

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years Since Inception (% p.a.)	7 Years Since Inception (% p.a.)
Income Distribution	0.4	1.3	4.8	5.4	7.3	6.5	5.8
Capital Growth	0.2	1.3	-0.7	2.3	-0.3	-1.5	0.5
Total Return	0.6	2.6	4.1	7.7	7.0	5.0	6.3
Franking Credits [#]	0.2	0.6	2.2	2.4	2.5	2.3	2.1
Income Distribution including Franking Credits	0.6	1.9	7.0	7.8	9.8	8.8	7.9
Benchmark Yield including Franking Credits*	0.8	1.7	6.0	6.5	6.3	6.2	6.1
Excess Income to Benchmark[#]	-0.2	0.2	1.0	1.3	3.5	2.6	1.8

[#]Franking credits are an estimate as tax components will only be known with certainty at the end of the financial year. *Since inception: December 2005. Benchmark yield including franking credits is calculated as the difference between the return on S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) and the return of the S&P/ASX300 Index. Past performance is not a reliable indicator of future performance.

Overview

- Rising trade tensions saw global markets weaker in May, with the S&P500 -6.6%, FTSE 100 -3.5%, Nikkei 225 -7.4% and Shanghai Composite -5.8%.
- The Australian market performed better, finishing the month +1.7%, following the surprise Coalition victory in the Federal election.
- Communications (+7.1%), Healthcare (+3.5%), Metals and Mining (+3.3%) and Financials (+2.6%) led the market higher, while Energy (-3.8%) and Consumer Staples (-4.2%) lagged.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.8X and offering an attractive gross dividend yield of 5.6%, presenting many very good value opportunities 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)	14.3	15.8
Price to Free Cash Flow (x)	12.8	15.3
Gross Yield (%)	6.9	5.6
Price to NTA (x)	2.3	2.4

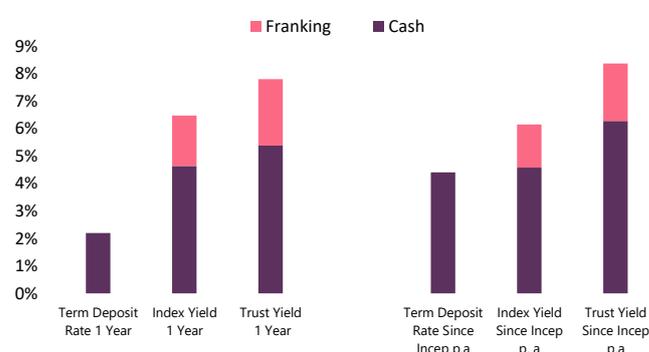
Source: Perennial Value Management. As at 31 May 2019

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 (%)

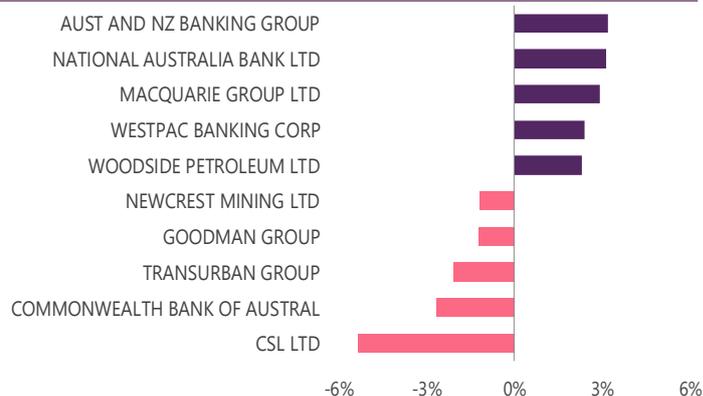
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0
FY16	55.9	FY13	97.8

Distribution Yield

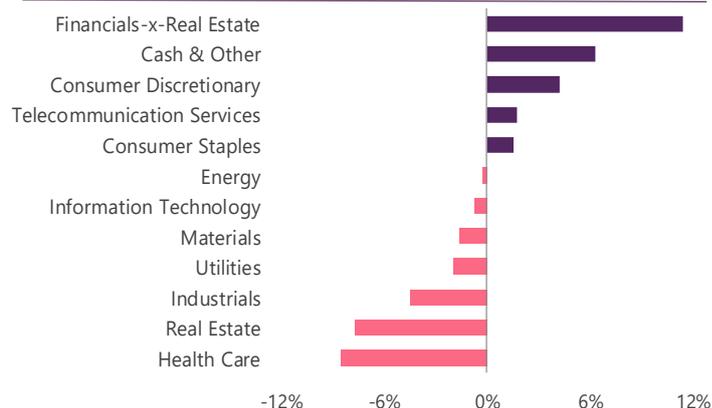


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Rising trade tensions saw global markets weaker in May, with the S&P500 -6.6%, FTSE 100 -3.5%, Nikkei 225 -7.4% and Shanghai Composite -5.8%.

By contrast, the Australian market performed better, finishing the month +1.7%. This followed the surprise Coalition victory in the Federal election, which was widely perceived to be positive for the economy. In particular, it removed the concerns around the potential impacts of changes to negative gearing. This, combined with an easing of lending limits announced by the regulator, saw confidence return to the housing market, leading banks stocks to rally, finishing the month up an average of +5.5%. Importantly for investors, the election outcome also saw the risk to franking credit refunds removed.

Other stocks which performed well post-election included Medibank Private (+15.7%), which no longer faces the prospect of a 2.0% cap on premium increases, as well as Flight Centre (+13.5%) and Boral (+12.0%), with their exposure to the domestic economy. Telstra (+8.0%) continued to rally with the launch of their 5G network ahead of their competitors. Amcor (+2.0%) was also up after receiving final regulatory approval for their merger with Bemis, giving them a leading position in the US.

Stocks which detracted from performance included Link Holdings (-21.4%), which downgraded earnings due to a range of factors, most of which are likely to prove transient. Macquarie Group (-8.0%), delivered a strong result, with earnings up +17.0% but fell after guiding for a softer result in the coming year. We view this as being a conservative outlook which the company is likely to exceed. Downer (-7.9%), also fell after flagging potential issues at one of the wind farm projects it is constructing.

Trust Activity

During the month, we exited out position in AGL Energy due to increasing regulatory risk and reduced our holdings in Suncorp and Medibank. Proceeds were reinvested into Macquarie Group. At month end, stock numbers were 32 and cash was 6.3%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.7
Energy	-3.8
Materials	+3.1
Industrials	+0.2
Consumer Discretionary	+2.0
Health Care	+3.5
Financials-x-Real Estate	+2.6
Real Estate	+2.3
Information Technology	-3.1
Telecommunication Services	+7.1
Utilities	-0.6

Invest Online Now

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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 dividend income to be generated over the year. Franking credits, surplus income and any realised capital gains will then be distributed, as per usual, with the June distribution.

As a result of participating in a number of tax-effective, off-market buy-backs over the past year, the June distribution is anticipated to be significantly above the usual level. Investors who do not require this additional income may wish to consider reinvesting this back into the Trust.

Outlook

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.8x and offering an attractive gross dividend yield of 5.6%.

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	-6.6
Nikkei225	-7.4
FTSE100	-3.5
Shanghai Composite	-5.8
RBA Cash Rate	1.50
AUD / USD	-1.6
Iron Ore	+8.9
Oil	-11.4
Gold	+1.7
Copper	-9.1