

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	4.3	6.8	13.5	9.4	6.8	13.3	7.4
S&P/ASX 300 Accumulation Index	4.3	4.9	10.4	11.8	6.6	11.6	6.1
Value Added (Detracted)	0.0	1.9	3.1	-2.4	0.2	1.7	1.3
Capital Growth	3.2	5.5	9.6	0.8	-0.6	6.4	0.8
Income Distribution	1.1	1.1	3.5	7.7	6.5	6.1	5.8
Net Performance ^{^^}	4.3	6.6	13.1	8.5	5.9	12.5	6.6

*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, paid 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 December 2016):

AUD \$37 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 December 2016):

AUD \$7.2 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ Over the twelve months to December 2016, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 10.2%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.8% per annum.
- ▶ The market rallied in December, with the S&P/ASX300 Accumulation Index (the Index) up 4.3%.

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 demonstrate superior dividend yield characteristics to the overall stock market.

Trust Performance

The Trust delivered a return of 4.3% for December, in line with the Index.

Global markets remained in a buoyant mood, with the S&P500 up 1.8%, Nikkei 225 up 4.4% and FTSE 100 up 5.3%, while the Shanghai Composite declined 4.5%. Commodity prices were generally stronger with oil up 10.0%, iron ore up 10.0% and thermal coal up 14.0%, while coking coal (down 25.0%), copper (down 4.0%) and gold (down 2.0%) declined. As widely expected, the Federal Reserve lifted rates for the first time since the Global Financial Crisis (GFC), raising the Federal Funds Rate by 25 basis points to 0.75%. The Reserve Bank of Australia (RBA) left the cash rate remaining steady at 1.5%, while the Australian Dollar (AUD) finished the month down two cents at 72 US cents.

During December, the better performing sectors included utilities (up 8.7%), REITs (up 6.8%), energy (up 6.1%) and financials (up 5.5%), while telecommunications (up 0.5%), healthcare (up 0.9%) and consumer staples (up 1.7%) lagged.

Trust holdings which performed strongly included QBE Insurance (up 11.2%) with its leverage to rising US interest rates and Suncorp (up 8.2%) on evidence of improving premium rates. Other strong performers included Scentre Group (up 9.4%), Stockland Group (up 8.7%), Harvey Norman (up 8.2%), Lend Lease (up 7.4%) and AMP (up 7.4%). The Trust also benefited from being underweight healthcare and infrastructure stocks, which underperformed as bond yields rose.

Stocks which detracted from performance included Vocus Communications (down 7.2%) which continued to fall after last month's disappointing FY17 earnings guidance, Flight Centre (down 6.3%) as heavy discounting continues in the airfare market as a result of new capacity additions and Platinum Asset Management (down 3.6%). These companies are all underpinned by strong balance sheets and we remain comfortable with the medium-term outlook for each.

Trust Activity

During the month we took profits and sold out of our holding in Downer. This stock had been a very strong performer for the Trust, having delivered a total return over the past twelve months of 75.8%. We also took profits and reduced our holdings in BHP, Rio Tinto and Orica, all of which have delivered strong gains in recent months.

Proceeds were predominantly used to establish a position in Boral. We had previously sold out of this stock in October at an average price of \$6.43. The stock subsequently sold off sharply after announcing the acquisition of US building materials company, Headwaters, funded by a \$2.1 billion capital raising. Following the acquisition, Boral will generate nearly 40.0% of its revenue from the US and is one of the few stocks which give exposure to the improving US housing and construction cycle, which is expected to have a significant time to run. At our entry price of \$5.16, the stock represents good long-term value, trading on a FY18 P/E (Price to earnings ratio) of 13.7 times and gross yield of 5.6%.

At month end, stock numbers were 27 and cash was 2.6%.

Outlook

The Trust continues to exhibit Perennial Value's true to label value characteristics, offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

As always, our focus will continue to be on investing in quality companies 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.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
Commonwealth Bank.	8.8	9.3
Westpac Banking Corp	8.0	7.1
ANZ Banking Grp Ltd	7.0	5.8
National Aust. Bank	6.5	5.3
BHP Billiton Limited	6.1	5.3
Telstra Corporation.	4.9	4.0
Woodside Petroleum	4.9	1.5
AGL Energy Limited.	4.8	1.0
Macquarie Group Ltd	4.3	1.9
Suncorp Group Ltd	4.1	1.1

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.9	4.2
Materials	14.0	16.2
Industrials	0.0	6.7
Consumer Discretionary	8.6	5.2
Consumer Staples	3.8	6.8
Health Care	0.0	6.2
Financials-x-Real Estate	47.0	37.7
Real Estate	5.5	8.6
Information Technology	0.0	1.4
Telecommunication Services	6.8	4.4
Utilities	4.8	2.5
Cash & Other	2.6	-

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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