

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	3.6	-8.4	-5.0	-1.1	11.9	9.2	7.1
S&P/ASX 300 Accumulation Index	4.4	-6.4	-2.3	-0.5	9.6	6.8	5.4
<b>Value Added (Deducted)</b>	<b>-0.8</b>	<b>-2.0</b>	<b>-2.7</b>	<b>-0.6</b>	<b>2.3</b>	<b>2.4</b>	<b>1.7</b>
Capital Growth	1.5	-12.4	-9.1	-9.1	5.4	2.8	0.7
Income Distribution	2.3	3.9	4.0	7.4	5.7	5.6	5.6
Net Performance <sup>^^</sup>	3.7	-8.5	-5.1	-1.8	11.0	8.4	6.2

\*Gross Performance. <sup>^</sup>Since inception: December 2005. <sup>^^</sup>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 October 2015):

AUD 49 million

### Income distribution frequency:

Quarterly

### Team FUM (as at 31 October 2015):

AUD 7.6 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

December 2005

### APIR code:

IOF0078AU

\*Gross dividend yield.

- ▶ **The best performing stock in the portfolio was Macquarie Group (up 11.8%) after delivering a strong H116 result.**
- ▶ **Continued positive outlook for the housing market, both in terms of new completions coming through and renovations.**
- ▶ **The current very low interest rates highlight the relative attractiveness of equities.**

### 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.

### Stock and Portfolio Performance

Over the twelve months to September (date of the last quarterly distribution), the Trust has delivered a pre-tax distribution yield (i.e. including franking credits and after fees) of 7.5%. This compares very favourably to the gross yield of the market of 5.9% and to twelve month term deposit rates of 3.3% available over the period (Source: Reserve Bank of Australia).

Markets rebounded strongly in October, and the Trust delivered a return of 3.6%. Markets were strong globally with S&P500 up 8.3%, FTSE up 4.9%, Nikkei up 9.8% and Shanghai Composite up 10.8%. Commodity prices were generally stable, the Reserve Bank of Australia (RBA) left the cash rate unchanged and the Australian Dollar (AUD) increased 1 cent to 71 US cents.

Sector performance was mixed, with energy (up 8.0%) the best performing sector, followed by utilities (up 6.9%), healthcare (up 6.2%), consumer discretionary (up 6.2%), industrials (up 5.1%) and financials (up 5.0%), while telecommunications (down 2.8%), consumer staples (up 0.5%) and information technology (up 0.6%) lagged.

The best performing stock in the portfolio was Macquarie Group (up 11.8%) which rose after delivering a strong H116 result which saw Earnings per Share (EPS) up 53% and the dividend increased by 23%. This was an impressive result, with earnings growth in all divisions and particularly strong performance fees from their infrastructure funds. Orica (up 9.6%) announced that Malcolm Broomhead would assume the Chairmanship from 1 January 2016. We view this very favourably as he was the former Chief Executive Officer (CEO) who successfully turned the business around mid-last decade so knows the business well. Further, he has subsequently done a very good job overseeing the turnaround at Asciano and sits on the BHP board. Other stocks which outperformed included Amalgamated Holdings (up 8.5%), which continued to rally with its tourism exposure, Aristocrat Leisure (up 8.2%) with its ongoing market share gains and Suncorp (up 7.5%). Suncorp consists of a strong multi-brand general insurance business with leading market share in Australia and NZ, a growing regional bank on the Eastern seaboard and a conservatively positioned life company. The personal lines insurance business is particularly strong with good systems and it has a low cost motor car repairer model which will perform even more competitively in a rising auto spare parts cost environment. We were particularly attracted to the prospective FY16 gross yield of 9.6% underpinned by a surplus capital position.

Stocks which detracted from performance included Telstra (down 3.7%), which has underperformed on concerns over its mooted investment in the Philippines. In our view, any investment will likely be measured and will not detract from the company's ability to continue to pay attractive fully-franked dividends, with the company offering an FY16 gross dividend yield of 8.1%.

In other stock specific news, Stockland (up 5.2%) delivered an update which confirmed that it is on track for 6.0-7.5% EPS growth in FY16 with land sales of 6,000 lots and Harvey Norman released strong first quarter FY16 sales results with like-for-like sales up 7.1% and pre-tax profit up 27.8%. These results, together with the reported acceleration in Bunnings sales, reinforce our continued positive outlook for the housing market, both in terms of new completions coming through and renovations. Lend Lease held an investor day during the month. We were impressed by the depth of management who presented and the company reiterated the low settlement risk that they have in their residential apartment portfolio. This latter issue has been weighing on the share price recently.

#### Portfolio Activity

October was a quiet month in terms of portfolio activity, with the only portfolio changes being to increase our holdings in the banks by adding to our position in ANZ and participating in the Westpac entitlement offer, under which we took up stock at \$25.50, compared to the month-end price of \$31.38. During the month, ANZ (up 0.5%), NAB (up 0.6%) and Westpac (up 6.2%) delivered their full-year results. While the results showed subdued earnings growth, a clear positive was the very good credit quality in their Australian business, with arrears trends continuing to improve. The recent mortgage rate rises clearly demonstrate the pricing power of the major banks and at current prices, having just completed capital raisings, we think they offer reasonable value, with a sector average FY16 gross dividend yield of 8.8%.

#### Market Outlook

While there has been a heightened level of volatility in markets recently, the economic fundamentals of major economies overall seem to be improving slowly and this should drive economic and earnings growth. Further, the current very low interest rates highlight the relative attractiveness of equities.

At month end, stock numbers were 26 and cash was 2.2%.

Top 10 Holdings		
Stock name	Trust weight %	Index weight %
Commonwealth Bank.	8.9	9.4
Westpac Banking Corp	8.4	7.5
Telstra Corporation.	8.1	4.8
National Aust. Bank	7.7	5.7
ANZ Banking Grp Ltd	7.6	5.6
BHP Billiton Limited	7.3	5.3
AGL Energy Limited	5.3	0.8
Amalgamated Holdings	4.7	0.0
Woodside Petroleum	4.6	1.5
Macquarie Group Ltd	4.4	2.1

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	4.6	4.3
Materials	14.8	13.9
Industrials	0.8	8.0
Consumer Discretionary	10.5	4.7
Consumer Staples	1.9	6.8
Health Care	0.0	6.5
Financials-x-Real Estate	46.8	38.8
Real Estate	5.1	8.4
Information Technology	0.0	1.1
Telecommunication Services	8.1	5.3
Utilities	5.3	2.3
Cash & Other	2.2	0.0

Rounding accounts for small +/- from 100%.

For all other enquiries. please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://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](http://www.perennial.net.au).