

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	4.1	3.4	4.1	17.1	18.9	12.7	8.0
S&P/ASX 300 Accumulation Index	4.4	3.6	4.4	16.3	13.0	10.3	6.4
Value Added (Detracted)	-0.3	-0.2	-0.3	0.8	5.9	2.4	1.7
Capital Growth	4.1	3.0	4.1	12.0	12.6	7.1	1.9
Income Distribution	0.0	0.1	0.0	4.1	5.3	4.7	5.3
Net Performance ^{^^}	4.01	3.2	4.1	16.1	17.9	11.9	7.2

*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, 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 July 2014):

AUD74.1 million

Income distribution frequency:

Quarterly

Team FUM (as at 31 July 2014):

AUD8.2 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ **The Trust delivered a strong return of 4.1%.**
- ▶ **In July, all sectors of the market delivered positive returns, led by resources.**
- ▶ **Better performing stocks in the portfolio for the month tended to be the resource related names, Iluka Resources (up 8.6%), BHP (up 7.7%), and Orica (up 12.9%).**

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.

Portfolio Activity

July was a quiet month in terms of portfolio activity, with no stocks added or removed from the portfolio. During the month, we reduced our holdings in ANZ and Westpac following payment of their dividends and also reduced our holding in Brambles which is currently trading on a fairly full valuation and offering a FY15 gross yield of only 3.7%. Proceeds were used to increase our holding in BHP, where we see good value as well as a reasonable FY15 gross yield of 5.5%. We also increased our holding in Macquarie Group, which we think will continue to benefit from increased activity in financial markets such as the current pick up in IPO activity as well as the potential increase in M&A activity which could emerge as cashed up corporates look to buy growth. Macquarie has a strong balance sheet and is offering a FY15 gross yield of 6.5%.

During the month, we participated in the capital raising undertaken by Aristocrat Leisure to fund its US\$1.28 billion acquisition of US firm, Video Gaming Technologies (VGT). Aristocrat positively surprised the market with its acquisition of the US-based private company, which has a big position in Class II (lottery type) games in US tribal casinos. VGT is a good fit for Aristocrat, increasing reliable participation revenue with low tax jurisdiction advantages, in a sound niche market in which Aristocrat had no previous exposure. The company undertook a \$435 million share placement to partly fund the acquisition at \$5.26 per share. The portfolio participated in this raising at greater than the proportional entitlement and this has delivered a positive outcome with the month-end share price closing at \$5.70. This company has strong growth prospects, is leveraged to a US economic recovery, will benefit from a weaker AUD and is offering a FY15 gross yield of 5.7%.

At month end, stock numbers were 25 and cash was 1.2%.

Stock and Portfolio Performance

In July, the market delivered a very strong total return, with the S&P/ASX300 Accumulation Index (the Index) up 4.4%. The Perennial Value Shares for Income Trust (the Trust) also delivered a strong return of 4.1%.

Global markets were mixed in July, with the Shanghai Composite (up 7.5%) and Nikkei 225 (up 3.0%) rising during the month, while the S&P 500 (down 1.5%) and FTSE (down 0.2%) fell. Geopolitical tensions in the Ukraine and Middle East and further sanctions imposed on Russia overshadowed strong US economic data with 2Q GDP up 4% and company guidance broadly positive following 2Q US earnings results.

The US Federal Reserve continued to taper its asset purchasing program as the economy improves. In Europe, the ECB left rates on hold after cutting last month. Domestically the data was mixed, with business confidence resilient, offsetting soft consumer sentiment and a rise in unemployment to 6.0%. The RBA left the cash rate unchanged at 2.5%. The AUD/USD fell by 1.3c to end the month at 93.0c.

In July, all sectors of the market delivered positive returns, led by resources, with Metals and Mining (up 8.8%) the best performing sector. Other sectors which performed well included Materials (up 7.7%), IT (up 5.7%), Telcos (up 5.1%) and REITS (up 5.0%). The defensive sectors tended to underperform, with Utilities (up 0.9%) the worst performing sector and Healthcare (up 2.2%) also lagging the rally. Financials (up 3.6%) marginally underperformed as investors rotated into resources.

The better performing stocks in the portfolio for the month tended to be the resource related names, as sentiment towards Chinese growth improved. Iluka Resources (up 8.6%) and BHP (up 7.7%), where we have recently moved to an overweight position, both performed strongly. Mining explosives maker, Orica (up 12.9%) was the best performing stock in the portfolio, rallying after having been sold down in recent months. Other stocks which outperformed included

Aristocrat Leisure (up 8.4%) following its acquisition of VGT discussed above and NAB (up 7.7%) which announced the sale of a GBP625 million portfolio of non-performing UK commercial real estate loans. The sale was made at above the written down value of the loans and significantly reduced the balance of impaired loans in the UK. We view this as a positive step on the path to de-risking the bank, releasing capital and focusing on the high-returning, core Australian business. This, combined with significant senior management changes, including the recent CEO and CFO appointments, suggests relative valuation upside for NAB.

Stocks which detracted from performance included Origin Energy (down 2.0%), Macquarie Group (down 1.9%), Harvey Norman (down 0.3%), Amcor (0.0%) and QBE (up 1.2%).

Market Outlook

The strong market return in July has seen the 2015 financial year off to a flying start and builds on the strong returns of 21.9% and 17.3% in the 2013 and 2014 financial years respectively. While there are positive economic signals in many markets, a level of macroeconomic uncertainty remains and ongoing volatility is likely. 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 %
BHP Billiton Limited	9.6	8.8
Telstra Corporation.	9.5	4.8
Westpac Banking Corp	8.9	7.6
ANZ Banking Grp Ltd	8.9	6.6
National Aust. Bank	8.2	5.9
Woodside Petroleum	7.3	2.1
Commonwealth Bank.	5.8	9.6
Stockland	4.9	0.7
Suncorp Group Ltd	4.5	1.3
Aristocrat Leisure	3.9	0.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	8.7	6.2
Materials	14.6	17.4
Industrials	1.0	6.9
Consumer Discretionary	8.6	4.1
Consumer Staples	2.0	7.9
Health Care	0.0	4.6
Financials-x-Real Estate	45.1	37.9
Real Estate	9.3	7.1
Information Technology	0.0	0.8
Telecommunication Services	9.5	5.3
Utilities	0.0	1.7
Other	1.2	-

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:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Manager: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, reference guides and application forms can be found on Perennial's website www.perennial.net.au.