Perennial Value Shares for Income Trust

Monthly Report
31 March 2018

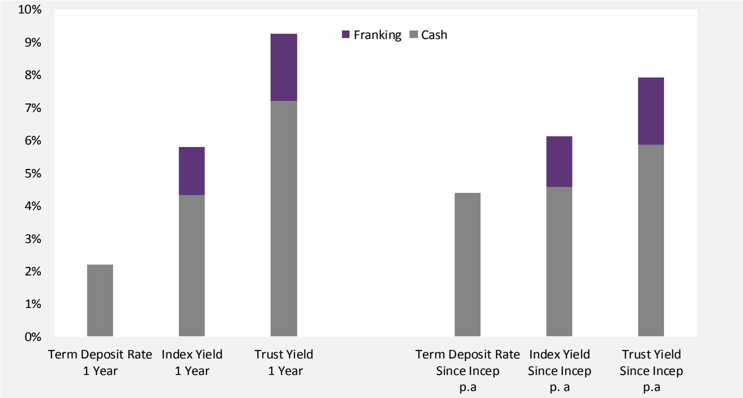
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust (Net)#	-4.1	-4.9	2.0	0.3	2.7	8.1	8.1
Capital Growth	-4.6	-6.2	-3.9	-9.0	-6.6	-0.3	0.2
Income Distribution#	0.5	1.3	5.9	9.3	9.3	8.4	7.9
S&P/ASX300 Accumulation Index Yield* (grossed up for franking credits)	0.7	1.6	4.7	5.8	6.0	6.2	6.1
Excess Income#	**-0.2**	**-0.3**	**1.2**	**3.5**	**3.3**	**2.2**	**1.8**

#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

- Over the last twelve months, the trust has delivered a grossed up income return of 9.3%.
- Volatility continued in March, with the S&P/ASX300 Accumulation Index selling off and finishing the month down -3.7%.
- The fall in the Australian market mirrored the offshore markets which were all weaker on political concerns, principally regarding trade policy, with the S&P500 down -4.0%, Nikkei 225 down -4.1%, the FTSE100 down -2.4% and the Shanghai Composite down -3.0%.

Distribution Yield



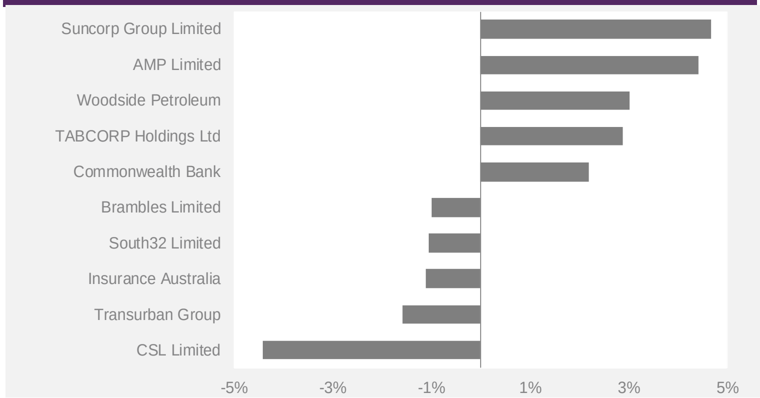
Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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	$32 m
Distribution frequency:	Monthly
Minimum initial investment	$25,000
Trust Inception Date	Dec 2005
Fee	0.92%
APIR code	IOF0206AU

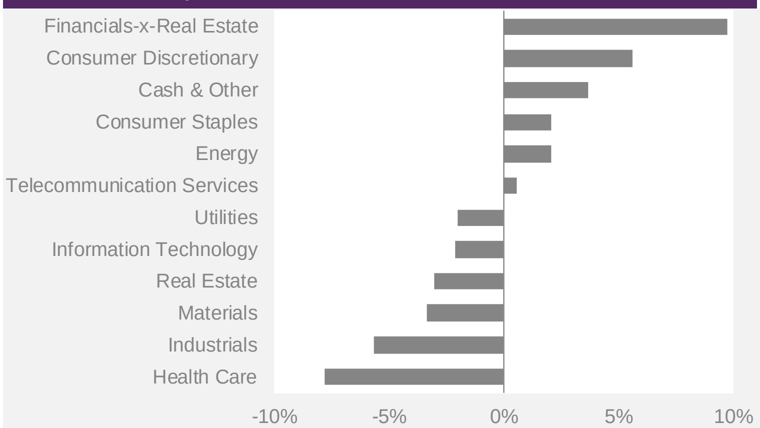
Top 5 Over / Underweight Positions vs Index



Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	13.7	14.6
Price to Free Cash flow (x)	12.6	14.3
Gross Yield (%)	6.9	6.0
Price to NTA (x)	2.1	2.1

Source: Perennial Value Management. As at 31 March 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.

Sector Active Exposure vs Index



Franking Levels (%)	
FY17	65.6
FY16	55.9
FY15	88.4
FY14	115.0
FY13	97.8
FY12	98.5

Trust Review

Better performing holdings over the month included agricultural stock Graincorp (+6.3%), which rallied on improving seasonal conditions and increased interest in the potential value that could be unlocked from its infrastructure assets, in particular its unique network of ports up and down the east coast of Australia. Event Hospitality (+4.0%) also outperformed as did Amcor (+1.9%) and Woodside Petroleum (+0.2%).

Other stocks which outperformed included Wesfarmers (+0.6%), which rallied after announcing a plan to de-merge the Coles business. This was received positively as history has shown that businesses often perform better as separate entities than as part of a broader group. This should also have positive benefits for the industry structure overall, with a potential easing in price competition as Coles focusses on its stand-alone profitability.

Stocks which detracted from performance included Bank of Queensland (-13.2%), which fell on rising wholesale funding costs, Perpetual (-10.3%) which declined due to its leverage to falling markets and Caltex (-9.0%) which was weaker on negative press around its franchising operations (it is important to note that Caltex have announced that they will be ceasing all franchising in the near term and moving to a corporate model). Resource holdings Rio Tinto (-7.6%) and BHP (-5.2%) were also weaker.

Trust Activity

During the month, we took profits and reduced our holdings in a number of stocks including Crown Resorts and Wesfarmers. Proceeds were used to establish a position in Woolworths and to increase our holdings in a number of good value stocks including Stockland and Westfield. At month end, stock numbers were 31 and cash was 3.7%.

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, driven by factors such as recent political rhetoric around trade policy, 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	-3.7	S&P500	-4.0
Energy	-2.5	Nikkei 225	-4.1
Materials	-4.2	FTSE100	-2.4
Industrials	-1.1	Shanghai Composite	-3.0
Consumer Discretionary	-2.3	RBA Cash Rate	1.50
Health Care	-3.3	AUD / USD	-1.6
Financials-x-Real Estate	-5.8	Iron Ore	-19.8
Real Estate	+0.1	Oil	+10.1
Information Technology	-2.2	Gold	+0.6
Telecommunication Services	-6.2	Copper	-3.1
Utilities	-0.8		

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Signatory of:

PRI Principles for Responsible Investment