

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	-6.1	-3.6	-8.4	-6.1	6.5	8.4	6.5
S&P/ASX 300 Accumulation Index	-5.4	-3.5	-5.8	-5.8	5.3	5.5	4.9
<b>Value Added (Deducted)</b>	<b>-0.7</b>	<b>-0.1</b>	<b>-2.6</b>	<b>-0.3</b>	<b>1.2</b>	<b>2.9</b>	<b>1.6</b>
Capital Growth	-6.2	-4.6	-13.2	-13.1	0.3	2.1	0.2
Income Distribution	0.0	0.8	4.5	6.4	5.4	5.5	5.5
<b>Net Performance<sup>^</sup></b>	<b>-6.2</b>	<b>-3.8</b>	<b>-8.7</b>	<b>-6.7</b>	<b>5.7</b>	<b>7.6</b>	<b>5.7</b>

\*Gross Performance. ^Since inception: December 2005. 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 January 2016):

AUD 41 million

### Income distribution frequency:

Quarterly

### Team FUM (as at 31 January 2016):

AUD 6.3 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

December 2005

### APIR code:

IOF0078AU

\*Gross dividend yield.

- ▶ The S&P/ASX300 Accumulation Index declined 5.4% in January, with the Trust declining 6.1%.
- ▶ Over the 12 months to December 2015, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 9.2%. This compares favourably to twelve month term deposit rates of 3.2% available over the same period.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.6% per annum.

## 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.

## Trust Performance

Over the 12 months to December 2015 (date of the last quarterly distribution), the Trust has delivered a pre-tax distribution yield (i.e. including franking credits and after fees) of 9.2%. This compares very favourably to the gross yield of the market of 6.2% and to 12 month term deposit rates of 3.2% available over the period (Source: Reserve Bank of Australia (RBA)).

January was a difficult month for markets, with the S/P&ASX300 Accumulation Index (the Index) finishing the month down 5.4%. The Trust fell 6.1%, underperforming the market by 0.7%.

Globally, markets were dominated by concerns around growth, particularly the slowing Chinese economy and the falling oil price. This led to a broad based sell-off with the S&P500 down 5.1%, FTSE down 2.5%, Nikkei down 8.0% and the Shanghai Composite down 22.6%. In Australia, there was another decent job number for December 2015, with the unemployment rate steady at 5.8%. This provides further evidence of the economy successfully transitioning post the resources boom. The cash rate remained at 2% (the RBA does not meet in January) and the Australian Dollar (AUD) fell 2 cents to close at 70.9 US cents.

Better performing sectors over the month tended to be the defensives, with REITs (up 0.9%), utilities (up 0.7%), telecommunications (up 0.7%), consumer staples (down 0.2%) and healthcare (down 2.6%). Cyclical underperformed, with metals and mining (down 10.2%), materials (down 9.1%) and energy (down 6.5%). Financials (down 8.9%) also underperformed.

Two of the better performing stocks in the Trust were Harvey Norman (up 6.2%) and Wesfarmers (up 1.3%). Both these stocks stand to benefit from improving industry dynamics, with Harvey Norman to benefit from the demise of Dick Smith with Wesfarmers' Bunnings to benefit from Woolworths' announced exit from the hardware business. Other strong performers included Scentre Group (up 3.8%), AGL Energy (up 2.9%) and Telstra (up 0.4%).

Stocks which detracted from performance included resource holdings which fell on the back of lower commodity prices, with BHP (down 14.1%), Rio Tinto (down 12.5%) and Iluka Resources (down 11.4%). Financials also detracted with the major banks down an average of 9.5% on negative macro sentiment towards the Australian economy – a view we do not agree with. At current prices, the sector is offering very good value, trading on an average FY16 P/E (Price to Earnings) of 11.3x and gross yield of 9.6%.

### Trust Activity

In terms of Trust activity, we continued to take profits and reduce our holdings in a number of stocks which had performed strongly in recent times including AGL Energy and Event Hospitality and Entertainment (formerly known as Amalgamated Holdings) which have returned up 35.5% and up 33.1% respectively over the past 12 months. Proceeds were used to increase our holdings in Wesfarmers which is offering an attractive FY16 gross yield of 7.0%, underpinned by a strong balance sheet and stands to benefit from the generally improving consumer spending environment. At month end, stock numbers were 24 and cash was 5.8%.

### Outlook

We continue to hold a cautiously optimistic view on the outlook, expecting ongoing moderate growth in the major economies overall and a continuing transition towards the non-mining sectors of the Australian economy. The Trust is positioned to capture these themes with exposure to a recovering east coast economy through overweight positions in retail, building and infrastructure/construction-related stocks. We also hold modest overweight positions in the major banks where we see attractive dividend yields and in the large-cap, low-cost, financially-sound resources companies where we see long-term value emerging. On the contrary, we remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs, where valuations have become stretched as a result of historically low interest rates.

**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	9.5	10.0
Telstra Corporation	8.9	5.2
Westpac Banking Corp.	8.5	7.7
ANZ Banking Grp Ltd.	7.5	5.3
National Aust. Bank	7.0	5.5
BHP Billiton Limited	5.1	3.7
Event Hospitality	4.9	0.0
Wesfarmers Limited	4.8	3.5
Woodside Petroleum	4.5	1.5
AMP Limited	3.9	1.2

### Asset Allocation

Sector	Trust weight %	Index weight %
Energy	4.5	3.9
Materials	11.6	11.6
Industrials	0.7	8.1
Consumer Discretionary	9.4	5.1
Consumer Staples	4.8	7.6
Health Care	0.0	7.0
Financials-x-Real Estate	44.5	38.5
Real Estate	6.4	8.8
Information Technology	0.0	1.2
Telecommunication Services	8.9	5.8
Utilities	3.5	2.5
Cash & Other	5.8	-

Rounding accounts for small +/- from 100%.

For all other enquiries. please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://www.perennial.net.au)

Signatory of:



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