

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	4.9	1.7	5.9	9.2	17.7	9.8	8.0
S&P/ASX 300 Accumulation Index	4.3	-0.7	3.7	6.1	13.3	7.9	6.1
Value Added (Detracted)	0.6	2.4	2.2	3.1	4.4	1.9	1.9
Capital Growth	4.8	-0.1	3.9	4.1	11.4	4.2	1.8
Income Distribution	0.0	1.6	1.7	4.1	5.3	4.8	5.3
Net Performance ^{^^}	4.8	1.5	5.6	8.2	16.7	9.0	7.1

*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 October 2014):

AUD73.6 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 October 2014):

AUD7.8 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ **The Trust delivered a return of 4.9%, outperforming the Index by 0.6%.**
- ▶ **The best performing stocks in the portfolio were Aristocrat Leisure (up 9.8%), Lend Lease (up 9.2%) and Scentre Group (up 7.9%).**
- ▶ **Macquarie Group rallied after releasing its first half results. It's strong balance sheet allowed it to increase its dividend by 30%.**

Trust Characteristics

In line with the objective, 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 the month, we took profits and reduced our holdings in a number of stocks which have performed strongly in recent times. We reduced our holdings of Aristocrat Leisure, which has delivered a total return of 30.0% over the past 12 months, taking advantage of this strength to lock in some profits at \$6.50 per share. Readers will recall that we increased our holding in this stock in September at \$5.76. We exited our holding in Brambles as, at our selling price of \$9.21, the stock no longer represented attractive value, with an FY15 P/E of 18.6x and gross yield of only 3.8%. We also took profits and reduced our holdings in Telstra, Suncorp, Stockland, Lend Lease and Harvey Norman.

Proceeds were used to add Rio Tinto to the portfolio. As a major producer of iron ore, positioned at the bottom of the global cost curve, this company is set to generate strong earnings, even at the current relatively low iron ore prices. In addition, the company will benefit from increasing production levels, declining capital expenditure and an ongoing focus on cost reduction. At our entry price of \$60.38, Rio is trading on a FY15 P/E of 10.5x and offering a gross yield of 4.8%.

At month end, stock numbers were 26 and cash was 3.5%.

Stock and Portfolio Performance

The Australian equities market rallied strongly in October, finishing the month up 4.3% as measured by the S&P/ASX300 Accumulation Index. The Perennial Value Shares for Income Trust (the Trust) delivered a return of 4.9%, outperforming the Index by 0.6%.

Global equity markets performed strongly in October, with the S&P500 up 2.3% as the US economy reported real GDP growth of 3.5% in 3Q14 and the unemployment rate fell 0.2% to 5.9%. The Shanghai Composite finished up 2.4% as China's 3Q14 GDP and Industrial Production both exceeded expectations rising 7.3% and 8.0% respectively. The Nikkei 225 (up 1.5%) was supported by the Bank of Japan announcing further monetary stimulus. The exception was Europe, with the FTSE (down 1.2%) and the Euro Stoxx 50 (down 3.5%) weaker as Eurozone markets remained dogged by growth concerns.

Domestically, data was mixed. Building approvals for August rose 3.0% month on month and business confidence for September slipped 3 points. Retail sales and consumer confidence edged slightly higher, increasing 0.1% and 0.9% month on month respectively. The Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.5% and the AUD ended the month up one cent at US88c.

The better performing sectors during the month were financials (up 6.9%), REITs (up 6.5%), telcos (up 6.2%), healthcare (up 6.0%) and consumer staples (up 5.0%). Sectors which underperformed included Energy (down 3.6%), metals and mining (down 1.2%) and materials (down 0.2%).

The best performing stock in the portfolio was Aristocrat Leisure (up 9.8%), which rallied after announcing the completion of its acquisition of VGT, ahead of previous guidance for March 2015. Lend Lease (up 9.2%) performed well after holding its investor day during the month which highlighted its strong development, infrastructure and residential pre-sales pipeline. Scentre Group (up 7.9%) outperformed as did Stockland (up 7.2%), which confirmed the ongoing strength of its residential business at its AGM. Downer (up 7.5%) rallied after announcing that it has signed an agreement to purchase Tenix for \$300m. Tenix is a leading provider of maintenance services to the electricity, gas and water sectors in Australia and New Zealand. This acquisition helps diversify earnings away from the mining sector and gearing levels post acquisition support the possibility of a

future share buyback. AMP (up 7.3%) and Harvey Norman (up 6.9%) performed well after releasing positive quarterly update and Macquarie Group (up 6.2%) rallied after releasing its first half result which was slightly ahead of market expectations. Importantly, Macquarie's strong balance sheet allowed it to increase its dividend by 30%. The major banks largely reversed the previous month's losses to rally an average of 7.7%. The banks reporting season has begun and results have been in line with expectations, showing modest growth and benign credit conditions.

Stocks which detracted from performance included energy stocks, Origin Energy (down 4.7%) and Woodside Petroleum (down 1.2%) on the back of lower oil prices, Iluka Resources (down 8.4%) and QBE (down 1.1%).

Market Outlook

This month's sharp rally highlights the ongoing volatility in markets. However, investors should take comfort from the fact that the recent reporting season showed that company earnings are growing and valuations are reasonable. Longer-term, as economic growth resumes and broadens, led in particular by a recovering US economy, company profits will continue to 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 %
Telstra Corporation.	9.0	5.0
BHP Billiton Limited	8.9	7.8
National Aust. Bank	8.2	5.9
Westpac Banking Corp	8.1	7.7
ANZ Banking Grp Ltd	7.6	6.6
Woodside Petroleum	5.8	2.0
Commonwealth Bank.	5.3	9.3
Suncorp Group Ltd	5.0	1.3
Macquarie Group Ltd	4.3	1.4
Amalgamated Holdings	4.2	0.0

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.2	5.9
Materials	15.3	15.7
Industrials	1.0	7.0
Consumer Discretionary	8.3	4.2
Consumer Staples	2.1	8.0
Health Care	0.0	5.2
Financials-x-Real Estate	46.4	38.3
Real Estate	7.2	7.4
Information Technology	0.0	1.0
Telecommunication Services	9.0	5.5
Utilities	0.0	1.7
Other	3.5	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
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Signatory of:



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