

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	2.4	4.1	18.1	18.9	7.3	12.3	7.6
S&P/ASX 300 Accumulation Index	3.3	4.7	15.6	20.2	7.5	10.8	6.4
Value Added (Detracted)	-0.9	-0.6	2.5	-1.3	-0.2	1.5	1.2
Capital Growth	1.3	2.8	12.7	9.0	0.0	5.3	1.0
Income Distribution	1.0	1.1	4.7	9.0	6.5	6.1	5.8
Net Performance ^{^^}	2.3	3.9	17.4	18.0	6.5	11.4	6.8

*Gross Performance. ^Since inception: December 2005. ^^This refers to the Trust's gross performance net of investment management fees. Past performance is not a reliable indicator of future performance.

Perennial Value Shares for Income Trust

The Trust aims to provide investors with an attractive level of tax effective income, paid 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*.

Portfolio manager:

Stephen Bruce

Risk profile:

High

Trust FUM:

AUD \$37 million

Income distribution frequency:

Quarterly

Team FUM:

AUD \$7.0 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ Over the 12 months to March 2017, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 12.1%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.8% per annum.
- ▶ The market rallied in March, with the S&P/ASX300 Accumulation Index (the Index) up 3.3%, seeing broad-based strength across most sectors of the market.

Trust characteristics

In line with the objective, the Perennial Value Shares for Income Trust (the Trust) continues to invest in a portfolio of financially sound companies which demonstrates superior dividend yield characteristics to the overall stock market.

Trust Performance

The Trust delivered a return of 2.4% for March, underperforming the Index by 0.9%.

Global markets were subdued, with the S&P500 flat, FTSE100 up 0.8%, Nikkei 225 down 0.6%, and Shanghai Composite down 1.1%. Commodity prices were generally softer, with iron ore down 11.0%, reversing the previous month's rally, oil down 5.0% and coking coal down 6.0%, while thermal coal rose 1.0% and gold declined 1.0%. The Federal Reserve raised rates by 25 basis points, lifting the target range to between 0.75% - 1.00%. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month unchanged at 77 US cents.

During March, strength was broad-based, with utilities (up 6.3%), healthcare (up 5.6%), consumer staples (up 5.5%), consumer discretionary (up 4.7%), industrials (up 4.3%), energy (up 4.3%), financials (up 3.9%) information technology (up 3.6%), REITs (up 4.1%), healthcare (up 3.9%) and industrials (up 3.4%) all up, while metals & mining (down 0.8%) was the only sector to deliver a negative return.

Trust holdings which performed strongly included AGL Energy (up 9.3%) on the continued increase in wholesale electricity prices, QBE Insurance (up 7.4%) on the prospect of rising US interest rates as well as improving operational performance and Caltex (up 6.6%) after reporting healthy refining margins in February. Other stocks which outperformed included AMP (up 6.1%), Wesfarmers (up 5.5%), Lend Lease (up 4.5%), Woodside Petroleum (up 4.4%) and Event Hospitality (up 4.4%), which began to recover post its February sell-off. Iluka Resources (up 12.4%) outperformed the resources sector on the prospect of higher mineral sands pricing as well as BHP's announcement that it will expand iron ore production in its "Mining Area C". This expansion will lead to higher royalty payments to Iluka over the medium term, providing an attractive annuity income stream.

Stocks which detracted from performance included our large cap resources holdings, with Rio Tinto (down 2.5%) and BHP (down 1.7%) due to the softer commodity prices. Orica (down 3.8%), also fell on this theme. Other stocks which lagged included Harvey Norman (down 12.0%), with the market concerned around the potential impact of Amazon, Stockland (down 1.7%) and Vocus Group (down 1.4%).

Trust Activity

During the month, we reduced our already underweight exposure to the REIT sector, exiting our position in Scentre Group and reducing our holding in Stockland, as we see the sector as increasingly vulnerable to slowing retail sales growth and rising interest rates. Proceeds were used to increase our holdings in a number of good value opportunities including Caltex, Lendlease, Vocus Group and Woodside Petroleum. At month end, stock numbers were 25 and cash was 4.0%.

Outlook

The Trust continues to exhibit Perennial Value's true to label value characteristics, offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

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.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Commonwealth Bank	9.1	9.3
Westpac Banking Corporation	8.2	7.4
ANZ Banking Group Limited	7.2	5.9
National Australia Bank	6.7	5.6
BHP Billiton Limited	5.7	4.9
Woodside Petroleum	5.2	1.5
Telstra Corporation	4.4	3.5
Event Hospitality	4.1	0.0
Macquarie Group Limited	4.1	1.9
Wesfarmers Limited	4.0	3.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.8	4.3
Materials	13.8	15.6
Industrials	0.0	6.7
Consumer Discretionary	9.2	5.0
Consumer Staples	4.0	7.2
Health Care	0.0	6.8
Financials-x-Real Estate	47.5	38.1
Real Estate	4.1	8.4
Information Technology	0.0	1.3
Telecommunication Services	6.8	4.0
Utilities	2.8	2.7
Cash & Other	4.0	-

Rounding accounts for small +/- from 100%.

For all other enquiries. please contact us on 1300 730 032
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