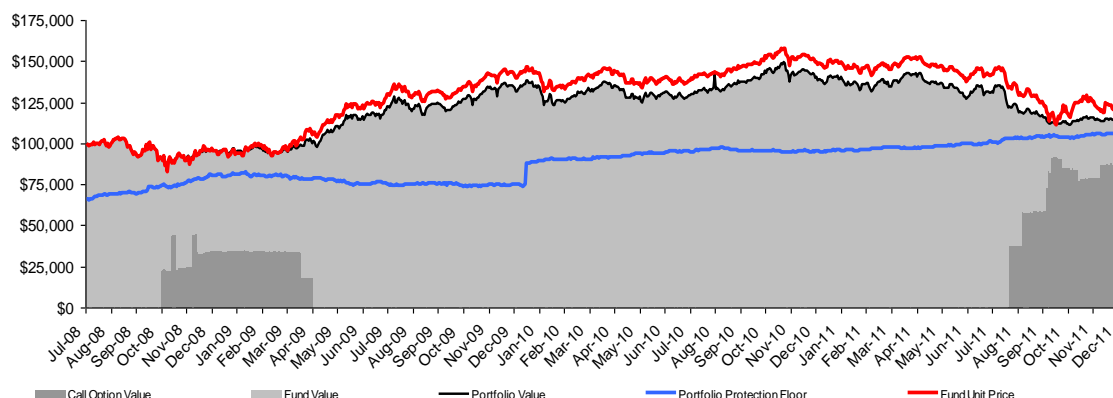


### Perpetual Protected Investments – Series 3 Half-yearly performance summary as at 31 December 2011

#### Premium China Fund

Premium China Fund  
Value of \$100,000 Invested in PPI



The above graph represents the changes in the indicative value of your investment from 25 July 2008 to 31 December 2011. Your portfolio value is calculated as the sum of fund units, call options and cash at any given point in time. The graph does not represent a direct investment into the Premium China Fund Source: *Perpetual*

#### At a Glance

Investment date	25 July 2008	Value as at 31/12/2011 of \$1 invested	\$1.12
Protection end date	31 May 2015	Percentage allocation of Fund units	23%
Maturity date	31 May 2015		

Source: *Perpetual*

The following information has been provided by the Fund Manager who has given their consent for it to be published. The information below represents a direct investment in the Fund not an investment in Perpetual Protected Investments Series 3.

#### Fund Commentary

Continuing into 2012, we are adopting a defensive approach and taking further steps to help minimize risk exposure and pursue a high margin of safety, with a bias towards high-dividend stocks – dividend growth in emerging Asia has been

trending higher and contributing more to the markets' total return. In terms of sectors, defensive ones such as consumer spending and energy continue to be heavily represented. As for portfolio movement, we deployed cash into consumer discretionary stocks and sold

selected IT stocks. The holding of gold, which serves as a cash alternative, was at 9% at month-end.

### Market Review

Chinese stocks have become very cheap. The cyclically-adjusted price-earnings ratio (PE) of the Hang Seng Index for 2012 was at 10.3 times and the Hang Seng China Enterprises Index was at 8.2 times by year-end, while historical average for the past 5 years was 14.2 times and 13.8 times respectively. We now have an unusual situation where dividend yields are generally higher than bond yields in our region, and history tells us that it is likely to last for only a short while before going back to normal again.

### Outlook

We fully expect financial markets to remain very volatile in 2012, influenced by

huge macro-forces affecting global economics and politics. In 2012, we expect investors in China-related markets would enjoy one advantage: the country's tightening cycle came to an end in late 2011, and from here on, we see the beginning of a new business cycle characterized by selective easing measures, including reductions in bank reserve requirements, thus expanding liquidity in the economy. This is generally good for the stock market.

About once a decade, China's top leadership changes, and in 2012, President Hu Jintao is expected to retire, with Vice-Premier Xi Jinping becoming the new leader, in a smooth transition. The size of China's economy is expected to overtake that of the United States within this decade, and we continue to see many attractive investment opportunities.

### Performance as at 31 December 2011

	3 months (%)	1 year (%)	2 years (%) pa	3 years (%) pa	5 years (%) pa	Inception (%) pa*
Gross	-	-	-	-	-	-
Net	4.0	-21.2	-10.2	7.4	1.8	9.2
Benchmark	2.5	-20.1	-15.5	-4.4	-4.8	6.6

Stock name	%
Petro China	8.6
Brilliance China Automotive	7.2
China Shenhua Energy	7.0
Evergrande Real Estate	5.4
China Vanke	3.5
Lenovo Group	3.3
Industrial & Commercial Bank of China	3.3
Hutchison Whampoa	3.0
China BlueChemical	2.5
Kingboard Chemical	2.3

Sector weights	%
Energy	19.0
Consumer Discretionary	17.0
Financials	14.0
Industrials	11.0
Information Technology	9.0
Gold	9.0
Materials	8.0
Cash	6.0
Consumer Staples	4.0
Health Care	2.0
Others	1.0
Derivatives	-5.0

### **Investment Objective**

Long term capital growth aiming to generate net returns exceeding the MSCI China Free Index (Index) over a three to five year period (before changes in exchange rates). The Fund is denominated in Australian dollars, while the Index is calculated in Hong Kong dollars.

### **Benchmark**

MSCI China Free Index. The Fund manager takes a benchmark unaware approach to portfolio construction, however, does charge a performance fee based on the Fund's performance against the MSCI China Free index.

### **Investment Category**

International Equities

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