

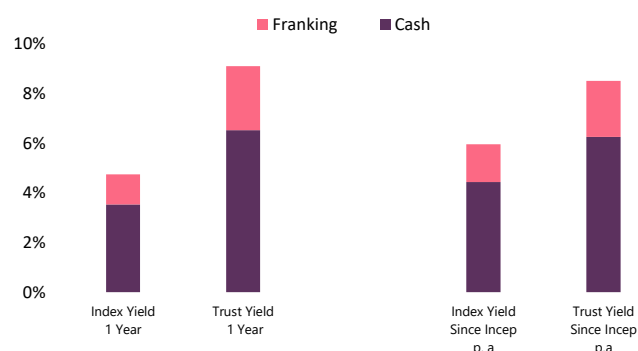
	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years Since Inception (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.4	1.2	4.7	6.5	9.1	8.0	6.3
Capital Growth	2.8	6.6	17.1	25.8	-4.3	-1.7	-0.2
Total Return	3.2	7.8	21.8	32.3	4.8	6.2	6.1
Franking Credits <sup>#</sup>	0.2	0.4	1.9	2.6	3.9	2.9	2.2
<b>Income Distribution including Franking Credits</b>	<b>0.6</b>	<b>1.6</b>	<b>6.6</b>	<b>9.1</b>	<b>13.0</b>	<b>10.9</b>	<b>8.5</b>
Benchmark Yield including Franking Credits*	0.0	1.6	4.0	4.7	4.9	5.7	5.9
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>0.6</b>	<b>0.0</b>	<b>2.6</b>	<b>4.4</b>	<b>8.1</b>	<b>5.2</b>	<b>2.6</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 generally performed strongly in April, driven by strong economic data, expectations of further stimulus measures and the accelerating vaccine rollout in the US and UK. The market was also helped by a slight pull-back in bond yields.
- The Australian market also performed strongly, with the ASX300 Accumulation Index finishing the month up 3.7%. Sector performance was mixed, with strong performances from cyclical sectors such as Resources, as well as growth sectors such as IT.
- The Trust is targeting an FY21 pre-tax distribution yield of around 7%. While market dividends will be lower, the Trust will seek out the best dividend opportunities and may seek to supplement income generation by undertaking limited call-writing.

## Distribution Yield



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

## 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 \$20 million	
Distribution Frequency	Minimum Initial Investment	
Monthly	\$25,000	
Trust Inception Date	Fees	APIR Code
December 2005	0.92%	IOF0078AU

Portfolio Characteristics – FY22	Trust	Market
Price to Earnings (x)	16.1	17.5
Price to Free Cash Flow (x)	13.1	15.3
Gross Yield (%)	6.0	4.8
Price to NTA (x)	2.5	2.7

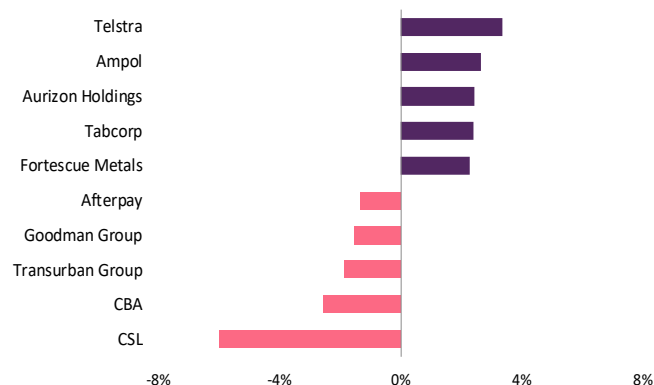
Source: Perennial Value Management. As at 30 April 2021

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.

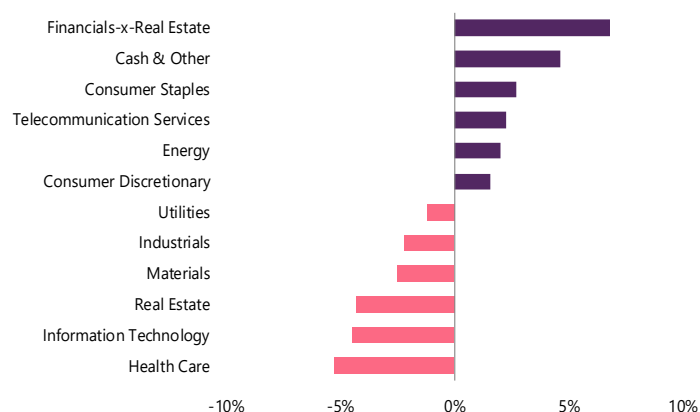
## Franking Levels (%)

FY20	94.4	FY17	65.6
FY19	95.1	FY16	55.9
FY18	99.2	FY15	88.4

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Trust Review

The Trust delivered a return, including franking credits and after fees of 3.3% in April, underperforming the index by 0.4%. Over the last 12 months, the Trust has performed strongly, delivering a return of +35.0%, outperforming the index by 2.2%. This performance highlights the Trust's leverage to the improving, post-COVID economy. Historically, value style investing has delivered significant outperformance during economic recoveries.

