Perennial Asian Shares Wholesale Trust

Monthly Report as at 31 December 2011

	1 month %	3 months %	1 Year %	2 Years % p.a.	3 Years % p.a.	5 Years % p.a.	SI^ %p.a.
Perennial Asian Shares Wholesale Trust*	1.0	-0.2	-15.3	-5.3	7.4	-1.9	3.5
MSCI AC Far East (ex Japan) Net Dividends Index in AUD	1.5	-0.2	-14.8	-5.5	5.4	-2.3	3.7
Value Added (Detracted)	**-0.5**	**0.0**	**-0.5**	-0.2	2.0	0.3	**-0.2**
Capital Growth	1.4	1.6	-14.8	-5.7	6.5	-5.8	-2.6
Income Distribution	0.0	0.0	0.0	0.0	0.0	2.9	5.2
Net Performance	1.4	1.6	-14.8	-5.7	6.5	-2.9	-2.6

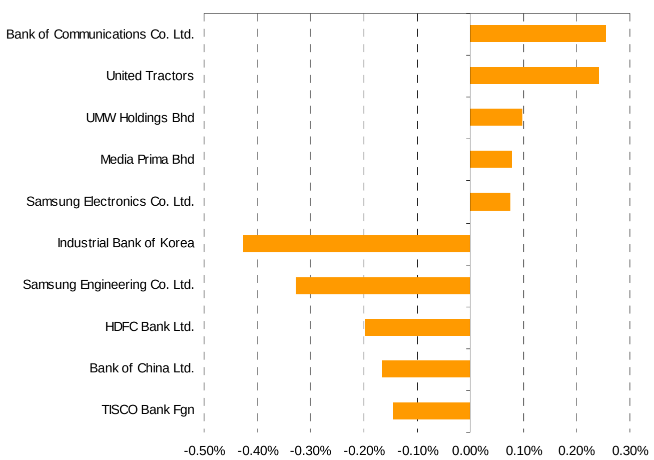
* Gross Performance. ^Since Inception: June 2001. **Past performance is not a reliable indicator of future performance.**

- The best performing markets were Malaysia, Thailand and the Philippines.
- In December, United Tractors and holdings in financials were the Trust's best performers.
- In 2012, political scenes across the region are set to change with elections in Hong Kong, Taiwan and South Korea and a leadership transition in China.

For the month, the Perennial Asian Shares Wholesale Trust (the Trust) finished up 1.0%, underperforming the MSCI AC Far East (ex Japan) Net Dividends Index (the Index) return by 0.5%. The Australian dollar traded in a tight range, appreciating and depreciating by 1% against most Asian currencies.

The best performing markets were Malaysia, Thailand and the Philippines, all up by more than 3% in local currency terms, as foreign investors continued to invest in domestic sectors. The Chinese market, down by more than 6% in local currency terms on concerns of slowing economic growth and fears of a hard landing, was the worst performing market. India, plagued by the same concerns, also performed poorly and was down by more than 4% in local currency terms.

Stock Attribution



Perennial Asian Shares Wholesale Trust Facts:

The Trust aims to grow the value of your investment over the long term by investing in a carefully selected portfolio of Asian shares (excluding Japanese shares) and to provide a total return (after fees) that exceeds the MSCI Far East (ex-Japan) Net Dividends Index in AUD on a rolling three-year basis.

Portfolio Manager:
James Soutter, Clay Carter

Risk Profile:
High

Team FUM (as at 31/12/11):
AUD229.2 million

Income Distribution Frequency:
Annually

Trust Inception date:
June 2001

Minimum Initial Investment:
$25,000

APIR code: IOF0203AU

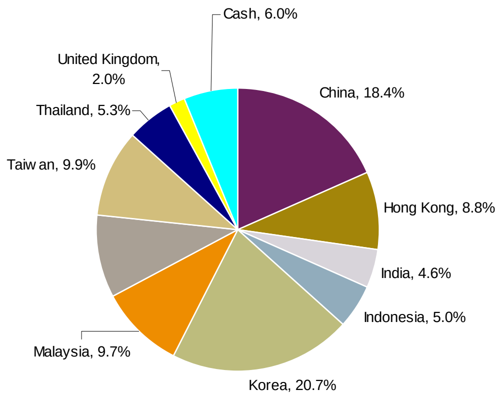
Indonesia's United Tractors was the best performing stock in the Trust for the month, increasing by more than 12% in local currency terms. This was closely followed by our holdings in financials such as Bank of Communications in China (up 11%), Thailand's Siam Commercial Bank (up 7%) and Hong Kong listed Standard Chartered (up 6%). Our holdings in Korea's Samsung Engineering and the Industrial Bank of Korea detracted from performance.

Trust Activity

During the month, the Trust initiated a new position in fabric and garment manufacturer, Shenzhou International, and reduced its position in Tata Consultancy, to lock in some profits following strong performance.

The Trust also initiated a new position in Korean Auto parts maker, Mando Corporation, and Macau casino operator, Galaxy Entertainment. We sold the position in plastic injection mould maker, Haitian International.

Regional Allocation as at 31 December 2011



Rounding accounts for small +/- from 100%.

Outlook

In 2012, political scenes across the region are set to change as the citizens of Hong Kong, Taiwan and South Korea go to the polls. China's leadership will most likely transit from Hu Jintao and Wen Jiabao to Xi Jinping and Li Keqiang. Asian governments will work to maintain political stability as well as aim to support domestic economies via policy initiatives, as Eurozone sovereign debt issues take time to resolve.

Asia managed to steer away from the troubles of 2008 and has grown impressively since then. For 2012, whether they can repeat the performance remains to be seen. Asian countries, unlike the US and Europe, have plenty of scope to support growth via fiscal and monetary policies, as inflationary pressures seem to have softened. For example, Chinese policy makers can take pre-emptive measures to stimulate growth and avoid a hard landing while at the same time manage inflation expectations close to the government's target of 4%. However, a prolonged global downturn may see the mass withdrawal of foreign capital in Asia – a situation which we have seen in some Asian countries.

Stock Story: Shenzhou International

Shenzhou International (Shenzhou) is an integrated fabric and garment manufacturer, involved in the end to end manufacturing process of a garment. Its process runs from the purchase of yarn to the delivery of final products to retailers. The company's operations are concentrated in China (90%), with a smaller operation in Cambodia (10%). Its four main customers, namely Japan's Uniqlo, Nike, Adidas and Puma, account for 50% of full year sales.

Despite tough industry conditions, the company has done remarkably well expanding its top line revenue and maintaining profitability. This is due both to its strategy to move to higher margin products, that is from casual wear to sportswear, and the high level of production automation.

Six months ago, the company's margins declined by more than 200 basis points when cotton prices were increasing. As cotton prices have now retreated, the company is expected to benefit from the decline and gross margins can potentially increase by 100 basis points.

The regular growth expected for its four main customers could provide stable growth drivers for the company, as Shenzhou can maintain and/or increase market share with each customer.

With many SMEs in China under considerable financial pressure due to credit tightening and structural problems as costs increase and export demand weakens, Shenzhou may also benefit from a potential consolidation within the textile sector and customers looking to reduce the number of suppliers. Trading at just 7x 2012 earnings and with a ROE of 20%, based on conservative assumptions Shenzhou could potentially offer a return well in excess of its current ROE.