

Perennial Global Shares High Alpha Trust

Monthly Report as at 31 May 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 [^]	-3.0	2.8	-2.1	-4.9	7.2	-6.0	-1.7
MSCI World ex Australia Net Dividends Index in AUD [#]	-1.8	2.1	0.1	-1.9	2.1	-7.2	-3.9
Value Added (Detracted)	-1.2	0.7	-2.2	-3.0	5.1	1.2	2.2
Net Performance	-3.1	2.5	-3.2	-6.2	4.9	-7.6	-3.3

[^] 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.

- Global equity markets corrected sharply during the month.
- Surprisingly, in a “risk off” month emerging markets did somewhat better than the developed markets.
- Among the Trust’s better performers over the month were Petsmart Inc., Asos Plc, LKQ Corporation Inc. and Cardtronics.

Global equity markets corrected sharply during the month, pressured by the inability of the EU to contain the crisis in Greece, the spectre of a full blown banking meltdown in Spain, weak economic reports from China and some softer than expected US macroeconomic data. JP Morgan’s trading disaster and Facebook’s “faceplant” did not help sentiment either. The S&P 500 finished down 6.3%, the FTSE 100 fell 7.3%, Japan’s Topix retreated 8.9% and European stocks retreated 7.3%. Surprisingly, in a “risk off” month emerging markets did somewhat better, with Taiwan down 2.6%, Mexico down 4.0%, and India down 6.1%. Brazil was the exception, finishing down almost 12.0%. Chinese markets were one of the few, along with Malaysia, to generate positive returns with the Shenzhen composite up 2.9%. In hindsight, the old Wall Street adage “sell in May” seems appropriate here!

Stock Attribution



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 31/05/12):

AUD138.2 million

Team FUM

(as at 31/05/12):

AUD250.2 million

Fund Inception date:

February 2006

Income Distribution

Frequency:

Half Yearly

Minimum Initial

Investment:

\$25,000

APIR code: IOF0080AU

The Perennial Global Shares High Alpha Trust (the Trust) finished the month down 3.0%, underperforming the MSCI World ex Australia Net Dividends Index in AUD (the Index) return by 1.2%. Among the Trust’s better performers over the month were:

- PetSmart Inc. delivered strong quarterly results during the month lifting the shares by 14.4% from our purchase price;
- Asos plc, up 18.0%, on the back of strong quarterly sales results;
- US recycled auto parts manufacturer, LKQ Corporation Inc., which also reported solid results that lifted its shares by 8.9% over the month; and,
- US ATM operator, Cardtronics, up 6.3%, following strong results in the quarter.

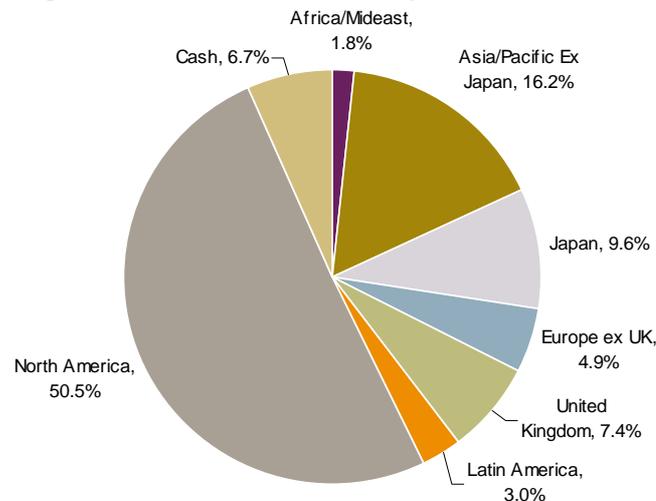
On the negative side, US nutrition provider, Herbalife Ltd, declined 36% over the month after questions were raised over its distribution model by a prominent hedge fund investor. We took advantage of the sharp sell-off by adding to our position. Following exceptional outperformance since January, Macau casino operator Galaxy Entertainment Group retraced sharply, falling 22% over the month. Whiting Petroleum was also weak during the month falling by 24.5% with the retracement of the oil price.

