

	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) <sup>#</sup>	0.7	2.5	2.5	10.9	10.6	8.4	8.5
Capital Growth	0.1	0.7	0.7	4.3	0.9	-0.1	0.6
Income Distribution <sup>#</sup>	0.6	1.8	1.8	6.6	9.7	8.5	7.9
Benchmark Yield <sup>*</sup>	0.7	1.8	1.8	6.3	6.4	6.2	6.1
<b>Excess income<sup>#</sup></b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>3.3</b>	<b>2.3</b>	<b>1.8</b>

<sup>#</sup>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

- The Australian stock market eased in September, delivering a return of -1.2% for the month, leaving the total return for the last 12 months at a healthy +14.0%.
- The Trust gained 0.7%, outperforming by +1.8% as the market became more favourable towards value stocks after a long period of being dominated by expensive growth and momentum stocks.
- Resources moved higher, +5.2%, on robust commodity prices, while the industrials declined -2.7%, with many expensive stocks pulling back from recent highs and banks weaker on continuing Royal Commission concerns.
- Offshore markets were also positive, with the S&P500 +0.4%, FTSE100 +1.0%, Nikkei 225 +5.5% and Shanghai Composite +3.5%.

## 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	Trust FUM	
Stephen Bruce	AUD \$32 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0206AU

Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	15.0	15.6
Price to Free Cash Flow (x)	13.6	15.2
Gross Yield (%)	7.2	5.9
Price to NTA (x)	2.4	2.4

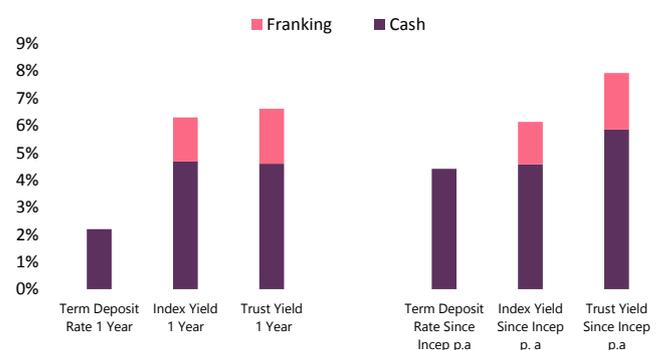
Source: Perennial Value Management. As at 30 September 2018.

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 (%)

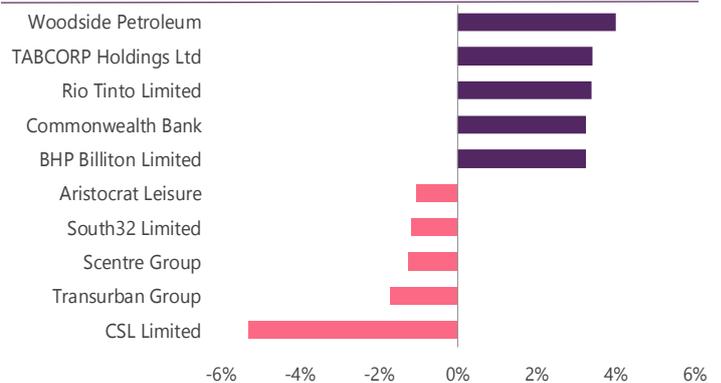
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0
FY16	55.9	FY13	97.8

## Distribution Yield

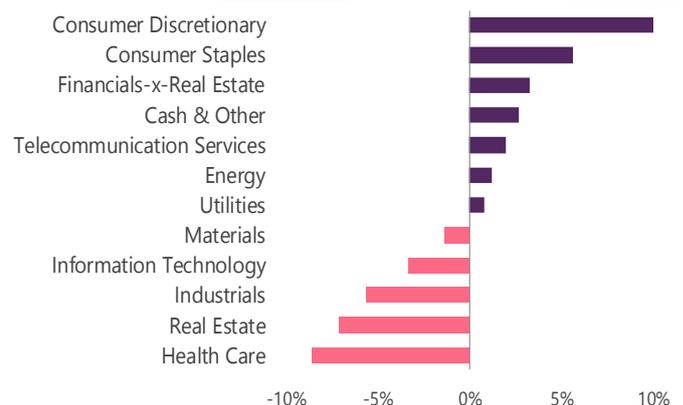


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The resources sector was the standout over the month, with Rio Tinto (+8.3%) rallying after announcing a \$3.2bn buy-back program. In addition to continued healthy commodity prices, returns of capital and franking credits are a key part of our investment thesis supporting our positive view on the sector. BHP (+7.2%) is also cum-capital return following the sale of its shale assets while Woodside Petroleum (+4.6%) rallied on the positive oil price outlook and tightening LNG market. Other holdings which outperformed over the month included Telstra (+2.9%), Downer (+2.2%) and Tabcorp (+1.5%).

The Trust benefited from being underweight on valuation grounds in a number of expensive growth stocks including CSL (-11.0%), A2 Milk (-11.0%), Treasury Wines (-9.4%) and Transurban (-5.5%) all underperforming over the month. We have long argued that many of these stocks are trading on excessive valuations and at risk of being de-rated at some point.

The major banks underperformed marginally, delivering an average return of -2.1%. Sentiment towards the sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields.

The main detractors from performance were Suncorp (-6.6%), Flight Centre (-7.3%), AGL Energy (-6.2%) and IAG (-5.2%).

## Trust Activity

During the month, we exited our holdings in Dexu and Scentre Group. Proceeds were used to increase our holdings in a number of stocks including HT&E, Flight Centre and Rio Tinto, each of which demonstrate sound dividend-paying prospects. At month end, stock numbers were 29 and cash was 2.5%.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-1.2
Energy	+4.3
Materials	+4.1
Industrials	-2.1
Consumer Discretionary	-3.8
Health Care	-7.3
Financials-x-Real Estate	-2.2
Real Estate	-1.5
Information Technology	-0.6
Telecommunication Services	+2.7
Utilities	-3.1

[Invest Online Now](#)

## Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

[invest@perennial.net.au](mailto:invest@perennial.net.au)

[www.perennial.net.au](http://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).

## 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

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. The Trust is exposed to this dynamic through its positions in the large-cap, low-cost resource stocks, the major banks and a range of quality industrials. We continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates 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.**

## Global, Currency & Commodities (%)

S&P500	+0.4
Nikkei225	+5.5
FTSE100	+1.0
Shanghai Composite	+3.5
RBA Cash Rate	1.50
AUD / USD	+0.0
Iron Ore	+5.6
Oil	+6.8
Gold	-0.9
Copper	+5.0