

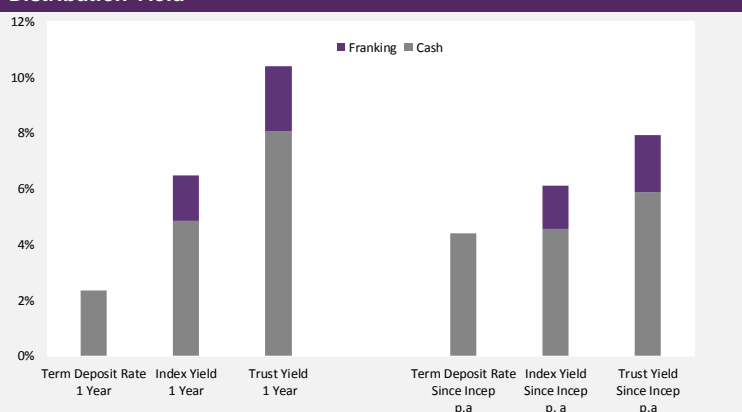
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust <sup>#</sup>	3.1	6.9	7.3	9.9	8.4	11.6	8.7
Capital Growth	1.6	5.4	2.5	-0.3	-1.3	2.9	0.7
Income Distribution <sup>#</sup>	1.5	1.5	4.8	10.2	9.7	8.7	8.0
S&P/ASX300 Accumulation Index Yield* (grossed up for franking credits)	0.2	1.1	3.1	6.3	6.3	6.4	6.1
<b>Excess Income<sup>#</sup></b>	<b>1.3</b>	<b>0.4</b>	<b>1.7</b>	<b>3.9</b>	<b>3.4</b>	<b>2.3</b>	<b>1.9</b>

\*Includes franking credits <sup>#</sup>Since inception: December 2005. Past performance is not a reliable indicator of future performance. <sup>#</sup>S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Yield

**Overview**

- ▶ Over the 12 months to December 2017, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 10.2%. This compares favourably to the Index grossed up yield of 6.3% and the term deposit rate of 2.3%.
- ▶ The market rallied again in December, to finish the month +1.9%, bringing the total return for the last 12 months to a healthy +11.9%.
- ▶ Resources led the market higher, on the back of stronger commodity prices, while defensive and interest rate sensitive sectors lagged.

**Distribution Yield**



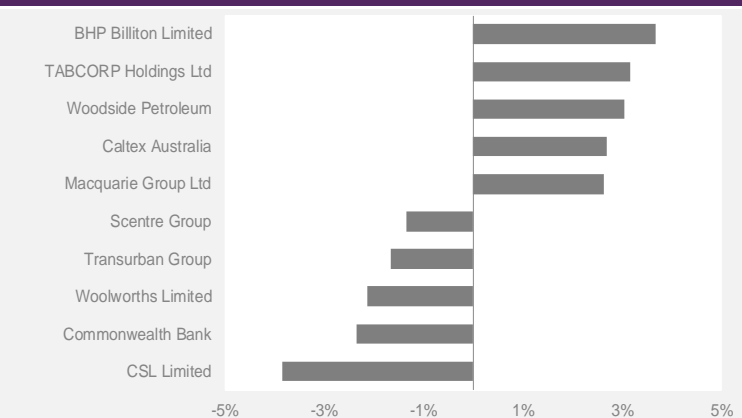
Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

**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:	Monthly
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**

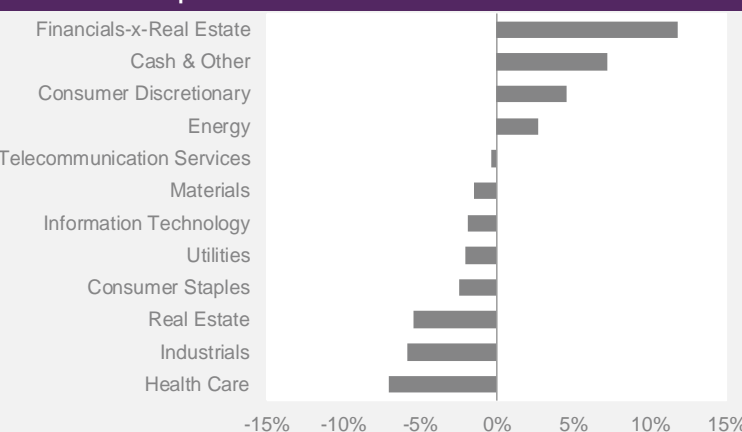
	Trust	Market
Price to Earnings (x)	14.1	15.5
Price to Free Cash flow (x)	11.8	14.4
Gross Yield (%)	6.8	5.7
Price to NTA (x)	1.9	2.2

Source: Perennial Value Management. As at 31 December 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.

**Franking Levels (%)**

FY17	65.6
FY16	55.9
FY15	88.4
FY14	115.0
FY13	97.8
FY12	98.5

**Sector Active Exposure vs Index**



## Trust Review

Better performing holdings over the month included Tabcorp (+15.1%) which rallied after the approval of its merger with Tatts Group. The merger is expected to result in significant operational benefits both on the cost and revenue side. In addition, the merged group stands to benefit from a number of positive regulatory changes currently being implemented. Westfield Corp (+13.2%), rose after agreeing to a takeover offer from French competitor Unibail-Rodamco. We view this as potentially a very significant transaction in the sense that the Lowy family have decided it is now a good time in the cycle to bow out of the sector. Resource stocks BHP (+8.3%), Rio Tinto (+6.8%) and Woodside Petroleum (+6.7%) all rallied on stronger commodity prices, with robust demand and constrained supply. Other strong performers included Graincorp (+7.6%), Orica (+6.5%), Event Hospitality & Entertainment (+3.8%) and Boral (+3.6%). Crown Resorts (+5.4%) continued to rally as it rationalises its asset portfolio in order to focus on its core Australian casino operations. The Trust also benefited from its underweight position in the expensive defensive sectors of the market such as Utilities, REITs and Healthcare, which underperformed on the prospect of higher interest rates.

Stocks which detracted from performance included Bank of Queensland (-3.5%), Suncorp (-3.3%), Stockland (-1.9%) and Flight Centre (-1.2%).

## Trust Activity

During the month, we sold out of our holding in Westfield Corp following the takeover offer and also exited our holding in Harvey Norman. Proceeds were used to establish a position in Downer EDI. This company provides services to diverse sectors of the economy, including to the infrastructure sector, where we expect significant opportunities in the future. At month end, stock numbers were 28 and cash was 7.2%.

## Outlook

While growth in the domestic economy remains subdued, the global growth outlook appears to be incrementally improving, despite the high ongoing level of political uncertainty. 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	+1.9	S&P500	+1.0
Energy	+6.5	Nikkei 225	+0.2
Materials	+6.1	FTSE100	+4.9
Industrials	-0.9	Shanghai Composite	-0.3
Consumer Discretionary	+3.7	RBA Cash Rate	1.50
Health Care	-0.5	AUD / USD	+3.0
Financials-x-Real Estate	+0.4	Iron Ore	+3.6
Real Estate	+0.1	Oil	+5.2
Information Technology	+2.9	Gold	+2.2
Telecommunication Services	+5.5	Copper	+7.7
Utilities	-4.5		

## Contact Us

1300 730 032

invest@perennial.net.au

www.perennial.net.au

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).