

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years Since Inception (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.5	1.3	3.4	11.8	8.4	7.9	6.3
Capital Growth	-9.6	-9.6	-8.4	-12.2	-6.0	-6.1	-0.6
Total Return	-9.2	-8.3	-5.0	-0.3	2.4	1.8	5.7
Franking Credits [#]	0.2	0.6	1.5	5.4	3.4	2.8	2.3
Income Distribution including Franking Credits	0.7	1.9	4.9	17.2	11.8	10.7	8.6
Benchmark Yield including Franking Credits*	0.7	0.9	3.4	5.7	6.1	6.0	6.1
Excess Income to Benchmark[#]	0.0	1.0	1.5	11.5	5.7	4.7	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

- February started in a positive manner, with global markets rallying on the view the Coronavirus impact would be short-lived. However, the increasing number of cases outside China saw markets sold off heavily in the final week of the month.
- The Australian market followed the same pattern, finishing the month down -7.8%. The Coronavirus-induced concerns overshadowed the impacts of reporting season, which had seen the market be up +2.0% prior to the sell-off, as many stocks reported profit results which were well-received by the market.
- The major banks outperformed while the resources sector lagged.
- 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 \$24 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)	14.1	16.2
Price to Free Cash Flow (x)	15.5	15.3
Gross Yield (%)	7.2	5.6
Price to NTA (x)	2.1	2.3

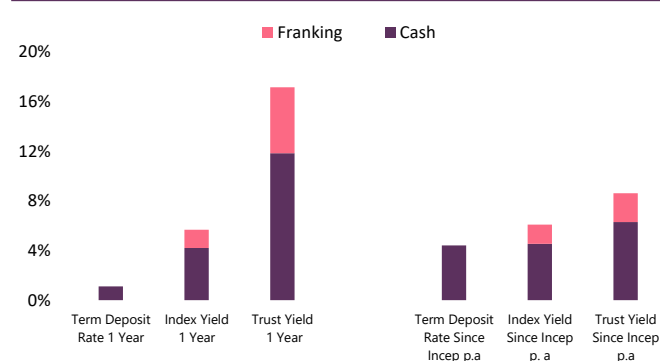
Source: Perennial Value Management. As at 31 January 2020

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 (%)

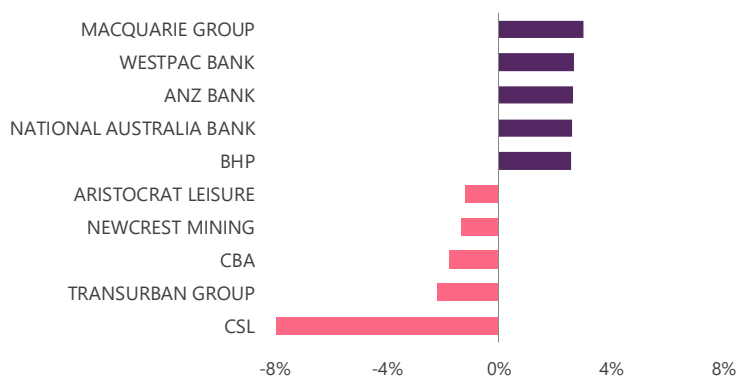
FY19	95.1	FY16	55.9
FY18	99.2	FY15	88.4
FY17	65.6	FY14	115.0

Distribution Yield

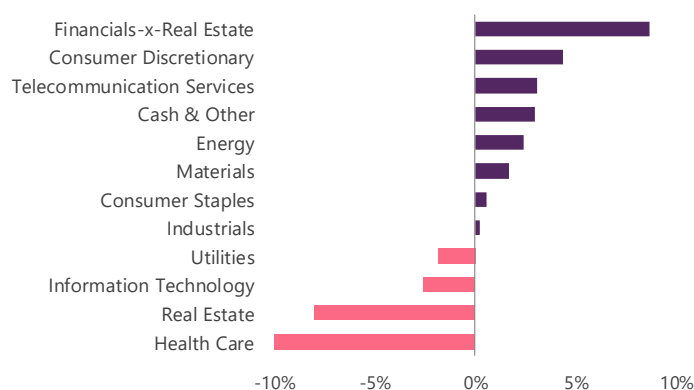


Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Trust Review

February started in a positive manner, with global markets rallying on the view that the Coronavirus impact would be short-lived. However, the increasing number of cases outside China saw markets sold off heavily in the final week of the month, with the S&P500 -8.4%, FTSE100 -9.7%, Nikkei225 -8.9% and Shanghai Composite -3.2%.

The Australian market followed the same pattern, finishing the month down -7.8%. All sectors of the market delivered negative returns, however the flight to safety saw defensive sectors such as Healthcare (-4.0%), Utilities (-4.0%) and REITs (-4.7%) outperform, while more cyclical sectors such as Metals and Mining (-11.7%) and Energy (-17.4%) lagged on the expectations of lower commodities demand.

The Coronavirus-induced concerns overshadowed the impacts of reporting season, which had seen the market be up +2.0%, as many stocks reported profit results which were well-received by the market. Given the relatively subdued economic backdrop, expectations were low ahead of the reporting season. However, many companies are still performing well. The major banks, for example, outperformed after CBA – a bellwether for the banking sector and broader domestic economy – reported a solid result showing, amongst other things, that credit quality remains very strong. Results from the retailers also showed that consumer spending was better than feared. Strong cash flows and dividends from the major resources companies was another highlight of the reporting season.

The major banks outperformed (down an average of only -3.5%) while our resources and tourism-exposed holdings lagged due to the expected impact of the Coronavirus.

Trust Activity

During the month, we took profits and exited our holding on Coca-Cola Amatil and trimmed holdings in the banks and Macquarie Group. Proceeds were used to increase holdings in a number of stocks which had been sold down, including adding Fortescue Metals to the portfolio. At month end, stock numbers were 32 and cash was 3.0%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	-8.7
Energy	-21.8
Materials	-10.6
Industrials	-11.0
Consumer Discretionary	-5.7
Health Care	-14.1
Financials-x-Real Estate	-10.5
Real Estate	-1.6
Information Technology	-15.5
Telecommunication Services	-10.4
Utilities	-6.6
Consumer Staples	-7.9

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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 February 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 11.8% or 17.2% 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 distribution yield of around 7.0%, comprising a 5.0% cash yield plus 2.0% in franking credits.

Outlook

The current level of uncertainty regarding the impact of the Coronavirus outbreak is very high. However, what is certain, is that it will pass. Further, before this issue arose, the global economic outlook was increasingly positive, with easing trade tensions and ongoing low interest rates seeing activity picking up in most regions. It is also important to note that this sell-off is due to an external issue, rather than being due to some fundamental economic or market imbalance. As a result, markets may well rally violently as signs emerge that the spread of the disease is slowing. However, should it prove to be prolonged, we are likely to see significant policy responses from governments and central banks to support their economies through this period, via a combination of fiscal stimulus and monetary policy.

In the meantime, 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 with strong balance sheets, 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	-8.4
Nikkei225	-8.9
FTSE100	-9.7
Shanghai Composite	-3.2
RBA Cash Rate	0.75
AUD / USD	65.2c
Iron Ore	-10.3
Oil	-10.8
Gold	+2.5
Copper	+3.4

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