

	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 <sup>*</sup>	1.1	6.2	6.2	8.9	5.6	12.5	6.9
S&P/ASX 300 Accumulation Index	0.5	5.2	5.2	13.5	6.0	11.0	5.7
<b>Value Added (Detracted)</b>	<b>0.6</b>	<b>1.0</b>	<b>1.0</b>	<b>-4.6</b>	<b>-0.4</b>	<b>1.5</b>	<b>1.2</b>
Capital Growth	-1.0	3.9	3.9	-1.4	-1.5	5.4	0.3
Income Distribution	2.0	2.1	2.1	9.6	6.3	6.3	5.8
Net Performance <sup>^^</sup>	1.0	6.0	6.0	8.2	4.8	11.7	6.1

<sup>\*</sup>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, 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 September 2016):

AUD \$37 million

### Income distribution frequency:

Quarterly

### Team FUM (as at 30 September 2016):

AUD \$8.7 billion

### Minimum initial investment:

\$25,000

### Trust inception date:

December 2005

### APIR code:

IOF0078AU

<sup>\*</sup>Gross dividend yield.

- ▶ Over the twelve months to September 2016, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 12.4%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.8% per annum.
- ▶ The market rose in September, with the S&P/ASX300 Accumulation Index (the Index) up 0.5%.

## 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 Perennial Value Shares for Income Trust (the Trust) delivered a return of 1.1% for September, outperforming the Index by 0.6%.

The international markets were mixed with the S&P500 down 0.1%, Nikkei 225 down 2.6% and Shanghai Composite down 2.6%, while the FTSE 100 rallied up 1.7%. Metal prices rallied, with nickel up 8.3%, copper up 5.4% and aluminium up 3.7%, while iron ore declined 1.0% over the month. The oil price closed up 7.9% and gold increased 0.5%. 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 (AUD) finished the month up one cent at 0.77 US cents.

During September, the better performing sectors included metals and mining (up 8.1%), materials (up 5.7%) and consumer staples (up 1.6%), while REITs (down 4.3%), telecommunications (down 4.0%) and utilities (down 3.2%) underperformed.

Stocks which performed strongly included miners BHP (up 10.5%) and Rio Tinto (up 8.4%) as well as Downer (up 10.0%) with its mining services exposure and Wesfarmers (up 3.9%) which stands to benefit from the strong recovery in coal prices. The portfolio has benefited from its resources exposure in recent times as recovering commodity prices have seen share prices rally. We see good medium-term value in the large-cap end of the resources market, with their strong balance sheets, tier one assets and management focus on cost and capex reduction. Should the current strength in commodity prices continue, the sector is likely to see significant upgrades to consensus earnings forecasts. AGL Energy (up 2.7%) was another strong performer over the month, after announcing a buy-back, increasing the dividend payout ratio and providing positive FY17 earnings guidance at their AGM.

Stocks which detracted from performance included Platinum (down 6.5%) and QBE Insurance (down 6.4%) while our REIT holdings in Scentre Group (down 5.4%) and Stockland (down 1.9%) also lagged. Overall, however, the Trust benefited from its underweight position in the REIT sector.

## Trust Activity

During the month, we reduced our holdings in both Wesfarmers and Scentre Group following their recent strong performances, up 17.2% and 25.9% respectively over the past 12 months. Proceeds were used to increase our position in Flight Centre where we see good long-term value and an attractive FY17 gross yield of 6.0%, underpinned by a very strong balance sheet. At month end, stock numbers were 25 and cash was 4.5%.

## 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 %
Telstra Corporation	9.0	4.3
Commonwealth Bank	8.9	8.5
Westpac Banking Corporation	7.1	6.7
BHP Billiton Limited	6.3	4.9
ANZ Banking Group Limited	5.7	5.5
National Aust. Bank	5.6	5.0
Event Hospitality	5.0	0.0
Woodside Petroleum	4.5	1.4
AGL Energy Limited	4.2	0.9
Macquarie Group Limited	4.1	1.9

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	4.5	4.0
Materials	13.0	15.6
Industrials	1.4	7.3
Consumer Discretionary	11.2	5.5
Consumer Staples	4.0	7.2
Health Care	0.0	7.1
Financials-x-Real Estate	42.8	35.4
Real Estate	5.6	9.1
Information Technology	0.0	1.5
Telecommunication Services	9.0	4.9
Utilities	4.2	2.5
Cash & Other	4.5	-

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)

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