

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years Since Inception (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.5	1.4	1.4	12.7	8.5	8.0	6.3
Capital Growth	2.9	1.4	1.4	-5.4	-0.5	-1.8	0.1
Total Return	3.4	2.8	2.8	7.2	8.0	6.2	6.5
Franking Credits <sup>#</sup>	0.2	0.5	0.5	5.6	3.3	2.9	2.4
<b>Income Distribution including Franking Credits</b>	<b>0.7</b>	<b>1.9</b>	<b>1.9</b>	<b>18.3</b>	<b>11.8</b>	<b>10.9</b>	<b>8.7</b>
Benchmark Yield including Franking Credits*	0.8	1.8	1.8	6.5	6.4	6.3	6.2
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>11.8</b>	<b>5.4</b>	<b>4.6</b>	<b>2.5</b>

<sup>#</sup>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

- Global markets rebounded in September, on the back of optimism around trade talks, with the S&P500 +1.7%, FTSE 100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%.
- Positive sentiment saw cyclical sectors outperform, with Energy (+4.5%), Financials (+4.2%), Consumer Discretionary (+3.3%) and Metals and Mining (+2.3%) leading, while defensive sectors such as Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) lagged.
- Holdings which contributed positively included, Janus Henderson (+15.6%), Ausdrill (+11.8%), Coles (+11.3%), Caltex (+11.2%) and NAB (+8.6%).

## 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 \$28 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)	14.9	16.2
Price to Free Cash Flow (x)	15.2	15.1
Gross Yield (%)	6.5	5.4
Price to NTA (x)	2.6	2.5

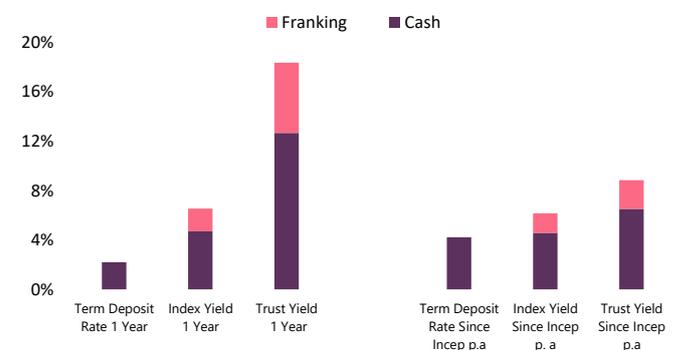
Source: Perennial Value Management. As at 30 September 2019

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 (%)

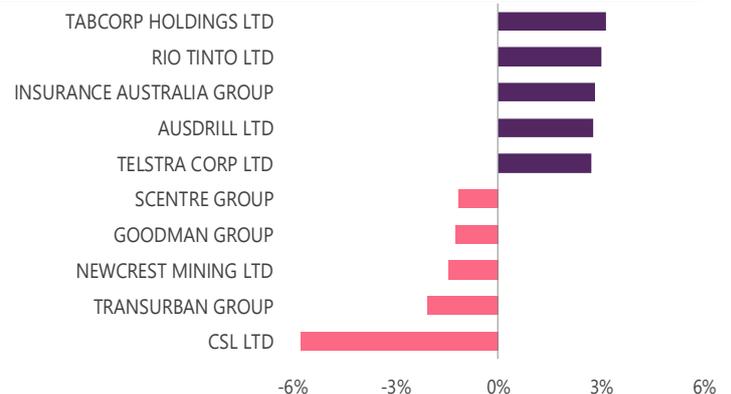
FY19	95.1	FY16	55.9
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0

## Distribution Yield

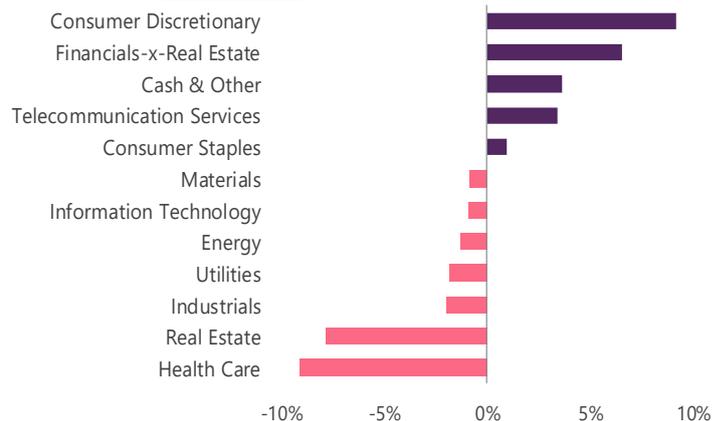


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

An easing of concerns around the trade war and other macro risks saw global markets resume their rise in September. Most major markets rallied over the month, with the S&P500 +1.7%, FTSE100 +2.8%, Nikkei 225 +5.1% and the Shanghai Composite +0.7%. The Australian market also rallied, with the ASX300 Accumulation Index finishing the month up +1.9%.

A key driver of stock and sector performance over the month was the movement in interest rates, as improved investor sentiment saw US bond yields rise modestly. This, in turn, drove a rotation away from "rate-sensitive" sectors of the market, such as expensive growth and defensive yield stocks, with Telcos (-2.8%), REITs (-2.7%) and Healthcare (-2.2%) sectors all underperforming.

The current valuations of these styles of stocks are heavily dependent on the assumption that interest rates will remain very low for a very long time. This makes them highly susceptible to being sold off sharply should interest rates begin to rise from their current record low levels and is the reason that the Trust generally continues to avoid these types of stocks.

By contrast, the more cyclical parts of the market outperformed, with Energy (+4.5%), Financials (+4.2%), Consumer Discretionary (+3.3%) and Metals and Mining (+2.3%) all rallying. The Trust is overweight this part of the market as it is where we see the better value opportunities and therefore the greater long-term upside for investors.

Key contributors included Janus Henderson (+15.6%), Ausdrill (+11.8%), Coles (+11.3%), Caltex (+11.2%) and NAB (+8.6%).

## Trust Activity

During the month, we took profits and reduced our holding in Woolworths following a strong share price performance, with the stock +36.7% over the past 12 months. At month end, stock numbers were 32 and cash was 3.7%.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.9
Energy	+4.5
Materials	+2.9
Industrials	-0.1
Consumer Discretionary	+3.3
Health Care	-2.2
Financials-x-Real Estate	+4.2
Real Estate	-2.7
Information Technology	+0.1
Telecommunication Services	-2.8
Utilities	+2.0

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## Distribution

In order to provide a regular income stream, the Trust pays monthly distributions. We 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.

The Trust declared a distribution for September of 0.47cpu, bringing the total income return for the last 12 months to 13.2cpu. This represents an income yield for the last 12 months of 12.7% or 18.3% including franking credits.

The distribution yield over the past 12 months was boosted as a result of the Trust participating in a number of off-market buy-backs. This is not expected to be repeated in the current year.

For the FY20 financial year, we are targeting a 7.0% distribution yield, comprising a 5.0% cash yield plus 2.0% in franking credits.

## Outlook

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 16.2x and offering an attractive gross dividend yield of 5.4%.

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 numbers 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	+1.7
Nikkei225	+5.1
FTSE100	+2.8
Shanghai Composite	+0.7
RBA Cash Rate	1.00
AUD / USD	+0.1
Iron Ore	+9.3
Oil	+0.6
Gold	-3.1
Copper	+1.1