Perennial Value Shares for Income Trust

MONTHLY REPORT JUNE 2018

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Shares for Income Trust (Net)#	3.6	6.3	8.6	8.6	6.7	9.8	8.5
Capital Growth	3.1	4.7	0.7	0.7	-3	1.1	0.6
Income Distribution#	0.5	1.6	7.9	7.9	9.7	8.7	7.9
Benchmark Yield*	0.2	1.2	6.3	6.3	6.3	6.4	6.1
Excess income#	**0.3**	**0.4**	**1.6**	**1.6**	**3.4**	**2.3**	**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 12 months, the Trust has delivered a grossed up income return of 7.9%.
- The Australian stock market shrugged aside ongoing global political uncertainty to deliver a return of 3.2% for the month of June, bringing the total return for the financial year to 11.4%.
- The market was led higher by the major banks which recovered some of their previous losses and the energy sector which rallied on the stronger oil price.

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/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio Manager
Stephen Bruce

Trust FUM
AUD $32 million

Distribution Frequency
Monthly

Minimum Initial Investment
$25,000

Trust Inception Date
December 2005

Fees
0.92%

APIR Code
IOF0206AU

Portfolio Characteristics – FY19	Trust	Market
Price to Earnings (x)	14.6	15.8
Price to Free Cash Flow (x)	13.9	15.7
Gross Yield (%)	7.3	5.7
Price to NTA (x)	2.1	2.4

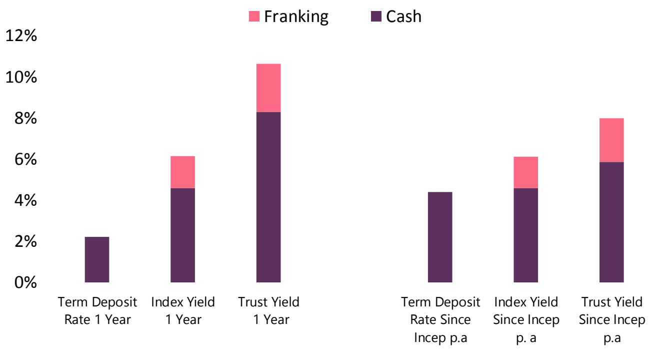
Source: Perennial Value Management. As at 30 June 2018.

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 (%)

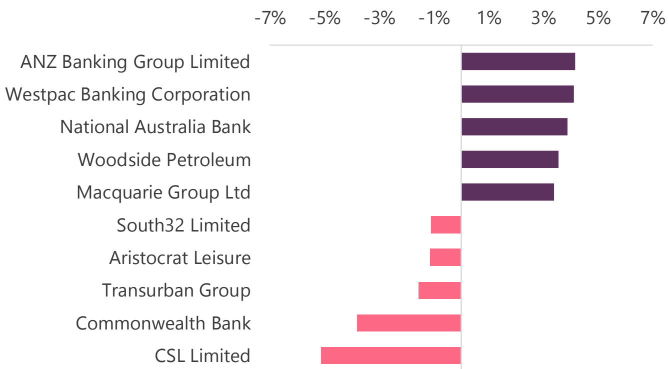
FY17	65.6	FY14	115.0
FY16	55.9	FY13	97.8
FY15	88.4	FY12	98.5

Distribution Yield

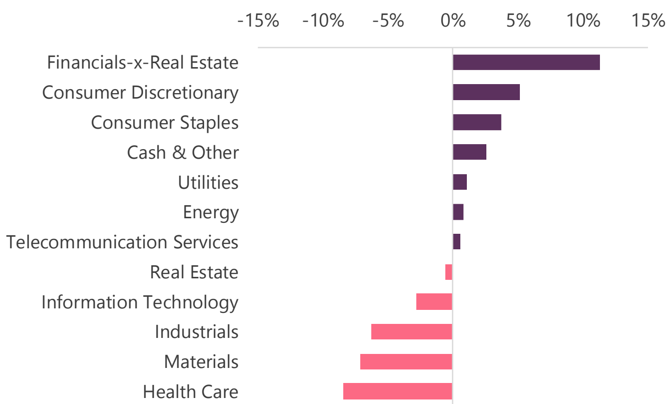


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Better performing stocks over the month included Caltex Australia (+10.6%), which rose after providing sound first half earnings guidance combined with the announcement that the proposed purchase of Woolworths' fuel business by BP would not proceed. Caltex is currently the fuel supplier to the Woolworths petrol station network and the retention of this business would be a significant positive. Woodside Petroleum (+9.4%) outperformed on the stronger oil price, while Suncorp (+8.6%) and Macquarie Group (+8.2%) continued their strong recent performances. Both Wesfarmers (+8.6%) and Woolworths (+7.2%) outperformed, with continued positive sentiment towards the supermarket sector. Other stocks which outperformed included Scentre Group (+5.0%), IAG (+4.9%) and Boral (+4.1%)

The Trust benefitted from its overweight position in the major banks as they rallied an average of +4.1% over June. In our view, the banks are offering attractive valuations and dividend yields, having been sold off over the past year on the back of negative sentiment from the Royal Commission.

Stocks which detracted from performance include Telstra (-6.6%), which declined after lowering earnings on the back of increased mobile competition and announcing a major restructuring, Event Hospitality (-6.0%) on softer box office takings and Platinum Asset Management (-5.1%).

Trust Activity

During the month, we took profits and trimmed holdings in a number of stocks which had performed strongly over the past 12 months including BHP (+50.8%), Flight Centre (+64.6%) and Wesfarmers (+28.2%). At month end, stock numbers were 32 and cash was 2.6%.

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 ongoing trade policy uncertainty, 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, REITs and infrastructure.

The Trust 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 (%)

S&P/ASX300 Accumulation Index	+3.2
Energy	+7.7
Materials	+1.7
Industrials	+0.6
Consumer Discretionary	+2.1
Health Care	+2.5
Financials-x-Real Estate	+4.0
Real Estate	+2.3
Information Technology	+5.9
Telecommunication Services	-5.5
Utilities	+5.9

Global, Currency & Commodities (%)

S&P500	+0.5
Nikkei225	+0.5
FTSE100	-0.5
Shanghai Composite	-8.0
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+0.8
Oil	+2.4
Gold	-3.5
Copper	-3.9

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