

Perennial Global Shares High Alpha Trust

Monthly Report as at 31 December 2011

	Month %	3 Months %	Financial YTD	1 Year %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial Global Shares High Alpha Trust [^]	-2.0	-0.5	-12.4	-16.8	4.1	-6.2	-3.7
MSCI World ex Australia Net Dividends Index in AUD [#]	0.2	2.0	-6.1	-5.3	-2.6	-7.5	-5.2
Value Added (Detracted)	-2.2	-2.5	-6.3	-11.5	6.7	1.3	1.5
Net Performance	-2.1	-0.8	-13.0	-18.0	1.9	-7.9	-5.3

[^] 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.

- Overseas markets were generally firmer during the month.
- Emerging markets continued their underperformance for the year.
- Positive contributors included United Tractors, Fast Retailing and Intuitive Surgical.

Overseas markets were generally firmer during the month. The S&P 500 rose 1.1%, European markets were generally higher led by Switzerland which rose 3.8%, while France and Spain rose by 1.8 and 1.9%, respectively. Emerging markets continued their underperformance for the year. Notable markets were India, which declined by 7.9% and the Shanghai Composite, which fell 6.8%. The Topix in Japan fell 2.1%. The Australian dollar was down slightly over the month.

The Perennial Global Shares High Alpha Trust (the Trust) finished the month down 2.0%, underperforming the MSCI World ex Australia Net Dividends Index in AUD (the Index) by 2.2%.

Positive contributors over the month included Indonesian industrial, United Tractors, which rose by 12.8% after reporting strong monthly sales data. Japanese retailer, Fast Retailing, also contributed nicely, rising 13.6%. Intuitive Surgical rose 6.6%.

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 31/12/11):

AUD123.9 million

Team FUM

(as at 31/12/11):

AUD229.9 million

Fund Inception date:

February 2006

Income Distribution

Frequency:

Half Yearly

Minimum Initial

Investment:

\$25,000

APIR code: IOF0080AU

The main detractors to performance over the month were:

- Our position in gold, down 11.0%, as the USD strengthened against the euro.
- Brazilian retailer, CIA Hering, down 15.5%, on profit taking following strong performance in November and October.
- Caterpillar, down 7.5%.

Trust Activity

During the month, the Trust added a new position in US technology concern, BMC Software (BMC). Its shares have come under pressure over the past nine months, falling some 45%, on weaker than expected operational trends. We have taken a small position after conversations with the company which suggest that the market is being overly penal on any medium term view of the business. The company has substantial levels of cash on hand (equal to 21% of its market cap) and continues to generate annual cash flows equivalent to 25% of its enterprise value.

In a similar vein, we purchased a position in US semiconductor capital equipment provider, Lam Research (Lam). Our decision to acquire the stock followed the company's announcement that it will acquire a former holding of ours, Novellus Systems. Lam's share price has fallen almost 40% since its highs of February and it now trades at around five times what we believe will be the earnings power of the combined entity. The company operates in a consolidated industry with substantial barriers to entry and despite its boom bust reputation, a vestige of the earlier times, Lam has generated annual free cash flows equivalent to 20% of its sales over the past five years. As is the case with BMC, we see the shares as having a favourable risk-reward profile.

We sold our position in Tata Consulting for a modest profit, having purchased the shares during the worst of market conditions in August. We also completed the sale of Chinese industrial concern, Haitian International.

Stock Story: Sun Pharmaceutical Industries

Sun Pharmaceutical Industries (Sun) is India's largest generic pharmaceutical company, with a market cap of USD10.5 billion. Sun manufactures and markets pharmaceuticals for both the Indian and international markets. 43% of its revenues are sourced from domestic markets, while global markets account for 57%. Approximately 40% of its global business is sourced from the US market.

We believe that Sun will continue to benefit in the high growth domestic generics market, where it is a leader in the chronic therapy segments. It is the market leader in CNS, orthopaedics, cardiology and gastroenterology, where it caters to specialist physicians. The Indian generics market has grown at a CAGR of 20% over the last five years. While the market is expected to decelerate somewhat in the future (15% to 17%), we expect Sun to maintain, or increase, market share by virtue of new products and its emphasis on the chronic segments of the market.

Sun has also built a strong presence in the US generic market having made a number of prescient acquisitions over the past five years (such as Taro, Caraco, Chatterm Chemicals, Able Labs). Revenue growth in the US (41% over the past five years) has been driven by the large number of "first to file" Paragraph IV and acquisitions. Going forward, we expect Sun to benefit from the large number of "off patent" indications occurring in the US market (a function of the "ageing" process in the US pharmaceutical industry's patented products) and its strong pipeline of Paragraph IV filings, the strongest in the industry. We also expect continuing improvements in productivity and profitability in the acquired companies.

Sun is also expanding into the so called "emerging markets" of Latin America, Russia, CIS and South Asia. It has recently entered into a joint venture with US pharmaceutical giant, Merck, to service these markets much in the same way that it has expanded in India. With over USD1 billion in cash on its books, Sun continues to look for accretive acquisitions in these markets as well as the US and Europe.

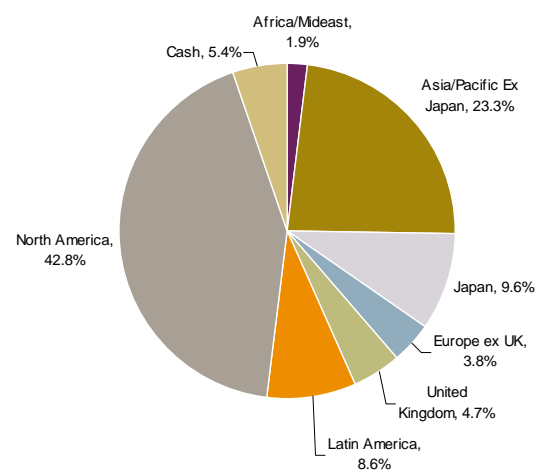
Sun is a classic example of the "Emerging Market Multinational" identified by McKinsey some years ago. Successful in its home market, the company takes advantage of acquisition opportunities, or market conditions, in developed markets (that is, established drugs going off patent allowing generics to sell a generic substitute) to sustain, or increase, its growth rate. An investment in Sun also allows us to play the very positive dynamics of the Indian domestic market via a market leader.

Top Five Stocks as at 31 December 2011

Stock Name	% of Trust
SPDR Gold Shares Trust	2.9
Intuitive Surgical Inc.	2.4
Occidental Petroleum Corp.	2.2
Whiting Petroleum Corp.	2.2
Apple Inc.	2.1

Source: Perennial Investment Partners

Regional Allocation as at 31 December 2011



Rounding accounts for small +/- from 100%.