

	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)	-4.3	-13.7	-11.1	-1.3	10.2	7.8	9.9
S&P/ASX Small Ordinaries Accum. Index	-4.2	-13.7	-12.7	-8.7	7.5	5.6	5.6
Value Added (Detracted)	-0.1	0.0	1.6	7.4	2.7	2.2	4.3

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

Overview

- The Trust was down 4.3% in December slightly below the Small Ordinaries Index which was down 4.2%
- For the 2018 year the Trust was down 1.3% compared the Small Ordinaries Index which was down 8.7%
- Ironically the sector where we expect the best earnings growth in 2019, Mining Services, had some of the hardest hit names in December as cyclicals generally were sold off. We view this as a buying opportunity ahead of what we expect to be strong earnings results in February
- With sentiment in the market so negative and valuations improving (Trust PE in FY20 is 32.0% 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 Trust FUM
Andrew Smith and Julian Guido AUD \$134 million

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

Trust Inception Date Fees
March 2002 1.20% + Perf fee

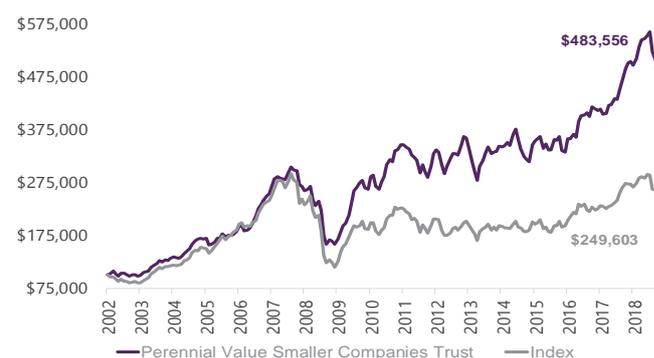
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	9.6	14.1
Price to Free Cash Flow (x)	7.1	13.6
Gross Yield (%)	6.3	6.3
Price to NTA (x)	1.6	2.1

Source: Perennial Value Management. As at 31 December 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

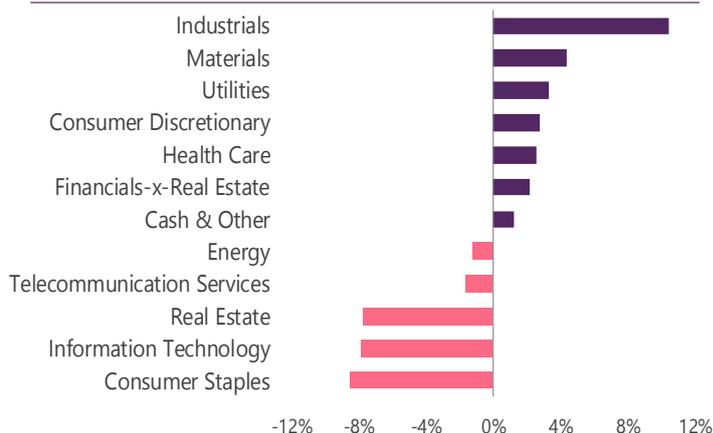


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
Imdex Limited	5.5	0.2
Integral Diagnostics	4.6	0.0
Navigator Global Investments Limited	4.6	0.3
Pacific Energy	3.8	0.0
EML Payments Limited	3.3	0.2
SRG Limited	3.0	0.0
Cooper Energy Limited	2.9	0.4
Pwr Holdings Limited	2.9	0.0
Ausdrill Limited	2.5	0.4
RPMGlobal Holdings Limited	2.5	0.0

Sector Active Exposure vs Index



Trust Review

The best performing stocks in the Trust were our gold holdings as the AUD gold price approached all time highs (see chart below) and investors looked for safe haven assets. **Doray Minerals** (+17.7%) gained investor attention as the friendly merger with Silver Lake Resources progressed. **Dacian Gold** (+20.2%) continued to attract market attention as they progress towards commercial production levels.

Longtable (+17.5%) continued to recover as their expansion into east coast supermarkets gathers pace.

Our investments in **Cooper Energy** (+8.5%) and **Austal Limited** (+4.9%) were de-risked during December with encouraging updates from both companies.

Cooper Energy calmed investors with an update regarding the Sole pipeline. Pressure testing confirmed a previously reported leak was an isolated incident a repairs won't impact the date for first production.

Austal Limited announced the award of a further two combat ship contracts from the US government as well as service contracts. This extends the order book for the US shipyard to 2025. The order book for the Australian shipyard also grew further later in the month with the award of coastal support vessel for export.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-4.2
Energy	-8.0
Materials	-0.3
Industrials	-3.5
Consumer Discretionary	-4.2
Health Care	-7.2
Financials-x-Real Estate	-5.4
Real Estate	+4.7
Information Technology	-6.9
Telecommunication Services	-11.4
Utilities	-5.3

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Signatory of:



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The selloff in the mining services sector is in stark contrast to the strong conditions for Australian gold miners as the AUD gold price approaches all time highs. For example **Austrill** (-17.9%) has 75.0% of revenue exposed to gold, **Imdex** (-8.5%) and **Swick** (-2.1%) also have >50% of revenue from gold companies. The different performance of each is shown in the chart below, with the December sell-off providing investors, in our view, another chance to add to the sector ahead of what we expect will be a positive 2019 for earnings growth.

Our small position in **GTN Ltd** (-46.6%) was sold down heavily after a 4Q18 update which had revenues down in Australia after a positive 3Q18. We await the February result and our discussions with other media players to see if this weakness is temporary or more structural.

The large sell-off across the market has increased the investable universe significantly and we look forward to adding some new names to the portfolio in the coming months.

The Trust held 58 stocks and cash of 1.1%.



Source: Bloomberg

Global, Currency & Commodities (%)

S&P500	-9.9
Nikkei225	-10.5
FTSE100	-3.6
Shanghai Composite	-3.6
RBA Cash Rate	1.50
AUD / USD	-3.6
Iron Ore	+8.9
Oil	-8.4
Gold	+5.1
Copper	-5.6