As the economy recovers, inflation expectations are likely to increase and this will lead to higher bond yields and increasing interest rates. While not appearing strongly in the official economic data as yet, updates from companies are now beginning to highlight strong inflationary pressures. While rising rates will present a headwind to growth, the most at-risk sectors are those with the most extreme valuations such as the Technology and Healthcare sectors. By contrast, the more cyclical sectors of the market are likely to outperform given their leverage to an improving growth environment and their less-demanding valuations. This is the environment in which value investing typically outperforms.

Stocks which contributed positively over the month included Resources stocks, with Fortescue Metals (+13.0%) Rio Tinto (+9.4%) and BHP (+5.3%) all outperforming, as the iron ore price hit new highs. High iron ore prices are one factor contributing to a sharp rise in steel prices globally. This is one example of the cost pressures that are beginning to feed into the economy and which are likely to drive higher inflation and higher interest rates.

Gaming stocks were stronger, with Tabcorp (+6.2%), continuing to rally after the takeover offer for its wagering division was increased to \$3.5bn. This is a sector undergoing significant corporate activity globally. Aristocrat Leisure (+8.2%), also rose ahead of what is expected to be a strong result. This company is well placed to grow in the digital gaming space over the coming years.

Global malt producer, United Malt Group (+12.3%) continued its strong run. This company is leveraged to the global reopening, as malt demand will increase as the hospitality industry recovers post-pandemic. Medibank Private (+10.0%) also performed well, with positive conditions in the private health insurance sector continuing.

Downer (+9.7%) rose after hosting an investor day which highlighted the progress the company has made divesting its capital-intensive and volatile businesses and refocussing on its urban services and asset management operations. Demand for these services are expected to grow over time, with increased government infrastructure investment.

Holdings which detracted from performance included Seven Group Holdings (down 4.5%), which declined after undertaking a \$500m equity raising to increase balance sheet flexibility. We view the outlook for this company positively, with its leverage to both the strength of the iron ore market through its Westrac Caterpillar franchise, as well as increased infrastructure investment through its Coates Hire business and its 23% stake in Boral. Agricultural stock Graincorp (down 2.9%) eased following its recent strong run. The major banks also lagged slightly, having performed very strongly in recent months. We remain positive on the outlook for each of these holdings.

The Trust was also impacted by not holding Afterpay (+15.9%), which rallied strongly during the month. We do not hold this stock on the basis of valuation, with the company having an unproven business model and being yet to make a profit (or pay a dividend). Further, it faces increased competition from a range of other payments providers, as well as the likelihood of increased regulation. To our mind, this stock in no way justifies a valuation north of \$30bn.

## Trust Activity

During the month, the Trust increased its holdings in ANZ, NAB and Westpac ahead of what we expect to be strong first half results, with significant increases in dividends. The Trust also added to its holding in IAG, with the insurance sector currently offering attractive valuations and a positive outlook. These purchases were funded by taking profits in a number of holdings which had performed strongly, including Event Hospitality and Tabcorp. At month end, stock numbers were 32 and cash was 4.6%.

## 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 April of 0.35c/share, bringing the total income return for the 10 months of the financial year to date to 4.7% or 6.6% including franking credits. For the full financial year to June, we are targeting a cash distribution of approximately 5.0% or 7.0% including franking credits.

Looking forward to next financial year, the outlook for dividends is positive. Many businesses are seeing strong operating conditions and corporate balance sheets are generally strong. This should underpin an attractive level of dividends in the year ahead. In addition, we may seek to enhance the income generation of the Trust by undertaking limited call-writing.

## Outlook

We believe that 2021 may well mark a significant turning point for the global economy and markets, with the prospects of a near-term rollout of an effective COVID vaccine underpinning the reopening of economies and a return to global growth. Importantly also, the change of leadership in the US should usher in a period of stability in terms of domestic and international policy and, hopefully, a generally more harmonious backdrop. The election result of a Biden presidency and Democratic Senate means there is likely to be increased fiscal stimulus, which should be positive for economic growth, corporate earnings and markets overall.

Domestically, key indicators around employment, loan deferrals and the property market are all surprising to the upside. Finally, the economy is underpinned by historically low interest rates and meaningful fiscal stimulus. If this improvement continues, then corporate earnings and dividends are likely to rebound strongly over the coming year.

**The Trust is positioned to benefit from an ongoing economic improvement. 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.**

## Invest Online Now

## Contact Us

✉ [invest@perennial.net.au](mailto:invest@perennial.net.au) 🌐 [www.perennial.net.au](http://www.perennial.net.au)

📞 1300 730 032 📍 Level 27, 88 Phillip Street, Sydney NSW 2000

Signatory of:  
 Principles for Responsible Investment



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).