

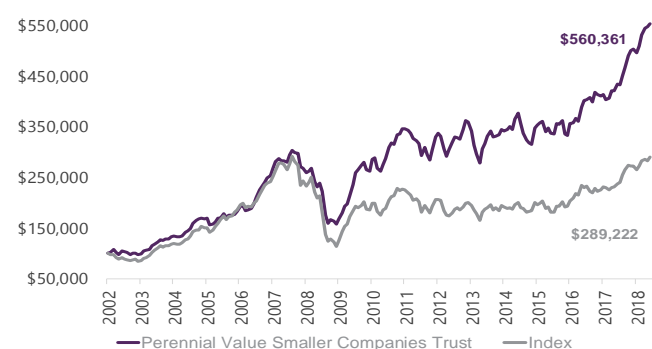
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	1.3	2.9	2.9	29.6	18.6	11.0	11.0
S&P/ASX Small Ordinaries Accum. Index	-0.4	1.1	1.1	20.3	17.0	8.7	6.6
Value Added (Detracted)	1.7	1.8	1.8	9.3	1.6	2.3	4.4

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

Overview

- The Trust enjoyed strong outperformance in September, up 1.3% (net of all fees, outperforming the benchmark return for the S&P/ASX Small Ordinaries Accumulation Index (the Index) which was down 0.4%.
- In the past 12 months the Trust has returned 29.6% p.a. (net of all fees) compared to the Index return of 20.3% p.a.
- Energy was the best performing sector in September. Concerns regarding OPEC supply combined with the market hitting 'peak trade-war' mid month. At which point financial market bearishness on the commodity outlook gave way to bullish physical demand indicators.
- 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 13.8 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 predominantly 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 Trust FUM
Andrew Smith and Julian Guido AUD \$132 million

Distribution Frequency Minimum Initial Investment
Half yearly \$25,000

Trust Inception Date Fees
March 2002 1.20% + Perf fee

APIR Code
IOF0214AU

Top 10 Positions

	Trust (%)	Index (%)
Imdex Ltd	4.5	0.2
Integral Diagnostics	4.2	0.0
Navigator Global Investments Ltd	4.1	0.4
Global Construction	3.3	0.0
Pacific Energy	3.2	0.0
Ausdrill Limited	2.7	0.5
Reliance Worldwide	2.6	0.0
HT&E Ltd	2.6	0.4
EML Payments Ltd	2.5	0.2
Cooper Energy Ltd	2.5	0.4

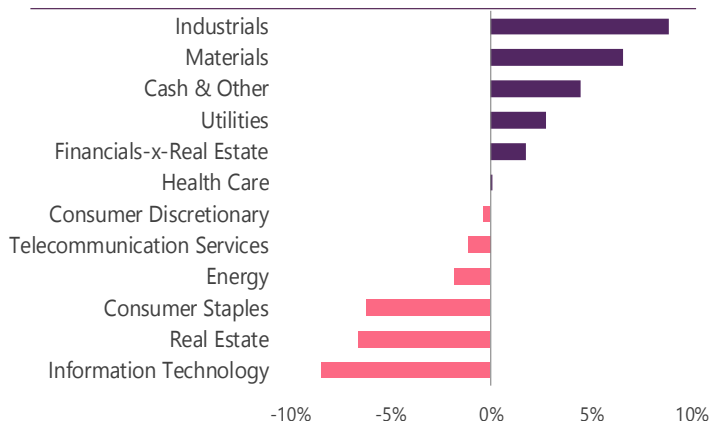
Portfolio Characteristics – FY19

	Trust	Index
Price to Earnings (x)	13.8	17.4
Price to Free Cash Flow (x)	10.4	17.0
Gross Yield (%)	4.2	4.0
Price to NTA (x)	1.9	2.9

Source: Perennial Value Management. As at 30 September 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

The tail of reporting season news-flow and a whipsaw in global macro sentiment intra-month were the main drivers of performance in September.

Strong performers in the month included;

- **RPM Global** (+13.3%) rallied on a solid result released in late August, director buying and a wider mining services rally late in the month.
- **Metals X** (+12.4) on a sharp bounce in copper prices
- **Ausdrill** (+9.6%) started to recover from downgrade in June, which in our view resulted in a disproportionate share price reaction. Further, industry data pointed to a continuation of strong exploration activity over the September quarter.
- **Helloworld** (+13.3%) Rose in September on investor support for a strong outlook and a healthy valuation gap to listed peers.
- **Alliance Aviation** (+10.7%) was supported by yet another contract renewal. On this occasion in the highly sought after leisure charter market. Interestingly Alliance chose to renew in Australia but not in New Zealand which shows a strong degree of confidence on demand given existing supply of aircraft.

Detractors included **Emerchants** (-10.7%) which had a softer month after 3 months of solid performance. The company continues to progress its offshore growth plans, which the market isn't paying for at present.

Navigator Investments (-7.6%) similarly, had a softer month on no news post a solid 12 months of performance. We remain positive on the stock.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.4
Energy	+6.0
Materials	-1.0
Industrials	+1.5
Consumer Discretionary	-1.7
Health Care	+1.9
Financials-x-Real Estate	-3.3
Real Estate	+0.5
Information Technology	-1.1
Telecommunication Services	+2.4
Utilities	-3.7

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Trust Activity

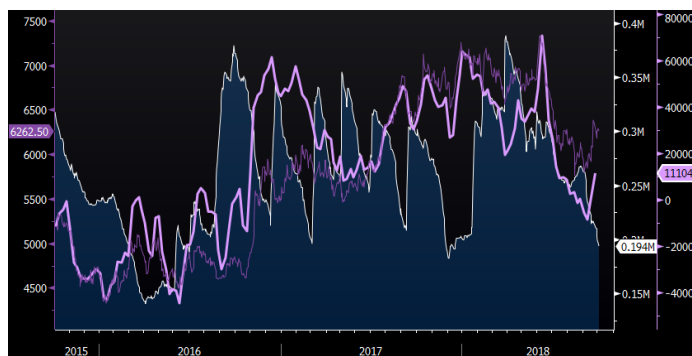
The Trust added to positions in **Reliance Worldwide** and **Ausdrill** during the month. **SRG global** has become a top 5 position in the Trust post conversion of stock in **Global Construction Services** and **SRG Ltd** into the merged entity. We took profits in **Huon Aquaculture** and **Imdex**.

The Trust held 57 stocks and cash of 4.5%

Outlook

The Trust remains attractively priced when looking at our FY19 forecast with a price to earnings (P/E) ratio of 13.8 times (a 21.0% discount to the Index) and offering a 4.2% gross yield.

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



Falling copper inventories (white) were being ignored until mid-September. From which point speculative interest (light purple) and copper price (dark purple) bounced. **Source:** Bloomberg

Global, Currency & Commodities (%)

S&P500	+0.4
Nikkei225	+5.5
FTSE100	+1.0
Shanghai Composite	+3.5
RBA Cash Rate	1.50
AUD / USD	+0.0
Iron Ore	+5.6
Oil	+6.8
Gold	-0.9
Copper	+5.0