

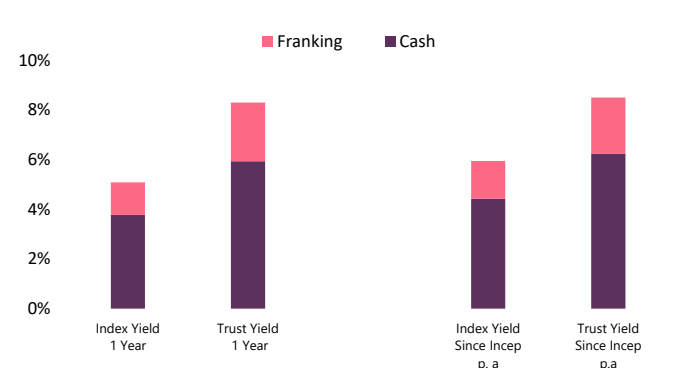
	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Income Distribution	0.5	1.3	5.9	5.9	5.6	7.5	6.2
Capital Growth	1.6	6.8	21.7	21.7	0.2	0.2	0.1
Total Return	2.1	8.1	27.6	27.6	5.7	7.7	6.3
Franking Credits <sup>#</sup>	0.2	0.5	2.5	2.5	2.3	3.0	2.2
<b>Income Distribution including Franking Credits</b>	<b>0.7</b>	<b>1.8</b>	<b>8.4</b>	<b>8.4</b>	<b>7.9</b>	<b>10.5</b>	<b>8.5</b>
Benchmark Yield including Franking Credits*	0.1	0.8	5.1	5.1	4.7	5.7	5.9
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>0.6</b>	<b>1.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>	<b>4.8</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

- Markets continued their upward march in June, with most major indices posting positive returns and having delivered very strong returns over the last 12 months, on the back of the post-COVID economic recovery.
- The Australian market also performed strongly, with the ASX300 Accumulation Index making another record high, finishing the month up 2.3% and bringing the total return for the last 12 months to a very healthy 28.5%.
- The Trust delivered an FY21 net distribution of 4.4 CPU, presenting a yield of 8.4%, including franking. Looking to the current financial year, market dividends are expected to increase significantly as corporate earnings recover post-COVID. The Trust is currently targeting a 30% increase in FY22 net distribution to 5.5 CPU.

## 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 \$21 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)	15.0	17.0
Price to Free Cash Flow (x)	12.3	14.9
Gross Yield (%)	7.1	5.2
Price to NTA (x)	2.6	2.8

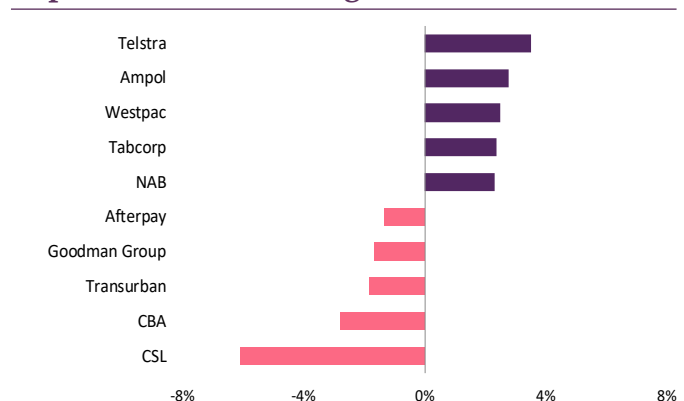
Source: Perennial Value Management. As at 30 June 2021

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.

