

Perennial Value Shares for Income Trust

Monthly Report as at 31 August 2010

	1 Month %	3 Months %	Financial YTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception [^] % p.a.
Perennial Value Shares for Income Trust*	-0.9	1.2	3.5	0.4	-6.1	-	3.7
S&P/ASX 300 Accumulation Index	-1.1	0.6	3.4	2.1	-7.1	-	2.7
Value Added (Detracted)	0.2	0.6	0.1	-1.7	1.0	-	1.0
Net Performance ^{^^}	-0.9	1.0	3.4	-0.4	-6.9	-	2.8

[^]December 2005 *Gross Performance ^{^^}This refers to the Trust's gross performance net of investment management fees.

- The Index fell 1.1% in August. The Trust also fell 0.9%, outperforming the Index return by 0.2%.
- Better performing stocks included Adelaide Brighton (up 6.6%), GPT (up 6.0%), Coca-Cola Amatil (up 5.8%) and Foster's Group (up 5.2%).
- The Trust increased its holdings in the big four banks, Telstra and Fletcher Building during the month.

Trust Characteristics

In line with the objective, the Perennial Value Shares for Income Trust (the Trust) continued to invest in financially sound companies which demonstrate superior dividend yield characteristics to the overall stock market. As seen below, the Trust currently offers an attractive gross yield i.e. cash dividends plus franking credits.

	FY11 Gross Yield
Shares for Income Portfolio (pre-fees)*	8.8%

*Based on PVM forecasts

Dividend Activity

August is a seasonally quiet month for dividend payments, with Dexus being the only stock in the Trust which paid a dividend in the period.

Trust Activity

The Trust was largely unchanged during August, with no stocks being added or removed. Perennial Value continued to increase its holdings of the big four banks during the month, as the banks continue to offer very attractive gross yields, averaging 9.1% in the current financial year. The Team believes that the major banks are very well capitalised and are likely to represent a reliable and growing source of fully-franked dividends over the coming years. Perennial Value also increased its holdings in Telstra and Fletcher Building during August, following share price underperformance. The Team took some profits and reduced its holdings in stocks which had outperformed including Adelaide Brighton, David Jones and AGL Energy.

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:

John Murray

Trust FUM

(as at 31/08/10):

AUD \$61.4 million

Team FUM

(as at 31/08/10):

AUD \$8.8 billion

Fund Inception date:

December 2005

Risk Profile:

High

Income Distribution

Frequency:

Quarterly

Minimum Initial

Investment:

\$25,000

APIR code: IOF0078AU

*Gross dividend yield

Did you know?

Adelaide Brighton, the Trust's strongest performer for the month is a leading integrated supplier of cement and lime in Australia. The company was named after its birthplace, founded in Brighton, South Australia in 1882. It now has operations in all Australian states and territories and employs over 1500 people.

Stock and Trust Performance

Reporting season was the highlight of the month and the key driver of share price performances. The better performing stocks in the Trust during the month included Adelaide Brighton (up 6.6%), which rose after delivering a first half profit result ahead of guidance and announcing a special dividend. This positive result was driven by strong demand for lime and cement on the back of resource activity and infrastructure projects in its key markets of Western Australia and South Australia. Importantly, the outlook for this stock remains very positive moving forward. GPT (up 6.0%) rose after upgrading its full-year guidance. This stock is still trading at a discount of around 10.0% to its net tangible assets. Coca Cola Amatil (up 5.8%) rose on the back of a strong result and management outlining a plan to drive organic growth over the medium term through new product development and further operational efficiencies. Foster's Group (up 5.2%) delivered an in line result but rallied on takeover speculation, with SAB Miller the potential suitor.

Holdings which underperformed during the month included Telstra (down 10.2%). The company delivered a full-year result in line with expectations, however, earnings for next year were downgraded as the company announced plans to aggressively compete to retain or increase market share in the mobile and broadband segments. While there may be a negative impact on near term earnings, this is a sensible strategy for the longer-term benefit of the company. Importantly, the dividend of 28 cents per share is likely to be maintained in the coming year. Based on the current share price of \$2.75, this represents a gross yield of 14.5%, implying that even if the dividend was reduced significantly over the coming years, the stock would still be one of the best yielding in the market. The banks also generally underperformed with Westpac (down 9.5%), NAB (down 7.7%) and ANZ (down 2.0%), while CBA (down 1.1%) was slightly ahead of the market for the month. This underperformance is largely due to the current sluggish revenue growth resulting from ongoing low credit growth, which is yet to meaningfully recover. Importantly though, from a dividend point of view, lower credit growth reduces a bank's demand for capital, thereby increasing its ability to pay out dividends.

While the primary objective of the Trust relates to generating a tax-effective income stream, total returns may also be of interest to investors. In August the S&P/ASX300 Accumulation Index (the Index) fell 1.1%.

The Trust fell 0.9%, outperforming the Index return by 0.2%

Outlook

While a range of macroeconomic issues continue to create concerns in the minds of investors, the overall economic outlook remains relatively positive with strong growth continuing in developing markets and the US economy recovering, albeit slowly. In particular, the domestic economy remains sound, with falling unemployment, underpinned by continued strength in the Resources sector.

Importantly, as economic growth returns and company profits recover, dividends paid to shareholders will also increase, providing a growing stream of reliable, tax-effective income to investors.

Top 10 Holdings as at 31 August 2010

Stock	Trust Weight %	Index Weight %
ANZ Banking Grp Ltd	7.5	5.5
National Aust. Bank	7.2	4.7
Commonwealth Bank.	5.5	7.4
Westpac Banking Corp	4.9	6.2
Goodman Fielder.	4.8	0.2
Amcor Limited	4.6	0.8
Wesfarmers Limited	4.6	3.5
Telstra Corporation.	4.4	2.9
Seven Group Holdings	3.5	0.1
Qantas Airways	3.1	0.5

Asset Allocation as at 31 August 2010

Asset Class	Trust Weight %	Index Weight %
Energy	0.0	7.2
Materials	12.6	25.5
Industrials	6.5	6.6
Consumer Discretionary	10.4	4.2
Consumer Staples	17.4	9.3
Health Care	0.0	3.6
Financials-x-Real Estate	39.2	31.4
Real Estate	2.9	6.8
Information Technology	0.0	0.7
Telecommunication Services	4.4	3.3
Utilities	2.4	1.4
Other	4.2	7.2

Rounding accounts for small +/- from 100%.