

	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)	1.0	3.9	6.8	18.5	-	-	12.7
S&P/ASX Small Ordinaries Accum. Index	-0.5	-1.8	2.6	14.4	-	-	5.6
<b>Value Added (Detracted)</b>	<b>1.5</b>	<b>5.7</b>	<b>4.2</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>7.1</b>

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

## Overview

- The Trust finished the month up 1.0% net of fees, outperforming the benchmark return by 1.5%. Since inception in February 2018, the Trust has delivered a +12.7% p.a. return net of fees, outperforming the benchmark by +7.1% p.a.
- Positive contributors this month included Janison Education (+20.0%), City Chic Collective (+11.6%), Integral Diagnostics (+10.7%) and Kathmandu (+7.1%).
- Negative contributors this month included Phoslock Environmental Technologies (-21.5%), Imricor (-16.0%) and Meridian Energy (-11.6%).

## 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  
Half yearly

Minimum Initial Investment  
\$25,000

Trust Inception Date  
February 2018

Fees  
1.20% + Perf fee



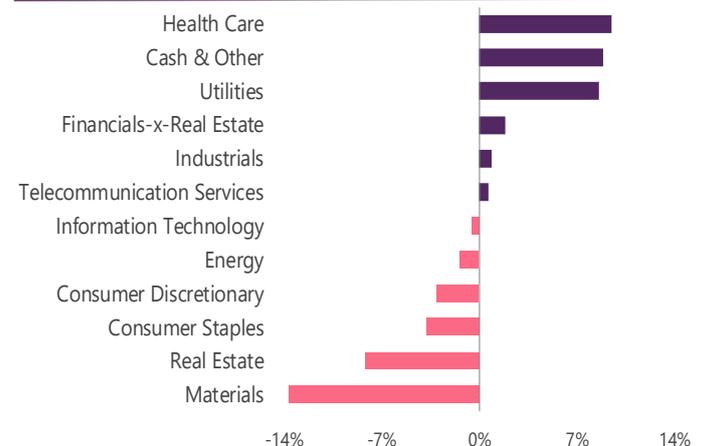
Fluence decentralised desalination plant Source: Fluence Corporation

## Sustainable Future Highlight

During the month the Trust initiated a position in Fluence Corporation as part of a capital raising undertaken by the company. Fluence is a global water engineering company that has developed modularised and decentralised water treatment and desalination plants.

The pre-engineered modular plants featuring the company’s MABR membrane technology are able to be deployed relatively quickly in remote locations and are designed to substantially reduce energy use and operating costs. The company is seeking to address wastewater treatment and water shortage which are key aspects of Sustainable Development Goal 6 “Clean Water and Sanitation”.

## Sector Active Exposure



## ESG Team

Damian Cottier – Portfolio Manager

Emilie O’Neill – ESG & Equities Analyst

## Trust Review

The Trust finished the month up 1.0% net of fees, outperforming the benchmark return by 1.5%. Since inception in February 2018, the Trust has delivered a 12.7% p.a. return net of fees, outperforming the benchmark by 7.1% p.a.

Positive contributors this month included Janison Education (+20.0%), City Chic Collective (+11.6%), Integral Diagnostics (+10.7%) and Kathmandu (+7.1%).

Janison (+20.0%) announced a solid quarterly update and also announced that it had reached agreement with the OECD to deliver the PISA-Based Test for Schools to schools in the USA. This adds to the previous announcements to deliver the test in Brasil and Russia.

Engaged Improver stock, City Chic Collective (+11.6%), acquired the e-commerce assets of Avenue Stores, a US-based plus-size retailer. These assets will enhance the company's existing US business which it has grown organically through retailers such as Macy's. The company was able to secure the assets at a reasonable price as it acquired the e-commerce assets out of a "bricks and mortar" bankruptcy.

Negative contributors this month included Phoslock Environmental Technologies (-21.5%), Imricor (-16.0%) and Meridian Energy (-11.6%). Phoslock announced a weaker than expected quarterly update while NZ renewable energy company Meridian Energy was impacted by RIO Tinto's announcement that it was conducting a review of RIO's aluminium smelter in New Zealand. This may result in closure of the smelter which is likely to have a negative impact on the electricity price in New Zealand as the smelter accounts for greater than 10% of national electricity output. The potential closure is perhaps a little surprising as the smelter is powered by hydro energy and as a result the aluminium produced is sought after by companies such as Apple and is used to produce the Apple Watch. Our sense is that RIO is using the potential closure to seek to negotiate lower power prices while Aluminium prices are at relatively low levels.

