

	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	1.3	2.7	13.9	8.4	8.0	6.3
Capital Growth	-2.5	-2.6	-1.2	3.5	-3.1	-2.6	0.0
Total Return	-2.0	-1.2	1.5	17.4	5.2	5.3	6.3
Franking Credits [#]	0.2	0.7	1.1	6.1	3.3	2.9	2.3
Income Distribution including Franking Credits	0.7	2.0	3.8	20.0	11.7	10.9	8.6
Benchmark Yield including Franking Credits*	0.2	0.9	2.8	6.9	6.2	6.3	6.1
Excess Income to Benchmark[#]	0.5	1.1	1.0	13.1	5.5	4.6	2.5

[#]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 were buoyant in December, on the back of positive developments in the US-China trade war and the decisive outcome of the UK election, which will likely see an end to the Brexit impasse.
- The Australian market lagged as many large, expensive defensive and growth stocks were sold off and investors rotated into more cyclical parts of the market such as resources.
- The major positive contributors were Platinum Asset Management (+5.6%), Rio Tinto (+3.6%) and BHP (+1.8%), while Perenti (-16.7%), Telstra (-8.3%) and Crown Resorts (-7.0%) detracted.
- The Trust continues to target a pre-tax distribution yield for FY20 of around 7.0%.

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 \$26 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

Portfolio Characteristics – FY21	Trust	Index
Price to Earnings (x)	14.9	16.8
Price to Free Cash Flow (x)	16.5	16.0
Gross Yield (%)	6.5	5.3
Price to NTA (x)	2.2	2.5

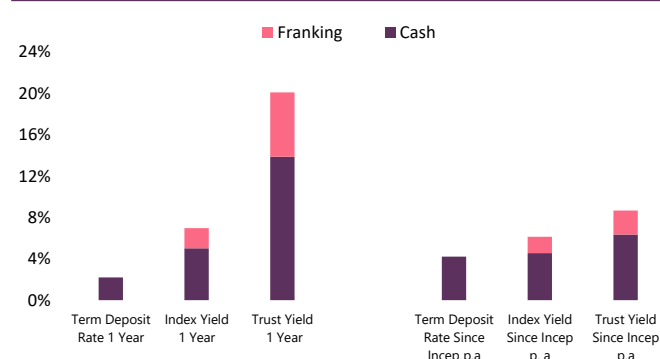
Source: Perennial Value Management. As at 31 December 2019

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 (%)

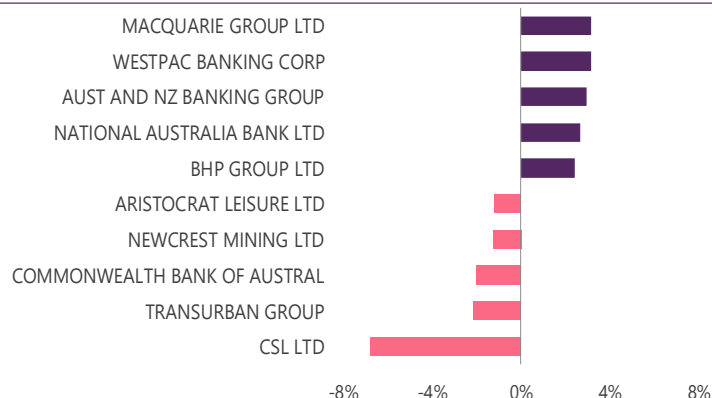
FY19	95.1	FY16	55.9
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0

Distribution Yield

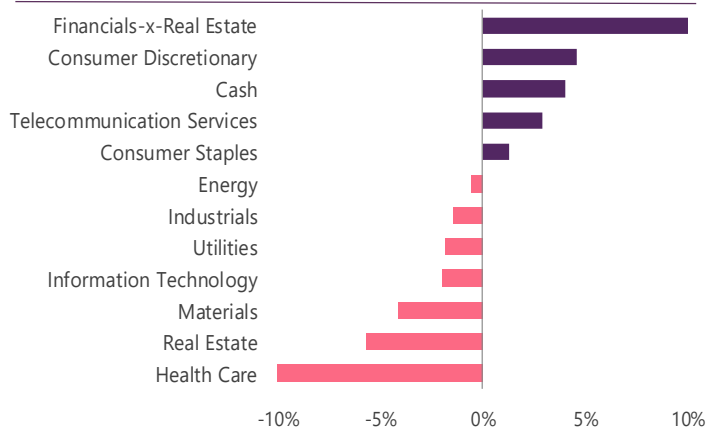


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

Global markets were generally buoyant in December, on the back of positive developments in the US-China trade war and the decisive outcome of the UK election, which will likely see an end to the Brexit impasse. This saw the S&P500 +2.6%, Nikkei 225 +1.6%, FTSE100 +2.7% and the Shanghai Composite +6.2%.

This positive sentiment saw a move into the more cyclical parts of the market such as resources, while the growth and defensive sectors, such as Healthcare and REITs, sold off. This depressed the Australian market overall, with the Index finishing the month down -2.0%.

Stocks which contributed to performance included Platinum Asset Management (+5.6%) which, as a value manager, should be expected to deliver outperformance should this rotation continue. Other outperformers included Resources holdings Rio Tinto (+3.6%), BHP (+1.8%) and mining services company Seven Group (+1.7%). Event Hospitality (+1.7%) also outperformed, as competitor Village Roadshow received a takeover offer from private equity firm PEP. This approach could serve to highlight the significant unrecognised value in Event Hospitality.

The Trust also benefitted from its underweight position in expensive sectors such as REITs (-4.2%), IT (-3.9%) and Healthcare (-2.7%), which do not meet our valuation criteria.

Stocks which detracted from performance included Perenti (-16.7%) after the termination of a contract at one of its African operations. Telstra (-8.3%), Janus Henderson (-7.7%), Crown Resorts (-7.0%) and Graincorp (-6.8%) also declined on no specific news.

Trust Activity

During the month we trimmed our holdings in Downer following its recent strong performance. We also reduced our holding in Perenti and used the proceeds to add another mining services exposure, Monadelphous, to the portfolio. At month end, stock numbers were 34 and cash was 4.0%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-2.0
Energy	-1.4
Materials	+1.8
Industrials	-3.1
Consumer Discretionary	-2.2
Health Care	-2.7
Financials-x-Real Estate	-1.6
Real Estate	-4.2
Information Technology	-3.9
Telecommunication Services	-5.5
Utilities	+0.8

[Invest Online Now](#)

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

✉ invest@perennial.net.au

🌐 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.

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 December 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 13.9% or 20.0% 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 slightly above its long-term average, with a FY21 P/E ratio of 16.8x and offering a gross dividend yield of 5.3%.

Within the overall market, however, 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	+2.6
Nikkei225	+1.6
FTSE100	+2.7
Shanghai Composite	+6.2
RBA Cash Rate	0.75
AUD / USD	+3.8
Iron Ore	+4.5
Oil	+5.7
Gold	+3.6
Copper	+5.1