

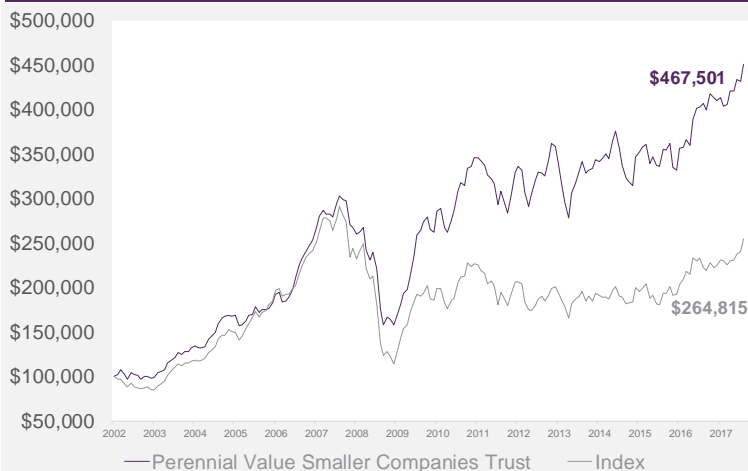
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust (Net)	3.6	7.8	11.0	16.9	13.1	7.5	10.3
S&P/ASX Small Ordinaries Accum. Index	3.9	11.6	15.0	20.5	13.4	7.4	6.4
Value Added (Detracted)	-0.3	-3.8	-4.0	-3.6	-0.3	0.1	3.9

^Since inception: March 2002. Past performance is not a reliable indicator of future performance.

Overview

- ▶ The Trust was up 3.6% (net of all fees) for the month of November 2017, marginally below the benchmark return for the Small Ordinaries of 3.9%
- ▶ The Small Ordinaries Index looks expensive relative to history trading on 18.4x price to earnings (P/E) on FY18 forecasts
- ▶ By comparison the Trust remains attractively priced on one year metrics with a price to earnings (P/E) ratio of 14.4 times (a 22.0% discount to the Index) and offering a 4.0% gross yield.

Growth of \$100,000 since inception



Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Perennial Value Smaller Companies Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of listed Australian companies predominately outside the S&P/ASX Top 100 Index, and 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 managers	Andrew Smith
Trust FUM	AUD \$115 million
Distribution frequency:	Half Yearly
Minimum initial investment	\$25,000
Trust Inception Date	March 2002
Fee	1.20% + Perf fee
APIR code	IOF0214AU

Top 10 Positions

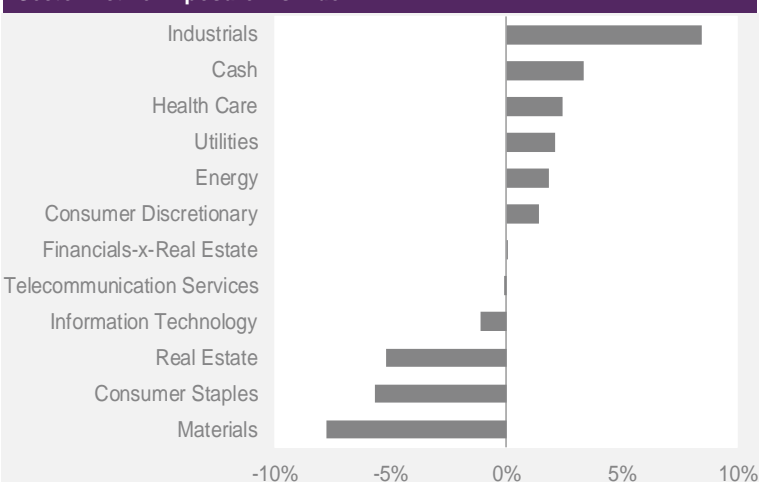
	Trust (%)	Index (%)
Gateway Lifestyle	5.9	0.4
Navigator Global Investments Limited	4.9	0.2
Integral Diagnostics	4.5	0.0
Imdex Limited	3.9	0.2
Alliance Aviation	3.6	0.0
RPMGlobal Holdings Limited	3.4	0.0
Pwr Holdings Limited	2.7	0.0
Austin Engineering	2.7	0.0
Cooper Energy Ltd	2.7	0.2
Pacific Energy	2.7	0.0

Portfolio Characteristics on FY18

	Trust	Market
Price to Earnings (x)	14.4	18.4
Price to Free Cashflow (x)	12.9	17.4
Gross Yield (%)	4.0	3.9
Price to NTA (x)	1.9	3.0

Source: Perennial Value Management. As at 30 November 2017. 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.

Sector Active Exposure vs Index



Trust Review

The Trust was up 3.6% for the month of November (net of all fees), underperforming the Index which was up 3.9%.

Relative performance was impacted by a strong movement in several index stocks which are not held in the Trust on valuation grounds (eg. **Next DC**, **Mineral Resources** and **Monadelphous** were all up more than 10%). Performance was also impacted by falls in several small positions which we have been exiting such as **Prime TV** (down 17.6%) and **Oroton** (down 27.5%).

The strongest performance came from **Integrated Diagnostics** (up 34.1%) after they received a takeover bid from competitor **Capitol Health**. We had been adding to our position recently given the impressive turnaround started by the new CEO and CFO (who upgraded profit expectations during the month). While the initial bid highlights the value in **Integrated Diagnostics** and makes logical sense it remains underwhelming on face value given the low cash amount in the initial takeover offer. There is also some uncertainty as to the management team proposed for the combined business – we await the response from the **Integrated Diagnostic** board.

Our holdings in the Energy sector provided strong performance as the oil price continues to recover dragging oil and gas producers with it as well as oil services companies. **Sino Gas and Energy** (up 25.0%) continued to de-risk their gas projects in China. Satellite telecommunications provider **SpeedCast International** (up 24.5%) increased their exposure to offshore energy significantly after the acquisition of Harris CapRock last year – with recovering oil markets this looks to have been well timed. One holding in the energy sector which didn't respond to the buoyant end markets was **Cooper Energy** (flat for the month) and we continue to view this relative weakness as a buying opportunity given the quality of the asset.

It was pleasing to see a solid AGM update from our largest holding **Gateway Lifestyle Group** (up 10.2%). Earnings guidance was reaffirmed with strong settlements year to date and rental growth in-line with expectations.

Trust Activity

Melbourne IT Ltd (up 24.3%) continued to performing strongly and we began to lock in profits on valuation grounds towards the end of the month.

There were several fund manager redemptions in the market during the month enabling us to add to some of our key positions on weakness, such as **Pacific Energy** (down 10.1%), **Huon Aquaculture** (down 12.4%) and **Synlait Milk** (down 7.6%).

At month end the Trust held 52 stocks and cash of 3.4%.

Outlook

The Trust remains attractively priced on one year metrics with a price to earnings (P/E) ratio of 14.4 times (a 22.0% discount to the Index) and offering a 4.0% gross yield.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations.

Market Review - Australia	%	Global, Currency & Commodities	%
S&P/ASX Small Ordinaries Index	+3.9	S&P500	+2.8
Energy	+7.5	Nikkei 225	+3.2
Materials	+6.2	FTSE100	-2.2
Industrials	+1.7	Shanghai Composite	-2.2
Consumer Discretionary	+2.2	RBA Cash Rate	1.50
Health Care	+1.5	AUD / USD	-1.0
Financials-x-Real Estate	+4.2	Iron Ore	+16.4
Real Estate	+5.1	Oil	+3.0
Information Technology	+4.5	Gold	+0.3
Telecommunication Services	+9.8	Copper	-1.8
Utilities	+0.9		

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