

	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)	-6.8	-4.7	-4.1	15.7	13.5	8.8	10.5
S&P/ASX Small Ordinaries Accum. Index	-9.6	-7.7	-8.6	2.6	10.5	6.0	6.0
<b>Value Added (Detracted)</b>	<b>2.8</b>	<b>3.0</b>	<b>4.5</b>	<b>13.1</b>	<b>3.0</b>	<b>2.8</b>	<b>4.5</b>

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

## Overview

- The S&P/ASX Small Ordinaries Accumulation Index (the Index) was down 9.6%, the biggest monthly fall in the index since May 2012
- The value discipline, which we always employ, helped minimise the fall in the Trust which was down 6.8% net of all fees – outperformance of 2.8% versus the Index. Despite the fall the Trust is still up 15.7% for the year net of all fees
- The hardest hit sectors were those where valuations were the most extreme with the Information Technology sector down 14.3% contrasted by the traditionally defensive Real Estate sector which was down only 1.2%
- The selloff in the Index has improved the valuation with the forward PE multiple of 15.9 closer to the long term average for the Index
- The Trust is positioned with a current PE of 13.2x, a healthy 17.0% discount to the Index with a forecast yield of 4.5%

## 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 \$142 million

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

Trust Inception Date                  Fees  
 March 2002                                1.20% + Perf fee

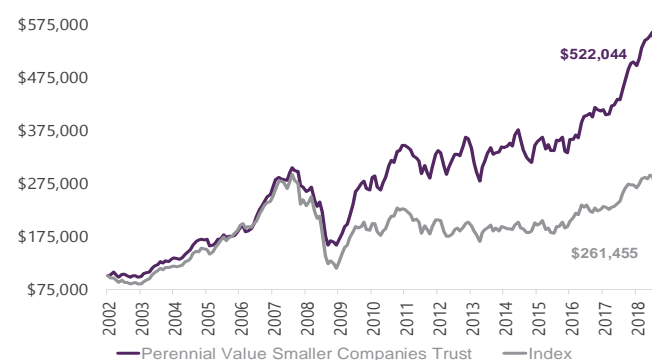
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Portfolio Characteristics – FY19	Trust	Index
Price to Earnings (x)	13.2	15.9
Price to Free Cash Flow (x)	9.9	16.9
Gross Yield (%)	4.5	4.5
Price to NTA (x)	1.9	2.5

Source: Perennial Value Management. As at 31 October 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.

## Growth of \$100,000 Since Inception

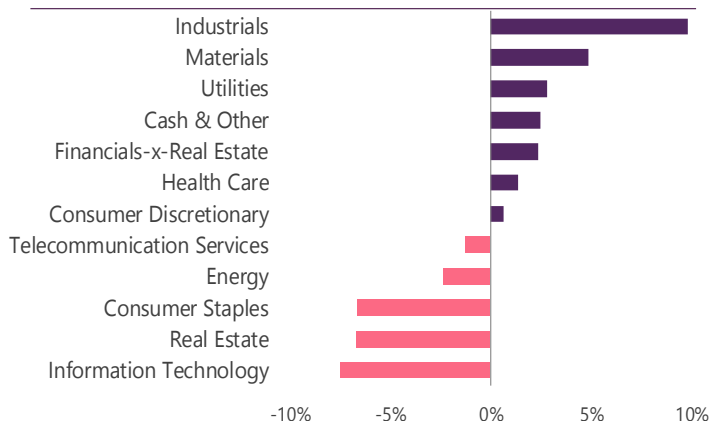


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 10 Positions

	Trust (%)	Index (%)
Integral Diagnostics	4.6	0.0
Imdex Ltd	4.5	0.2
Navigator Global Investments Ltd	4.3	0.3
Pacific Energy	3.3	0.0
Global Construction	3.1	0.0
Pwr Holdings Ltd	3.0	0.0
Ausdrill Ltd	3.0	0.5
Cooper Energy Ltd	2.8	0.4
EML Payments Ltd	2.8	0.2
Reliance Worldwide	2.6	0.0

## Sector Active Exposure vs Index



## Trust Review

The Index was down 9.6%, the biggest monthly fall since May 2012. The sell-off was broad based but felt most keenly in the highly priced industrial stocks such as Afterpay (-30.4%), Corporate Travel (-34.3%) and Wisetech (-27.3%) – none of these stocks are held in the Trust due to our value discipline.

The Trust performed much better and was down 6.8% net of all fees, with the cheapest stocks in our Trust generally falling the least.

Despite the gloomy markets, the Trust benefited from the position in **PWR Holding** (+18.1%) after positive commentary at the AGM which we also attended. The presentation disclosed the healthy pipeline of OEM contracts as well as some potentially large projects they are currently tendering on. We were also impressed with the engineering team that provided a product demonstration and talked us through some new technologies they have developed.

Our gold holdings also performed well with **Dacian** (+7.2%) and **Doray Minerals** (+2.9%) responding to the move up in the gold price as investors looked for 'safe haven' assets.

Other traditionally defensive assets also performed relatively well with **Austbrokers**, an insurance broker +1.1% and **Pacific Energy**, which is a power provider, flat for the month after announcing a contract win.

**Navigator Investments** (-16.0%) also has a defensive earnings stream but was oversold on the quarterly funds under management update which we believe was poorly understood by the market. The update was the first since the Mesirow transaction and showed outflows from Mesirow clients. This was always expected and indeed was highlighted by management as likely at their August roadshow. However looking forward most of the expected churn has now occurred and our earnings expectations are unchanged – as a result we used the share price weakness as a buying opportunity.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-9.6
Energy	-16.6
Materials	-2.9
Industrials	-10.3
Consumer Discretionary	-10.0
Health Care	-9.6
Financials-x-Real Estate	-10.4
Real Estate	-1.2
Information Technology	-14.3
Telecommunication Services	-13.6
Utilities	+0.4

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## Trust Activity

We added to several other positions on weakness during the month, deploying much of the cash we had built up.

We also added **Worley** to the Trust after the 24.7% fall during the month improved the valuation appeal. The selloff began as Worley undertook a large placement to fund the acquisition of Jacobs which we believe provides an attractive earnings profile going forward.

The Trust held 57 stocks and cash of 2.5%

## Outlook

The Trust remains attractively priced when looking at our FY19 forecasts with a price to earnings (P/E) ratio of 13.2 times (a 17.0% 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.**



Source: Andrew Smith with the PWR Holdings MD at the recent AGM

## Global, Currency & Commodities (%)

S&P500	-6.9
Nikkei225	-9.1
FTSE100	-5.1
Shanghai Composite	-7.7
RBA Cash Rate	1.50
AUD / USD	-2.0
Iron Ore	+9.6
Oil	-8.8
Gold	+2.0
Copper	-5.2