Perennial International Equities Trust

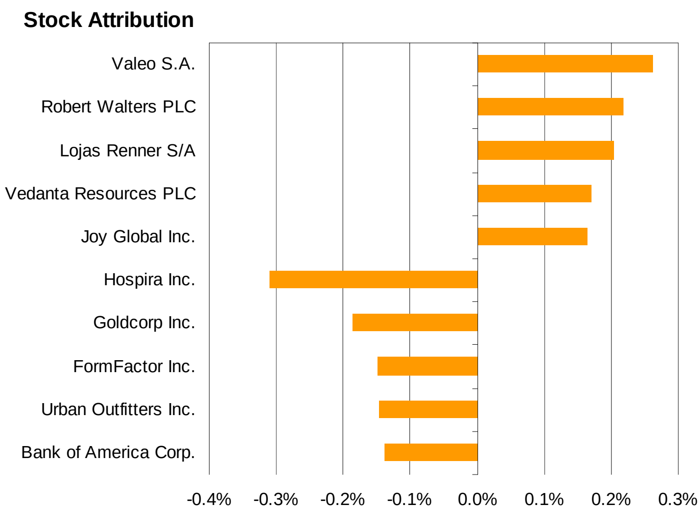
Monthly Report as at 31 July 2010

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial International Equities Trust ^	0.4	-0.7	0.4	4.5	-9.8	-2.9	-3.9
MSCI World Accum. (ex Australia) Index unhedged	0.7	-2.8	0.7	0.5	-10.3	-2.8	-4.2
Value Added (Detracted)	**-0.3**	**2.1**	**-0.3**	**4.0**	**0.5**	**-0.1**	**0.3**
Net Income	0.3	-1.1	0.3	3.2	-10.9	-4.0	-4.9

^ Gross Performance. * Since Inception

- Markets staged a strong recovery in July.
- The strong market performance was due largely to a favourable result in the European Bank stress tests.
- During July, the most favourable return for the Trust was delivered by Valeo, a French automotive components manufacturer.

The Perennial International Equities Trust (the Trust) appreciated by 0.4% in July, underperforming the MSCI World Accumulation (ex Australia) Index unhedged (the Index) by 0.3%.



Markets staged a strong recovery in July, with the Index returning over 11% in local currency terms. However, foreign exchange movements saw this trimmed to just 0.7% in AUD terms. The strong market performance was due largely to a favourable result in the European Bank stress tests. With just seven of the 91 banks failing, widely held fears of a European debt crisis declined. The resulting rally was driven by less bearish sentiment, rather than a return to bullishness.

Perennial International Equities 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, Clay Carter

Risk Profile:
High

Trust FUM (as at 30/07/10):
AUD $133 million

Income Distribution Frequency:
Half Yearly

Team FUM (as at 30/07/10):
AUD $191 million

Minimum Initial Investment:
$25,000

Fund Inception date:
August 1994

APIR code: IOF0213AU

Did you know?

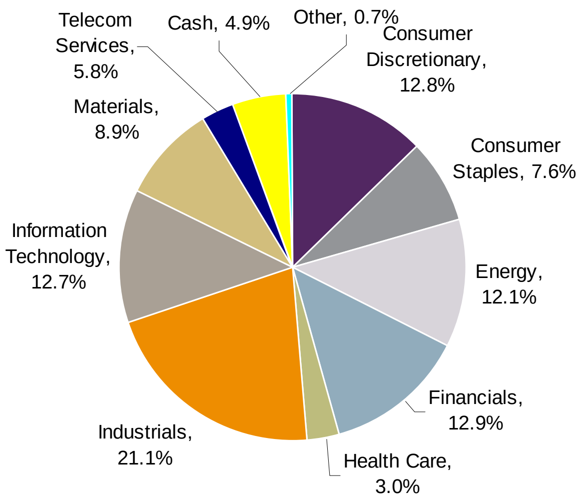
The term "Valeo", the name of the Trust's strongest performer during the month, means "I'm fine". This name was chosen by the Group's shareholders in 1980 to unite all aspects of the business under one name.

During July, the most favourable return was delivered by Valeo, a French automotive components manufacturer. Valeo rallied 21% in AUD terms, following quarterly results that were much better than expected; a result of strong sales and margin expansion.

Lojas Renner, a Brazilian clothing company; Monsanto, a US based agricultural products producer; and Vedanta Resource, a UK listed, Indian mining company, also produced strong returns, well in excess of the Index.

A major detractor from the Trust's performance was Hospira, a US speciality pharmaceutical company. Hospira sold off due to poorer than expected management guidance following Q2 results.

