Perennial Value Shares for Income Trust

Quarterly Report as at 30 June 2012

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception^ % p.a.
Perennial Value Shares for Income Trust*	-3.8	0.3	7.5	-3.1	3.2
S&P/ASX 300 Accumulation Index	-5.0	-7.0	5.6	-4.1	2.0
Value Added (Detracted)	**1.2**	**7.3**	**1.9**	**1.0**	**1.2**
Net Performance^^	-4.0	-0.4	6.7	-3.9	2.4

*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.**

- Lend Lease Group was added to the Trust during the month.
- The pre-tax income distribution yield for the Trust for the financial year was 7.2%.
- The Trust benefited from its overweight position in the major banks which all outperformed the Index during the quarter.

Trust Characteristics

In line with the objective, the Perennial Value Shares for Income Trust (the Trust) continues to invest in financially sound companies which demonstrate superior dividend yield characteristics to the overall stock market.

Dividend Activity

During the quarter the Trust received dividends from banks ANZ, NAB, Westpac Banking Corporation and Macquarie Group Limited as well as Harvey Norman Holdings Limited, Premier Investments Limited, Orica Limited, and Australand Property Group.

Quarterly Distribution

The Trust paid a distribution of 0.94 cents per unit for the June quarter. Adding franking credits, the gross (pre-tax) distribution for the quarter was 1.34 cents per unit. Based on the unit price at the start of the year ($0.89), this equates to a pre-tax income yield of 1.5% for the quarter. This brings the pre-tax income distribution yield for the financial year to 7.2%. This compares favourably to the 12 month term deposit rate of 6.0% which was on offer at the start of the financial year.

Trust Activity

During the quarter, we sold out of Metcash Limited (Metcash) and Seven West Media Limited (Seven West Media) and added Lend Lease Group (Lend Lease) to the Trust.

We sold out of our holding in Metcash in April after the company announced that it was restructuring its operations to lower the cost base and, in addition, that it was writing down the value of the joint venture investments it holds in two supermarket chains in Queensland. We believed that this write down is indicative of pressures being felt across its IGA network and that the company is likely to be the loser from the increasing intensity of competition between the supermarket majors. This proved to be a good move, as in June, the company announced an earnings downgrade and capital raising. Our average selling price was $3.90 compared to the quarter end share price of $3.37.

Proceeds were used to add Lend Lease to the Trust in May. Lend Lease has demonstrated good financial management by refraining from over gearing through the property cycle. Post GFC, the company has refocussed on the stronger Australasian market and the uncontested acquisition of Valemus at an attractive price established a strong exposure to engineering and infrastructure construction. This diversification should help offset the current low levels of activity in the non residential building sector. Lend Lease's significant construction backlog, development pipeline and access to capital provide a

Perennial Value Shares for Income Trust Facts:

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 30/06/12): AUD108.2 million	**Income Distribution Frequency:** Quarterly
Team FUM (as at 30/06/12): AUD7.3 billion	**Minimum Initial Investment:** $25,000
Trust Inception date: December 2005	**APIR code:** IOF0078AU

*Gross dividend yield

strong platform for future earnings. At our entry price of $7.34, the stock was offering a prospective FY13 gross yield of 7.9%.

We sold out of Seven West Media in June after it became apparent that the deterioration in the advertising market has been worse than expected, causing significant pressure on earnings. This deterioration in operating conditions, combined with the relatively high level of debt in the company caused us to believe it was at risk of not being able to pay its dividend should conditions continue to deteriorate into FY13. Our average selling price was $2.09 compared to the quarter end share price of $1.75.

At quarter end, stock numbers stood at 28 with cash at 3.0%.

Stock and Trust Performance

Global markets were weak in the June quarter as concerns over European sovereign debt, fears of a slow down in China, and anaemic economic conditions in the US reversed much of the gains experienced in the earlier part of the year. The Australian market was particularly weak with the S&P/ASX 300 Accumulation Index (the Index) down by 5.0%. The Trust finished the quarter down 3.8%, outperforming the Index return by 1.2%.

The Reserve Bank of Australia cut the cash rate by 75 basis points to 3.5% over the quarter, as consumer and business sentiment measures remained weak. The Australian dollar fell below parity, although it recovered slightly by the end of the quarter to close at USD1.024 and the unemployment rate remained relatively steady at 5.1%.

