

Perennial Japanese Equities Trust

Quarterly Report as at 30 June 2010

	3 Months %	Financial YTD	2 Years %	3 Years % p.a.	5 Years % p.a.	SI* % p.a.
Perennial Japanese Equities Trust ^	2.0	-5.1	-4.5	-10.0	-4.7	-3.3
MSCI Japan Accumulation Index - unhedged	-2.3	-3.6	-6.2	-11.9	-2.2	-5.3
Value Added (Detracted)	4.3	-1.6	1.7	1.9	-2.5	2.0
Net Income	1.7	-6.4	5.8	-11.2	5.9	-4.5

^ Gross Performance. * Since Inception.

- The Trust outperformed the Index by 4.3%.
- Global equity markets rallied strongly until mid month, but then slumped giving all the early gains back
- The market's shift from Cyclical to Defensive sectors contributed to the Trust's outperformance.

Performance

Stockmarkets around the world suffered a major correction in the second quarter of 2010. The deterioration in the global economic outlook and continuing European debt troubles continued to plague markets around the world. The Perennial Japanese Equities Trust (the Trust) substantially outperformed the MSCI Japan Accumulation Index unhedged (the Index) by 4.3%. The Trust generated a positive return of 2.0%, compared to the 2.3% decline recorded by the Index. The Trust's positive return was buoyed by the weak Australian Dollar (AUD), which fell by more than 13% against the Japanese Yen over the quarter.

The shift from Cyclical to Defensive sectors contributed to the Trust's outperformance. Specific contributors included baby diaper maker, Unicharm; restaurant operator, Saizeriya; and, cosmetic manufacturer, Dr Ci:Labo. Performance was held back by Financial stocks such as Nomura and Mitsubishi UFJ. Performance of tech related companies such as Canon and Tokyo Ohka Kogyo also negatively impacted performance.

For the current calendar year to date, the Trust has generated a positive return of 5.1%, outperforming the Index return of 3.6%. Since December 2009, the Trust has generated positive return in AUD every month, with the exception of June. The Trust also generated a positive AUD return of 3.7% in 2008, when the local Australian market decreased by 41.3%. This illustrates the benefits of diversification in an unhedged Japanese fund from an Australian investor point of view. These benefits include currency diversification, as the Yen risk profile is very different from the AUD risk profile, and exposure to a more diversified market, when resource stocks are experiencing volatility.

Perennial Japanese Equities 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) Accumulation Index in AUD.

Portfolio Manager:

Patrick Lebourdais,
Clay Carter

Risk Profile:

High

Fund FUM

(as at 30/06/10):

AUD \$23 million

Team FUM

(as at 30/06/10):

AUD \$191 million

Fund Inception date:

February 2006

Income Distribution

Frequency:

Half Yearly

Minimum Initial

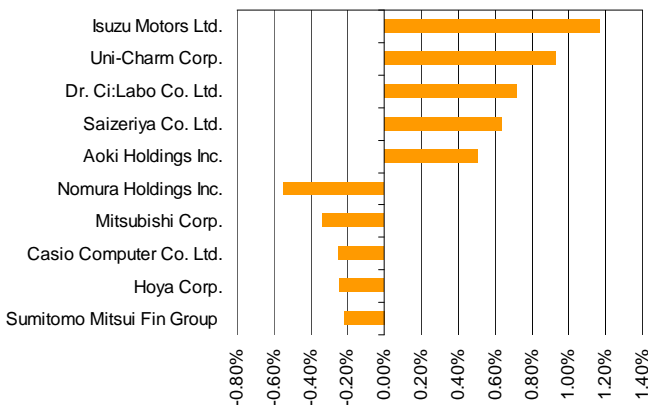
Investment:

\$25,000

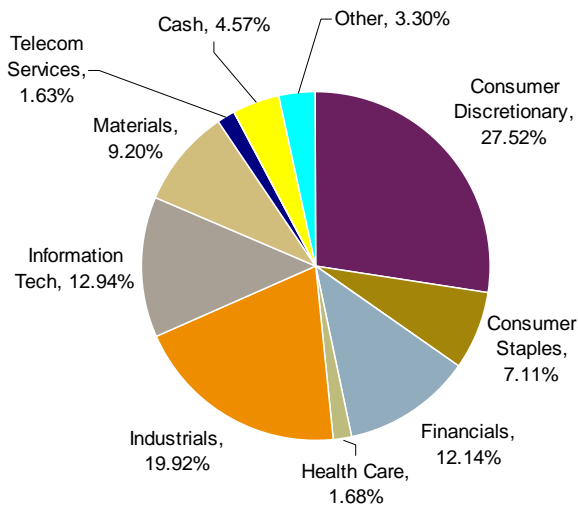
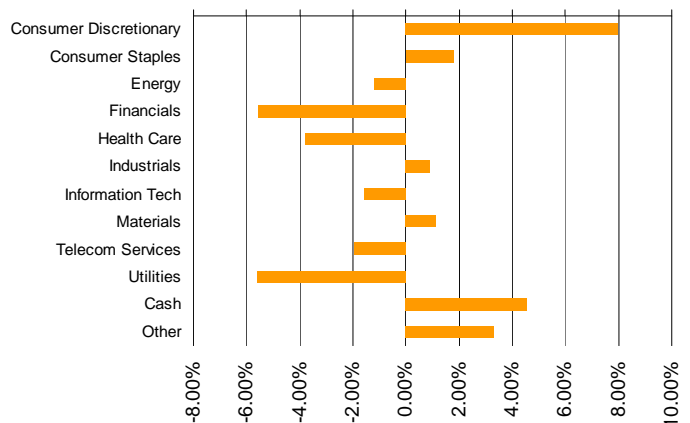
APIR code: IOF0080AU

