Perennial Value Shares for Income Trust

Monthly Report as at 31 January 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*	6.4	11.9	26.8	28.6	9.1	3.8	6.5
S&P/ASX 300 Accumulation Index	5.0	8.9	21.9	19.6	6.7	1.4	4.7
Value Added (Detracted)	**1.4**	**3.0**	**4.9**	**9.0**	**2.4**	**2.4**	**1.8**
Capital Growth	6.3	10.5	22.3	21.4	3.2	-2.3	0.1
Income Distribution	0.0	1.1	3.9	6.1	5.1	5.3	5.6
Net Performance^^	6.3	11.6	26.2	27.5	8.3	3.0	5.7

*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 delivered a return of 6.4% for the month, outperforming the Index return by 1.4%.
- Crown Limited. Was added to the Trust during the month.
- The best performing stock was Fletcher Building (up 15.7%) which rallied on the improving outlook for the building sector in New Zealand and elsewhere.

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

January was a quiet period for dividends, with no Trust holdings paying dividends during the month.

Trust Activity

During the month, we moved to lock in profits and reduce our holdings in several stocks following very strong share price performance over the past quarter. These included building materials stocks, Fletcher Building and Boral, which had risen 38% and 37% respectively, over the past quarter, financials Macquarie Group and AMP, up 23% and 16% over the quarter and retailers Myer and Premier Investments, which rose 27% and 21% over the past quarter.

Proceeds were used to establish a position in Crown Limited. This stock combines a relatively defensive earnings stream with a significant pipeline of organic growth opportunities through ongoing investment in its Crown and Burswood casino properties in Australia as well as exposure to the rapid growth of Macau as a gaming destination via its stake in Melco International. While the current gross dividend yield is only modest at 4.5%, based on our entry price of $11.02, this is underpinned by a conservative payout ratio of 60%, a strong balance sheet and double digit earnings per share growth over the next few years, which can be expected to drive good dividend growth.

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 31/01/13): AUD66.6 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 31/01/13): AUD7.9 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: December 2005	**APIR code:** IOF0078AU

*Gross dividend yield

We also increased our holdings in ASX and Woodside Petroleum. These are high quality businesses with strong balance sheets and exposure to an improving economic outlook. In the case of ASX, it is poised to benefit from the increasing levels of financial markets activity and, at the month end share price of $35.00, is offering a very attractive FY13 gross dividend yield of 7.2%. In the case of Woodside, strong near term earnings are being driven by the successful ramp up of the Pluto LNG plant. Longer term, the company stands to benefit from any increase in the oil price driven by stronger global growth.

At month end, stock numbers were 28 and cash was 1.6%.

Stock and Trust Performance

Globally, equity markets all finished strongly in January. In the US, the S&P500 had its best start to the year since 1997, closing up 5.0%. Europe saw some reprieve in the negative news flow that has plagued it in recent times, with the FTSE up 6.4%. Japan had a particularly strong month with the Nikkei 225 up 7.1% as the Bank of Japan took aggressive measures to reflate the economy.

Domestic economic data showed a contraction in employment leading to a 20 basis points rise in the unemployment rate to 5.4%. The Reserve Bank of Australia left interest rates unchanged at 3.0%, having cut the official cash rate by 1.75% between November 2011 and December 2012. The Australian dollar finished the month 0.2 cents higher at USD1.042.

The S&P/ASX300 Accumulation Index (the Index) delivered a return of 5.0% for the month. The better performing sectors during the month were information technology (up 14.7%), consumer discretionary (up 8.6%) and financials (up 6.5%). Materials (up 1.5%), utilities (up 2.6%) and healthcare (up 3.1%) underperformed.

The Trust delivered a return of 6.4% for the month, outperforming the Index return by 1.4%. The Trust has now delivered a return of 28.6% for the past 12 months, outperforming the Index return of 19.6% by 9.0%. Notwithstanding the income focus, it is pleasing that the Trust has been able to outperform the Index over a period of strong overall market returns.

The best performing stock in the Trust was Fletcher Building (up 15.7%) which rallied on the improving outlook for the building sector in New Zealand and elsewhere. This stock has been a very strong performer, having delivered a total return of 57.6% over the past 12 months. Boral (up 12.4%) moved higher with the company announcing a $90 million cost reduction program to align its cost base with the current uncertain building environment, particularly in Australia. The company subsequently announced an updated interim profit number ahead of market expectations, due to the early benefits of efficiency actions undertaken so far and better weather conditions.

Other strong performers included Toll Holdings (up 15.6%), Myer (up 15.3%), Premier Investments (up 13.6%), ASX (up 12.1%), Lend Lease (up 11.6%) and AMP (up 10.6%).

The worst performing stock in the Trust was Stockland (down 2.3%).

Other holdings which lagged the market, while still delivering positive returns, included more defensive names such as Treasury Wine Estates (up 1.3%), Wesfarmers (up 2.0%), Coca-Cola Amatil (up 2.9%) and Amcor (up 4.1%).

Outlook

The market buoyancy of late 2012 has continued into the start of 2013, with investors taking a more positive view on the economic outlook and driving markets higher as they start to add more equity risk to their portfolios. Despite this, the level of macroeconomic uncertainty remains high and ongoing volatility is likely. Longer term, however, 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 as at 31 January 2013

Stock	Trust Weight %	Index Weight %
Commonwealth Bank.	8.2%	8.6%
Telstra Corporation.	7.9%	4.8%
BHP Billiton Limited	7.7%	10.0%
National Aust. Bank	7.3%	5.3%
ANZ Banking Grp Ltd	6.6%	6.0%
Westpac Banking Corp	6.6%	7.2%
Orica Limited	4.9%	0.8%
ASX Limited	4.2%	0.5%
AMP Limited	4.1%	1.3%
Woodside Petroleum	3.5%	1.8%

Asset Allocation as at 31 January 2013

Asset Class	Trust Weight %	Index Weight %
Energy	3.5%	6.5%
Materials	21.7%	21.0%
Industrials	5.1%	6.8%
Consumer Discretionary	8.9%	3.8%
Consumer Staples	6.3%	8.3%
Health Care	0.0%	4.4%
Financials-x-Real Estate	40.1%	34.5%
Real Estate	5.0%	7.3%
Information Technology	0.0%	0.7%
Telecommunication Services	7.9%	5.0%
Utilities	0.0%	1.7%
Other	1.6%	-
Rounding accounts for small +/- from 100%.		