

|  | Month (%)  | Quarter (%) | FYTD (%)   | 1 Year (% p.a.) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception (%p.a.) |
|--|------------|-------------|------------|-----------------|------------------|------------------|-------------------------|
| Perennial Smaller Companies Sustainable Future Trust (Net) | -5.8       | -4.7        | -5.2       | -               | -                | -                | 4.0                     |
| S&P/ASX Small Ordinaries Accum. Index                      | -9.6       | -7.7        | -8.6       | -               | -                | -                | -3.8                    |
| <b>Value Added (Detracted)</b>                             | <b>3.8</b> | <b>3.0</b>  | <b>3.4</b> | -               | -                | -                | <b>7.8</b>              |

\*Since inception: 1 February 2018. Past performance is not a reliable indicator of future performance.

## Overview

- The Trust finished the month down 5.8% net of fees, outperforming the Index by 3.8%
- Positive contributors this month included PWR Holdings (+18.1%), Integral Diagnostics (-1.8%) and Mercury NZ (4.0%) and not holding either of oil services company WorleyParsons (-24.7%) or consumer credit company Afterpay Touch (-30.4%)
- Negative contributors this month included Adairs (-32.7%), Smartgroup (-16.3%) and not holding gold companies such as St Barbara (+19.2%)

## Perennial Smaller Companies Sustainable Future Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in companies predominantly outside the S&P/ASX Top 50 Index that conduct business taking into account environmental, social and governance ("ESG") considerations and/or conduct business in industries which have favourable characteristics having regard to ESG considerations. The Trust seeks 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 Manager

Damian Cottier

Distribution Frequency  
Semi Annual

Minimum Initial Investment  
\$25,000

Trust Inception Date  
February 2018

Fees  
1.20% + Perf fee

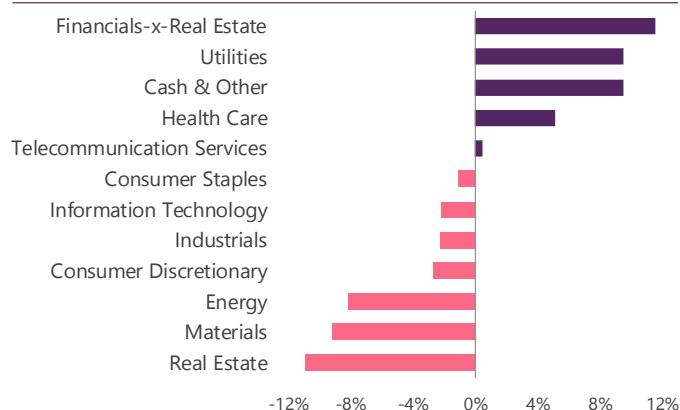
## ESG Highlight

Team members Damian Cottier and Marni Lysaght attended the two-day Responsible Investment Association Australasia conference in Melbourne at the end of the month. There were many interesting take-aways from presenters, with one including Craig Reucassel from TV shows such as "War on Waste" and "The Chaser's War on Everything". The highlights of the conference are discussed in more detail on page 2.

## Top 5 Positions

|                           | Trust (%) | Index (%) |
|---------------------------|-----------|-----------|
| Integral Diagnostics      | 4.3       | 0.0       |
| NIB Holdings Ltd          | 3.9       | 1.4       |
| AUB Group Ltd             | 3.4       | 0.0       |
| Bendigo and Adelaide      | 3.2       | 0.0       |
| Janus Henderson Group PLC | 3.1       | 0.0       |

## Sector Active Exposure



## Portfolio Characteristics – FY19

|                             | Trust | Index |
|-----------------------------|-------|-------|
| Price to Earnings (x)       | 15.6  | 15.9  |
| Price to Free Cash Flow (x) | 14.2  | 16.9  |
| Net Interest Cover (x)      | 35.3  | 11.0  |
| 3 Year EPS Growth (%)       | 20.0  | 18.1  |

Source: Perennial Value Management. As at 31 October 2018.

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.