The divergence in the sectoral performances highlights the extent to which sharemarket investors shunned cyclicals in favour of defensives. The best performing sectors were telecommunications (up 11.3%), REITs (up 8.6%), healthcare (up 4.3%) and utilities (up 1.1%). Energy (down 16.3%) and materials (down 14.4%) underperformed significantly.

The best performing stock over the quarter was Telstra Corporation Limited (up 12.2%) as investors were attracted to its high dividend yield, stable earnings and improving operational performance. This is the largest holding in the Trust and has been a great performer, outperforming the Index by 44.4% over the past 12 months. At the quarter end with a share price of $3.69, the stock is trading on an FY13 gross yield of 10.8%. Other strong performers included Adelaide Brighton Limited (up 9.7%) whose earnings are proving more resilient than those of other building materials stocks, Stockland (up 8.8%) and Coca-Cola Amatil Limited (up 7.3%). Treasury Wine Estates Limited (up 6.1%) also performed well. This has been a very good performer for the Trust, having outperformed the Index by 38.5% over the past 12 months.

The Trust also benefited from its overweight position in the major banks which all outperformed the Index and its underweight position in resources which generally lagged during the quarter. This positioning is driven by our focus on dividend income. For example, the banks are offering a very attractive average FY13 gross dividend yield of 10.6% whereas the major resource stocks such as BHP Billiton Limited and Rio Tinto Limited are only offering FY13 gross dividends of 4.7% and 2.5% respectively.

The worst performing stock in the Trust was Iluka Resources Limited (Iluka) (down 36.4%) which fell on concerns about weakening demand for its mineral sands products. These products are primarily used in the manufacture of pigments for paints and in ceramic tiles and are therefore impacted by slowing construction activity. However, the market is highly concentrated, with Iluka being the largest global supplier allowing for price discipline to be maintained. Further, Iluka is one of the very few resource companies paying an attractive dividend. Toll Holdings Limited (down 32.2%) also underperformed, after it lowered its earnings guidance citing soft conditions in its retail logistics business and problems in some of its non core offshore operations. We continue to view this as a high quality business with solid long term prospects. Other stocks which underperformed included building materials stocks CSR Limited (down 18.3%) and Fletcher Building Limited (down 13.5%). These companies are being impacted by the ongoing weakness in the residential construction market, however, when the cycle eventually turns these companies should benefit from significant upside to earnings and dividends.

ESG

We remain alert to environmental, social and corporate governance (ESG) issues in the Trust. In August 2011, Orica Limited, one of the companies we hold in the Trust was responsible for a chemical leak at its Kooragang Island ammonium nitrate facility. While the incident was ultimately found not to have resulted in any serious environmental consequences, the issue became highly politicised and caused the company significant financial and reputational damage. In response, the company has established a dedicated Corporate Affairs and Social Responsibility Group. This group will be responsible for increasing the focus on preventing any future incidents, engaging with communities and proactively working with regulatory authorities. The group is to be led by an experienced executive who has been recruited externally and who will sit on the executive management committee. We view this as a positive development as it clearly shows the company is taking steps to improve its ESG performance.

Outlook

The waves of global macroeconomic uncertainty have continued to buffet markets and it is difficult to say when these issues will abate. Longer term, however, as economic growth resumes, company profits should grow and dividends paid to shareholders should increase, providing a growing stream of reliable, tax effective income to investors.

Top 10 Holdings as at 30 June 2012

Stock	Trust Weight %	Index Weight %
Telstra Corporation.	8.4%	4.6%
Commonwealth Bank.	8.0%	8.4%
Westpac Banking Corp	8.0%	6.4%
National Aust. Bank	7.9%	5.3%
ANZ Banking Grp Ltd	7.7%	5.9%
Tatts Group Ltd	3.8%	0.4%
Wesfarmers Limited	3.6%	3.5%
Orica Limited	3.5%	0.9%
Treasury Wine Estate	3.1%	0.3%
ASX Limited	3.0%	0.5%

Asset Allocation as at 30 June 2012

Asset Class	Trust Weight %	Index Weight %
Energy	3.0%	6.9%
Materials	13.5%	22.2%
Industrials	3.7%	7.1%
Consumer Discretionary	7.3%	3.7%
Consumer Staples	12.2%	8.3%
Health Care	0.0%	4.1%
Financials-x-Real Estate	40.1%	33.1%
Real Estate	6.5%	7.3%
Information Technology	0.0%	0.7%
Telecommunication Services	8.4%	4.9%
Utilities	2.2%	1.9%
Other	3.0%	-

Rounding accounts for small +/- from 100%.