

	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 (Net) [#]	-0.8	2.3	6.6	7.5	4.4	8.7	8.6
Capital Growth	-1.3	-0.1	0.8	-3.4	-5.3	0.1	0.6
Income Distribution [#]	0.5	2.4	5.8	10.9	9.7	8.6	8.0
S&P/ASX300 Accumulation Index Yield* (grossed up for franking credits)	1.0	1.2	4.2	6.4	6.1	6.2	6.1
Excess Income[#]	-0.5	1.2	1.6	4.5	3.6	2.4	1.9

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

Overview

- ▶ The highlight of the month was the company reporting season, with companies reporting earnings for the period to December 2017. The overall tone of results was positive, with the majority of companies held in the portfolio delivering earnings and dividend growth.
- ▶ Many companies showed improved operating performance, with our resources holdings delivering particularly strong earnings and dividend increases.
- ▶ Markets were volatile during the month, both here and offshore, on the back of emerging inflation concerns, with an early broad-based sell-off, followed by a recovery later in the month.

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	\$34 m
Distribution frequency:	Monthly
Minimum initial investment	\$25,000
Trust Inception Date	June 2001
Fee	0.92%
APIR code	IOF0206AU

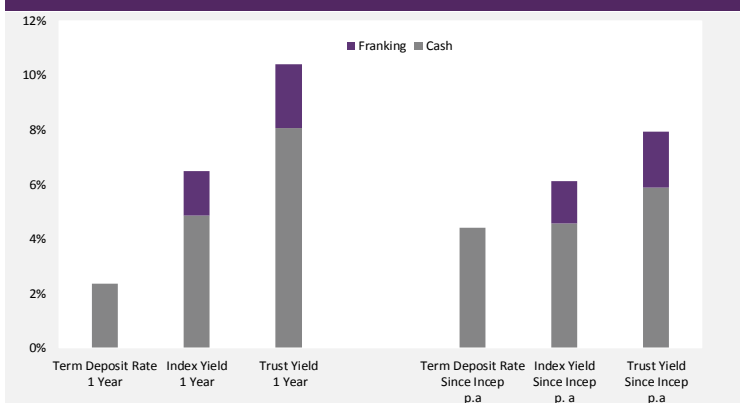
Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	13.9	15.4
Price to Free Cash flow (x)	13.0	15.0
Gross Yield (%)	6.8	5.7
Price to NTA (x)	2.1	2.2

Source: Perennial Value Management. As at 28 February 2018. 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

Distribution Yield

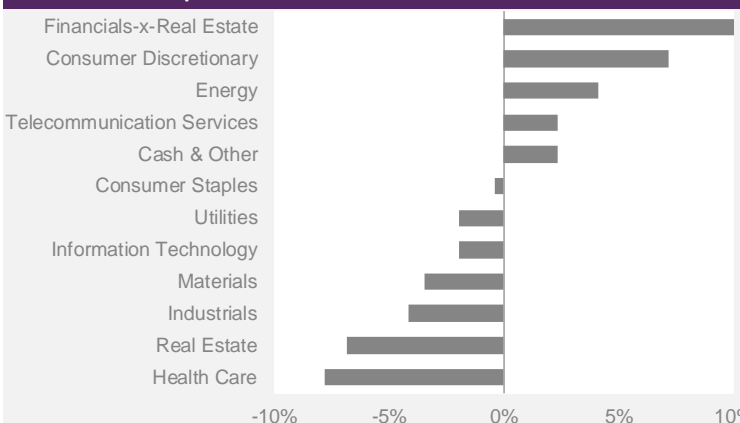


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Pleasingly, the reporting season saw an average increase of 6.0% in dividends across the portfolio, with over 80.0% of the stocks we held either increasing or maintaining their dividend per share.

Better performing holdings over the month included Flight Centre (up 13.2%), which delivered a strong result, with good growth in travel volumes and significant productivity increases. This underpinned a 33.0% increase in the interim dividend. Graincorp (up 7.7%) recovered after being sold down in the previous month on the back of poor seasonal conditions.

Other stocks which outperformed after delivering solid results included AMP (up 3.5%), which is showing operational improvement in what is, fundamentally, a very strong underlying business. Crown Resorts (up 1.9%) outperformed as international visitation rebounded. Resource Stocks Rio Tinto (up 5.6%) and BHP (up 1.0%) both delivered strong results with significant growth in earnings and dividend increases of up 71.0% and up 38.0% respectively. Further, the balance sheets of these companies are in very good shape, suggesting the potential for attractive future returns to shareholders.

Stocks which detracted from performance included Star Entertainment (down 11.0%) which experienced slow trading conditions in its Sydney casino and Woodside Petroleum (down 8.8%) which declined after undertaking a capital raising to fund its development plans including the acquisition of a major gas field in the Northwest Shelf.

Trust Activity

During the month, we took profits and reduced our holding in Janus Henderson and exited our position in Orica. Proceeds were used to increase our holdings in a number of good value stocks which we expected to pay attractive dividends in the upcoming reporting season including AMP, CBA and Suncorp. At month end, stock numbers were 27 and cash was 2.4%.

Distribution

In order to provide a more regular income stream, commencing in January 2018, the Trust has moved from paying quarterly to monthly distributions. We will aim to pay equal cash distributions each month, based on our estimate of the income to be generated over the year. Franking credits and any realised capital gains will then be distributed, as per usual, with the June distribution. This aims to give investors more certainty over their income payments.

Outlook

While the level of volatility in markets is likely to increase going forward, the global economic backdrop continues to be positive, with all major regions delivering improved growth. While the domestic economy has been subdued, recent data is increasingly positive. 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	+0.3	S&P500	-3.9
Energy	-3.7	Nikkei 225	-4.5
Materials	+0.4	FTSE100	-3.3
Industrials	-0.4	Shanghai Composite	-6.4
Consumer Discretionary	-1.2	RBA Cash Rate	1.50
Health Care	+7.0	AUD / USD	-3.8
Financials-x-Real Estate	+0.6	Iron Ore	+9.6
Real Estate	-3.2	Oil	-4.7
Information Technology	+1.7	Gold	-2.0
Telecommunication Services	-6.2	Copper	-2.6
Utilities	-1.6		

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