Sector Weighting



Trust Activity

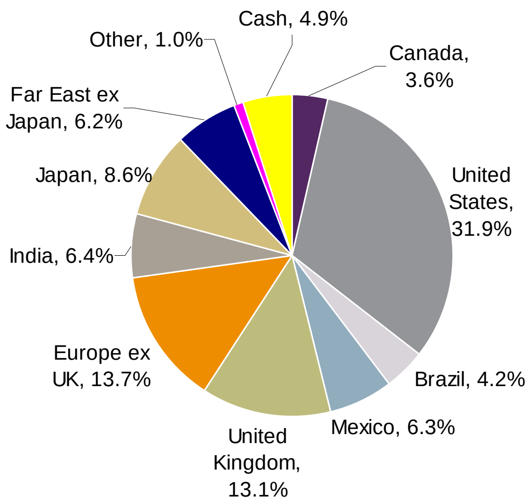
During the month, turnover was higher than normal, as rotations were made out of six larger positions. The Trust acquired new positions in Nu Skin, a US based direct distributor of personal care products; Adobe, a US based computer software company; B Sky Broadcasting, a UK based pay TV provider; BMW, a German car manufacturer; and Kansas City Southern, a US based railway and transport company. These companies provide good exposure to the rebounding developed market economies, along with rebounding consumer demand globally.

In order to fund these trades, positions in Credit Suisse, a Swiss Bank; Standard Chartered, an emerging markets bank; Grupo Televisa, the largest media company in the Spanish speaking world; Pacific Rubiales, a Canada listed Columbian energy company; and Autoliv, a Swedish manufacturer of automotive safety equipment were either reduced or sold.

Outlook

The Team continues to expect 2010 to generate a positive equity return, but slightly more subdued than 2009. Year to date, the market remains in negative territory, down 3.0% in AUD terms. The Team expects a stronger second half, based on improved sentiment in Europe, a continuation of the recovery in developed market economies and strong economic growth in emerging markets.

Regional Weighting



Perennial International constructs the Trust from bottom up stock picking, finding the best ideas globally. However, it is the Team's belief that both Emerging Markets and Asia remain the most attractive investment markets for 2010. As such, we remain overweight these regions. The recent reporting season far exceeded analyst's expectations, as company growth surprised on the upside, especially in Europe. The Team continues to favour the US economy and believes that, despite recent poor unemployment figures, general sentiment remains overly bearish. Given the relatively low expectations regarding European companies, following strong Q2 results and improving newsflow, weight is now being added to this region.

Overall, Perennial International remains positively disposed towards markets, buoyed by its ability to find attractively priced stocks offering strong medium term growth potential. The current market instability provides greater opportunities for the investor willing to take a longer term, bottom up view.

Thoughts on European Bank Stress Tests

The long awaited results of the European Bank stress test were released on 25 July. The findings, while largely expected, allowed markets globally to breathe a sigh of relief, with only seven of the weakest banks in Europe failing (Hypo Real Estate, Agricultural Bank of Greece, and five Spanish cajas (savings banks). Criticism of the tests has been wide spread, with key concerns including generous capital requirements, no assumption of sovereign default, no stress testing of banking books for sovereign debt and, in some cases, credit losses that are less severe than expected. Perennial International agrees somewhat with this criticism, however, does not believe that these shortcomings render the test void.

Importantly, the stress tests provided a ranking of relative capital strength. This, at least, provides a group of banks that are most likely, 'out of the woods'. The other key benefit of the test is that it provided excellent detail on the holdings of banks across the region and their sensitivity to given events. Thus, it is now possible to conduct more rigorous tests, providing even further clarity.

A key conclusion from the stress test is that the European banking system is far better capitalised than most bears feared. Furthermore, it provided an excellent roadmap of the 'investment land mines'. Finally, it provided a level of disclosure transparency not seen before in Europe. While the macroeconomic situation in Europe is far from rosy, these stress tests delivered some much needed re-assurance to markets that all is not lost. The Team remains cautious on European banks, due largely to fears over continuing credit issues, low interest rates and slow balance sheet growth.

Top Ten Stocks as at 31 July 2010

Stock Name	% of Trust
PACIFIC RUBIALES	2.31%
PETROFAC LTD	1.90%
HOSPIRA INC	1.80%
INMARSAT PLC	1.72%
NOVELLUS SYSTEMS INC	1.71%
THE SWATCH GROUP B	1.52%
BG GROUP ORD GBP0-10	1.51%
GENERAL ELECTRIC CO	1.50%
INT BUSINESS MACHINE	1.50%
SWISS RE	1.48%

US listed unless stated otherwise