

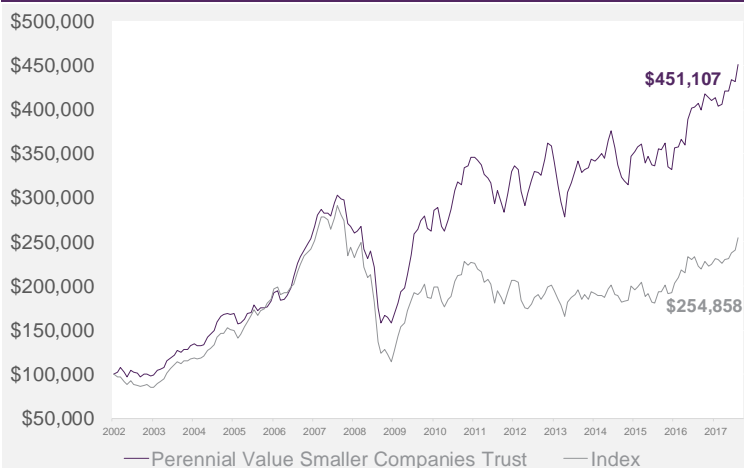
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust (Net)	4.3	6.9	7.2	10.8	10.2	6.6	10.2
S&P/ASX Small Ordinaries Accum. Index	6.0	10.3	10.7	14.6	10.5	6.1	6.2
Value Added (Detracted)	-1.7	-3.4	-3.5	-3.8	-0.3	0.5	4.0

^Since inception: March 2002. Past performance is not a reliable indicator of future performance.

Overview

- ▶ The Trust was up 4.3% (net of all fees) for the month of October 2017, this was lower than the very strong benchmark return for the Small Ordinaries of 6.0%
- ▶ The Small Ordinaries Index looks expensive relative to history trading on 18.1x price to earnings (P/E) on FY18 forecasts
- ▶ By comparison the Trust remains attractively priced on one year metrics with a price to earnings (P/E) ratio of 13.6 times (a 25.0% discount to the Index) and offering a 4.1% gross yield.

Growth of \$100,000 since inception



Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Perennial Value Smaller Companies Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of listed Australian companies predominately outside the S&P/ASX Top 100 Index, and to provide a total return (after fees) that exceeds the S&P/ASX Small Ordinaries Accumulation Index measured on a rolling three-year basis.

Portfolio managers	Andrew Smith, Grant Oshry
Trust FUM	AUD \$108 million
Distribution frequency:	Half Yearly
Minimum initial investment	\$25,000
Trust Inception Date	March 2002
Fee	1.20% + Perf fee
APIR code	IOF0214AU

Top 10 Positions

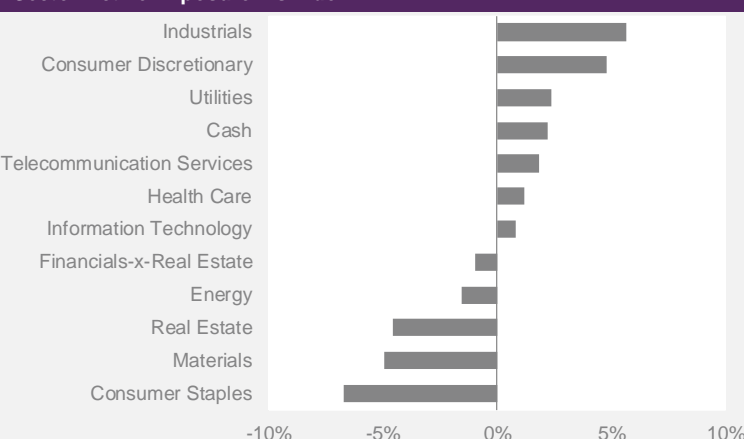
	Trust (%)	Index (%)
Gateway Lifestyle	5.2	0.4
HFA Holdings Limited	5.0	0.2
Alliance Aviation	3.5	0.0
Rpmglobal Holdings Limited	3.4	0.0
Speedcast International Limited	3.4	0.5
Integral Diagnostics	3.4	0.0
Imdex Limited	3.3	0.2
Pacific Energy	3.0	0.0
Pwr Holdings Limited	2.9	0.0
Seven Group Holdings	2.5	0.9

