Perennial Value Shares for Income Trust

Monthly Report as at 30 September 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*	3.1	8.9	8.9	29.1	12.1	9.0	7.4
S&P/ASX 300 Accumulation Index	2.2	10.3	10.3	23.6	8.9	7.1	5.6
Value Added (Detracted)	**0.9**	**-1.4**	**-1.4**	**5.5**	**3.2**	**1.9**	**1.8**
Capital Growth	1.6	7.2	7.2	22.9	6.0	3.1	1.1
Income Distribution	1.4	1.5	1.5	5.1	5.3	5.1	5.5
Net Performance^^	3.0	8.7	8.7	28.0	11.3	8.2	6.6

*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.**

- During September, the Trust became entitled to dividends from Amcor, ASX, BHP, Brambles, Crown, Fletcher Building, Lend Lease, Myer and Treasury Wine Estates.
- Origin Energy was added to the Trust during the month.
- The Trust delivered a return of 3.1% for the month, outperforming the Index return by 0.9%.

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

During September, the Trust became entitled to dividends from Amcor, ASX, BHP, Brambles, Crown, Fletcher Building, Lend Lease, Myer and Treasury Wine Estates.

Trust Activity

During September, we added Origin Energy to the Trust. This company operates in energy generation and retailing in eastern Australia and New Zealand. It also holds a 37.5% interest in the Australia Pacific LNG (APLNG) project in Queensland, in which it acts as the upstream operator. The outlook for this stock is positive as competitive dynamics in the retail energy market stabilise after a period of disruption and the risks around the APLNG project diminish as it moves towards completion in 2015. Origin is currently offering a FY14 gross yield of 5.1%, however, this has the potential to grow significantly once the cash flows from the APLNG project commence. This position was funded by selling out of our holdings in Tatts Group and Bendigo and Adelaide Bank.

At month end, stock numbers were 33 and cash was 2.5%.

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 30/09/13): AUD68.3 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 30/09/13): AUD8.2 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: December 2005	**APIR code:** IOF0078AU

*Gross dividend yield

Stock and Trust Performance

The S&P/ASX300 Accumulation Index (the Index) rose again in September, to close up 2.2%, with both industrials (up 2.3%) and resources (up 1.5%) contributing positively. The best performing sectors in the month were industrials (up 5.6%), consumer discretionary (up 3.0%) and financials (up 2.6%). Defensive sectors lagged, with healthcare (down 1.8%), consumer staples (up 0.3%), REITs (up 0.9%) and utilities (up 1.2%).

The Trust delivered a return of 3.1% for the month, outperforming the Index return by 0.9%. The Trust has delivered a very strong total return of 29.1% for the past 12 months, outperforming the Index return of 23.6% by 5.5%. Notwithstanding the yield focus of the Trust, it is pleasing to have outperformed the market during a period of such strong total returns.

International markets were again dominated by headlines out of the US with the Federal Reserve deciding against tapering its bond buying programme, followed by concerns late in the month around a potential US government shutdown. All major markets ended the month higher, with the S&P500 up 3.0%, FTSE up 0.8%, the Nikkei 225 up 8.0% and the Shanghai Composite up 3.6%.

Australian economic data was broadly positive, particularly within the residential property market with growth in approvals for the construction of new homes up 10.8% in July along with stronger house prices more generally. Real GDP rose 0.6% quarter on quarter during the period, in line with its average pace over recent quarters. Annualised GDP is likely to remain around 2.5% for the remainder of 2013 with expectations that the Coalition victory in the Federal election during the month will lead to more positive consumer and business sentiment. The Australian dollar (AUD) finished higher at USD0.93.

The best performing stock in the Trust was Boral (up 14.3%), which rallied as the housing market shows increasing signs of life. Other housing-related stocks also performed well, with Fletcher Building (up 12.9%), Australand (up 8.0%) and Stockland (up 3.8%).

Henderson Group (up 12.4%) also rallied following positive momentum in European equity inflows and signs of an improving European economic environment. Henderson is a recent addition to the Trust which gives us exposure to the emerging recovery in the Eurozone financial markets as well as increasing the Trust's non-AUD earnings base. Since we established the position in July, it has delivered a total return of 28.7%.

Performance of our resource-related holding was mixed. Majors BHP (up 1.8%) and Woodside Petroleum (up 0.3%) lagged the market following their strong performances over the past few months, while engineering firm WorleyParson (up 10.5%), and explosives-maker Orica (up 7.0%) both performed strongly. Iluka Resources (up 6.6%) also outperformed on signs of improvement in the mineral sands market.

Other strong performers included Premier Investments (up 6.5%) after delivering a positive full-year result, Lend Lease (up 8.1%) on hopes of increased infrastructure spending under the Coalition, Crown (up 7.7%) which continued its strong run on positive Macau gaming statistics and Harvey Norman (up 5.6%) which should also be an indirect beneficiary of increasing housing activity.

The major banks outperformed, with NAB (up 5.8%) leading as improving UK data reduces the residual risk around its UK operations. Westpac (up 4.3%) and ANZ (up 3.7%) also outperformed, while CBA (down 2.2%), lagged the market.

The worst performing stock in the Trust was Treasury Wine Estates (down 5.7%) which fell after announcing the departure of its CEO. While this stock has been disappointing for us, we continue to see significant value in this company, with its portfolio of premium wine brands such as Penfolds and believe that this will eventually be realised, possibly through corporate activity. Other stocks which detracted from performance included QBE (down 3.5%), Myer (down 2.2%) and ASX (up 0.3%).

The reporting season has now concluded, and can best be summarised as reasonable given the generally tough operating conditions. From a dividend point of view, stocks accounting for 69% of the Trust increased their dividends, 20% of the Trust held their dividends flat and only 11% of the Trust reduced their dividends.

Outlook

The new financial year has begun positively, with the Index up 10.3% over the past three months. However, the level of macroeconomic uncertainty remains high and ongoing volatility is likely. Longer-term, however, as economic growth resumes, company profits should grow and dividends paid to shareholders should increase, providing a growing stream of reliable, tax-effective income to investors.

Top 10 Holdings as at 30 September 2013

Stock	Trust Weight %	Index Weight %
BHP Billiton Limited	9.3%	8.8%
Commonwealth Bank.	8.2%	8.8%
National Aust. Bank	7.0%	6.2%
Westpac Banking Corp	6.9%	7.8%
Telstra Corporation.	6.9%	4.8%
ANZ Banking Grp Ltd	6.5%	6.5%
Woodside Petroleum	3.8%	1.8%
Crown Limited	3.4%	0.5%
Macquarie Group Ltd	3.1%	1.3%
Wesfarmers Limited Partially Protected	2.9%	0.0%

Asset Allocation as at 30 September 2013

Asset Class	Trust Weight %	Index Weight %
Energy	6.4%	6.3%
Materials	18.5%	17.4%
Industrials	3.5%	6.8%
Consumer Discretionary	10.5%	4.8%
Consumer Staples	5.0%	8.3%
Health Care	0.0%	4.6%
Financials-x-Real Estate	39.5%	37.2%
Real Estate	7.4%	6.9%
Information Technology	0.0%	0.8%
Telecommunication Services	6.9%	5.2%
Utilities	0.0%	1.7%
Other	2.5%	-

Rounding accounts for small +/- from 100%.