

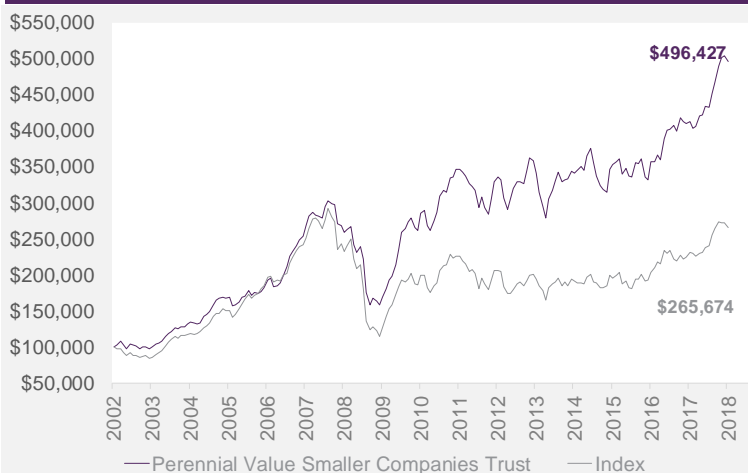
	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust (Net)	-1.6	1.3	17.9	20.1	12.1	7.7	10.5
S&P/ASX Small Ordinaries Accum. Index	-2.3	-2.8	15.4	15.0	10.7	6.4	6.3
Value Added (Detracted)	0.7	4.1	2.5	5.1	1.4	1.3	4.2

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

Overview

- ▶ The Trust was down 1.6% (net of all fees) in March, ahead of the benchmark return for the S&P/ASX Small Ordinaries Accumulation Index (the Index) which was down 2.3%. For the quarter the Trust was up 1.3% (net of all fees) compared the Index which was down 2.8%
- ▶ Looking at longer term performance over the last three years the Trust has returned 12.1% p.a. (net of all fees) compared to the Index return of 10.7% p.a.
- ▶ While the Index looks expensive relative to history, the Trust remains attractively priced when looking at our FY19 forecast with a price to earnings (P/E) ratio of 11.1 times (a 28.0% discount to the Index)

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 and Julian Guido
Trust FUM	AUD \$121 million
Distribution frequency:	Half Yearly
Minimum initial investment	\$25,000
Trust Inception Date	March 2002
Fee	1.20% + Perf fee
APIR code	IOF0214AU

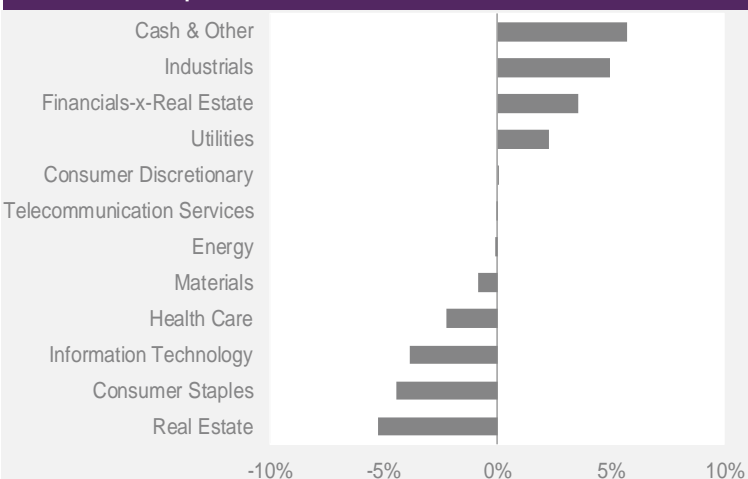
Top 10 Positions

	Trust (%)	Index (%)
Gateway Lifestyle	5.6	0.3
Navigator Global Investments Ltd	5.3	0.2
Imdex Ltd	4.3	0.2
Huon Aquaculture Grp	2.7	0.0
Pwr Holdings Ltd	2.6	0.0
Integral Diagnostics	2.6	0.0
Cooper Energy Ltd	2.5	0.2
Alliance Aviation	2.4	0.0
Pacific Energy	2.4	0.0
Ivegroup	2.4	0.0

Portfolio Characteristics on FY19	Trust	Market
Price to Earnings (x)	11.1	15.5
Price to Free Cashflow (x)	8.7	14.8
Gross Yield (%)	4.4	4.4
Price to NTA (x)	1.6	2.7

Source: Perennial Value Management. As at 31 March 2018. 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

Volatility continued in March as the market grappled with the prospect of a trade war between China and the US.

Against this backdrop our more defensive positions performed well as did those companies with momentum from strong results in the February reporting season.

AUB Group (+10.7%) benefited from improved liquidity as two large insurance firms exited the register at a time investors are looking for more defensive assets.

As some growth stocks have started to struggle we have noticed increased interest in cheap turnaround stocks with both **The Reject Shop** (+12.1%) and **Fleetwood** (+11.8%) continuing to recover.

Synlait Milk (+8.5%) delivered a strong result and **Codan** (+8.7%) continued to benefit from renewed interest in the stock given the global deal with Caterpillar for their underground positioning technology.

Navigator, which is the second largest position in the Trust, was up only 0.3% after announcing the acquisition of Mesirow Financial which has US\$8b of funds under management. Broker estimates are yet to capture any benefits given limited detail on the deal so far however the deal appears to be low risk and self-funding based on the amount of FUM which is transferred to Navigator.

Austin Engineering (-12.5%) was caught up in the uncertainty over the potential impact from US Steel tariffs given they have a sizeable US manufacturing business which relies on imported steel. Upon further investigation these risks now appear limited given Austin has shifted their high end steel supply to Canada which is exempt from US tariffs.

Metals X (-18.2%) continued to fall following a poor quarterly as they mine through a transition zone before accessing higher quality ore in the June quarter.

Trust Activity

Given the increasing uncertainty created by US tariffs we increased the defensive tilt of the portfolio including exiting both Mermaid Marine and Emeco Holdings. Pleasingly, we locked in profits for both while being conscious of cyclical earnings drivers and high (albeit reducing) debt levels.

At month end the Trust held 57 stocks and cash of 5.7%.

ESG (Environmental, Social, Governance)

The overall ESG score for the portfolio is 6.6 compared to the benchmark average of 6.4. The Trust remains focused on ESG issues and aims to engage with companies held in the portfolio to ensure best practice in all areas.

Outlook

The Trust remains attractively priced when looking at our FY19 forecast with a price to earnings (P/E) ratio of 11.1 times (a 28.0% discount to the Index) and offering a 4.4% 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	-2.3	S&P500	-4.0
Energy	-3.0	Nikkei 225	-4.1
Materials	+0.2	FTSE100	-2.4
Industrials	-1.2	Shanghai Composite	-3.0
Consumer Discretionary	-2.4	RBA Cash Rate	1.50
Health Care	-1.9	AUD / USD	-1.6
Financials-x-Real Estate	-6.1	Iron Ore	-19.8
Real Estate	+2.0	Oil	+10.1
Information Technology	-1.5	Gold	+0.6
Telecommunication Services	-7.4	Copper	-3.1
Utilities	+1.1		

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