During the month the Trust participated in the capital raising by Kathmandu (+7.1%) to assist with the funding of the acquisition of the surf and action sports company Rip Curl. Kathmandu acquired the business from Rip Curl's founders at a reasonable acquisition multiple. Kathmandu sees the potential to incrementally improve Rip Curl's operations and use Rip Curl's global operations as a platform to assist with the gradual rollout of the company's Kathmandu and Oboz brands in a number of overseas markets. Interestingly, Kathmandu has an "A" rating in the Baptist World Aid Ethical Fashion Report while Rip Curl has a "B+" rating.

In addition to Fluence (see further over page) we added Genetic Signatures Ltd to the portfolio. GSS has developed products to improve the efficacy, cost and time required for the detection of the genetic sequence of viruses such as salmonella in medical tests.

At month end, the Trust held 45 stocks and cash is at 8.9%.

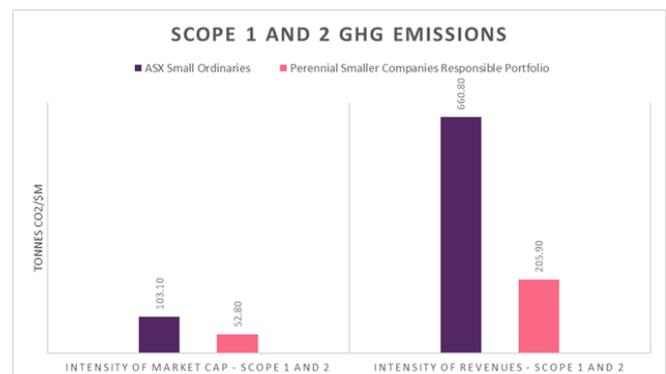
**Our focus continues to be on investing in companies that are making a positive contribution to creating a sustainable future.**

**Invest Online Now**

## ESG Activity

Recent ESG-related engagement included:

- City Chic Collective (held) – we discussed the supply chain issues arising out of the Company's acquisition of the Avenue Stores e-commerce assets.
- Phoslock Environmental Services (held) – we discussed governance and the independence of board members.
- Sims Metals (held) – we engaged with the company on safety performance, particularly the circumstances of 2 fatalities for the company in the last 12 months and the steps the company has taken to improve safety post these incidents. We informed the company that we are voting against the remuneration report on the basis the impact of the fatalities was not sufficiently taken into account in determining remuneration outcomes.
- Carbon Revolution – this company will be listing on ASX in November. The company is a global leader in the design and manufacture of carbon fibre wheels for cars. A key benefit of carbon fibre wheels is an improvement in fuel efficiency. During the IPO process we engaged with the company in relation to supply chain issues and greenhouse gas emissions.
- Bio-Gene Technology (not held) – we met with this company which is developing natural insecticides to address the issues of toxicity and insecticide resistance in the agricultural sector.
- Hazer (not held) – we met with Hazer which is developing technology to produce "clean" hydrogen fuel. Hydrogen is a fuel source that is being increasingly used in a number of applications as a low emission alternative to traditional fuel sources. For instance, Toyota has developed the hydrogen-powered SORA bus that will be used during the 2020 Tokyo Olympic Games.
- Integral Diagnostics (held) – we discussed remuneration and ESG disclosure with board members.



Source: CAER (Part of Vigeo Eris Network), Factset and Perennial as at 30 September 2019. Whilst due care has been used in preparation of the above, calculations are based on the information provided.

## Top 5 Positions

	Trust (%)	Index (%)
CASH	8.9	0.0
INTEGRAL DIAGNOSTICS LTD	4.1	0.0
KATHMANDU HOLDINGS LTD	3.5	0.0
CITY CHIC COLLECTIVE LTD	3.4	0.0
SIMS METAL MANAGEMENT	3.3	0.8

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Signatory of:  
 Principles for Responsible Investment

Proud members of the Responsible Investment Association Australia (RIAA)

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