Trust Activity

Activity during the month included the purchases of 3D Systems Corporation, the U.S. based provider of three dimensional imaging systems; and, Kansai Paint Co. Ltd, a Japanese paint manufacturer with significant businesses in India and China. We sold two long term holdings, namely GEA Group, a German capital goods manufacturer to the food and beverage processing markets, and, EZ Tec Empreendimentos, a Brazilian property developer specialising in high end Sao Paulo projects.

Cash at month end was 6.7%.

Regional Allocation as at 31 May 2012



Top Five Stocks as at 31 May 2012

Stock Name	% of Trust
Apple Inc.	2.8
GNC Holdings Inc. CI A	2.3
Hyundai Motor Co. Ltd.	2.1
PetSmart Inc.	2.0
Keppel Corp. Ltd.	2.0

Source: Perennial Investment Partners

Out and About in the USA...Part II

During May, Portfolio Manger Clay Carter spent two weeks conducting company meetings in the US and the UK. Following is a brief review of his time on the road.

My US meetings were held in Chicago and New York with a diverse range of companies large and small. In general, US companies remained positive on the continuing economic recovery in the US (albeit sub par) and the health of the American consumer. Companies in America today are blessed with low funding rates, few cost pressures and are cash rich. Some indicated concern over political uncertainty leading up to the November election, the continuation of the Bush era tax concessions and fiscal triggers that could hit in 2013, but the concerns were not translating to deferring investment in their business. Few were positive about Europe and a number expressed doubts about China in terms of doing business there. However, most were upbeat about other emerging market regions such as Mexico, Brazil and peripheral Asia. Most of the European companies I met in London were more global and pretty well backed up what I had been hearing in the US. Aside from the concerns over Greece and the state of the European banking system, those companies with businesses in Europe were experiencing weaker demand and seeing a reluctance to commit to major projects in some, but not all, regions where they operated - although it was very much on a company by company basis. Most European companies felt that Greece would stay in the EU (as do we) and the necessary fiscal and monetary reforms would eventually follow suit but that it would take time and continue to foster market volatility.

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Overall I met with around 60 companies over my two weeks and found the following names to warrant further consideration for the portfolios.

- FARO Technologies Inc. (US): Makes 3D scanning devices for manufacturing industries. Large addressable market, great technology. Market cap: USD800 million.
- Jones Lang Lasalle Incorporated (US): Commercial real estate leasing and transactions. Global player, in an improving market cycle. Market cap: USD30 billion.
- American Express (US): Card transactions and services. Market cap: USD61.5 billion.
- Estee Lauder Companies Inc. (US): Upmarket cosmetics and personal care products. Global company, with strong Asian businesses. Market cap: USD20 billion.
- Ecolab Inc. (US): Provider of cleaning and sanitising products and services for the hospitality, institutional and industrial markets globally. Market cap: USD18 billion.
- Polaris Industries Inc. (US): Designs, manufactures and distributes off road ATVs, snowmobiles and motorcycles (Victory brand). Market cap: USD5 billion.
- Autoliv Inc. (Sweden): Develops, markets and manufactures automotive components such as seat belts and safety sensors. Market cap: USD5.2 billion.
- Tractor Supply Company (US): Retailer of farm and ranch supplies. Market cap: USD6.4 billion.
- Athenahealth Inc. (US): Internet based software and IT services for medical practitioners. Market cap: USD2.5 billion.
- Hyatt Hotels Corporation (US): Global hospitality. Market cap: USD5.8 billion.
- Pfizer Inc. (US): Global pharmaceuticals. Promising pipeline (for a change) Market cap: USD162 billion.
- Skanska AB (Sweden): International construction and project development company. Market cap: USD5.5 billion.
- Croda International (UK): Manufactures specialty and fine chemicals for the global markets. Market cap: GBP3 billion.
- Hiscox Ltd (UK): Specialist insurance and reinsurance company. Market cap: GBP1.5 billion.
- Spectris Plc (UK): Develops and manufactures electronic instrumentation for process control industries. Market cap: GBP1.8 billion.
- Kapsch Trafficom AG (Austria): Toll road collection and monitoring systems. Open ended opportunities in emerging markets. Market cap: EUR790 million.
- Andritz Group (Austria): Supplier of capital goods-production machinery for pulp and paper, steel and feed industries. Market cap: EUR4.2 billion.
- Ebro Foods, S.A. (Spain): Global producer of rice and pasta, with 5% of its business in Spain. Market cap: EUR1.9 billion.

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