

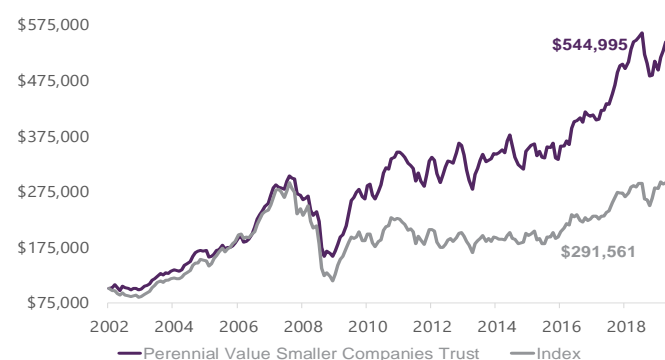
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	3.1	10.4	0.1	0.1	14.8	9.6	10.3
S&P/ASX Small Ordinaries Accum. Index	0.9	3.8	1.9	1.9	10.7	9.3	6.4
<b>Value Added (Detracted)</b>	<b>2.2</b>	<b>6.7</b>	<b>-1.8</b>	<b>-1.8</b>	<b>4.1</b>	<b>0.3</b>	<b>3.9</b>

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

## Overview

- The Trust was up 3.1% net of fees outperforming the Small Ordinaries Accumulation Index (the Index) return which was up 0.9%. This strong performance has lifted the return for the quarter to 10.4% (net of fees) compared to the Index return of 3.8% - this is a pleasing recovery from the slow start the Trust had in the March quarter
- The performance of gold and gold related stocks was a key driver with Silverlake Resources (+56.9%), Imdex (+27.9%) and Ausdrill (+24.6%) all contributing strongly
- Given the strength of gold the poor operational performance of Dacian Gold (-66.6%) was even more disappointing. While a takeover of Dacian is a possibility we viewed the risk vs return trade-off as sub-optimal and have thus begun exiting and replacing the position with a more diverse gold miner
- The portfolio represents solid value at 11.6x FY20 earnings (a 30% discount to the Index) and a gross yield of 5.0%
- Note that a distribution of 4.0 cents per unit was paid after month end

## 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 (%)
INTEGRAL DIAGNOSTICS LTD	4.7	0.0
IMDEX LTD	4.7	0.3
PWR HOLDINGS LTD	3.9	0.0
SRG GLOBAL LTD	3.5	0.0
AUSDRILL LTD	3.4	0.5
NAVIGATOR GLOBAL INVESTMENTS	3.3	0.3
PACIFIC ENERGY LTD	3.3	0.0
CODAN LTD	3.3	0.0
EML PAYMENTS LTD	2.6	0.4
BAPCOR LTD	2.6	0.9

## 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 \$152 million

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

Trust Inception Date                      Fees  
March 2002                                  1.20% + Perf fee

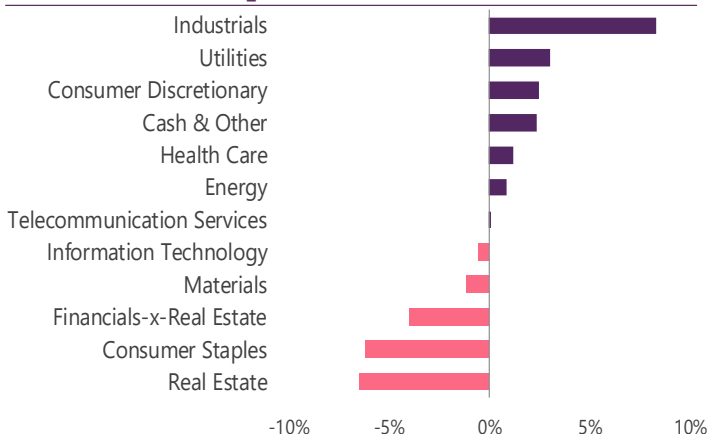
APIR Code  
IOF0214AU

Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	11.6	16.6
Price to Free Cash Flow (x)	9.5	16.3
Gross Yield (%)	5.0	4.1
Price to NTA (x)	2.0	2.2

Source: Perennial Value Management. As at 30 June 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.

## Sector Active Exposure vs Index



## Trust Review

The Trust was up 3.1% net of fees outperforming the Small Ordinaries Accumulation Index return which was up 0.9%.

**Silverlake Resources** (+56.9%) followed the gold price rally during June, we also added a position in **St Barbara** (+14.8%).

The chart to the right shows an interesting correlation between Gold and the amount of bonds in the world trading at negative yields – this is likely to reflect the relative attraction of Gold as a store of wealth which increases in a world that is faced with a poor alternative option being bonds with negative yields.

Those mining services company heavily exposed to the gold sector also performed well with **Imdex** (+27.9%), **Ausdrill** (+24.6%) and **Swick** (+12.2%) also boosting the performance of the fund.

Some of the worst performers in the March quarter rebounded strongly with **SRG Global** (+19.3%) and **Emeco** (+14.7%) making a positive contribution– highlighting the contrarian opportunities that can arise when stocks are oversold on short term sentiment.

**People Infrastructure** (+20.6%) raised \$20m in capital to fund the acquisition of two healthcare agencies which occurred later in the month.

**Victory Offices** (+10.0% from the IPO priced) listed during the month and provided an encouraging increase in occupancy from 78.0% in March to 89.0% in mid June.

Positive earnings updates came from **AMA Group** (+12.6%) and **Pacific Energy** (+9.6%). AMA confirmed guidance for FY19 and provided a detailed acquisition pipeline which will drive future earnings.

Pacific Energy increased EBITDA guidance from \$60-61m to \$65m.



Source: Bloomberg – GOLD (yellow) vs Quantum of bonds with negative yields (white)

**Dacian Gold** (-66.6%) fell post a material downgrade to June quarter guidance and an implied reduction in reserves. While subsequent drilling results provides some offset to the reserve downgrade significant uncertainty remains and thus we have begun exiting the position.

Another disappointment was **Adairs** (-32.7%) after an update showing sales at the bottom end of previous guidance but EBIT guidance dropped 10.0%. The key issue seems to be the strong growth coming from the online portion of the business is putting stress on the supply chain and therefore the costs of doing business. Management are investing in the supply chain to reduce this issue going forward once this investment is complete.

At month end we held 57 positions and cash of 2.4%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.9
Energy	+4.3
Materials	+5.7
Industrials	+4.1
Consumer Discretionary	-4.7
Health Care	+4.3
Financials-x-Real Estate	+3.5
Real Estate	+3.0
Information Technology	+2.4
Telecommunication Services	-10.0
Utilities	+3.0

## Global, Currency & Commodities (%)

S&P500	+6.9
Nikkei225	+3.3
FTSE100	+3.7
Shanghai Composite	+2.8
RBA Cash Rate	1.25
AUD / USD	+1.3
Iron Ore	+14.2
Oil	+3.2
Gold	+8.0
Copper	+2.8

[Invest Online Now](#)

## Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

[invest@perennial.net.au](mailto:invest@perennial.net.au)

[www.perennial.net.au](http://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](http://www.perennial.net.au).