Perennial Value Shares for Income Trust

PERENNIAL VALUE MANAGEMENT

Monthly Report
30 November 2017

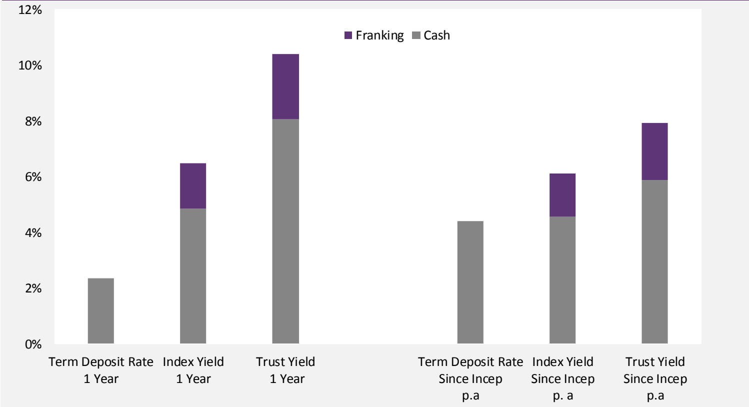
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust#	0.4	4.1	4.1	11.7	8.0	11.7	8.5
Capital Growth	0.4	0.8	0.8	1.3	-1.9	3.0	0.6
Income Distribution#	0.0	3.3	3.3	10.4	9.9	8.7	7.9
S&P/ASX300 Accumulation Index Yield* (grossed up for franking credits)	0.8	1.7	2.9	6.5	6.3	6.4	6.1
Excess Income#	**-0.8**	**1.6**	**0.4**	**3.9**	**3.6**	**2.3**	**1.8**

#Includes franking credits ^Since inception: June 2001. Past performance is not a reliable indicator of future performance. *S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Yield

Overview

- Over the 12 months to November 2017, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 10.4%. This compares favourably to the Index grossed up yield of 6.4% and the term deposit rate of 2.4%.
- The Index rally was broad-based, with all sectors other than Telecommunications delivering positive returns.
- Offshore markets were mixed, however, the US market continued its strong run, to be up 20.4% for the last 12 months.

Distribution Yield



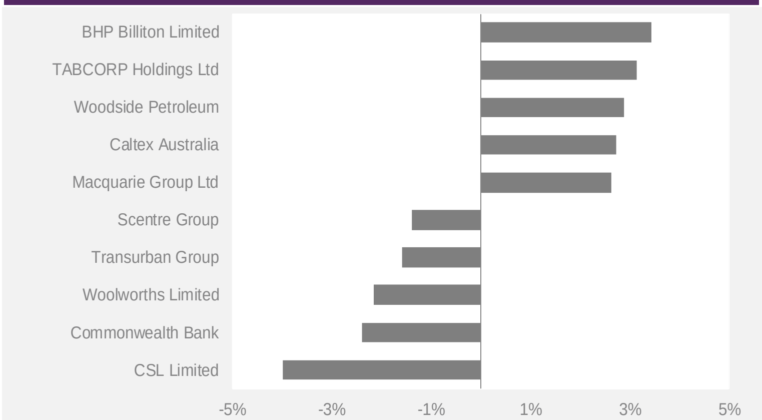
Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Perennial Value Shares for Income Trust

The objective of the Trust is to provide investors with an attractive level of tax effective income, paid via monthly distributions. The Trust aims to provide a gross distribution yield, adjusted for applicable franking credits, above that provided by the S&P/ASX 300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio manager	Stephen Bruce
Trust FUM	$35 m
Distribution frequency:	Quarterly
Minimum initial investment	$25,000
Trust Inception Date	June 2001
Fee	0.92%
APIR code	IOF0206AU

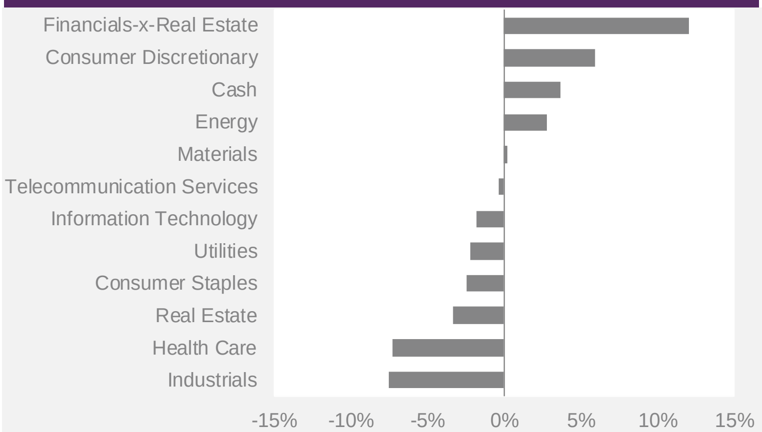
Top 5 Over / Underweight Positions vs Index



Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	14.1	15.5
Price to Free Cash flow (x)	11.8	14.4
Gross Yield (%)	6.8	5.7
Price to NTA (x)	1.9	2.2

Source: Perennial Value Management. As at 30 November 2017. The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Sector Active Exposure vs Index



Franking Levels (%)	
FY17	65.6
FY16	55.9
FY15	88.4
FY14	115.0
FY13	97.8
FY12	98.5

Trust Review

Better performing holdings over the month included Janus Henderson (+8.5%), which rallied following a positive third quarter trading update, with improving funds flows and increased merger synergies. Tabcorp (+8.0%) rose after the competition regulator approved its merger with Tatts Group. We see significant upside in this stock, not only from the expected merger benefits but also from a number of regulatory changes which will favour Tabcorp over the corporate bookmakers. Other stocks which performed well included Westfield Corp (+7.9%), Crown Resorts (+6.4%), Harvey Norman (+6.1%), Suncorp (+5.5%) and Boral (+5.2%).

Stocks which detracted from performance included Orica (-17.2%) and Graincorp (-8.7%), both of which fell after delivering full-year results which were below expectations. Flight Centre (-4.4%), Event Hospitality (-4.3%) and Amcor (-2.7%) also declined.

Trust Activity

During the month, the Trust tendered stock into the Rio Tinto off-market buy-back as a means of generating significant fully-franked dividends. The attractive after-tax characteristics of the buy-back saw it heavily oversubscribed at the maximum discount. The Trust also increased its holding in Stockland, which is offering an attractive FY18 gross dividend yield of 5.7%. At month end, stock numbers were 29 and cash was 3.7%.

Outlook

While growth in the domestic economy remains subdued and there remains a high level of political uncertainty, the global growth outlook appears to be incrementally improving. Should this continue, the Trust will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies which are trading on attractive valuations. This scenario would also see continued upwards pressure on interest rates, which would benefit the Trust through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

The portfolio continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors. Further, we believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

Market Review - Australia	%	Global, Currency & Commodities	%
S&P/ASX300 Accumulation Index	**+1.7**	S&P500	+2.8
Energy	+4.3	Nikkei 225	+3.2
Materials	+2.0	FTSE100	-1.3
Industrials	+2.2	Shanghai Composite	-2.2
Consumer Discretionary	+3.2	RBA Cash Rate	1.50
Health Care	+3.0	AUD / USD	-1.0
Financials-x-Real Estate	+0.0	Iron Ore	+17.8
Real Estate	+5.3	Oil	+4.2
Information Technology	+4.5	Gold	+1.5
Telecommunication Services	-1.6	Copper	-0.7
Utilities	+3.0		

Contact Us

1300 730 032

invest@perennial.net.au

www.perennial.net.au

Signatory of:

PRI Principles for Responsible Investment

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