## Trust Review

In what was biggest monthly fall (-9.6%) for the benchmark index since May 2012, the Sustainable Future Trust was down 5.8%, net of fees.

Better performing holdings over the month included advanced cooling technology company **PWR Holdings** (+18.1%), diagnostic imaging provider **Integral Diagnostics** (-1.8%) and NZ renewable energy utility **Mercury** (4.0%).

PWR has traditionally designed advanced cooling technology for cars, however it is actively developing products for new markets which require efficient cooling technology in other settings. We attended the PWR AGM at which we saw some of the new product developments and at which it disclosed it was actively tendering on opportunities in these new areas.

Mercury is a NZ renewable energy retailer which generates and sells energy from hydro and geothermal sources. It is interesting that NZ generates over 70.0% of the country's power needs from renewable sources.

The Trust also benefitted from not holding oil services company **WorleyParsons** (-24.7%) or the ubiquitous consumer credit company **Afterpay Touch** (-30.4%).

On the negative side retailer **Adairs** (-32.7%) which was caught up in negative sentiment towards retailers despite delivering a solid trading update and **Smartgroup** (-16.3%).

During the month we added renewable energy asset owner **Infigen** to the Trust. Infigen has recently announced that it is investing in a 25MW battery energy storage system in South Australia to complement its wind generation assets in the state.

We also added **Bluescope Steel**. Despite being a heavy industrial company, Bluescope is in our view an "engaged improver" on ESG issues including a recent announcement that it has entered into a renewable energy power purchase agreement for 25.0% of its electricity needs in Australia.

At month end, the Trust held 41stocks and cash of 9.5%

## ESG Activity

Damian Cottier and Marni Lysaght attended the two-day Responsible Investment Association Australasia conference in Melbourne.

Highlights of the conference included:

- Discussion on waste by Craig Reucassel (part of The Chaser comedy group and presenter of ABC program, War on Waste).
- Sue Cato (Partner at Cato and Clegg) presenting dialogue on driving positive change for corporate Australia.
- The role responsible investing in addressing economic and social inequality in society, led by Helga Birgden (Mercer Australia) and Melinda Cilento (CEO of CEDA).

We also had a number of other ESG engagements during the month including:

- Discussing issues around recycling plastics with **Amcor** (not a fund holding). Amcor is working towards both having 100.0% of plastic packaging recyclable by 2025 and also increasing the ease of recycling plastic materials (including increasing the use of recycle plastic in its processes).
- Meeting with various Board members of fund holding, **Integral Diagnostics**, ahead of the 2018 AGM to discuss the resolutions of this meeting. We focused on the 2018 Remuneration Report, obtaining clarity around non-financial measures considered in determining bonuses and commended the company's Minimum Shareholding Policy for Directors and KMPs.
- Expressing concern to **Redbubble** (holding in other Perennial funds) regarding the use of non-audited financial measures as KPI's. The company appreciates our feedback and will look to take it into account going forward.

**Our focus will be to invest in companies that are making a positive contribution to creating a sustainable future.**

## Market Review – Australia (%)

|                                |       |
|--------------------------------|-------|
| S&P/ASX Small Ordinaries Index | -9.6  |
| Energy                         | -16.6 |
| Materials                      | -2.9  |
| Industrials                    | -10.3 |
| Consumer Discretionary         | -10.0 |
| Health Care                    | -9.6  |
| Financials-x-Real Estate       | -10.4 |
| Real Estate                    | -1.2  |
| Information Technology         | -14.3 |
| Telecommunication Services     | -13.6 |
| Utilities                      | +0.4  |

## Global, Currency & Commodities (%)

|                    |      |
|--------------------|------|
| S&P500             | -6.9 |
| Nikkei225          | -9.1 |
| FTSE100            | -5.1 |
| Shanghai Composite | -7.7 |
| RBA Cash Rate      | 1.50 |
| AUD / USD          | -2.0 |
| Iron Ore           | +9.6 |
| Oil                | -8.8 |
| Gold               | +2.0 |
| Copper             | -5.2 |

## Contact Us

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Signatory of:



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