Portfolio Characteristics on FY18

	Trust	Market
Price to Earnings (x)	13.6	18.1
Price to Free Cashflow (x)	12.4	17.4
Gross Yield (%)	4.1	4.0
Price to NTA (x)	1.9	2.9

Source: Perennial Value Management. As at 31 October 2017. The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Sector Active Exposure vs Index



Trust Review

The Trust was up 4.3% for the month of October (net of all fees), underperforming the Index which was up 6.0%. Relative performance was impacted by holdings in **Thorn Group** (-28.3%) due to an earnings downgrade and HT&E (-15.8%) which lost the Yarra Trams contract.

The Trust does not hold either **A2Milk** (+30.0%) or **Blackmores** (up 35.4%) on valuation grounds. This impacted relative performance with only a minor offset from our holding in **Synlait Milk** (up 19.3%) which has a more attractive valuation.

Our 2nd largest holding, **HFA Holdings** (up 13.8% for the month), provided a positive FUM update during the month as shown below.

Quarter ended 30 September 2017				
	30 June 2017 AUM	Net flows	Performance	30 September 2017 AUM (Estimate)
		Note 1	Note 2 & 3	Note 3
Lighthouse Commingled Funds	USD 4.44 bn	↑ USD 0.15 bn	↑ USD 0.08 bn	USD 4.67 bn
Lighthouse Single Investor Customised Solutions	USD 5.03 bn	↑ USD 0.18 bn	↑ USD 0.09 bn	USD 5.30 bn
Total AUM	USD 9.47 bn	↑ USD 0.33 bn	↑ USD 0.17 bn	USD 9.97 bn

Source: HFA AUM Update, 12 October 2017

This is the second consecutive quarter of strong inflows and therefore we believe HFA will begin attracting investor attention given the attractive valuation (12.0x earnings and a 6.9% yield) in an expensive market.

The overweight position of the Trust in the Mining Services sector continues to assist performance with **Emeco** (+26.3%), **Alliance Aviation** (+25.4%) and **Austin Engineering** (+22.7%).

It was another strong month for resources with **Metals X** (+25.8%) and **Independence Group** (+15.9%) making in a positive contribution.

Lifehealthcare performed well (+13.7%) as the market responded to the governments changes to the prosthesis list which were minor compared to more negative broker reports from earlier in the month.

Trust Activity

We began reducing **Kogan.com** after several months of strong performance and accelerated our selling post sales by the MD and CFO. Proceeds were used to add both **Austral** and **Codan** to the Trust – both stocks have an attractive valuation and strong growth prospects. The Trust also participated in the rights issue for **Nufarm** (post their acquisition of a European product portfolio).

At month end the Trust held 57 stocks and cash of 2.2%.

Outlook

The Trust remains attractively priced on one year metrics with a price to earnings (P/E) ratio of 13.6 times (a 25.0% discount to the Index) and offering a 4.1% gross yield.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations.

Market Review - Australia	%	Global, Currency & Commodities	%
S&P/ASX Small Ordinaries Index	+6.0	S&P500	+2.2
Energy	+6.3	Nikkei 225	+8.1
Materials	+7.9	FTSE100	+1.6
Industrials	+4.1	Shanghai Composite	+1.3
Consumer Discretionary	+4.2	RBA Cash Rate	1.50
Health Care	+8.2	AUD / USD	-2.3
Financials-x-Real Estate	+1.9	Iron Ore	-5.7
Real Estate	+2.9	Oil	+6.7
Information Technology	+8.5	Gold	-0.6
Telecommunication Services	+11.2	Copper	+4.9
Utilities	+0.4		

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