

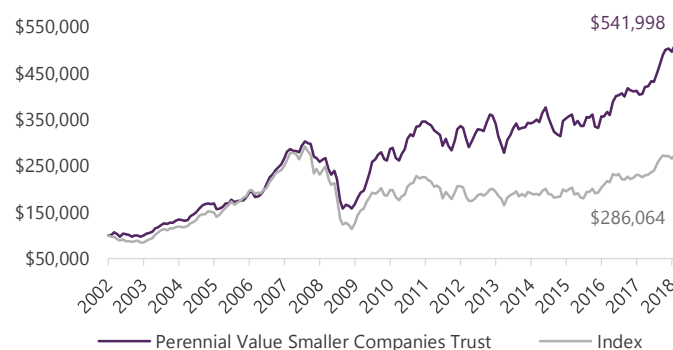
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	2.2	9.2	28.8	28.8	16.9	14.3	11.0
S&P/ASX Small Ordinaries Accum. Index	1.1	7.7	24.2	24.2	15.0	11.6	6.7
<b>Value Added (Detracted)</b>	<b>1.1</b>	<b>1.5</b>	<b>4.6</b>	<b>4.6</b>	<b>1.9</b>	<b>2.7</b>	<b>4.3</b>

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

## Overview

- The Trust was up 2.2% (net of all fees) in June, ahead of the benchmark return for the S&P/ASX Small Ordinaries Accumulation Index (the Index) which was up 1.1%.
- In the past 12 months the Trust has returned 28.8% p.a. (net of all fees) compared to the Index return of 24.2% 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 13.1 times (a 21.0% 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 \$128 million

**Distribution Frequency**  
Half yearly

**Minimum Initial Investment**  
\$25,000

**Trust Inception Date**  
March 2002

**Fees**  
1.20% + Perf fee

**APIR Code**  
IOF0214AU

## Top 10 Positions

	Trust (%)	Index (%)
Navigator Global Investments Limited	4.6	0.3
Integral Diagnostics	3.8	0.0
Pacific Energy	3.6	0.0
EML Payments Limited	3.5	0.2
Huon Aquaculture Group	3.3	0.0
Codan Limited	3.0	0.0
Pwr Holdings Limited	2.7	0.0
Speedcast International Limited	2.7	0.8
Ingenia Group	2.7	0.3
Alliance Aviation	2.4	0.0

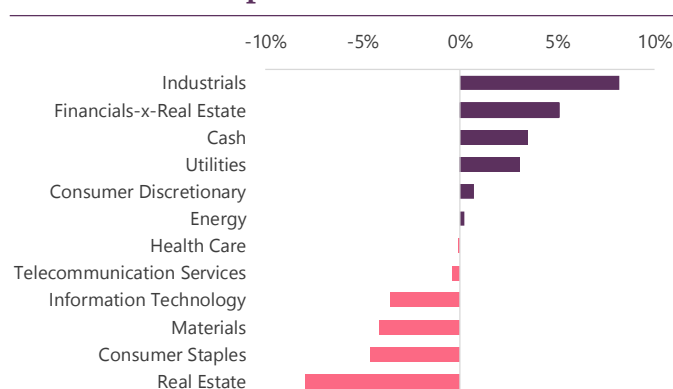
## Portfolio Characteristics – FY19

	Trust	Market
Price to Earnings (x)	13.1	16.7
Price to Free Cash Flow (x)	11.2	16.9
Gross Yield (%)	4.6	4.2
Price to NTA (x)	2.1	3.4

Source: Perennial Value Management. As at 30 June 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

Merger and Acquisition activity continued in the small cap space during June with the largest position in the fund, **Gateway Lifestyle Group**, attracting multiple bids during the month.

As the largest shareholder in Gateway (prior to the bid) we did not take the decision to enter into a pre-bid agreement lightly. We viewed this as in the best interest of our investors given the market was unlikely to appropriately value the high quality rental book within Gateway given the continued reductions in development guidance by the company.

We exited the bulk of our position at \$2.30 (a 27.8% premium to the prior months close). We remain attracted to the retirement sector and bought into **Ingenia Communities** which also operates retirement villages in addition to running tourist parks. Pleasingly **Ingenia Communities** upgraded guidance late in the month pushing the stock to \$3.08 (our average entry price was \$2.96 for the month).

Other strong performers included:

- **Navigator Global Investments** (+16.1%) as it continued to gain investor interest post the Mesirow acquisition in May
- **Fleetwood** (+13.8%) after the divestment of their loss-making caravan division
- **EML Payments** (+12.8%) as investors gained more comfort post guidance given in May
- **Alliance Aviation** (+12.2%) given the potential for more work with Virgin after their agreement with Air New Zealand ended

Detractors included **Austin Engineering** (-9.8%) after confirming earnings guidance towards the bottom of the previous range (whereas some investors were hoping for the top) and **The Reject Shop** (-14.2%) given soft retail conditions.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+1.1
Energy	+6.7
Materials	-0.6
Industrials	-1.7
Consumer Discretionary	+1.9
Health Care	+1.0
Financials-x-Real Estate	+1.4
Real Estate	+4.3
Information Technology	+5.4
Telecommunication Services	+1.3
Utilities	+1.2

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Signatory of:



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## Trust Activity

Investors in the Trust would be aware that we paid a special distribution during the month of 15.2 cents per unit. This was necessary to pay out the considerable capital gains built up in the Trust ahead of a large new investor joining the Trust. A smaller final distribution of 3.3 cent will also be paid in early July.

At month end the Trust held 60 stocks and cash of 3.5%.

## Outlook

The Trust remains attractively priced when looking at our FY19 forecast with a price to earnings (P/E) ratio of 13.1 times (a 21.0% discount to the Index) and offering a 4.6% gross yield.

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



Source: Marni Lysaght on Ingenia site tour. Central Coast NSW June 2018

## Global, Currency & Commodities (%)

S&P500	+0.5
Nikkei225	+0.5
FTSE100	-0.5
Shanghai Composite	-8.0
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+0.8
Oil	+2.4
Gold	-3.5
Copper	-3.9