

	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)	-3.3	2.1	-9.4	-0.6	11.4	7.7	9.9
S&P/ASX Small Ordinaries Accum. Index	-0.1	12.6	-1.8	5.8	11.4	8.0	6.3
Value Added (Detracted)	-3.2	-10.5	-7.6	-6.4	0.0	-0.3	3.6

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

Overview

- The Trust was down 3.3% net of fees compared to the Small Ordinaries Accumulation Index (the Index) return which was down 0.1%.
- News flow was minimal in our stocks with fund manager re-positioning and selling pressure from redemptions a bigger driver of stock performance than earnings changes.
- Symptomatic of the current market conditions it appears that some of the fund managers losing mandates are value focused and thus have a degree of cross-over with our positions – this created short term weakness which, while negative for short term performance, enabled us to add to our preferred positions at more attractive prices.
- 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 15.8x FY20 earnings) our portfolio represents solid value at 9.8x FY20 earnings and a gross yield of 6.2%.

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 \$139 million

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

Trust Inception Date Fees
March 2002 1.20% + Perf fee

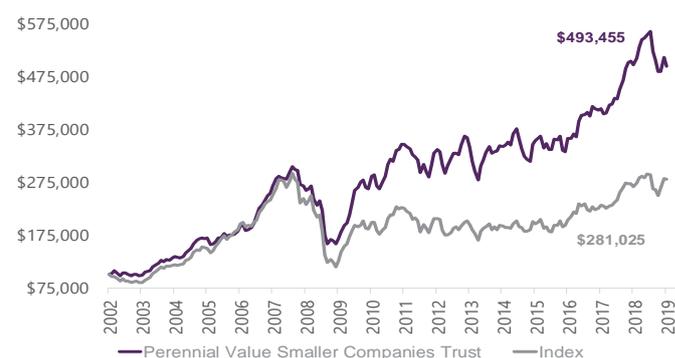
APIR Code
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	9.8	15.8
Price to Free Cash Flow (x)	7.4	16.5
Gross Yield (%)	6.2	4.5
Price to NTA (x)	1.6	2.9

Source: Perennial Value Management. As at 31 March 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

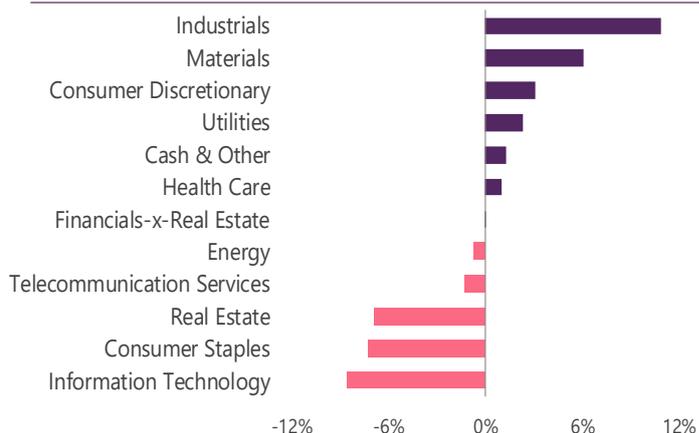


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
Imdex Ltd	5.7	0.2
Integral Diagnostics	4.2	0.0
Pwr Holdings Ltd	4.1	0.0
Navigator Global Investments Ltd	3.8	0.2
Ausdrill Ltd	3.3	0.5
Bapcor Ltd	3.0	0.8
Doray Minerals Ltd	2.8	0.0
Pacific Energy	2.7	0.0
SRG Ltd	2.5	0.0
National Veterinary	2.4	0.0

Sector Active Exposure vs Index



Trust Review

Our conviction in holding **Doray Minerals** (+27.6%) for several years began to be rewarded as the merger with **Silverlake Resources** was approved. Outside of this the main positive performers were growth stocks which we think still represent good value – **EML Payments** (+8.3%) and **RedBubble** (+6.9%).

