

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	3.7	3.5	8.8	8.5	5.4	12.4	7.0
S&P/ASX 300 Accumulation Index	2.8	1.1	5.8	10.1	5.4	10.4	5.7
Value Added (Detracted)	0.9	2.4	3.0	-1.6	0.0	2.0	1.3
Capital Growth	3.7	1.2	6.2	0.2	-1.8	5.2	0.5
Income Distribution	0.0	2.1	2.2	7.4	6.4	6.3	5.7
Net Performance ^{^^}	3.7	3.3	8.4	7.6	4.6	11.5	6.2

*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 30 November 2016):

AUD \$36 million

Income distribution frequency:

Quarterly

Team FUM (as at 30 November 2016):

AUD \$6.9 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ Over the twelve months to November 2016, the Perennial Value Shares for Income Trust (the Trust) has delivered a pre-tax distribution yield (i.e. including franking credits) of 9.6%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.7% per annum.
- ▶ The market rallied in November, with the S&P/ASX300 Accumulation Index (the Index) up 2.8%.

Trust characteristics

In line with the objective, 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 delivered a return of 3.7% for November, outperforming the Index by 0.9%.

The key development over the month was the result of the US election. International markets generally reacted positively, with the S&P500 up 3.4%, Nikkei 225 up 5.1% and Shanghai Composite up 4.8%, while the FTSE 100 declined 2.5%. The month saw strong rallies in iron ore (up 24.6%) and hard coking coal (up 20.2%), while oil rose 6.7%. thermal coal declined 23.7% from its recent high and gold declined 7.7%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia, with the cash rate remaining steady at 1.5%, while the Australian Dollar finished the month down two cents at 74 US cents.

During November, the better performing sectors included financials (up 6.0%), energy (up 3.7%), metals & mining (up 3.0%) and materials (up 2.2%) while defensive sectors such as healthcare (down 1.6%) and telecommunications (down 0.4%) underperformed.

Trust holdings which performed strongly included QBE Insurance (up 11.8%) with its leverage to rising US interest rates, Platinum Asset Management (up 9.8%), with its leverage to offshore equities markets and AGL Energy (up 9.4%) which rallied on the announcement of the closure of the Hazelwood power station in Victoria, which in turn should support electricity prices. Other stocks which outperformed included Crown Resorts (up 7.8%), which had been previously sold down following the arrests of staff in China, Macquarie Group (up 7.5%) and the major banks, up an average of 6.2%. Resource stocks also outperformed on the higher commodity prices, with Rio Tinto (up 6.6%), BHP (up 5.8%) and Woodside Petroleum (up 4.4%). The Trust also benefited from being underweight healthcare and REITs, which fell as bond yields rose.

The most significant detractor from performance was Vocus Communications (down 27.0%) which fell after issuing FY17 earnings guidance which was below market expectations. While this was disappointing, the longer-term outlook for the company remains positive with significant benefits to flow as it integrates its fibre infrastructure with its retail telecommunications business. Unlike other telecommunication companies, the roll-out of the NBN is a net positive for Vocus and it is gaining market share in broadband. Shorter-term, however, the share price may languish. Other stocks which underperformed included Harvey Norman (down 5.9%) and Downer (down 2.7%), both of which had performed very strongly in recent times.

Trust Activity

During the month, we exited our holding in Boral. The stock had performed well however, we were cognisant that we are towards the peak of the construction cycle. This was fortunate as the company subsequently announced a major acquisition in the US. The acquisition was funded by a major capital raising and saw the stock finish the month down 14.3%. We also reduced our holdings in Harvey Norman and CBA. Proceeds were used to increase our holdings in NAB and Vocus Communications. At month end, stock numbers were 26 and cash was 2.0%.

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	8.7	9.2
Westpac Banking Corporation	8.3	7.1
ANZ Banking Group Limited	7.2	5.7
National Australia Bank	7.1	5.2
BHP Billiton Limited	7.0	5.3
Telstra Corporation	5.0	4.2
Woodside Petroleum	4.8	1.5
Event Hospitality	4.8	0.0
AGL Energy Limited	4.7	1.0
Macquarie Group Limited	4.3	1.9

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	4.8	4.1
Materials	13.4	16.2
Industrials	1.5	7.0
Consumer Discretionary	9.8	5.2
Consumer Staples	3.8	7.0
Health Care	0.0	6.4
Financials-x-Real Estate	47.6	37.1
Real Estate	5.3	8.5
Information Technology	0.0	1.4
Telecommunication Services	7.1	4.7
Utilities	4.7	2.5
Cash & Other	2.0	-

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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