Did you know?

The Trust's largest contributor to performance over the quarter, Isuzu, is the world's largest manufacturer of medium to heavy duty trucks.

Stock Attribution


Japanese pharmaceutical company with a good drugs pipeline. The stock has strongly underperformed its peers since the beginning of the year, as the market awaits for the US court ruling on the patent validity of Crestor; a major growth driver for the company. In mid May, Shionogi traded at more than a 20% discount to its peers. The Team believed the risk of Crestor patent loss had already been priced in. The stock has since recovered strongly, even more so after the court ruled in favour of AstraZeneca/Shionogi. These changes reduced the Trust's overweight positions in the Industrial and IT sectors, while increasing exposure to the Consumer Staples, Healthcare and Telecom sectors.

Sector Weighting

Relative Sector Position

Trust Activity

The Trust reduced and sold out of several Cyclical stocks including DRAM manufacturer, Elpida Memory; semiconductor production equipment maker, Tokyo Electron; and, flat glass manufacturer, Nippon Sheet Glass. The Team also sold out of Sho-Bond, a bridge repair and maintenance company, following strong outperformance relative to the Index. The Trust initiated new positions in skincare and cosmetic manufacturer, Dr Ci:Labo; major Japanese pharmaceutical manufacturer, Shionogi; and, mobile communications holding company, Softbank. Dr Ci:Labo is a manufacturer of skincare products containing marine collagen. Trading at less than 12x forward earnings, the company is expected to maintain healthy growth of over 20% in an otherwise mature and lacklustre market. The company intends to concentrate its marketing on stronger purchasing power customers aged 40 and over. Shionogi's recent pullback presented a good opportunity to invest in a major

Outlook

Perennial International believes that markets have now returned to more reasonable valuations, after discounting for fiscal problems in Europe and slower growth potential in the US. The Team does not expect the Japanese market to revisit the bottom reached in 2008/09, but does remain cautious on developed markets around the world. The Team is relatively optimistic, expecting some level of growth in the US, supported by government spending and as long as the US dollar remains the reserve currency. Perennial International remains positive on emerging countries (excluding Eastern Europe), as they are supported by a strong fiscal situation and low levels of leverage. A couple of the main emerging markets are also supported by good levels of domestic demand. This is positive for Japanese exporters, as Japan remains very export driven and dependent on Asia and the US for two thirds of its total exports. However, the Team' level of expectation remains quite low for the Japanese domestic economy. On political front, the key focus will be on the 11th of July Upper House elections and the direction of policy thereafter.

Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293, Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial International Equities Management Pty Limited ACN 099 336 375, Perennial Growth Management Pty Limited ABN 41 099 336 384 and Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. Whilst every effort to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by the application form attached to the current product disclosure statement. The current product disclosure statement can be found on Perennial's website www.perennial.net.au.

Quarterly Stock Focus: Toyo Tanso

Toyo Tanso manufactures industrial graphite, focusing on large isotropic graphite products used in the production of solar cells (single crystal silicon), silicon wafers and compound semiconductors.

As traditional growth areas (semiconductors and LCD) approach maturity, future growth is expected to be driven by the global spread of environmental awareness and the increasing use of solar cells. Governments around the world have introduced policies designed to promote the use of solar power. As such, it is expected the solar cell system market will more than triple in scale over the next five years. The associated materials market should grow similarly, yielding compound growth of 26% pa.

Isotropic graphite crucibles and heaters are indispensable to the manufacturing of polycrystalline silicon solar cells. Toyo Tanso is the market leader in global isotropic output. Due to its high barriers of entry, only a handful of companies control the majority of the market. Given its medium to long term growth potential, this company has a meaningful overweight position in the Trust.

Top Five Stocks as at 30 June 2010

Stock Name	% of Portfolio
UNI-CHARM CORP	4.6%
ISUZU MOTORS	3.9%
FAST RETAILING CO	3.4%
SAIZERIYA CO LTD	2.9%
TOKIO MARINE HOLDING	2.9%

Source Perennial Investment Partners