Perennial Value Shares for Income Trust

Monthly Report as at 31 May 2012

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception^ % p.a.
Perennial Value Shares for Income Trust*	-5.1	-1.3	-0.2	-0.3	9.0	-3.5	3.2
S&P/ASX 300 Accumulation Index	-6.7	-4.4	-7.5	-9.3	6.7	-4.3	1.9
Value Added (Detracted)	**1.6**	**3.1**	**7.3**	**9.0**	**2.3**	**0.8**	**1.3**
Net Performance^^	-5.2	-1.6	-0.9	-1.1	8.2	-4.3	2.4

*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.**

- The Trust outperformed the Index return by 1.6%.
- International markets were also sold down aggressively during the month.
- The best performing stock in the Trust was AGL Energy Limited (up 4.7%).

Trust Characteristics

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

Dividend Activity

During the month, the Trust became entitled to dividends from ANZ, Macquarie Group Limited (Macquarie), NAB, Orica Limited and Westpac.

Trust Activity

During the month, we added Lend Lease Group (Lend Lease) to the Trust. Lend Lease has demonstrated good financial management by refraining from over gearing through the property cycle. Post-GFC, the company has refocussed on the stronger Australasian market and the uncontested acquisition of Valemus at an attractive price established a strong exposure to engineering and infrastructure construction. This diversification will help offset the current low levels of activity in the non-residential building sector. Lend Lease's significant construction backlog, development pipeline and access to capital provide a strong platform for future earnings. At our entry price of $7.34, the stock is offering a prospective FY13 gross yield of 7.9%. We also increased our holdings in Orica Limited, Woodside Petroleum Limited, AGL Energy Limited, BHP Billiton Limited, CSR Limited and Iluka Resources Limited.

At month end, stock numbers stood at 29 with cash at 2.2%.

Stock and Trust Performance

The Australian equities market sold off sharply in May, with the S&P/ASX300 Accumulation Index down 6.7%. The Trust fell 5.1%, outperforming the Index return by 1.6%. The Trust had demonstrated pleasing defensive characteristics over the past 12 months. While the Index has fallen 9.3% over this period, the Trust has fallen 0.3%, outperforming the Index return by 9.0% and protecting investors in what has been a difficult market environment.

International markets were also sold down aggressively during the month as the combination of the failure of the Greeks to form a government, concerns over Spain, softer US economic data and downgrades to Chinese GDP drove risk aversion to very high levels. The falls were broad-based, with the S&P500 down 6.3%, the FTSE 100 down 7.7%, the Euro Stoxx 50 down 8.2% and the Nikkei 225 down 10.3%.

Domestic economic data was mixed, with employment strong while most other data remained weak. In the face

Perennial Value Shares for Income Trust Facts:

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 31/05/12): AUD118.7 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 31/05/12): AUD8.0 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: December 2005	**APIR code:** IOF0078AU

*Gross dividend yield

of softening conditions, the Reserve Bank of Australia cut the cash rate by 50 basis points, citing a lowering of its assessment of growth in the domestic economy and uncertainty in the international economic and financial environment. The Australian dollar fell sharply, finishing the month down seven cents at USD0.97. Most commodities were also down, with oil (down 3.7%) and gold (down 5.9%) both falling.

With markets highly risk averse during the month, the defensive sectors outperformed with the best performing sector being utilities (up 2.0%), followed by telecommunications (up 0.2%), healthcare (down 0.5%), consumer staples (down 0.7%) and REITs (down 1.2%). The cyclical sectors underperformed with metals and mining (down 11.9%), materials (down 10.9%), energy (down 10.2%) and industrials (down 8.4%).

Looking through the macro noise however, at the stock level, the month saw positive developments for several companies in the portfolio. For example, Orica Limited, a core Trust holding, delivered a very sound half-year profit result. Strong growth in the underlying explosives business almost entirely offset the impact of the shut-down of the Kooragang Island ammonium nitrate plant, which cost it some $90 million in the half and highlighted the robustness of the business. GrainCorp Limited, another key holding, reported record first half earnings, up nearly 40% on the previous period, driven by favourable conditions in the east coast grain market. The strong earnings and cash flows allowed the company to pay a special dividend, lifting the payout by 50%. Three of the four major banks also announced their interim results during the month, again delivering record earnings despite the challenging environment and lifting their dividends by an average of 5% over the previous period. The major banks are now offering an average FY13 gross yield of 11.0%.

Another stock to announce positive developments included Macquarie, which announced several infrastructure transactions including the establishment of an infrastructure vehicle in partnership with the Philippines government and the acquisition of Germany's largest gas transmission network. Since the market low of last September, Macquarie has outperformed the market by over 20% and it is reassuring to see that some of these more cyclical stocks have been gaining some share price traction in recent months.

The best performing stock in the Trust was AGL Energy Limited (up 4.7%) which rallied after the ACCC approved its acquisition of the Loy Yang A power station and adjacent coal mine in Victoria. This is a very positive transaction for the company as it improves the balance between its electricity generation and retailing operations. Other strong performers included Coca-Cola Amatil Limited (up 3.2%), Stockland (up 2.9%), Treasury Wine Estates Limited (up 2.3%), GrainCorp Limited (up 1.7%) and Tatts Group Limited (up 1.6%).

Stocks which underperformed included Iluka Resources Limited (down 21.2%) and Toll Holdings Limited (down 21.2%), both of which lowered earnings guidance during the month. Seven West Media Limited (down 16.6%) and Premier Investments Limited (down 10.8%) were also down due to the soft retail spending environment. We remain of the view that the underlying value of these businesses is significantly higher than their current depressed share prices.

Outlook

The waves of global macroeconomic uncertainty have continued to buffet markets and it is difficult to say when these issues will abate. Longer-term, however, as economic growth resumes, company profits should grow and dividends paid to shareholders should increase, providing a growing stream of reliable, tax-effective income to investors.

Top 10 Holdings as at 31 May 2012

Stock	Trust Weight %	Index Weight %
Telstra Corporation.	8.7%	4.4%
Westpac Banking Corp	7.6%	6.2%
Commonwealth Bank.	7.5%	7.9%
National Aust. Bank	7.4%	5.1%
ANZ Banking Grp Ltd	7.4%	5.6%
Tatts Group Ltd	3.8%	0.3%
Wesfarmers Limited	3.6%	3.4%
Orica Limited	3.4%	0.9%
Treasury Wine Estate	3.2%	0.3%
Woodside Petroleum	3.1%	2.0%

Asset Allocation as at 31 May 2012

Asset Class	Trust Weight %	Index Weight %
Energy	3.1%	7.4%
Materials	13.3%	23.1%
Industrials	4.0%	7.4%
Consumer Discretionary	9.7%	3.6%
Consumer Staples	12.1%	8.2%
Health Care	0.0%	4.0%
Financials-x-Real Estate	37.9%	31.6%
Real Estate	6.8%	7.3%
Information Technology	0.0%	0.7%
Telecommunication Services	8.7%	4.7%
Utilities	2.3%	1.9%
Other	2.2%	-
Rounding accounts for small +/- from 100%.		