

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	5.1	-4.2	-6.6	-11.5	5.6	8.6	6.6
S&P/ASX 300 Accumulation Index	4.8	-2.6	-3.0	-9.3	5.3	5.4	5.1
Value Added (Detracted)	0.3	-1.6	-3.6	-2.2	0.3	3.2	1.5
Capital Growth	5.0	-4.5	-11.6	-17.4	-0.2	2.6	0.4
Income Distribution	0.0	0.0	4.6	5.4	5.0	5.2	5.4
Net Performance[^]	5.0	-4.5	-7.0	-12.0	4.8	7.8	5.8

*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 March 2016):

AUD 40 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 March 2016):

AUD 6.3 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ Over the 12 months to March 2016, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 7.5%. This compares favourably to twelve month term deposit rates of 2.7% available over the same period.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.5% per annum.
- ▶ Markets rallied in March, with the Index up 4.8%.

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

The S&P/ASX300 Accumulation Index (the Index) rallied strongly, finishing the month up 4.8%. The Trust returned 5.1%, outperforming the market by 0.3%.

Globally, markets were strong over the month, with the S&P500 up 6.6%, the FTSE100 up 1.3%, the Nikkei 225 up 4.6% and the Shanghai Composite up 11.8%. Commodity prices firmed, with Brent oil ending the month 9.0% higher and the iron ore price rising 8.0%. In Australia, the February unemployment rate fell from 6.0% to 5.8%, with most of the jobs being created in the Eastern states, demonstrating that the transition from the mining to non-mining sectors of the economy is on track. The Reserve Bank of Australia (RBA) left the cash rate at 2.0% and the Australian Dollar (AUD) rallied on the back of US Dollar (USD) weakness to finish the month at 76.6 US cents.

Cyclical sectors performed better over the month, with metals and mining (up 6.9%), financials (up 6.7%), energy (up 6.2%), materials (up 6.0%) and consumer discretionary (up 5.1%). Defensive sectors underperformed, with healthcare (up 0.4%), utilities (up 1.3%) and REITs (up 2.5%).

Trust holdings which outperformed included our resource-related stocks, with Downer (up 15.3%), BHP (up 9.7%), Orica (up 7.9%) and Rio Tinto (up 6.0%). Other strong performers included AMP (up 11.5%), Lend Lease (up 6.4%) and Suncorp (up 6.3%). The major banks also outperformed, up an average of 6.4% over the month, despite the emergence of a small number of non-performing loans. Importantly, we see these as isolated company-specific issues, rather than as evidence of any broad-based deterioration in credit quality, with corporate Australia overall in strong financial shape. We see the sector as offering attractive value with a FY17 sector average Price to Earnings (P/E) of 11.0 times and gross yield of 9.8%.

Stocks which detracted from performance included Event Hospitality and Entertainment (down 1.9%) and Harvey Norman (down 1.7%), Iluka Resources (up 0.3%) and AGL Energy (up 0.3%), all of which eased after strong recent performances.

Trust Activity

March was a quiet month in terms of Trust activity, with the only portfolio changes being to take profits and reduce our holdings in AGL Energy and Event Hospitality and Entertainment. Both of these stocks have performed very strongly in recent times, having outperformed the market by 34.7% and 42.9% respectively over the past 12 months. At month end, the Trust held 24 stocks (diversified across nine sectors) and cash of 3.5%.

Outlook

Economic data confirms the ongoing transition to a recovering East coast economy. The Trust continues to be exposed to this theme through overweight positions in retail, building and infrastructure/construction related stocks. The Trust remains overweight both in the major banks and in the large-cap, low-cost, financially-sound resources companies, where the recent very substantial sell-off has opened up medium-term value. 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. Transurban is a stark example of this 'flight to earnings' certainty with the stock currently trading on a FY17 gross dividend yield of 4.6%. This compares poorly to the Trust's forecast FY17 gross yield of 8.0%. The overall portfolio continues to exhibit Perennial Value's true to label value characteristics, with the Trust offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cashflow, 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	9.1	9.4
Westpac Banking Corp	8.5	7.4
Telstra Corporation	8.4	4.8
ANZ Banking Group Limited	7.3	5.0
National Australia Bank	6.6	5.1
Wesfarmers Limited	6.0	3.4
BHP Billiton Limited	5.6	4.0
AMP Limited	5.3	1.3
Event Hospitality	4.6	0.0
Woodside Petroleum	4.2	1.4

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	4.2	4.1
Materials	12.8	13.0
Industrials	0.9	8.4
Consumer Discretionary	9.6	5.3
Consumer Staples	6.0	7.2
Health Care	0.0	6.8
Financials-x-Real Estate	45.8	36.9
Real Estate	6.7	9.1
Information Technology	0.0	1.2
Telecommunication Services	8.4	5.5
Utilities	2.1	2.5
Cash & Other	3.5	-

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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