Perennial Value Shares for Income Trust

Monthly Report
30 April 2014

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception^
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	1.5	7.4	17.3	9.1	14.0	15.0	7.9
S&P/ASX 300 Accumulation Index	1.7	6.9	18.2	10.1	8.8	12.3	6.1
Value Added (Detracted)	**-0.2**	**0.5**	**-0.9**	**-1.0**	**5.3**	**2.7**	**1.8**
Capital Growth	1.5	5.9	12.6	3.8	7.8	9.1	1.6
Income Distribution	0.0	1.3	3.9	4.4	5.3	5.0	5.4
Net Performance^^	1.5	7.2	16.5	8.2	13.1	14.2	7.0

*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 30 April 2014):
AUD74.6 million

Income distribution frequency:
Quarterly

Team FUM (as at 30 April 2014):
AUD8.4 billion

Minimum initial investment:
$25,000

Trust inception date:
December 2005

APIR code:
IOF0078AU

*Gross dividend yield.

- **For the financial year to date, the Trust has delivered a very strong total return of 17.3%.**
- **The month of April brought more evidence that the US economy was lifting.**
- **The best performing stock in the portfolio in April was Lend Lease (up 9.3%)**

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 demonstrates superior dividend yield characteristics to the overall stock market.

Portfolio Activity

There was very little in terms of portfolio activity during April, with the only change being to reduce our holding in CBA. This followed an increase in the holdings of ANZ, NAB and Westpac in March ahead of their upcoming results and dividend paying periods. While the banks are expected to continue to generate solid earnings and are paying an attractive sector average FY15 gross yield of 7.9%, we do not want to be overexposed to any particular sector of the market. As such, the portfolio remains well diversified, with holdings across eight sectors and exposure to a range of domestic and offshore economic drivers.

Key holdings and their industry exposures include QBE - global commercial insurance; Suncorp - domestic insurance; AMP - wealth management; Macquarie Group and ASX -financial markets; Lend Lease and Boral - construction; Stockland - domestic property; Westfield Group - global property; Harvey Norman - domestic retailing; Amalgamated Holdings - domestic tourism; Telstra - telecommunications; and Brambles - global transport and logistics. The portfolio also has an exposure to resources via BHP and Iluka Resources and to the oil and gas sector via Woodside Petroleum and Origin Energy.

At month end, stock numbers were 27 and cash was 5.1%.

Stock and Portfolio Performance

In April, the Trust delivered a return of 1.5%, marginally underperforming the S&P/ASX300 Accumulation Index return of 1.7%. For the financial year to date, the Trust has delivered a very strong total return of 17.3%.

Globally, markets were mixed with the FTSE (up 2.8%) and the S&P500 (up 0.6%) both higher, while the Nikkei (down 3.5%) and Shanghai Composite (down 0.3%) were lower. The month of April brought more evidence that the US economy was lifting, with retail spending and consumer confidence improving while housing indicators continue to lag despite the improved weather. Conditions in Europe also continued to improve while data for China continued to show evidence of slowdown. Domestically, the data was mixed with a decent bounce in employment which saw the unemployment rate drop back below 6% and residential building approval numbers were also strong. The confidence measures remained subdued and are unlikely to be helped by the government continuing to leak details of proposed budget measures which suggest that the budget will be a tough one. The Reserve Bank of Australia (RBA) kept interest rates steady and suggested that a "period of stability" on interest rates was ahead. The AUD/USD ended the month at 92.9c up slightly over the month.

The better performing sectors during April tended to be the defensives, with REITs (up 5.6%), utilities (up 3.4%), consumer staples (up 3.1%) and telecommunications (up 2.1%) all outperforming. Energy (up 3.4%) also performed strongly. Financials (up 1.3%) underperformed slightly, as did materials (up 1.2%), consumer discretionary (up 1.0%) and industrials (up 0.3%). Healthcare (down 1.4%) was the worst performing sector.

The best performing stock in the portfolio in April was Lend Lease (up 9.3%). Lend Lease stands to benefit from both the pickup in residential high rise construction activity currently underway, as well as an expected increase in government sponsored infrastructure investment. An example of this was the announcement during the month of the construction of a second airport in Sydney and associated transport infrastructure. During the month, the company also announced that it would commence construction of the third and largest commercial tower at its Barangaroo site in Sydney. The company currently has a record order book and this should underpin earnings for several years.

Other strong performers included Westfield Group (up 6.8%) which released more details on its demerger proposal, Woodside Petroleum (up 4.6%), Origin Energy (up 4.3%) both up on good production reports, ANZ (up 4.3%), Stockland (up 3.7%) and Telstra (up 2.8%). The Trust also benefitted from not holding Coca-Cola Amatil (down 16.1%) which issued an unexpected profit downgrade during the month.

Stocks which detracted from performance included Iluka Resources (down 10.3%) which fell after its quarterly production report indicated that demand conditions are yet to improve for mineral sands. QBE Insurance (down 9.7%), Aristocrat Leisure (down 6.5%) and ASX (down 1.5%) also underperformed.

Market Outlook

Despite the volatility over recent months, the 2014 financial year to date sees the Index up 18.2%. While a level of macroeconomic uncertainty remains and ongoing volatility is likely, there are positive economic signals in many markets. Longer-term, 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

Stock name	Trust weight %	Index weight %
Telstra Corporation.	9.8	4.7
ANZ Banking Grp Ltd	8.5	6.8
Westpac Banking Corp	8.4	7.9
National Aust. Bank	8.1	6.0
BHP Billiton Limited	7.8	8.8
Commonwealth Bank.	7.7	9.2
Woodside Petroleum	6.3	1.8
CASH	5.0	0.0
Suncorp Group Ltd	4.1	1.2
ASX Limited	3.8	0.5

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.8	5.9
Materials	12.8	17.3
Industrials	2.0	6.7
Consumer Discretionary	8.1	4.8
Consumer Staples	2.0	8.0
Health Care	0.0	4.6
Financials-x-Real Estate	46.7	38.0
Real Estate	5.7	7.0
Information Technology	0.0	0.8
Telecommunication Services	9.8	5.1
Utilities	0.0	1.7
Other	5.1	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032 or visit www.perennial.net.au.

Signatory of:

PRI Principles for Responsible Investment