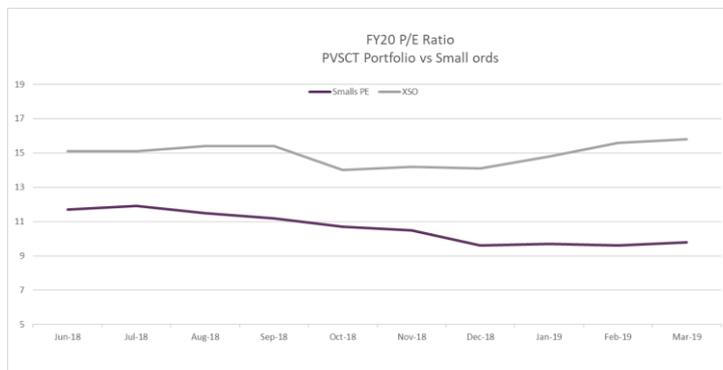
Stocks which reported weaker results in February continued to slide with **SRG Global** (-18.2%) and **Metals X** (-24.2%) – we continue to hold both stocks given strong valuation support on a sum of parts basis.

The only significant news flow during the month came via the rights issue from **Longtable** (-43.9%) to fund the purchase of 100% of the Maggie Beer brand. While we expressed our disappointment to management at the deep discount for the raising, we do view gaining control of this strategic asset as important for future growth, especially given the improved earnings this unit demonstrated in the February result. With a solid balance sheet and strong management team, we think our patience in Longtable will be rewarded once they demonstrate traction for Paris Creek and Maggie Beer products in major supermarkets.

Stock performance for value stocks was particularly weak in March as redemption related selling impacted several names. This negatively impacted our performance in the short term but also provided good buying opportunities in some existing names as well as three new positions which we added.

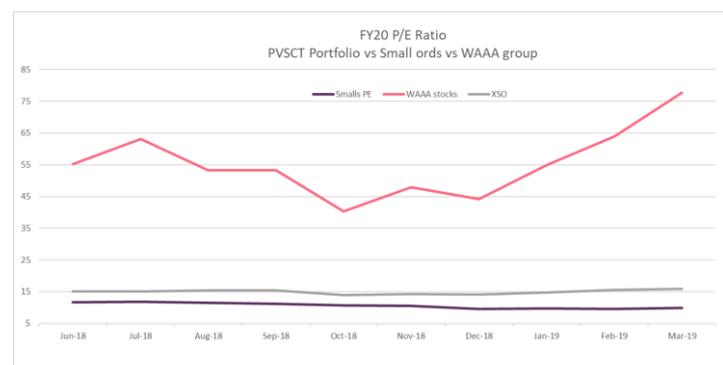
Examples of stocks that seem to have been impacted are **Acrow Formwork** (-14.6%), **Emeco Holdings** (-9.8%) and **Austin Engineering** (-8.7%). Cyclical stocks also seem to be caught up in selling despite strong growth drivers in their sectors, for example **Seven Group** (-8.0%) and **People Infrastructure** (-7.5%).

The poor performance of 'value stocks' so far in 2019 sets up an attractive investment proposition in our minds. Looking at our portfolio the current P/E for FY20 is 9.8x with 3yr EPS growth very healthy at 24.3% pa. This valuation gap is shown in the following charts showing the P/E as compared to the Index since mid last year.



Despite minimal changes in earnings expectations our portfolio has not re-rated post the December quarter sell-off.

This compares to the WAAA group of high flying small caps (Wisetech, Appen, Afterpay and Altium) - note to fit the average PE for this group we needed to alter the scale of the chart.



Source: PVM and FACTSET Forecasts March 2019

At month end we held 58 positions and cash of 1.3%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.1
Energy	-3.0
Materials	-1.1
Industrials	+1.2
Consumer Discretionary	-1.1
Health Care	+1.9
Financials-x-Real Estate	-3.8
Real Estate	+5.4
Information Technology	+3.8
Telecommunication Services	+0.2
Utilities	+0.8

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