Perennial Value Shares for Income Trust

Monthly Report as at 30 November 2013

	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*	-0.7	6.3	12.3	27.1	13.7	14.9	7.7
S&P/ASX 300 Accumulation Index	-1.4	4.7	13.1	22.7	9.5	12.1	5.9
Value Added (Detracted)	**0.7**	**1.6**	**-0.8**	**4.4**	**4.2**	**2.8**	**1.8**
Capital Growth	-0.8	4.7	10.4	21.0	7.5	8.7	1.4
Income Distribution	0.0	1.4	1.5	5.1	5.4	5.4	5.5
Net Performance^^	-0.8	6.1	11.9	26.1	12.8	14.1	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.**

- In November, the Trust became entitled to dividends from Aristocrat Leisure, ANZ, Macquarie Group, NAB, Orica and Westpac.
- The best performing stock in the Trust was Myer (up 14.0%), following a better than expected Q1 sales result.
- The better performing sectors in the month were financials, healthcare, materials (down 0.8%) and consumer discretionary (down 1.1%).

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.

Dividend Activity

During November, the Trust became entitled to dividends from Aristocrat Leisure, ANZ, Macquarie Group, NAB, Orica and Westpac.

Trust Activity

During the month we added Amalgamated Holdings to the portfolio. Amalgamated is a leading Cinema operator in Australia under the Greater Union, Birch Carroll and Coyle and Cinestar brands, as well as in New Zealand and Germany. In addition, they are a major hotel operator in Australia, with the Rydges and QT brands, having over 8,000 beds under ownership or management. There has been limited investment in new hotel capacity in Australia in recent years and the business is leveraged to an improvement in tourism should the Australian dollar (AUD) continue to fall or to a pick-up in corporate travel. The company is conservatively managed and has negligible debt. At our entry price of $8.26, it is offering an attractive FY14 gross yield of 7.8% and trading at close to book value.

We also increased our holding in Orica. This is a high quality business with the leading position in the global mining explosives industry. However, concerns around the impact of the downturn in the mining sector had caused us to significantly reduce our holdings earlier in the year at prices of around $26 per share. The company subsequently downgraded earnings due to weak demand conditions and underperformed significantly, falling below $18. More recently though, the full-year result in November indicated that the company was being successful in both gaining market as well as moving its customers to a higher value mix of products and services. This demonstrates the advantages the business possesses due to its global footprint and technological leadership. Importantly, this should enable the company to maintain margins in the face of pricing pressure from its major mining customers.

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 30/11/13): AUD72.3 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 30/11/13): AUD8.4 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: December 2005	**APIR code:** IOF0078AU

*Gross dividend yield

These positions were funded by reducing our holdings in the banks. The major banks have delivered an exceptionally strong performance, with an average total return of 40.2% over the past 12 months. Within this group, NAB was the stand out, returning 50.1% for the year. The major banks remain a core part of the portfolio and the sector remains in very good shape. This was demonstrated in the recent full-year results, with the sector generating record earnings and delivering an average 11% increase in dividends while maintaining strong capital positions. However, at current levels, the banks no longer represent the compelling value they previously did, so we have moved to take some profits in the sector.

At month end, stock numbers were 34 and cash was 4.6%.

Stock and Trust Performance

After a strong run, the Index eased in November, to close down 1.4%. The better performing sectors in the month were financials (up 0.2%), followed by healthcare (down 0.3%), materials (down 0.8%) and consumer discretionary (down 1.1%). Energy (down 6.4%) was the worst performing sector, followed by industrials (down 3.7%), utilities (down 2.8%), consumer staples (down 2.7%) and REITs (down 2.7%).

The Trust finished down 0.7% for the month, outperforming the index return by 0.7%. The Trust has delivered a very strong total return of 27.1% for the past 12 months, outperforming the index return of 22.7% by 4.4%. Notwithstanding the yield focus of the fund, it is pleasing to have outperformed the market during a period of such strong total returns.

Globally, economic data in the US and Japan continued to show positive momentum with the S&P500 finishing up 2.8% and the Nikkei 225 up 9.3% for the month. In China, policymakers are continuing their attempts to slow growth in credit and housing activity and accelerate the rotation in domestic consumer spending. Global manufacturing and services forward indicators point to slightly firmer global output growth in the near term. The FTSE finished down 1.2% while the Shanghai Composite rose 3.7%.

Domestically, economic data was generally better than expected including monthly retail sales (up 0.8%), consumer confidence, housing finance approvals and house prices. Employment growth remains weak however, with the unemployment rate slightly higher and wages growth slowing markedly. The Reserve Bank of Australia left the cash rate unchanged and retained its easing bias, highlighting that it would like a lower AUD to rebalance growth. The AUD finished the month down 3.7% at US$0.91.

The best performing stock in the Trust was Myer (up 14.0%) following a better than expected Q1 sales result. Other stocks which performed well included Orica (up 12.6%), Macquarie Group (up 8.3%), Henderson Group (up 7.6%), QBE (up 5.7%) and Treasury Wine Estates (up 4.6%).

The worst performing stock in the Trust was WorleyParsons (down 25.9%), which fell after issuing an earnings downgrade. Worley noted subdued market activity in some of its key regions including Australia and Canada, with recently awarded contracts slower to ramp up than expected as customers remain cautious. Other stocks which underperformed included Iluka Resources (down 14.9%), Fletcher Building (down 5.6%) and Aristocrat Leisure (down 5.0%).

Outlook

The new financial year has begun positively, with the Index up 13.1% and positive economic signals in many markets. However, the level of macroeconomic uncertainty remains high and ongoing volatility is likely. 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 30 November 2013

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	9.5	9.0
National Aust. Bank	7.5	6.1
Westpac Banking Corp	7.4	7.7
ANZ Banking Grp Ltd	7.4	6.6
Commonwealth Bank.	7.0	9.5
Telstra Corporation.	6.9	4.8
CASH	4.6	0.0
Woodside Petroleum	3.9	1.8
Macquarie Group Ltd	2.9	1.4
Wesfarmers Limited Partially Protected	2.9	0.0

Asset Allocation as at 30 November 2013

Asset Class	Trust Weight %	Index Weight %
Energy	6.4	5.8
Materials	17.5	17.6
Industrials	3.5	6.5
Consumer Discretionary	10.3	4.8
Consumer Staples	3.9	8.1
Health Care	0.0	4.7
Financials-x-Real Estate	39.8	38.2
Real Estate	7.0	6.9
Information Technology	0.0	0.8
Telecommunication Services	6.9	5.1
Utilities	0.0	1.6
Other	4.8	0.0

Rounding accounts for small +/- from 100%.