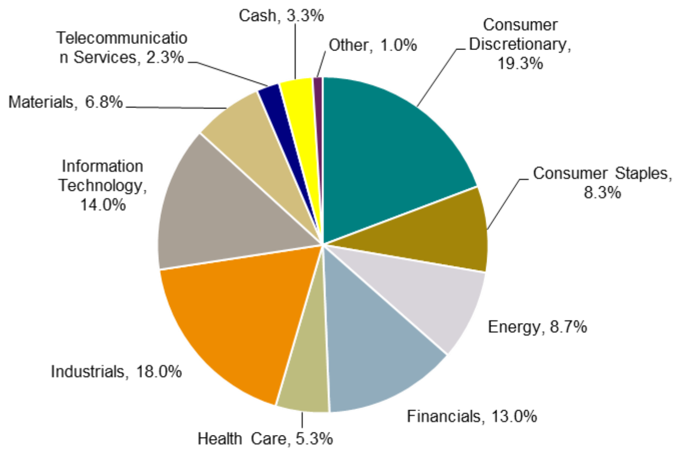
We continue to favour attractively valued companies displaying strong business models, consistent, visible cash flows and lowly geared balance sheets. Stocks are selected based on various screening attributes, followed extensive fundamental analysis. Macroeconomic considerations form part of this fundamental analysis, but do not drive stock selection.

Top Five Stocks as at 31 January 2013

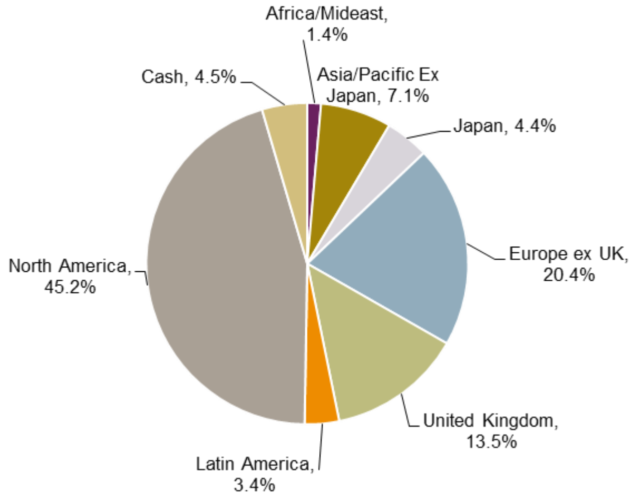
Stock Name	% of Trust
Sap Ag	2.6%
Lowe's Companies Incorporated	2.3%
Google Incorporated	2.1%
Coca-Cola FEMSA	2.1%
Intuit Incorporated	2.1%

Source Perennial Investment Partners

Regional Weighting as at 31 January 2013



Regional Allocation as at 31 January 2013



Signatory of:

PRI Principles for Responsible Investment