

	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)	5.5	0.9	-6.2	1.2	15.3	8.2	10.1
S&P/ASX Small Ordinaries Accum. Index	6.8	8.0	-1.6	3.5	13.4	7.7	6.3
Value Added (Detracted)	-1.3	-7.1	-4.6	-2.3	1.0	0.5	3.8

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

Overview

- The Trust was up 5.5% compared to the Small Ordinaries Index return which was very strong up 6.8%.
- Reporting season dominated share price moves and while earnings generally were revised lower (at the Index level) this was offset by a re-rating in many stocks – particularly those growth stocks that were already the most expensive.
- Overall we were pleased with the quality of results for our positions and we avoided all but one of the downgrades which are a typical feature of small cap reporting season.
- We remain comfortable with our portfolio and in many cases have increased our conviction off the back of strong results. While the market is beginning to look expensive again (at 15.6x FY20 earnings) our portfolio represents solid value at 9.6x FY20 earnings and a gross yield of 6.1%.

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 \$141 million

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

Trust Inception Date Fees
March 2002 1.20% + Perf fee

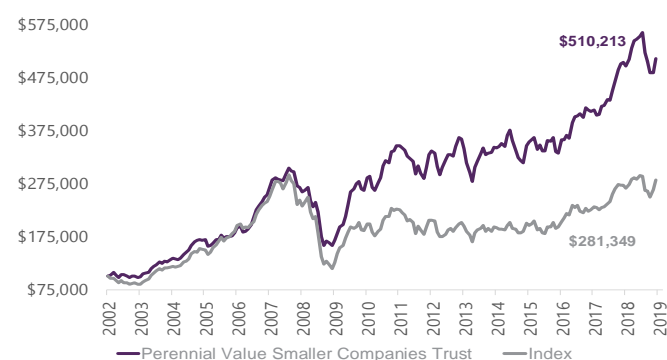
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	9.6	15.6
Price to Free Cash Flow (x)	7.2	15.5
Gross Yield (%)	6.1	4.5
Price to NTA (x)	1.6	3.1

Source: Perennial Value Management. As at 28 February 2019

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

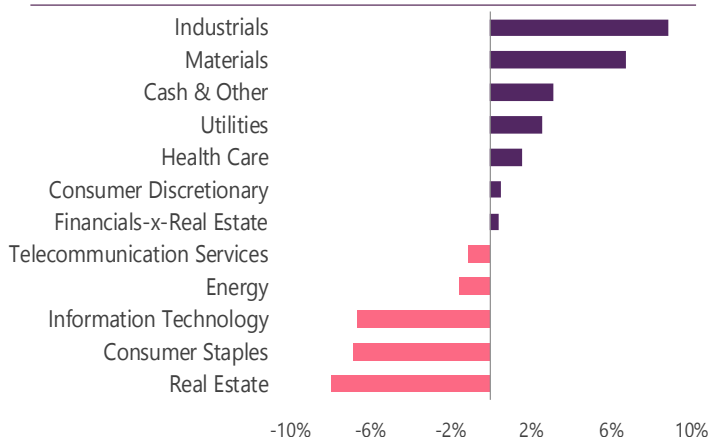


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
Imdex Limited	4.6	0.2
Integral Diagnostics	4.2	0.0
Pwr Holdings Limited	4.2	0.0
EML Payments Ltd	3.7	0.2
Navigator Global Investments Ltd	3.4	0.2
Ausdrill Limited	3.3	0.2
SRG Limited	3.1	0.5
Cooper Energy Ltd	3.1	0.5
Pacific Energy	3.0	0.4
Doray Minerals Ltd	2.5	0.0

Sector Active Exposure vs Index



Trust Review

Reporting season provided something for everyone:

- High growth stocks were rewarded with outsized share price moves. For example consensus estimates moved up 9.0% for **Appen** and 5.0% for **Altium** post their results but the share prices rose 47.0% and 32.0% respectively (neither is held on valuation grounds)
- Growth stocks that missed were punished, for example **Blackmores** (not held) fell 28.0% post consensus downgrades of 16.0%
- Pleasingly, reasonably priced Industrial stocks that delivered in our Trust were generally re-rated. For example **Ausdrill** +38.0%, **Seven Group** +22.0%, **People Infrastructure** +31.0% and **Emerchants** +13.0%
- While we avoided nasty downgrades by **Bingo** (-20.0%) and **McMillans Shakespeare** (-21.0%), we did have exposure to **SRG Global** which fell 19.0% due to project delays
- Interestingly lower quality results sometimes provided the best returns as short covering occurred on results that were poor but not as bad as feared - for example **Automotive Holdings** was up 48.0% despite a 5.0% drop in consensus and **BWX** was up 54.0% after a 4.0% drop in consensus (neither is held in the Trust as we await tangible signs of a turnaround before investing in both cases).

Overall, the average revenue growth delivered for stocks in our Trust was 24.3% with EBIT growth of 28.8% for the period - much healthier than the broader market.

We did, however, notice that quality results that weren't accompanied with an overly bullish management presentation were ignored by the market - our two largest positions **Imdex** (-5.5%) and **Integral Diagnostics** (-1.5%) are cases in point. Both demonstrated strong earnings growth with quality cash conversion. Management in both cases were rightly conservative with guidance at this early juncture and thus dismissed by the market. This contrasts with our analysis that suggests they should exceed current market expectations at the full year result.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+6.8
Energy	+8.3
Materials	+3.1
Industrials	+4.9
Consumer Discretionary	+11.8
Health Care	+4.1
Financials-x-Real Estate	+8.3
Real Estate	+3.4
Information Technology	+10.0
Telecommunication Services	+9.6
Utilities	-0.3

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Looking at full year expectation changes there was revisions of 3.4% to market expectations for ASX 200 Industrial earnings (see chart below). This was the largest revision for many years.

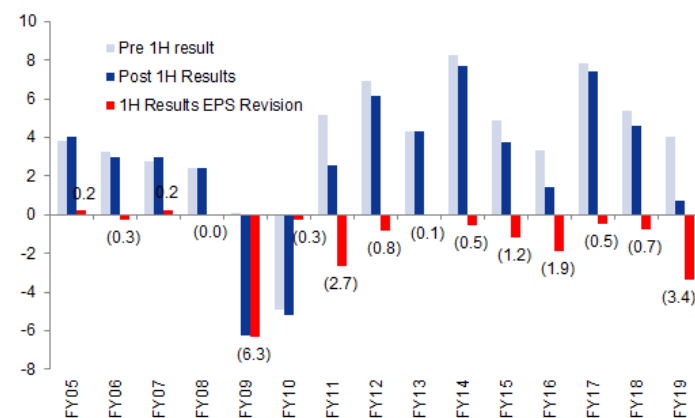
Consensus revisions for our Trust in FY19 was slightly better falling only 2.3% albeit most of this was project deferrals at SRG Global and hence FY20 expectations remained stable on average for the Trust.

We were very active trading around our core positions given the increased volatility and liquidity of reporting season. We also used the strong share price to exit our position in Austral.

At month end we held 59 positions and cash of 3.1%.

Exhibit 1 : ASX 200 Industrial EPS Growth was cut by 3.4%, the largest downgrade to full-year growth forecasts since the GFC.

Revision to full-year Consensus EPS Growth post 1H results announcements (pp)



Source: GS 1H19 Results Wrap 5 March 2019

Global, Currency & Commodities (%)

S&P500	+3.0
Nikkei225	+2.9
FTSE100	+1.5
Shanghai Composite	+13.8
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+4.2
Oil	+6.7
Gold	-0.6
Copper	+5.5