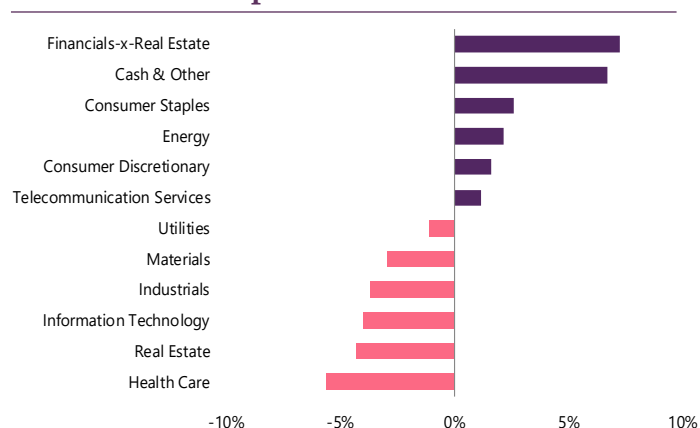
## Franking Levels (%)

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 2.3% in June, in line with the index return. Over the last 12 months, the Trust has performed strongly, delivering a return of +30.0%, outperforming the index by 0.2%. This performance highlights the Trust's leverage to the improving, post-COVID economy. Historically, value style investing has delivered significant outperformance during economic recoveries.

Stocks which contributed positively over the month included Telstra (+6.8%). The Telecommunications companies have struggled in recent years, as the NBN roll-out has impacted earnings from their fixed line businesses. However, as this nears completion, these headwinds are abating and their mobile businesses will be able to drive overall earnings growth, assisted by the take up of 5G technology and ever-increasing data needs. Further, the recent merger of TPG with Vodafone has improved the industry structure, effectively locking in a three-player market. This is likely to lead to a rational competitive environment and recent pricing increases suggest this is occurring.

Another factor that makes Telstra appealing, is that its operating business can be separated from its infrastructure assets. During the month, Telstra announced that it had sold a 49% stake in its mobile towers to a consortium of infrastructure investors. While Telstra effectively retained control of the assets, they were able to achieve a very high price for half the earnings, with the sale done at 28x EBITDA. This transaction highlights the prices that cashed-up infrastructure investors are prepared to pay for these sorts of assets and we expect further asset sales over time. Telstra will receive \$2.8bn from the sale and will return around half of this to shareholders in FY22. This is on top of its already attractive dividend yield. Given these improving sector dynamics, we regard telcos as one of our preferred defensive exposures.

The recent outbreak of COVID in NSW and elsewhere saw Healius (+10.2%) outperform. As the second largest pathology services provider in Australia, the company stands to benefit from the associated increase in COVID testing during this period. While this will hopefully be only temporary, it is providing a helpful boost to earnings while the company undertakes steps to improve its operational performance and lift margins following the sale of its medical centre business. Healius may also be a takeover target at some point. In many ways, parts of the healthcare sector such as pathology can be thought of as regulated utility services, with stable earnings largely derived from government funding. As a result, infrastructure-style investors are increasingly looking to these sorts of businesses, raising the potential for corporate activity in the space. Global pathology provider Sonic Healthcare (+10.4%) also outperformed on similar dynamics.

Holdings which underperformed during the month included the major banks (down an average of -1.7%), which eased following strong recent performance, as bond yields declined. In our view the operating outlook for these businesses remains very positive. Credit growth is picking up, margins have stabilised and costs are being reduced. Credit quality is very strong and provisioning levels are very high. This all adds up to a good outlook for earnings over the coming periods. Importantly, the banks are holding significant amounts of surplus capital which will be returned to shareholders. This will be in addition to their already attractive dividends, which have bounced back strongly as the COVID uncertainty has receded.

Other detractors included Ampol (-1.2%) and Suncorp (-0.1%). We remain positive on the outlook for these stocks.

## Trust Activity

During the month, the Trust added a position in leading grocery, liquor and hardware wholesaler, Metcash. The company is improving operationally and is expected to deliver solid growth in its hardware business. It has a strong balance sheet and recently announced a \$175m off-market buy-back. The Trust also increased its positions in Dexus and Charter Hall Long WALE REITs. At month end, stock numbers were 32 and cash was 5.0%.

## 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 June of 0.5 CPU, bringing the total income return for the financial year to date to 4.4 CPU. This equates to a cash distribution yield of 5.9% or 8.4% 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. The Trust is currently targeting a 30% increase in FY22 net distribution to 5.5 CPU. At the opening unit price of \$1.02, this represents a net distribution yield of 5.5% or 7.5% including franking.

## 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, business confidence 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**

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