

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust [*]	-1.3	-0.7	4.9	3.7	3.8	10.8	6.8
S&P/ASX 300 Accumulation Index	-2.2	-3.2	3.0	6.3	3.9	9.0	5.5
Value Added (Detracted)	0.9	2.5	1.9	-2.6	-0.1	1.8	1.3
Capital Growth	-1.4	-2.8	2.5	-4.1	-3.2	3.8	0.2
Income Distribution	0.0	2.0	2.1	7.0	6.3	6.2	5.7
Net Performance^{^^}	-1.4	-0.8	4.6	2.9	3.1	10.0	5.9

^{*}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, 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^{*}.

Portfolio manager:

Stephen Bruce

Risk profile:

High

Trust FUM (as at 31 October 2016):

AUD \$35 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 October 2016):

AUD \$8.5 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

^{*}Gross dividend yield.

- ▶ Over the twelve months to October 2016, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 9.2%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.7% per annum.
- ▶ The market fell in October, with the S&P/ASX300 Accumulation Index down 2.2%.

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 Trust fell 1.3% for October, outperforming the benchmark by 0.9%.

The international markets were mixed with the S&P500 down 1.9%, while the (Nikkei 225 (up 5.9%), Shanghai Composite (up 3.2%) and the FTSE 100 (up 0.8%) all rallied. The month saw strong rallies in iron ore (up 15.6%) and coal, with thermal coal up 33.0% and hard coking coal up 20.0%, while oil eased (down 1.5%) and gold declined 3.8%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia (RBA), with the cash rate remaining steady at 1.5%, while the Australian Dollar finished the month down one cent at 76 US cents.

During October, the better performing sectors included metals and mining (up 2.2%), materials (up 1.2%) and financials (up 0.7%), while healthcare (down 8.1%), REITs (down 7.7%), consumer discretionary (down 6.1%) and telecommunications (down 4.4%) underperformed.

Stocks which performed strongly included miners Rio Tinto (up 5.0%) and BHP (up 3.1%), as well as Downer (up 8.2%) and Orica (up 7.2%) with their mining services exposure. We see good medium-term value in the large-cap end of the resources market, with significant upside should the current strength in commodity prices continue. QBE Insurance (up 7.5%) performed strongly, being one of very few stocks with positive leverage to rising bond rates. AGL Energy (up 0.7%) outperformed on speculation of the closure of the Hazelwood power station, which would have the effect of tightening the Victorian electricity market. The Trust also benefited from not holding expensive defensives such as Sydney Airport (down 10.2%), Transurban (down 8.6%) and Ramsay Healthcare (down 7.3%) which all fell as bond yields rose.

Stocks which detracted from performance included AMP (down 13.4%), which fell after announcing further deterioration in their wealth protection business. While this was disappointing, the division now accounts for less than 10.0% of group earnings and will likely be less of an issue going forward. We remain comfortable with the outlook for each of these stocks. Other stocks which underperformed included Scentre Group (down 10.4%), Iluka Resources (down 8.0%), Event Hospitality (down 7.2%) and Stockland (down 7.1%).

Trust Activity

During the month, we reduced our holding in Telstra as, while the current dividend yield is attractive, growth will be increasingly challenged as the NBN rolls out and the compensation payments come to an end. Proceeds were used to add an alternative telecommunications exposure in the form of Vocus Communications. Unlike Telstra, this stock has a strong growth profile following its recent mergers with M2 and Nextgen and offers an FY17 gross yield of 6.0%.

We also significantly reduced our holding in Flight Centre as, while we are positive on the long-term outlook, we have become cautious about current market conditions, with heavy discounting and soft travel volumes. Proceeds were used to establish a position in Crown Resorts. The stock had been sold off following the arrest of several of its employees in China. While the situation is currently unclear, it is likely that the longer-term impact on the business will be limited, with directly-sourced Chinese VIPs only representing a small proportion of total earnings. The stock is currently offering an FY17 gross yield of 7.3%. At month end, stock numbers were 27 and cash was 1.5%.

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.	9.4	8.8
Westpac Banking Corp	8.2	7.1
ANZ Banking Grp Ltd	7.2	5.7
BHP Billiton Limited	6.7	5.2
National Aust. Bank	6.2	5.2
Telstra Corporation.	5.0	4.2
Event Hospitality	4.9	0.0
Woodside Petroleum	4.7	1.4
AGL Energy Limited.	4.4	0.9
Macquarie Group Ltd	4.2	1.9

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	4.7	4.0
Materials	13.9	16.1
Industrials	1.5	7.1
Consumer Discretionary	11.2	5.3
Consumer Staples	3.8	7.1
Health Care	0.0	6.7
Financials-x-Real Estate	46.7	36.4
Real Estate	5.4	8.6
Information Technology	0.0	1.4
Telecommunication Services	7.0	4.8
Utilities	4.4	2.4
Cash & Other	1.5	-

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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