



June 2005

Investors in the IOOF/Perennial Value Shares Trust have enjoyed robust returns from the Australian share market's record-setting performance of late. As a result of the Perennial Value process, the Trust has realised significant capital gains during the share market's surge. This means that the Trust's franking level for 2004-05 will be lower than last year's outcome of 45%.

The Perennial Value process is about seeking "cheap stocks that are good businesses". The flip side to this process is that Perennial Value sells stocks that have become expensive, thereby locking in profits. It is these realised capital gains that lower franking levels.

While tax outcomes for investors are important, Perennial Value first and foremost sell stocks when it believes they no longer offer good value.

Franking levels for most management styles are typically lower in a rising market. Value managers typically have higher franking levels than other share-management styles because dividend returns usually figure more prominently in their investment processes.

Perennial Value's generally low stock turnover also enhances franking levels. From inception in June 2001 to the end of last financial year, the IOOF/Perennial Value Shares Trust has posted an average franking level of 56.7%.

We will issue a note as soon as possible in July to inform you of the Trust's franking outcome for 2004-05. If you have any questions, please contact your Key Account Manager.

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