

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.5	1.4	3.5	4.9	7.2	6.5	5.8
Capital Growth	7.0	7.3	-2.1	-2.2	2.1	-1.4	0.4
Total Return	7.5	8.7	1.4	2.7	9.3	5.2	6.2
Franking Credits <sup>#</sup>	0.1	0.7	1.5	2.2	2.4	2.3	2.1
<b>Income Distribution including Franking Credits</b>	<b>0.6</b>	<b>2.1</b>	<b>5.0</b>	<b>7.1</b>	<b>9.6</b>	<b>8.8</b>	<b>7.9</b>
Benchmark Yield* including Franking Credits	1.1	1.6	4.1	6.2	6.4	6.2	6.1
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>-0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.9</b>	<b>3.2</b>	<b>2.6</b>	<b>1.8</b>

<sup>#</sup>Franking credits are an estimate as tax components will only be known with certainty at the end of the financial year. <sup>^</sup>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

- Global markets continued their recovery in February, with the S&P500 +3.0%, FTSE 100 +1.5%, Nikkei 225 +2.9% and Shanghai Composite +13.8%.
- The Australian market also performed strongly, finishing the month +6.0%, on the back of a broad-based rally in both industrials and resources.
- The highlight of the month was the company reporting season, which saw many companies increase their dividends.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.2x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities available for investors with a longer-term time horizon.

## 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 \$30 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	14.2	15.2
Price to Free Cash Flow (x)	12.9	15.0
Gross Yield (%)	7.2	6.0
Price to NTA (x)	2.3	2.3

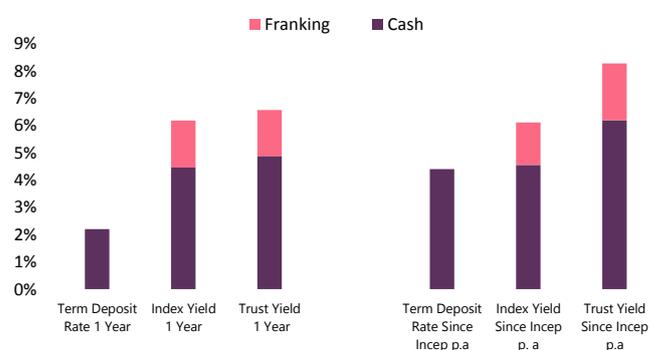
Source: Perennial Value Management. As at 28 February 2019

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 (%)

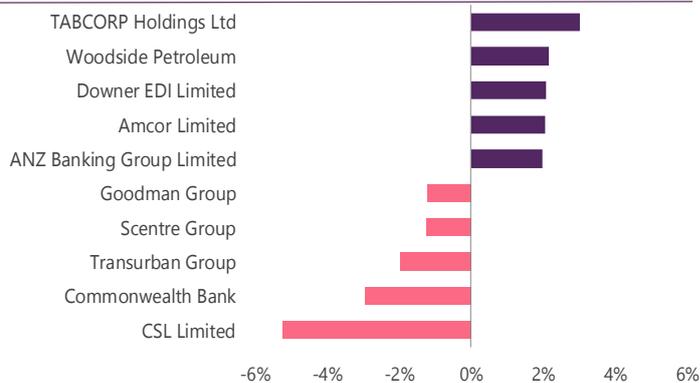
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0
FY16	55.9	FY13	97.8

## Distribution Yield

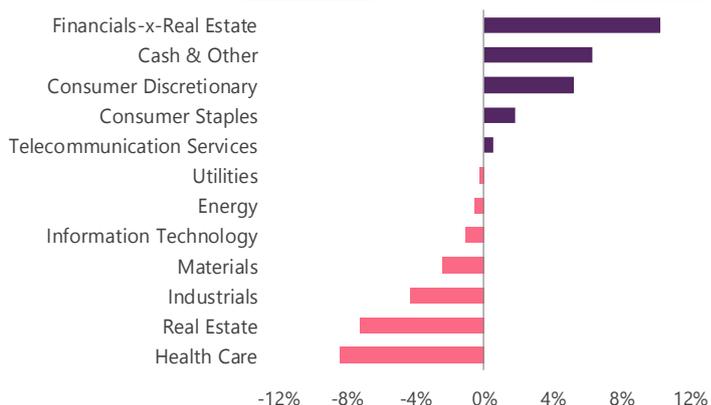


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

Global markets continued their rally during February, as investors became more optimistic on the macro backdrop, in particular a more dovish tone being taken by the Fed regarding future interest rate rises. The Australian market also performed very strongly over the month, to close up +6.0%. The rally was broad-based, with Consumer Staples the only sector to record a negative return.

The highlight of the month was the company reporting season. Results were generally well-received, with the majority of companies held in the Trust reporting higher earnings and dividends. Several companies such as BHP, Rio Tinto and Flight Centre announced special dividends, while Caltex announced an off-market buy-back and Woolworths indicated that it intends to return up to \$1.7bn to shareholders following the sale of its petrol business.

Stocks which performed well included Resources companies Rio Tinto (+10.5%), Woodside Petroleum (+9.3%) and BHP (+6.9%), which rallied on the back of higher commodity prices. Mining services companies Ausdrill (+38.1%) and Seven Group (+22.5%), also performed well as they stand to benefit from the strength in the resources sector.

The major banks also rallied, rising an average of +8.9%. This followed the release of the Royal Commission report, which did not contain any recommendations which were likely to materially impact the long-term profitability of the sector.

Stocks which detracted from performance included Coles (-9.4%) and Woolworths (-0.9%), which both reported softer sales and Event Hospitality (-2.4%) which saw weaker earnings from its hotel operations.

## Trust Activity

During the month we established positions in Link Administration and Medibank Private and increased our holding in IAG, while trimming our holdings in the major banks. At month end, stock numbers were 34 and cash was 6.3%.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+6.0
Energy	+7.8
Materials	+6.4
Industrials	+6.4
Consumer Discretionary	+6.7
Health Care	+1.3
Financials-x-Real Estate	+9.1
Real Estate	+1.8
Information Technology	+7.5
Telecommunication Services	+4.4
Utilities	+4.0

[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 regular income stream, the Trust pays 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

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.2x and offering an attractive gross dividend yield of over 6.0%.

Within the overall market, we are currently finding many good value, high-yielding investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain large pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

**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	+3.0
Nikkei225	+2.9
FTSE100	+1.5
Shanghai Composite	+13.8
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+4.2
Oil	+6.7
Gold	-0.6
Copper	+5.5