

	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)	2.2	0.2	-5.1	4.1	-	-	4.1
S&P/ASX Small Ordinaries Accum. Index	5.6	0.8	-7.9	-3.1	-	-	-3.1
<b>Value Added (Detracted)</b>	<b>-3.4</b>	<b>-0.6</b>	<b>2.8</b>	<b>7.2</b>	<b>-</b>	<b>-</b>	<b>7.2</b>

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

## Overview

- The Trust finished the month up 2.2% net of fees, underperforming the Index by 3.4%. The Trust has now been running for a year. Since inception on 1 February 2018 the Trust is up 4.1% net of fees, outperforming the Index by 7.2%.
- Positive contributors this month included healthcare stock Polynovo (+14.3%) and "Engaged Improver" stocks Bluescope Steel (+13.6%) and Imdex (+11.2%).
- Negative contributors this month included Longtable Group (-13.9%), Janison Education (-20.0%) and Resmed (-17.9%).

## 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

APIR Code  
WPC5600AU

Distribution Frequency  
Semi Annual

Minimum Initial Investment  
\$25,000

Trust Inception Date  
February 2018

Fees  
1.20% + Perf fee



The former mining pits that form part of the Kidston Pumped Storage Hydro Project which is being developed by Trust holding Genex Power Limited.

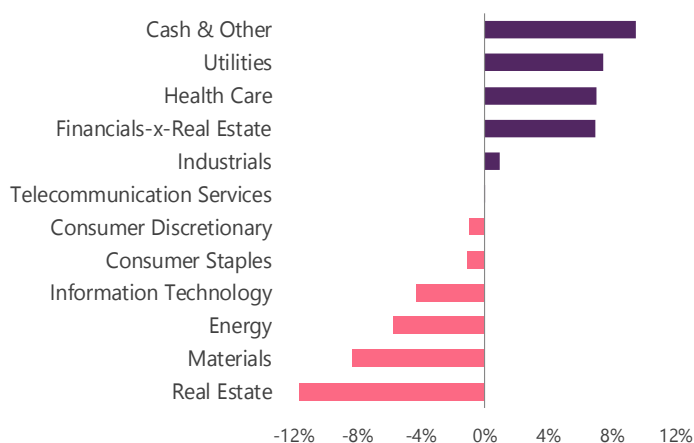
## Sustainable Future Highlight

Polynovo (+14.3%) has developed a biodegradable polymer technology that assists in the regeneration of skin cells. It was initially developed for use in severe burns cases but is now being further developed for use in other applications, including hernia repairs and breast reconstruction. During the month Polynovo announced that sales of product in the first half more than doubled prior full year sales. It sells the product in a number of regions including the United States and Australia and is looking to expand into other geographies, including Europe, once it receives relevant regulatory approvals.

## Top 5 Positions

	Trust (%)	Index (%)
Trade Me Group	4.8	0.8
Integral Diagnostics	4.3	0.0
NIB Holdings Limited	4.2	1.4
Polynovo Limited	3.4	0.3
Imdex Limited	3.3	0.3

## Sector Active Exposure



## Portfolio Characteristics – FY20

	Trust	Index
Price to Earnings (x)	14.7	14.8
Price to Free Cash Flow (x)	13.1	14.4
Net Interest Cover (x)	35.4	12.5
3 Year EPS Growth (%)	17.1	14.0

Source: Perennial Value Management. As at 31 January 2019

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

The share market was up 5.6% in January, partially reversing recent losses. The Sustainable Future Trust was up 2.2%, after fees, underperforming the benchmark by 3.4%. It is now one year since the Trust commenced and since inception on 1 February 2018 the Trust is up 4.1% after fees, outperforming the Index by 7.2%.

Key contributors to performance over the month included healthcare stock Polynovo (see summary earlier) as well as “Engaged Improver” stocks Bluescope Steel and Imdex.

Both Bluescope Steel (+13.6%) and Imdex (+11.2%), benefited from improved sentiment towards industrial stocks following the sell-off late last year.

Our “Engaged Improver” stocks are those which are seeking to improve the sustainability of their businesses or whose technology improves the efficiency of existing processes and reduces the impact of those processes.

We consider Bluescope Steel to be an engaged improver due to its commitments to use of renewable energy (over 20.0% of Australian electricity requirements are from renewables), improve safety and gender diversity.

One of the key detractors from relative performance during the month was not holding oil and gas company Beach Energy (+39.5%). This is to be expected in times when the oil price rallies strongly.

Other detractors included held stocks Janison Education (-20.0%) and Resmed (-17.9%), both of which delivered soft quarterly updates.

Janison, an education technology company with a niche in online testing, invested significantly in product development during the quarter as it built out software for new and existing clients. Smaller companies such as Janison often have variability in performance over shorter time periods as they invest for future growth and we remain comfortable with Janison’s medium term outlook.

Resmed delivered a weaker than expected result and gave back some of its significant recent gains as a consequence. The impact of the share price fall was reduced a little as we trimmed some of the holding early in the month. We also trimmed holdings in some of the better performing stocks over the last few months such as Mercury Energy and Meridian Energy.

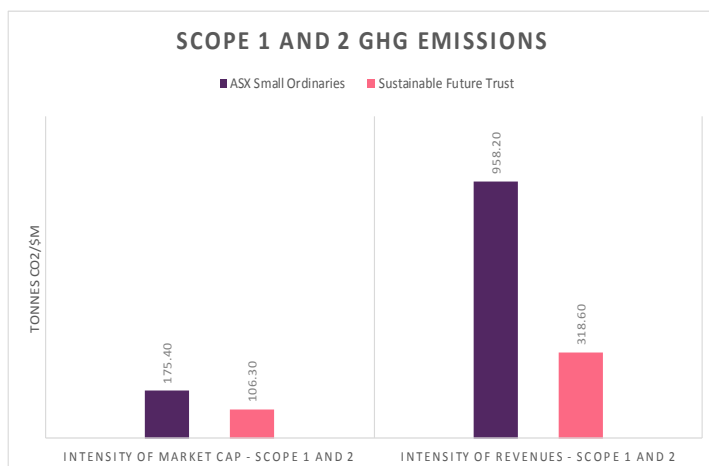
We reinvested the funds into hearing device company Cochlear. Cochlear is the global leader in the design and development of hearing implants.

At month end, the Trust held 45 stocks and cash of 9.5%.

**Our focus continues to be on investing in companies that are making a positive contribution to creating a sustainable future.**

## ESG Activity

As you may expect there was very limited ESG engagement activity during the month of January. Our engagement activities will pick up considerably during the month of February as reporting season gets well underway.



**Source:** CAER (Part of Vigeo Eris Network), Factset and Perennial as at 31 December 2018. Whilst due care has been used in preparation of the above, calculations are based on the information provided.

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