

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	1.3	2.6	15.6	13.4	13.4	15.9	7.8
S&P/ASX 300 Accumulation Index	0.2	2.0	16.3	13.0	8.0	13.2	6.0
Value Added (Detracted)	1.1	0.6	-0.7	0.4	5.4	2.7	1.8
Capital Growth	0.0	1.1	11.0	8.0	7.2	9.9	1.4
Income Distribution	1.2	1.2	3.9	4.5	5.3	5.1	5.5
Net Performance ^{^^}	1.2	2.3	14.9	12.5	12.5	15.0	6.9

*Gross Performance. [^]Since inception: December 2005. ^{^^}This refers to the Trust's gross performance net of investment management fees. Past performance is not a reliable indicator of future performance.

Perennial Value Shares for Income Trust

The Trust aims to provide investors with an attractive level of tax effective income, which the Trust aims to pay via quarterly distributions. The Trust aims to provide a dividend yield, adjusted for applicable franking credits and before fees, above that provided by the S&P/ASX 300 Accumulation Index*.

Portfolio manager:

Stephen Bruce

Risk profile:

High

Trust FUM (as at 31 March 2014):

AUD75.2 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 March 2014):

AUD8.4 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ **The best performing stock in the Trust for March was Premier Investments (up 21.2%).**
- ▶ **The better performing sectors during March were Financials, Industrials, Telecommunications and Information Technology.**
- ▶ **Despite the volatility over recent months, the 2014 financial year to date sees the S&P/ASX300 Accumulation Index up 16.3%.**

Trust Characteristics

In line with the objective, the Perennial Value Shares for Income Trust (the Trust) continues to invest in a portfolio of financially sound companies which demonstrates superior dividend yield characteristics to the overall stock market.

Portfolio Activity

During March we took profits and exited our holdings in Henderson Group and Crown Resorts. Following very strong share price performances over the past 12 months of 108.3% and 38.2% respectively, these stocks no longer offered attractive dividend yields, with FY15 gross yields of only 4.2% and 3.3%. We also sold out of our holding Asciano, as the FY15 gross yield of 5.0% was not compelling and we believe there are more direct ways of gaining exposure to an improvement in east coast economic activity, for example, through our holdings in builders Lend Lease and Boral and retailers Harvey Norman and Premier Investments.

Proceeds were used to increase our holdings in ANZ, NAB and Westpac. Credit growth is increasing slightly as the housing market picks up and bad debt conditions remain very benign. These factors, combined with a focus on cost control, position the banks well to continue to generate modest earnings and dividend growth. The sector is currently offering an attractive FY15 average gross yield of 8.2%.

At month end, stock numbers were 27 and cash was 5.2%.

Stock and Portfolio Performance

The Australian market rose slightly in March, with the S&P/ASX300 Accumulation Index returning 0.2%. The portfolio delivered a return of 1.3%, outperforming the market by 1.1%. Over the last 12 months, the portfolio has delivered a total return of 13.4%, ahead of the Index return of 13.0%

Global markets were mixed as the flow of economic data continued to be affected by seasonal and other distortions. The S&P500 (0.7%) was higher, however the other major global indices recorded declines for the month. Concerns over a cyclical slowdown in China and the extent of any fiscal response by the central government lead the Shanghai composite down 1.1%. The FTSE declined 3.2% despite European economic indicators pointing to potential upside to GDP growth forecasts and the Nikkei 225 was broadly flat returning -0.1%. Domestically, the low interest rate environment continues to drive improvements in house prices, residential construction and retail spending. The unemployment rate, however, rose to a 12-year high of 6% as the transition away from mining investment to other sources of economic growth progresses. The RBA kept interest rates steady, while the AUD/USD rose by 3.4c to end the month at 92.7c.

The better performing sectors during March were Financials (3.1%), Industrials (0.8%), Telecommunications (0.8%) and Information Technology (0.5%) while Materials (-3.2%), Consumer Staples (-2.1%) and Utilities (-2.1%) underperformed.

A number of holdings performed strongly for the month. Premier Investments (21.2%) released a positive H1 FY14 earnings result with each of its core brands delivering pleasing comparative sales growth. Lend Lease (7.0%) announced several positive contract wins during the month, including preferred tenderer status on the A\$2.65bn NorthConnex Motorway, linking the M2 and F3 motorways, where LLC has partnered with Bouygues Construction from France. Lend Lease offers good value, highlighted by a forecast FY15 P/E of 11.0x, which compares favourably to the overall market FY15 P/E of 13.4x. Additionally, we view the company as being a key beneficiary of the stronger residential market and the inevitable increase in domestic infrastructure spend. Other stocks which performed well included Aristocrat (8.0%), Suncorp (6.0%), Iluka (5.5%) and AMP (5.5%).

Macquarie Group (3.0%) upgraded FY14 earnings guidance due to a better than expected performance from its Fixed Income, Currency and Commodities

(FICC) division. Macquarie now expects FY14 earnings to be 40-45% higher than FY13. We continue to believe Macquarie offers further share price upside, along with a reasonable FY15 gross yield of 6.4%.

Stocks which detracted from performance included Myer (down 11.5%), which fell after delivering a result which was slightly below expectations, Orica (-9.4%) which declined despite reaffirming full-year earnings guidance and Wesfarmers (down 4.1%).

Market Outlook

Despite the volatility over recent months, the 2014 financial year to date sees the S&P/ASX300 Accumulation Index up 16.3%. While a level of macroeconomic uncertainty remains and ongoing volatility is likely, there are positive economic signals in many markets. Longer-term, as economic growth resumes, company profits will grow and dividends paid to shareholders will increase, providing a growing stream of reliable, tax-effective income to investors.

Top 10 Holdings

Stock name	Trust weight %	Index weight %
Commonwealth Bank.	9.6	9.2
Telstra Corporation.	9.5	4.6
Westpac Banking Corp	8.2	7.9
National Aust. Bank	8.1	6.1
ANZ Banking Grp Ltd	8.1	6.7
BHP Billiton Limited	7.5	8.6
Woodside Petroleum	5.9	1.8
Suncorp Group Ltd	4.0	1.2
ASX Limited	3.8	0.5
Amalgamated Holdings	3.0	0.0

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.4	5.8
Materials	12.5	17.4
Industrials	1.9	6.8
Consumer Discretionary	8.1	4.8
Consumer Staples	1.9	7.9
Health Care	0.0	4.7
Financials-x-Real Estate	48.1	38.2
Real Estate	5.4	6.7
Information Technology	0.0	0.8
Telecommunication Services	9.5	5.1
Utilities	0.0	1.6
Other	5.2	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
or visit www.perennial.net.au.

Signatory of:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Manager: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. 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, reference guides and application forms can be found on Perennial's website www.perennial.net.au.