

	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)	-3.2	-8.7	-7.1	8.1	12.6	9.0	10.2
S&P/ASX Small Ordinaries Accum. Index	-0.4	-10.3	-8.9	-1.6	10.4	7.1	5.9
Value Added (Detracted)	-2.8	1.6	1.8	9.7	2.2	1.9	4.3

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

Overview

- The Trust was down 3.2% (net of fees) compared to the S&P/ASX Small Ordinaries Accumulation Index (the Index) which was down 0.4% during November
- The market was clearly in the mood to punish modestly bad company news and largely ignore in-line or positive commentary during the AGM season – this was particularly true in small and micro cap names. Of our 57 holdings only 4 had negative updates during AGM season whereas price action was negative almost across the board
- With sentiment in the market so negative and valuations improving (Trust PE in FY20 is 26.0% discount to the market) we are becoming more optimistic about the returns prospects from here and are seeing many more opportunities to deploy capital in well priced (and sometimes bargain priced) investments

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
Andrew Smith and Julian Guido

Trust FUM
AUD \$139 million

Distribution Frequency
Half yearly

Minimum Initial Investment
\$25,000

Trust Inception Date
March 2002

Fees
1.20% + Perf fee

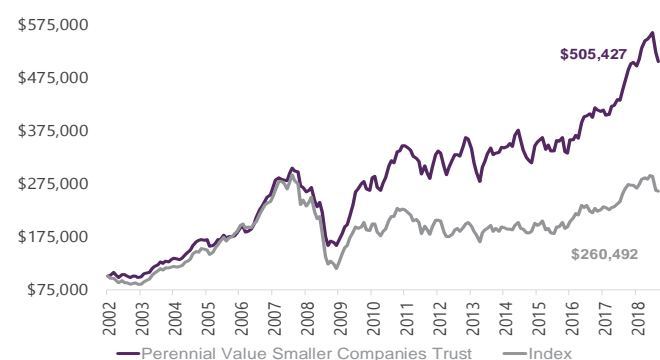
APIR Code
IOF0214AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	10.5	14.2
Price to Free Cash Flow (x)	7.5	13.5
Gross Yield (%)	5.7	5.3
Price to NTA (x)	1.7	2.1

Source: Perennial Value Management. As at 30 November 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

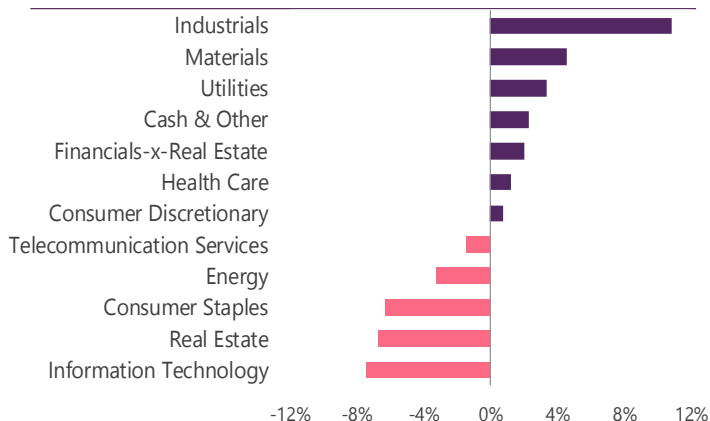


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
Imdex Ltd	5.3	0.2
Integral Diagnostics	4.1	0.0
Navigator Global Investments Ltd	4.1	0.3
Pacific Energy	3.8	0.0
EML Payments Ltd	3.3	0.2
Pwr Holdings Limited	3.1	0.0
Ausdrill Ltd	3.0	0.4
Global Construction	2.9	0.0
Reliance Worldwide	2.8	0.0
Cooper Energy Ltd	2.6	0.4

Sector Active Exposure vs Index



Trust Review

Negative updates during AGM seasons included:

- **HRL Holdings** (-35.3%) downgraded due to a New Zealand government decision to reduce methamphetamine testing. HRL had previously said publicly that this reduction would be offset by new revenue streams – this now appears overly optimistic. Despite the lost credibility we still like the long term growth options for food testing and the strategic value of the assets – as such we added to our holding at the share price lows during the month.
- **SRG Global** (-24.0%) lowered their earnings estimate due to project delays, in addition there was confusion in the market about statutory and pro-forma guidance post merger. The stock should recover as this becomes better understood, especially given the solid pipeline of work ahead of the group.
- **Fletcher Building** (-17.5%) warned that profits will be down 10.0% on the prior period given the slowdown in Australian markets as well as a plant outage in New Zealand. Our position in Fletcher Building is relatively small at present as we await clear signs of a turnaround under the new CEO.

Despite some negative updates the bulk of the companies we hold provided in-line or better than expected updates at their annual general meetings, the standouts where:

- **Pacific Energy** (+18.6%) after highlighting the prospect for an early resumption of dividends and noting they are currently trading ahead of market expectations.
- **Helloworld** (+12.4%) reiterated the strong earnings growth inherent in the existing FY19 guidance. In addition the market is now gaining more confidence in the FY20 margin targets.
- **Baby Bunting** (+7.9%) confirmed that solid like for like sales have continued during the half at just under 10.0%. This has been accompanied by improved profitability with gross margins recovering after a period of discounting as competitors exited.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.4
Energy	-13.6
Materials	-1.5
Industrials	-4.2
Consumer Discretionary	+0.2
Health Care	-1.7
Financials-x-Real Estate	+0.5
Real Estate	+0.7
Information Technology	+5.5
Telecommunication Services	-3.1
Utilities	+1.5

Invest Online Now

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au

Signatory of:



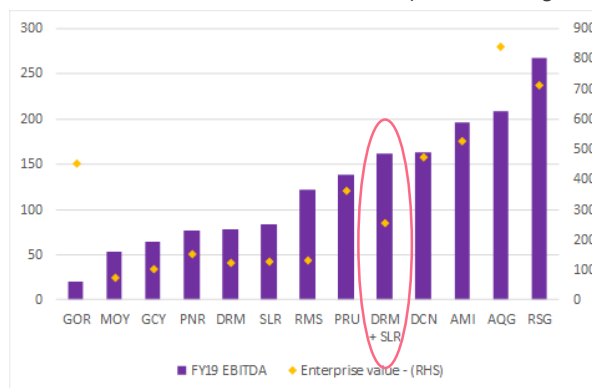
Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.

Navigator Global Investments (+8.5%), **Integral Diagnostics** (up 7.3%) and **Austin Engineering** (+7.0%) were also stronger after commenting that trading was in-line with expectations.

With compelling valuations in many of our existing positions we added to several positions on weakness during the month.

At this stage the only new position added was **Seven Group Holdings** which having sold in August above \$20 we were able to buy back below \$16 during the month – further new positions are expected in the coming months given the improvement in valuations across the market.

Finally we were surprised by the 20.5% fall in **Doray Minerals** after it announced a merger with Silver Lake. The combined business will offer lower earnings risk due to diversified production, and additional production growth options not currently available due to capital constraints. Given clear valuation upside either as merged entity or on a standalone basis, we added further to our position during the month.



Source: PVM and Bloomberg consensus

The Trust held 57 stocks and cash of 2.2%.

Global, Currency & Commodities (%)

S&P500	+1.8
Nikkei225	+2.0
FTSE100	-2.1
Shanghai Composite	-0.6
RBA Cash Rate	1.50
AUD / USD	+3.0
Iron Ore	-15.1
Oil	-22.2
Gold	+0.5
Copper	+4.1