

	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)	2.6	1.5	21.0	25.9	12.5	10.1	10.6
S&P/ASX Small Ordinaries Accum. Index	2.8	0.4	18.6	18.4	11.1	8.0	6.4
Value Added (Detracted)	-0.2	1.1	2.4	7.5	1.4	2.1	4.2

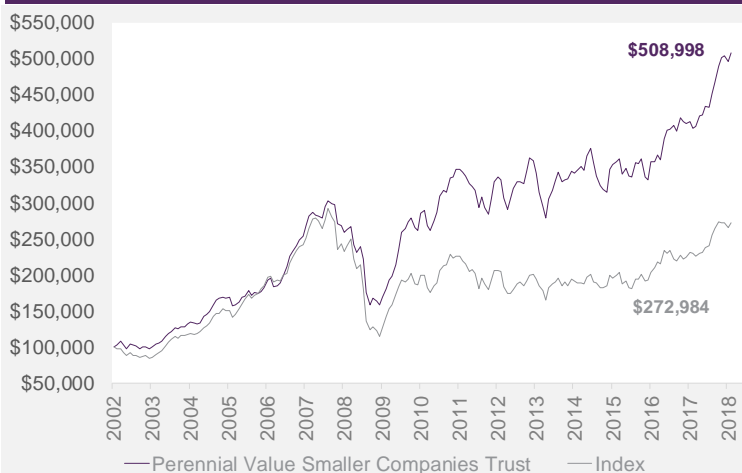
^Since inception: March 2002. Past performance is not a reliable indicator of future performance.

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Overview

- ▶ The Trust was up 2.6% (net of all fees) in April, close to the benchmark return for the S&P/ASX Small Ordinaries Accumulation Index which was up 2.8%.
- ▶ Over one year the Trust has returned 25.9% p.a. (net of all fees) compared to the Index return of 18.4% 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 12.3 times (a 22.0% 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 \$123 million
Distribution frequency:	Half Yearly
Minimum initial investment	\$25,000
Trust Inception Date	March 2002
Fee	1.20% + Perf fee
APIR code	IOF0214AU

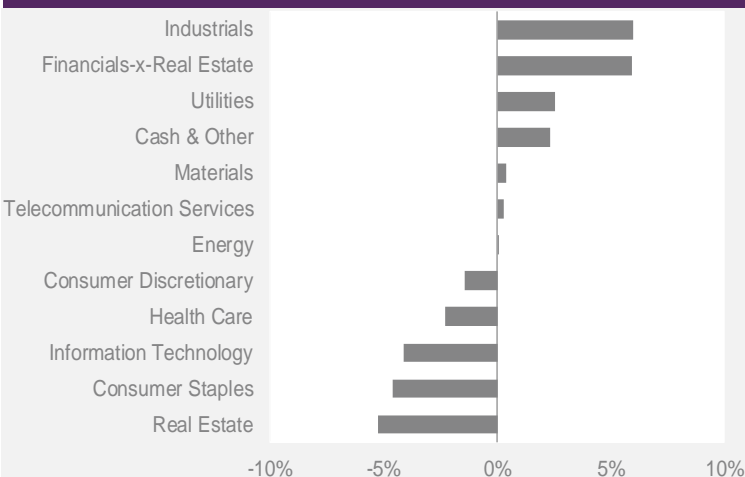
Top 10 Positions

	Trust (%)	Index (%)
Gateway Lifestyle	5.6	0.3
Navigator Global Investments Limited	5.5	0.2
Imdex Limited	4.0	0.3
Huon Aquaculture Group	3.1	0.0
EML Payments Limited	2.8	0.2
Pacific Energy	2.6	0.0
Cooper Energy Limited	2.6	0.3
Pwr Holdings Limited	2.6	0.0
Ivegroup	2.4	0.0
RPMGlobal Holdings Limited	2.4	0.0

Portfolio Characteristics on FY19	Trust	Market
Price to Earnings (x)	12.3	15.7
Price to Free Cashflow (x)	10.8	15.4
Gross Yield (%)	4.5	4.5
Price to NTA (x)	1.9	2.9

Source: Perennial Value Management. As at 30 April 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

Energy was the standout sector during the month up 12.2% given buoyant oil prices. The Trust has been positioned for a strong energy sector for some time and thus benefitted via holdings **Beach Energy** (+30.0%), **Cooper Energy** (+15.0%) and **Sino Gas and Energy** (+13.3%). **Speedcast** (+15.2%) also benefitted given their exposure to energy customers via the Harris Caprock acquisition.

Like the previous month the better performers in the Trust, outside of Energy, were turnaround situations where market expectations are low:

- **Here There and Everywhere** (+23.9%) was up after an approach for their Adshell business from a competitor

- **Vocus** (+10.4%) was higher despite walking away from the sale of their NZ assets with the market taking comfort from renewed debt terms

- **EML Payments** (+8.2%) recovered from an oversold position after providing guidance for FY18

- **Fletcher Building** (+7.0%) moved higher after confirming existing guidance and announcing a large equity raise, which when coupled with the planned sale of overseas assets, will result in a much stronger balance sheet. We are encouraged by the initiatives of the new CEO so far and have begun adding to the position during the month

Other strong performers were **SRG** (+7.0%) after an acquisition of a maintenance business in New Zealand as well as **Huon** (+7.1%) as the market absorbs two increases to the wholesale salmon price.

Trust Activity

Some profits were taken in the Energy and Mining Services sector to fund the placements in both **EML Payments** and **SRG**.

The small position in **Eastern Goldfields** (-36.2%) provided a drag on performance after it resumed trade after an extended period spent improving the balance sheet and bolstering the management team. As expected there was some emotional selling post relisting but given the stronger Australian gold price and the addition of a high calibre CEO in Victor Rajasooriar we took the opportunity to add to our position on weakness. Indeed we wouldn't be surprised to see both Eastern Goldfields and Doray Minerals capture the attention of their larger mid-cap gold peers, which by-in-large have high cash flow multiples but short on mine lives.

At month end the Trust held 57 stocks and cash of 2.4%.

Outlook

The Trust remains attractively priced when looking at our FY19 forecast with a price to earnings (P/E) ratio of 12.3 times (a 22.0% discount to the Index) and offering a 4.5% 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		+2.8	S&P500		+0.3
Energy		+12.2	Nikkei 225		+4.7
Materials		+5.6	FTSE100		+6.4
Industrials		+4.9	Shanghai Composite		-2.7
Consumer Discretionary		0.0	RBA Cash Rate		1.50
Health Care		+3.8	AUD / USD		-1.6
Financials-x-Real Estate		-5.8	Iron Ore		+3.1
Real Estate		+0.6	Oil		+7.0
Information Technology		+2.2	Gold		-0.8
Telecommunication Services		+8.6	Copper		+0.9
Utilities		-0.4			

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