

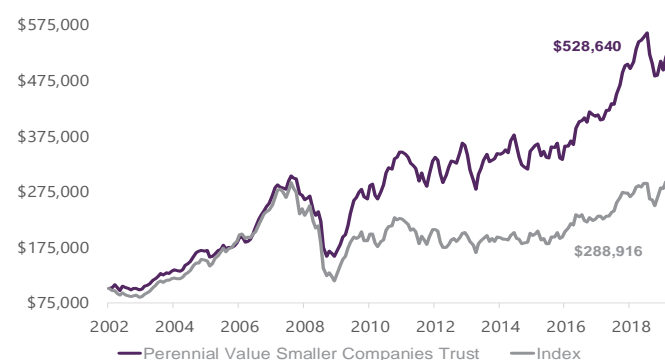
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	2.2	3.6	-2.9	-0.4	12.9	8.5	10.2
S&P/ASX Small Ordinaries Accum. Index	-1.3	2.7	1.0	2.1	9.8	8.8	6.4
<b>Value Added (Detracted)</b>	<b>3.5</b>	<b>0.9</b>	<b>-3.9</b>	<b>-2.5</b>	<b>3.1</b>	<b>-0.3</b>	<b>3.8</b>

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

## Overview

- The Trust was up 2.2% net of fees outperforming the Small Ordinaries Accumulation Index return which was down 1.3%.
- EML Payments was up 33.7% after reconfirming earnings guidance, winning several contracts and making an acquisition.
- Automotive Holdings was up 22.1% as sentiment improved in the more discretionary parts of the market post the election.
- Drags on the Trust were positions in Reliance Worldwide (downgraded earnings) as well as Metals X and Dacian Gold.
- While the market looks expensive (at 16.2X FY20 earnings) our portfolio represents solid value at 10.5x FY20 earnings and a gross yield of 5.6%.

## 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.

## 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 \$148 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	16.2
Price to Free Cash Flow (x)	9.0	15.3
Gross Yield (%)	5.6	4.4
Price to NTA (x)	1.9	1.9

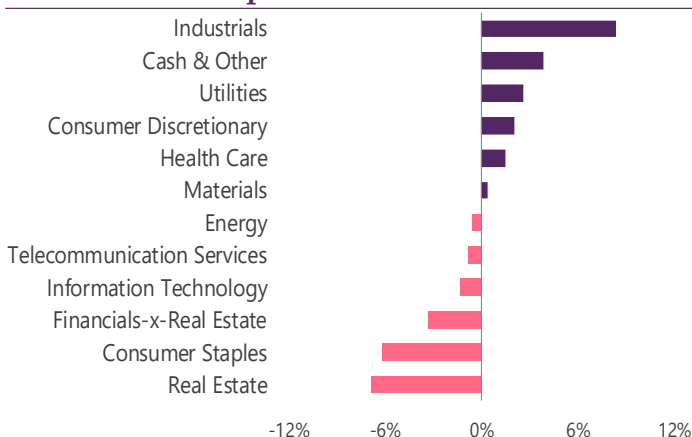
Source: Perennial Value Management. As at 31 May 2019

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.

## Top 10 Positions

	Trust (%)	Index (%)
INTEGRAL DIAGNOSTICS LTD	4.8	0.0
IMDEX LTD	4.1	0.2
PWR HOLDINGS LTD	3.9	0.0
CASH	3.9	0.0
NAVIGATOR GLOBAL INVESTMENTS	3.3	0.3
SRG GLOBAL LTD	3.1	0.0
CODAN LTD	3.1	0.0
BAPCOR LTD	3.1	0.9
PACIFIC ENERGY LTD	2.9	0.0
AUSDRILL LTD	2.8	0.4

## Sector Active Exposure vs Index



## Trust Review

It was pleasing for the Trust to deliver a positive return against an Index that was down 1.3%.

The Index was dragged lower by some of the high flying tech names deflating slightly as well as large downgrades from the likes of Costa Group (-29.0%) and Mayne Pharma (-19.4%). Neither of these stocks were held in the Trust but they had been the subject of extensive research by the team – pleasingly the right decision was made at the time to avoid these stocks for the time being albeit post such large falls they begin to look interesting again now.

On the positive side **EML payments** (+34.0%) had an eventful month, signing a user agreement with Smartgroup and acquiring Flex-e-Card. Both add considerable momentum to earnings going into FY20 and build on the expanding footprint in US gaming we discussed in the prior month.

**Automotive Holdings** (+22.1%) issued a subdued trading update to the end of April, however the stock benefited post the election, with investors expecting more favourable trading conditions under a Liberal government. In addition, the bid from AP Eagers has now reached the critical milestone of over 50.0% acceptance (increasing to 62.0% at month end).

We added both Peet Limited and QMS Media (both up 14.8%) in the prior month to position the portfolio for some potential stimulus around the election and a possible RBA rate cut – the coalition victory was clearly even more positive than the scenario we planned for.

We added **Freedom Foods** after watching for several years, assessing both their China strategy (researched by two separate trips to China) and their domestic capacity expansion (seen in the photo from July 2018 and again more recently). While these fact finding missions increased our confidence in the quality of the Freedom business the valuation remained elevated for some time. Pleasingly we had our opportunity to invest at a reasonable multiple during the month via the placement to fund further expansion at \$4.80 per share (vs month end price of \$5.26).



Source: Perennial Value Shepparton site tour July 2018

On the negative side **Reliance Worldwide** (-24.8%) issued a profit downgrade.

**Dacian Gold** (-19.5%) continued to drift lower after a production downgrade the prior month while **Metals X** (-16.1%) was weaker after announcing a reset at the Nifty Copper mine, unfortunately this offset positive news at the Renison Tin mine.

At month end we held 61 positions and cash of 3.9%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-1.3
Energy	-8.7
Materials	+4.3
Industrials	-4.7
Consumer Discretionary	-0.1
Health Care	-4.6
Financials-x-Real Estate	-1.4
Real Estate	+0.6
Information Technology	-4.7
Telecommunication Services	+8.7
Utilities	+4.2

## Global, Currency & Commodities (%)

S&P500	-6.6
Nikkei225	-7.4
FTSE100	-3.5
Shanghai Composite	-5.8
RBA Cash Rate	1.50
AUD / USD	-1.6
Iron Ore	+8.9
Oil	-11.4
Gold	+1.7
Copper	-9.1

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