

	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	0.3	15.8	11.7	5.7	12.8	7.3
S&P/ASX 300 Accumulation Index	-2.7	1.4	13.6	10.8	6.0	11.7	6.1
Value Added (Detracted)	0.3	-1.1	2.2	0.9	-0.3	1.1	1.2
Capital Growth	-2.5	-0.9	10.3	2.4	-1.4	5.8	0.8
Income Distribution	0.0	1.0	4.6	8.4	6.3	6.1	5.7
Net Performance ^{^^}	-2.5	0.1	14.9	10.8	4.9	11.9	6.5

*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 \$36 million

Distribution frequency

Quarterly

Team FUM

AUD \$6.8 billion

Minimum initial investment

\$25,000

Trust inception date

December 2005

APIR code

IOF0078AU

Contact Us

invest@perennial.net.au

1300 730 032

www.perennial.net.au

[#]Gross dividend yield.

- ▶ Over the 12 months to May 2017, the Perennial Value Share for Income Trust (the Trust) has delivered a pre-tax distribution yield (i.e. including franking credits) of 10.9%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.7% per annum.
- ▶ The Trust has delivered a healthy total return of 11.7% for the last 12 months.

Market Review

Global markets were generally stronger in May, with the S&P500 (up 1.2%), Nikkei 225 (up 2.4%), and FTSE100 (up 4.4%) rising, while the Shanghai Composite (down 1.2%) declined. Commodity prices were softer, moving back to more sustainable levels as generally expected, with oil down 3.0%, iron ore down 17.0%, coking coal down 39.0% as cyclone supply disruptions reversed, thermal coal down 12.0% and copper down 1.0%, while gold was flat. The Reserve Bank of Australia left the cash rate steady at 1.5% and the Australian Dollar finished the month down one cent at 74 US cents.

The S&P/ASX300 Accumulation Index (the Index) fell 2.7% over the month, with the better performing sectors including industrials (up 4.7%), telecommunications (up 3.4%), energy (up 1.5%), utilities (up 1.0%) and metals & mining (up 0.9%). Financials (down 7.7%) was the worst performing sector as the bank shares were sold off, with healthcare (down 2.4%), REITs (down 1.0%), consumer staples (down 0.4%) and consumer discretionary (down 0.3%) also lagging.

Trust Review

The best performing stock in the Trust was Boral (up 11.2%), which rallied after hosting an investor tour of its recently-acquired US operation. The combined business now generates around 40.0% of its earnings from the US, providing a good exposure to generally improving US growth. In particular, their large fly ash business (which is used in concrete) is highly leveraged to any pickup in infrastructure spending. Caltex (up 10.7%) also performed well, rallying after reporting another month of strong refiner margins, as well as receiving ACCC approval to complete the acquisition of a chain of service stations in Victoria. Other strong performers included Iluka Resources (up 8.7%) after announcing price increases for its mineral sands products, Orica (up 7.5%) after reporting a positive H117 result which showed that the explosives market has stabilised, Telstra (up 4.5%), Rio Tinto (up 3.9%), Crown Resorts (up 3.6%) and Henderson Group (up 2.7%).

During the month, the major banks declined an average of 10.0%, with ANZ, NAB and Westpac reporting their H117 results which were generally lacklustre. While these stocks all continue to pay attractive dividends, their results highlighted that, while credit conditions remain benign, the revenue growth environment is becoming increasingly challenged as housing credit growth slows, regulation tightens, and measures such as the Bank Levy are imposed. As a result, having collected the interim dividends, we have reduced our holdings in the major banks and moved to an underweight position.

Other stocks which detracted from performance included Vocus Group (down 16.3%) which continues to wrestle with the integration of recent acquisitions, Westfield (down 6.6%) with negative sentiment to the retail sector and AMP (down 5.8%).

Trust activity

During the month, we took profits and sold out of our holding in AGL Energy. This stock has been a very strong performer, delivering a total return of 45.9% over the past 12 months, with its valuation now becoming full. In addition to reducing our holdings in the major banks, we also exited our holding in Stockland, which we feel is susceptible to the softening retail sales environment. Proceeds were used to add to our positions in a number of good value opportunities including BHP, Rio Tinto, Macquarie Group, Vocus Group and Henderson Group. At month end, stock numbers were 23 and cash was 11.9%.

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.

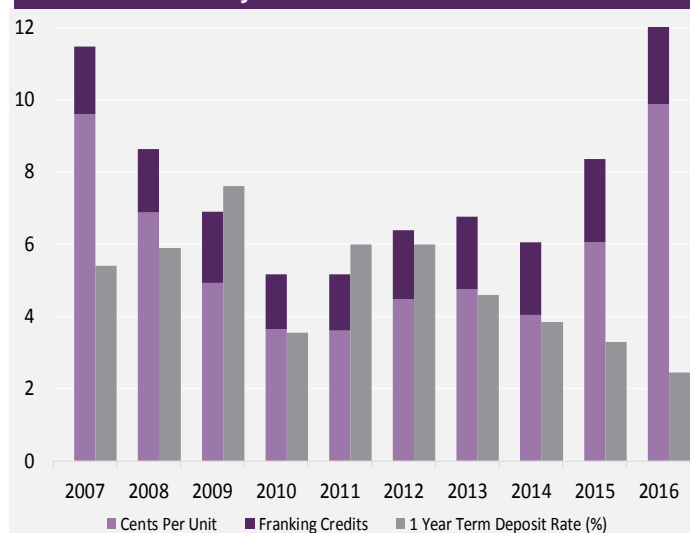
As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors. Further, we believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.6	4.4
Materials	16.5	16.0
Industrials	0.0	7.5
Consumer Discretionary	8.2	5.2
Consumer Staples	3.9	7.2
Health Care	0.0	7.1
Financials-x-Real Estate	42.5	36.2
Real Estate	2.8	8.8
Information Technology	0.0	1.4
Telecommunication Services	6.5	3.8
Utilities	0.0	2.4
Cash & Other	11.9	-

Rounding accounts for small +/- from 100%.

Distribution History



Distribution shown for full financial years only. Does not take into consideration your personal tax situation. 1 Year Term Deposit Rate sourced from RBA as at last day of previous financial year. Past performance is not a reliable indicator of future performance.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Commonwealth Bank	7.5	8.9
BHP Billiton Limited	7.4	5.0
Westpac Banking Corporation	5.9	6.6
Macquarie Group Limited	4.9	2.0
ANZ Banking Group Limited	4.4	5.3
Telstra Corporation	4.3	3.4
Suncorp Group Limited	4.3	1.2
Event Hospitality	4.3	0.0
National Australia Bank	4.2	5.2
Rio Tinto Limited	4.2	1.7

Signatory of:



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