

	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)	4.8	6.0	-0.5	7.6	-	-	8.5
S&P/ASX Small Ordinaries Accum. Index	6.8	8.0	-1.6	3.5	-	-	3.3
Value Added (Detracted)	-2.0	-2.0	1.1	4.1	-	-	5.2

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

Overview

- The Trust finished the month up 4.8% net of fees, underperforming a very strong Index by 2.0%. Over the 12 months to the end of February 2019 the Trust is up 7.6% net of fees, outperforming the Index by 4.1%.
- Positive contributors this month included Cleanaway Waste (+18.6%), Janus Henderson (+15.8%) and Janison Education (+14.0%).
- Negative contributors this month included Blackmores (-27.0%), Bendigo Bank (-9.2%) and Integral Diagnostics (-3.0%).

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



Team member Marni Lysaght visting an Ingenia Communities site last year.

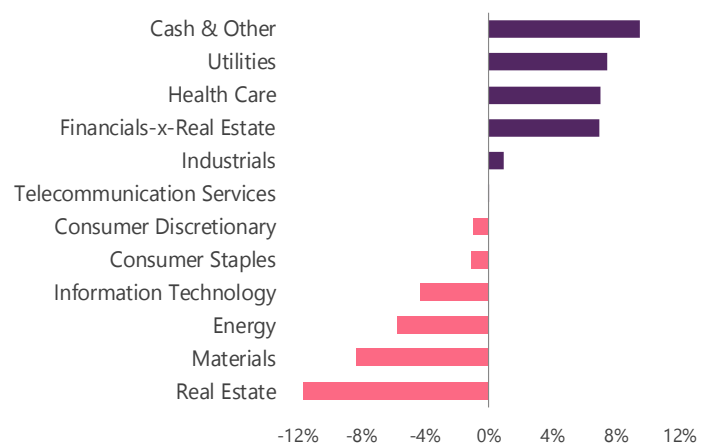
Sustainable Future Highlight

During the month we met with Ingenia Communities. Ingenia operates 'lifestyle communities' that seek to provide affordable accommodation alternatives, particularly as an alternative to traditional retirement villages. During our recent meeting with the company it was clear that Ingenia has improved it's supply chain approach after taking into account our suggestions on the subject last year. It was encouraging to see that our engagement with the company has generated positive results. We discuss our meeting in greater detail overleaf.

Top 5 Positions

	Trust (%)	Index (%)
Trade Me Group	4.4	0.8
NIB Holdings Limited	4.1	1.4
Integral Diagnostics	4.0	0.0
Vista Group Int Ltd	3.3	0.0
Imdex Limited	3.2	0.2

Sector Active Exposure



Portfolio Characteristics – FY20

	Trust	Index
Price to Earnings (x)	15.6	15.6
Price to Free Cash Flow (x)	13.8	15.5
Net Interest Cover (x)	35.1	13.9
3 Year EPS Growth (%)	15.7	13.2

Source: Perennial Value Management. As at 28 February 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 benchmark Index was very strong again during February, finishing up 6.8%. The Sustainable Future Trust was up 4.8%, after fees, underperforming the benchmark by 2.0%. Over the 12 months to the end of February 2019 the Sustainable Future Trust is up 7.6% net of fees, outperforming the Index by 4.1%.

A key feature of the month of February was reporting season. Waste management company Cleanaway (+18.6%) delivered a better than expected result including as a result of a solid integration of recent acquisition Tox Free Solutions. Information technology company Infomedia (+24.0%) also delivered a solid result.

Janus Henderson (+15.8%) delivered a result that can best be described as “better than feared” with an in-line result combined with low expectations and an undemanding valuation resulting in strong share price performance.

As readers may recall from last month’s update, Janison Education (+14.0%) had provided a disappointing update in January as it had invested significantly in new product development to build out software for new and existing clients. However, at the February result Janison provided greater detail around a more positive outlook which was taken positively by investors.

Blackmores (-27.0%) was a key detractor after delivered a disappointing result which was compounded by the news of the resignation of the company’s CEO later in the month. Given the significant change in expectations we reduced our holding after the result.

Bendigo Bank (-9.1%) also delivered an underwhelming result with a weak outlook for net interest margin in a competitive banking environment. Smartgroup (-17.2%) delivered an in-line result however the outlook was weaker than expected.

In terms of Trust activity during the month we reduced our positions in Polynovo and Cleanaway following strong performances and sold out of “Engaged Improver” Huon Aquaculture after it had run up in price and provided a weaker than expected outlook.

We added Ingenia Communities to the Trust as an “Engaged Improver” stock after meeting with the company during the month.

Ingenia operates in a growing market in the provision of affordable retirement communities. The company is well-managed with attractive growth opportunities and we have been impressed with management’s approach to improving the company’s supply chain. When we met with the company last year, we raised questions about the extent to which the company had considered issues around the supply chain which involved the purchase of manufactured homes from China. The company took our comments on board and at our meeting during February the company it was apparent that the company had improved it’s approach to its supply chain including greater scrutiny of the supplier’s operations, in-depth testing of the delivered product and planning for the satisfaction of it’s obligations under the new Modern Slavery Act.

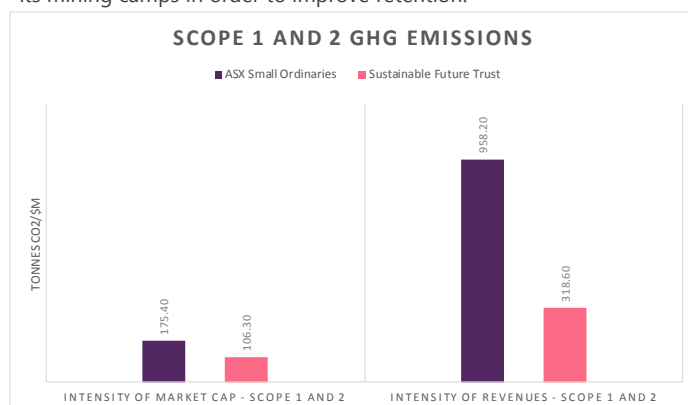
At month end, the Trust held 45 stocks and cash of 8.9%

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

ESG Activity

We met with many companies during reporting season with some of the ESG-related discussions highlighted below:

- When discussing the Modern Slavery Act with the management team of a relatively well-known smaller company retailer (not held), it appeared that the retailer was not aware of their potential obligations under the Act.
- We discussed with Bendigo Bank their approach to managing loan arrears and learned that their approach is to provide “mortgage help” to customers who are behind in repayments rather than taking more of a “collections” approach.
- We discussed safety performance with Viva Energy (not held) and encouraged them to do better given poor trends. The Company acknowledged that it is committed to improving safety and has changed systems and incentives to this end.
- We followed up safety reporting with People Infrastructure (not held) after an initial discussion mid-2018 and it was pleasing to see that the company is improving its reporting.
- We discussed gender diversity in technology firms with Infomedia who acknowledged the issue and is taking steps to encourage greater female interest in the area in high school as part of a longer term solution.
- We discussed staff retention with miner Metals X Limited (not held) which suggested that it is in the process of improving conditions in its mining camps in order to improve retention.



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.

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

✉ invest@perennial.net.au

🌐 www.perennial.net.au

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