

	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Shares for Income Trust*	4.1	18.1	18.9	7.3	12.3	7.6
S&P/ASX 300 Accumulation Index	4.7	15.6	20.2	7.5	10.8	6.4
Value Added (Detracted)	-0.6	2.5	-1.3	-0.2	1.5	1.2
Capital Growth	2.8	12.7	9.0	0.0	5.3	1.0
Income Distribution	1.1	4.7	9.0	6.5	6.1	5.8
Net Performance ^{^^}	3.9	17.4	18.0	6.5	11.4	6.8

*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, 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:

AUD \$37 million

Income distribution frequency:

Quarterly

Team FUM:

AUD \$7.0 billion

Minimum initial investment:

\$25,000

Trust inception date:

December 2005

APIR code:

IOF0078AU

*Gross dividend yield.

- ▶ Over the twelve months to March 2017, the Trust has delivered a pre-tax distribution yield (i.e. including franking credits) of 11.6%.
- ▶ Since inception in December 2005, the Trust has delivered a pre-tax distribution yield of 7.8% per annum.
- ▶ Markets rallied over the March quarter, with the S&P/ASX300 Accumulation Index (the Index) up 4.7%.

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.

Quarterly Distribution

The Trust paid a distribution of 1.1 cents per unit for the March quarter. Adding franking credits, the gross (pre-tax) distribution for the quarter was 1.7 cents per unit. Based on the unit price at the start of the financial year (\$1.01), this represents a pre-tax distribution yield for the quarter of 1.6%.

Trust Performance

The Index rallied, finishing the quarter up 4.7%. The Trust returned 4.1%, underperforming the Index by 0.6%.

Global markets were general positive, with the S&P500 up 5.5%, FTSE100 up 2.5% and the Shanghai Composite up 3.8% over the quarter, while the Nikkei 225 eased 1.1%. Commodity prices were mixed with oil down 7.0%, thermal coal down 11.0% and coking coal down 34.0%, while iron ore (up 3.0%), copper (up 8.0%) and gold (8.0%) all rose. The Federal Reserve raised rates by 25 basis points, lifting the target range to 0.75% - 1.00%. The Reserve Bank of Australia, by contrast left the cash rate steady at 1.5% and the Australian Dollar rose four cents to 76 US cents.

The better performing sectors over the quarter were healthcare (up 14.7%), utilities (up 10.7%), consumer staples (up 10.6%) and financials (up 6.0%). telecommunication (down 4.5%), REITs (down 0.1%), materials (up 1.6%), metals and mining (up 2.0%) and energy (up 2.8%) lagged.

Reporting season was the highlight of the quarter. While the results were generally subdued, there was improvement from previous periods, with the overall market delivering positive earnings growth. Market dividends also set a new record level as companies continued to focus on returning cash to shareholders.

Stocks which contributed positively over the quarter included AGL Energy (up 21.2%), which continues to rally on the rising wholesale electricity price. This stock has been a very strong performer for the Trust, with a total return of 47.5% for the last twelve months. Crown Resorts (up 11.9%) rallied as the market welcomed the focus on cost reduction under the new Executive Chairman and the announcement of a large special dividend.

Vocus Group (up 11.6%), began to recover from last-year's sell-off as the market became more comfortable with the outlook for the company. Similarly, Boral (up 10.2%) rose as the market began to warm to the acquisition of Headwaters and the US exposure it provides the company. Following the acquisition, around 40.0% of revenues will come from the US. Lendlease (up 8.8%) rose following a strong first half result and QBE Insurance (up 6.4%) rallied on the back of its leverage to rising US interest rates and ongoing operational improvement. Woodside Petroleum (up 5.0%), rose after delivering a solid full-year result and set out its growth profile over the coming years. The Trust also benefitted in a relative sense from not holding Brambles (down 23.4%).

Holdings which detracted from performance included Harvey Norman (down 11.9%), due to concerns over the potential impact of Amazon into the Australian market and Event Hospitality & Entertainment (down 4.9%), which delivered a soft first half result due to weak cinema earnings. These companies all offer good value, are underpinned by strong balance sheets and we remain comfortable with the medium-term outlook for each.

Trust Activity

During the quarter, we took profits and reduced our holdings in AGL Energy. As stated, this has been a very strong performer for the Trust, delivering a total return of 47.5% over the last twelve months. We also exited our holding in Scentre Group and reduced our holding in Stockland as these stocks may be vulnerable to the impacts of slowing retail sales growth and rising interest rates for the same reason. Proceeds were used to increase our holdings in a number of good value stocks including Caltex, Lendlease, Woodside Petroleum and Vocus Group. At quarter end, stock numbers were 25 and cash was 4.0%.

Environmental, Social and Corporate Governance (ESG)

Perennial Value remains alert and active in ESG matters. During our company meetings following the February reporting season, we took the opportunity to engage with management on a range of ESG issues. Much of the discussion centred on safety performance and environmental considerations. We were pleased to see some creative solutions proposed such as Woodside's aim to develop LNG as a clean alternative to the 3 billion litres of diesel used each year in the Pilbara as well as potentially as a fuel for the shipping industry.

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 %
Commonwealth Bank	9.1	9.3
Westpac Banking Corporation	8.2	7.4
ANZ Banking Group Limited	7.2	5.9
National Australia Bank	6.7	5.6
BHP Billiton Limited	5.7	4.9
Woodside Petroleum	5.2	1.5
Telstra Corporation	4.4	3.5
Event Hospitality	4.1	0.0
Macquarie Group Limited	4.1	1.9
Wesfarmers Limited	4.0	3.2

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	7.8	4.3
Materials	13.8	15.6
Industrials	0.0	6.7
Consumer Discretionary	9.2	5.0
Consumer Staples	4.0	7.2
Health Care	0.0	6.8
Financials-x-Real Estate	47.5	38.1
Real Estate	4.1	8.4
Information Technology	0.0	1.3
Telecommunication Services	6.8	4.0
Utilities	2.8	2.7
Cash & Other	4.0	-

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:



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