

	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 <sup>*</sup>	1.8	6.0	15.4	22.0	6.9	12.4	7.4
S&P/ASX 300 Accumulation Index	2.2	5.8	12.0	22.0	6.4	10.4	6.1
<b>Value Added (Detracted)</b>	<b>-0.4</b>	<b>0.2</b>	<b>3.4</b>	<b>0.0</b>	<b>0.5</b>	<b>2.0</b>	<b>1.3</b>
Capital Growth	1.7	4.8	11.3	12.5	-0.4	5.6	0.9
Income Distribution	0.0	1.1	3.5	8.5	6.5	6.0	5.7
Net Performance <sup>^^</sup>	1.7	5.9	14.8	21.0	6.1	11.6	6.6

<sup>\*</sup>Gross Performance. <sup>^</sup>Since inception: December 2005. <sup>^^</sup>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<sup>\*</sup>.

### Portfolio manager:

Stephen Bruce

### Risk profile:

High

### Trust FUM:

AUD \$37 million

### Income distribution frequency:

Quarterly

### Team FUM:

AUD \$7.1 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

December 2005

### APIR code:

IOF0078AU

<sup>\*</sup>Gross dividend yield.

- ▶ Over the 12 months to February 2017, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 11.4%
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.7% per annum.
- ▶ Reporting season saw the market deliver positive earnings growth and record dividends.

## 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 1.8% for February, underperforming the S&P/ASX300 Accumulation Index (the Index) by 0.4%.

Global markets were strong, with the S&P500 up 3.7%, FTSE100 up 2.3%, Shanghai Composite up 2.2% and Nikkei 225 up 0.3%. Commodity prices were generally firm, with iron ore up 10.0%, gold up 4.0%, thermal coal up 2.0%, copper and oil flat while coking coal declined 5.0%. The Reserve Bank of Australia left the cash rate steady at 1.5%, while the Australian Dollar finished the month up one cent at 77 US cents.

During February, the better performing sectors included consumer staples (up 6.0%), financials (up 4.1%), REITs (up 4.1%), healthcare (up 3.9%) and industrials (up 3.4%), while metals & mining (down 3.8%), materials (down 3.2%), telecommunications (down 3.1%) and energy (down 2.1%) all lagged.

Reporting season was the highlight of the month. While the results were generally subdued, there was improvement from previous periods, with overall market delivering positive earnings growth. This was largely driven by a strong recovery in resource stock earnings, on the back of sharply higher commodity prices combined with lower operating costs. While many companies have faced significant headwinds in recent years, there was evidence that some of these may be abating. In addition, we were pleased to see that many companies are actively improving their businesses and will be very well-positioned as conditions improve. Market dividends also set a new record level as companies continued to focus on returning cash to shareholders rather than investing in growth projects.

Trust holdings which performed strongly included Crown Resorts (up 11.1%), as the market welcomed the focus on cost reduction under the new Executive Chairman and the announcement of a large special dividend. We believe that the return to focusing on and maximising the returns from the Australian operations is a positive development, significantly de-risking the business. AGL Energy (up 8.7%) rallied after delivering a result which showed the early benefits of the rising electricity prices and Vocus (up 8.4%) continued to recover from its last year's sell-off, after maintaining full-year earnings guidance. Lendlease (up 8.1%) performed well after reporting a strong result which highlighted its extensive pipeline of development projects both in Australia and offshore and allayed concerns around apartment settlement risks.

The major banks also performed well (up an average of up 5.1%), with CBA delivering a sound result, showing good cost control within a benign credit quality environment. The Trust also benefitted from not holding Brambles (down 10.6%) which fell after the new management team withdrew the company's long-term return targets.

Stocks which detracted from performance included Event Hospitality & Leisure (down 14.9%) after a disappointing performance from its cinema division. Other stocks which detracted from performance included Telstra (down 3.6%) whose result showed increasing competition in the key mobiles division. BHP (down 6.2%) and Rio Tinto (down 4.6%) declined despite delivering strong results as resources stocks generally eased following very strong performances over the past twelve months (sector up up 48.9% over this period). These companies are all underpinned by strong balance sheets and we remain comfortable with the outlook for each.

### Trust Activity

During the month, we took profits in AGL Energy following its very strong performance over the last twelve months. Proceeds were used to increase our holdings in a number of good value stocks including Crown Resorts, Event Hospitality & Entertainment and Vocus. At month end, stock numbers were 26 and cash was 4.1%.

### 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	9.2
Westpac Banking Corp	7.9	7.3
ANZ Banking Grp Ltd	7.0	5.9
National Aust. Bank	6.5	5.5
BHP Billiton Limited	6.0	5.2
Woodside Petroleum	4.9	1.5
Telstra Corporation.	4.6	3.7
Suncorp Group Ltd	4.0	1.1
Event Hospitality	4.0	0.0
Macquarie Group Ltd	4.0	1.9

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	6.8	4.2
Materials	14.2	16.2
Industrials	0.0	6.6
Consumer Discretionary	9.7	5.0
Consumer Staples	3.8	7.0
Health Care	0.0	6.7
Financials-x-Real Estate	46.4	37.8
Real Estate	5.6	8.4
Information Technology	0.0	1.3
Telecommunication Services	6.9	4.2
Utilities	2.6	2.6
Cash & Other	4.1	-

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)

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