



Perennial Value Shares for Income Trust

“A portfolio of financially sound, high yielding shares can provide investors with an attractive and growing stream of tax-effective income.” John Murray

About the Trust

The Trust provides an actively managed exposure to a portfolio of shares that offer a consistent cash dividend and a high level of franking credits.

Description of the Trust

The Trust invests in a well diversified range of publicly listed (or soon to be listed) companies on the ASX, which Perennial Value, the investment manager, believes have sustainable operations and collectively offer a superior dividend yield (when taking into account franking credits) to the overall market. Perennial Value will aim to keep the Trust's net realised capital gains to a minimum.

The portfolio will hold between 20 and 70 stocks.

Objective

The aim of the Trust is to provide investors with an attractive level of tax effective income, which the Trust aims to pay via quarterly distributions. The Trust aims to provide a dividend yield, adjusted for applicable franking credits and before fees, above that provided by the S&P/ASX 300 Accumulation Index.

Investment philosophy

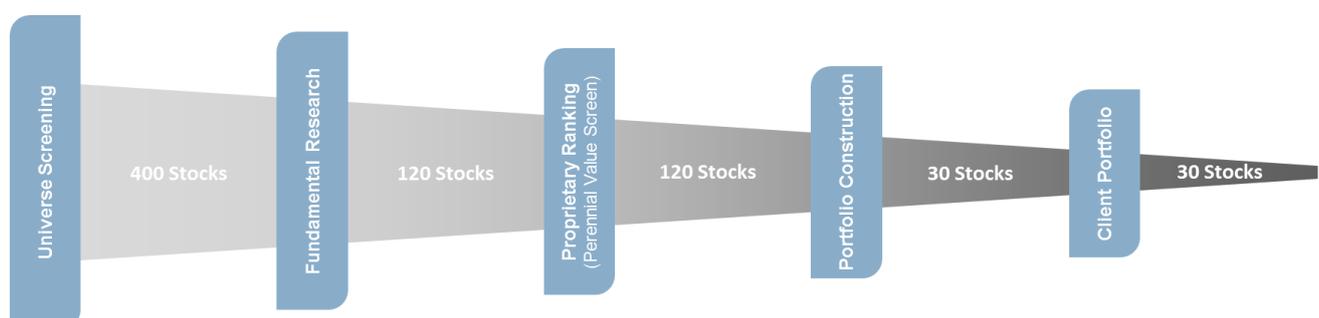
Perennial Value is a specialist active Australian equities manager, whose investment process is based on a ‘value’ stock picking investment style. Perennial Value believes that high yielding stocks that possess a sound business model offer a good investment for those who are looking to receive a regular income stream through cash dividends and franking credits. The aim of the Trust is to provide investors with an attractive level of tax effective income, paid on a quarterly basis. The Trust aims to deliver a gross dividend yield above that provided by the S&P/ASX 300 Accumulation Index. However, in terms of portfolio construction the Trust is benchmark unaware.

Stock selection process

Stocks must have a minimum market capitalisation of \$1 billion and a minimum yield of 4%. Detailed modelling and research is then conducted on approximately 120 stocks. To qualify for investment, a stock must have a sustainable business (qualitative) and offer good value at its current share price (quantitative). Every potential investment opportunity is assessed on its key qualitative and quantitative criteria. These criteria include:

- ▶ Consistent level of dividends paid over time; and
- ▶ Sound financial position (low debt).

Investment process



Detailed financial models are prepared to assess the quantitative, or financial aspects, of each company. Direct company and industry contacts, both domestically and offshore, are an integral part of the process. Peer review is undertaken to ratify the numbers in the company models. Six key financial measures are downloaded from each company model into the Perennial Value High Yield Screen:

1. Gross dividend yield.
2. Price to earnings.
3. Price to cash flow (a more rigorous measure than gross cash flow).
4. Price to net tangible assets.
5. Net interest cover (to measure financial strength).
6. Earnings growth.

Each stock is assigned a ranking based on the six key measures. Gross dividend yield is assigned a 40% weighting and the remaining five measures have an equal weighting of 12% each. Each stock is then assigned a weighted average final score, which determines final rankings. The first five measures are based on forecasts looking forward one year. The sixth measure, earnings growth, is expressed as an annualised growth rate based on internal forecasts for the next three years. This allows Perennial Value to assess each company's dividend growth prospects beyond the generally accepted one to two year market consensus timeframe. The outcome of this detailed research process is a list of stocks which are eligible for portfolio inclusion.

The next phase of Perennial Value's process is portfolio construction. The major driver of portfolio construction is Perennial Value's desire to deliver a superior yield at all times. This means that the portfolio has a strong bias towards the best ranking, or highest yielding, stocks in the High Yield Screen.

Trust summary	
APIR Code	IOF0078AU
Inception date	December 2005
Risk/return profile	High
Income distribution	Quarterly
Minimum recommended investment period	5 years
Investment management fee % p.a.	0.92
Performance fee	No
Buy/sell spread %	0.60
Unit pricing, applications and redemptions	Daily

Investment guidelines summary	
Cash – minimum /maximum	0 to 10%
Number of stocks - minimum/maximum	20 to 70
No of stocks - typical	30
Minimum market capitalisation	\$1,000m
Maximum investment in any one stock	10%
Listed ex-benchmark stocks permitted	Yes
Maximum investment per GICS sector relative to benchmark	If sector \geq 20%: 50% If sector < 20%: 35%
Tracking error range (ex-ante)	N/A

Investment team

John Murray

Managing Director of
Perennial Value
Perennial Value: 15 years
Industry: 30 years

Tony Oesterheld

Senior Portfolio Manager
Perennial Value: 7 years
Industry: 29 years

Stephen Bruce

Portfolio Manager/
Senior Equities Analyst
Perennial Value: 15 years
Industry: 15 years

Paul Durham

Senior Equities Analyst
Perennial Value: 14 years
Industry: 28 years

Dan Bosscher

Portfolio Manager
Perennial Value: 2 years
Industry: 19 years

Scott Stewart

Portfolio Manager
Perennial Value: 1 year
Industry: 16 years

Mike Zhang

Analyst
Perennial Value: 1 year
Industry: 6 years

Grant Oshry

Senior Small Cap Portfolio
Manager/ Analyst
Perennial Value: 12 years
Industry: 16 years

Andrew Smith

Small Cap Portfolio
Manager/ Analyst
Perennial Value: 7 years
Industry: 14 years

Sam Berridge

Equities Analyst
Perennial Value: 3 years
Industry: 7 years

Damian Cottier

Senior Analyst/
Research Co-ordinator
Perennial Value: 10 years
Industry: 10 years

William Wu

Analyst
Perennial Value: 3 years
Industry: 3 years

Steven Yee

Dealer
Perennial Value: 5 years
Industry: 12 years

For further information contact
us on 1300 730 032 or visit
www.perennial.net.au.

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