

	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)	3.4	7.4	2.1	10.2	-	-	9.5
S&P/ASX Small Ordinaries Accum. Index	4.1	11.0	2.3	7.2	-	-	6.1
Value Added (Detracted)	-0.7	-3.6	-0.2	3.0	-	-	3.4

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

Overview

- The Australian share market was strong during the month. The Trust finished the month up 3.4% net of fees, underperforming the benchmark by 0.7%. Over the 12 months to the end of April 2019 the Trust is up 10.2% net of fees, outperforming the Index by 3.0%
- Positive contributors this month included Polynovo (+38.0%), Integral Diagnostics (+22.9%) and NIB Holdings (+9.8%).
- Negative contributors this month included Redbubble (-13.0%), Mercury Energy (-5.2%) and Meridian Energy (-4.0%).

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



During the month we visited China. Source: Perennial

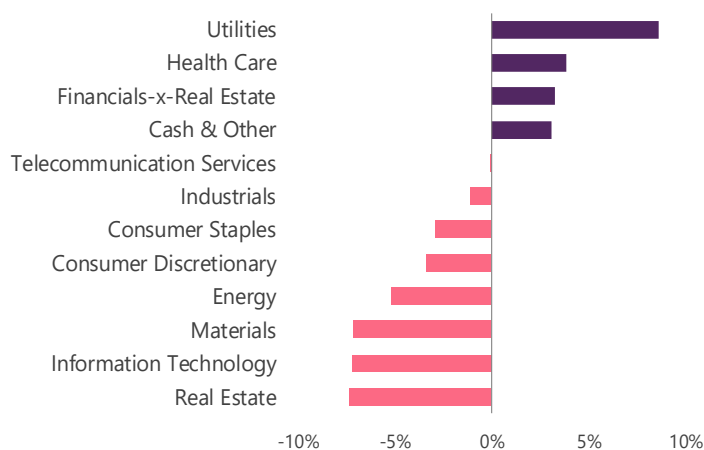
Sustainable Future Highlight

During the month Trust holding Sims Metal Management held an investor day at which it announced a new multi-year strategic growth plan. The company reiterated that its purpose is to "create a world without waste to preserve the planet". As part of the strategy, the company announced a number of initiatives including an investment in "waste-to-energy" technology to generate energy from the waste from its recycling processes. The aim of the initiative is to have zero waste disposal and energy costs over the long term. It also announced plans to acquire or build at least 50 Megawatts of landfill energy plants globally.

Top 5 Positions

	Trust (%)	Index (%)
SIMS METAL MANAGEMENT LTD	3.5	0.9
MERIDIAN ENERGY LTD	3.3	0.0
NIB HOLDINGS LTD	3.2	1.4
VISTA GROUP INT LTD	3.1	0.0
JANISON EDUCATION GROUP LTD	3.1	0.0

Sector Active Exposure



Portfolio Characteristics – FY20

	Trust	Index
Price to Earnings (x)	17.7	16.3
Price to Free Cash Flow (x)	15.9	15.3
Net Interest Cover (x)	29.6	9.2
3 Year EPS Growth (%)	14.2	10.8

Source: Perennial Value Management. As at 30 April 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 Australian share market was strong during April. The Trust finished the month up 3.4% net of fees, underperforming the benchmark by 0.7%. Over the 12 months to the end of April 2019 the Trust is up 10.2% net of fees, outperforming the Index by 3.0%.

Positive contributors this month included PolyNovo (+38.0%), Integral Diagnostics (+22.9%) and NIB Holdings (+9.8%).

The key positive contributor to performance this month was PolyNovo (+38.0%). PolyNovo is a healthcare company that developed the NovoSorb polymer skin matrix in conjunction with the CSIRO. The NovoSorb product greatly improves outcomes for severe burns patients. PolyNovo also recently announced that it had entered into a contract that will allow the US Department of Defence to use NovoSorb in US military health facilities globally.

Integral Diagnostics (+22.9%) benefited from attractive government funding proposals from both sides of politics in the lead up to the federal election with a return of indexation. The Labor Party also proposed specific funding for expanded imaging diagnostics for cancer. Integral also reiterated their earnings guidance at month end.

The key detractor from performance during the month was Redbubble (-13.0%) after issuing a disappointing Trading Update. Redbubble operates global online marketplaces supported by independent artists. While total sales growth in the third quarter was a strong at circa 40.0%, due to lower than expected organic growth.

Renewable energy generator and retailer Mercury NZ (-5.2%) fell after downgrading guidance as a result of less than expected rainfall on the North Island of New Zealand. This will impact the company's hydro generation by around 5.0%.

Other detractors included Meridian Energy (-4.0%) after a strong performance in the prior month. Meridian is a generator of renewable energy in NZ with hydro assets. However, the company's main hydro generation is on the South Island of New Zealand. It is not expected that this will be impacted by drier conditions on the North Island.

In terms of Trust activity, during the month we sold out of "Engaged Improver" stocks OzMinerals and Bluescope. We also sold out of Infomedia and Navigator Global Investments. We used proceeds to add to existing holdings.

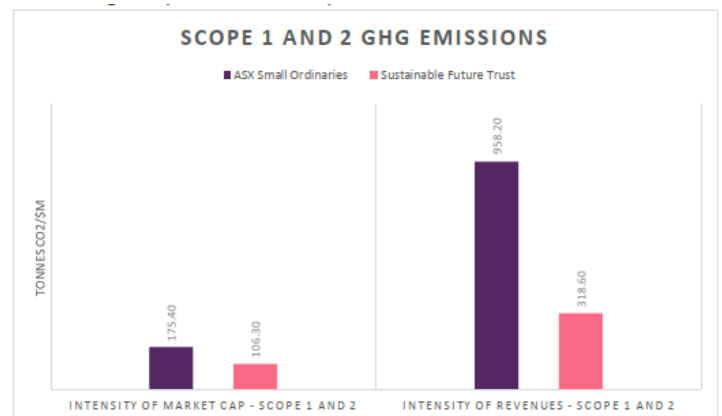
At month end, the Trust held 41 stocks.

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

ESG Activity

We attended a meeting with Rob Scott, the Managing Director of Wesfarmers (not held by the Trust) to discuss the company's approach to ESG. A fair amount of time was spent on discussing the group's approach to its supply chain in Asia where it is working with other multi-national companies to improve such practices. Interestingly, we learned that Wesfarmers has over 100 people working in Compliance in Bangladesh alone.

One of our analysts travelled to China and Hong Kong and spent some time meeting with ESG experts. Some key takeaways of the meetings held included the intricacies of corporate governance in China and also the increasing importance of managing water risk. We also visited the berry farms of Costa Group (not held) while in China, which are located in a rural area in southern China. Topics discussed included the supply chain initiatives that the company has in place for its Chinese operations and how it is engaging with the local community.



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

Signatory of:



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