

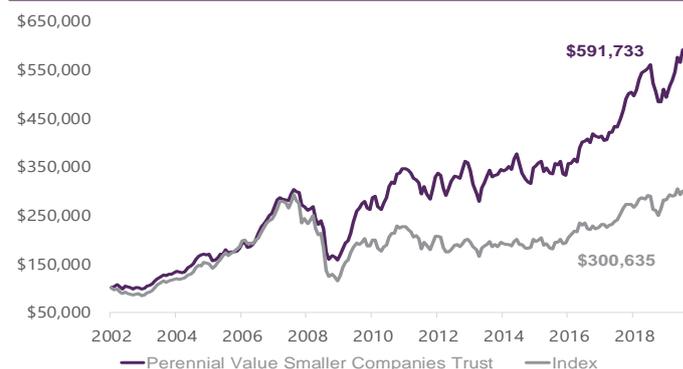
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	4.6	8.6	8.6	5.6	13.7	10.7	10.7
S&P/ASX Small Ordinaries Accum. Index	2.6	3.1	3.1	4.0	8.8	9.6	6.5
<b>Value Added (Detracted)</b>	<b>2.0</b>	<b>5.5</b>	<b>5.5</b>	<b>1.7</b>	<b>4.9</b>	<b>1.1</b>	<b>4.2</b>

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

## Overview

- The Trust was up 4.6% net of fees outperforming the Small Ordinaries Accumulation Index (the Index) return which was up 2.6%. The return for the quarter was +8.6% (net of fees) compared to the Index return of +3.1%.
- Early in the month, there was a globally observed rotation from growth and momentum stocks into value stocks. There was no clear catalyst for this move, but after 12 years of relative underperformance it appears the valuation divergence between sectors may be approaching its limit.
- This style shift from growth to value helped drive outperformance in the Trust from both non-held growth stocks (Pro Medicus and Appen) as well as gains in our value orientated names.
- Sector themes were less evident however stocks in the Trust that outperformed included Speedcast, Baby Bunting, Navigator Global Investments and RPM Global.
- The portfolio represents solid value at 13.5x FY20 earnings (a 22.9% discount to the Index) and a gross yield of 4.4%.

## 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	3.8	0.0
CASH	3.6	0.0
NAVIGATOR GLOBAL INVESTMENTS	3.6	0.2
ALLIANCE AVIATION SERVICES	3.2	0.0
SEVEN GROUP HOLDINGS LTD	2.7	1.2
COOPER ENERGY LTD	2.7	0.5
SRG GLOBAL LTD	2.6	0.0
NATIONAL VETERINARY CARE LTD	2.6	0.0
BABY BUNTING GROUP LTD	2.5	0.2
PWR HOLDINGS LTD	2.5	0.0

## 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 \$158 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% + Perf fee

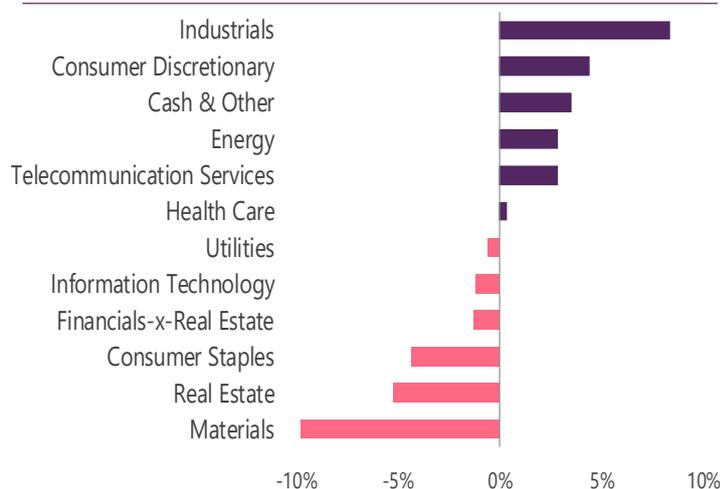
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	13.5	17.5
Price to Free Cash Flow (x)	10.9	16.2
Gross Yield (%)	4.4	3.9
Price to NTA (x)	2.3	2.3

Source: Perennial Value Management. As at 30 September 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

This month, investors focused on the tail of reporting season news-flow and global economic data which was generally weaker. The outcome of the trade dispute between China and the US remains the key factor in determining the direction of the global economy. We consider forecasting the resolution of this conflict to be a low conviction exercise and have positioned the portfolio accordingly.

The Trust was up 4.6% net of fees outperforming the Index return which was up 2.6%.

The charts (to the right) highlight the prolonged period of underperformance of value as an investment style relative to growth. While we have been able to outperform during this period, we believe investors should be cognisant of the divergence in valuations which has occurred, particularly over the last three years, to levels not seen since the peak of the dotcom boom.

This month we saw a style shift from growth to value. While the style shift was mild in size, it was pleasing to see outperformance in the Trust from both non-held growth stocks, such as Pro Medicus (-24.4%) and Appen (-18.3%), as well as gains in our value orientated names.

Positive contributors in the month included -

**Speedcast** (+58.1%) recovered strongly from being oversold the previous month. We view the announcement of two new board appointments, both with extensive satellite communications experience as a positive. It was also pleasing to note some director buying during the month.

**Baby Bunting** (+19.1%) extended last months gains post a high quality result which delivered strong initial FY20 guidance significant broker EPS upgrades.

**RPM Global** (+12.5%) continued its positive momentum after a solid result in August which showed strong growth in recurring software subscription revenues. The transition away from perpetual licensing revenue in favour of subscription revenues has resulted in some choppy earnings results for RPM so it's pleasing to see the market starting to reward the transition.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+2.6
Energy	+2.9
Materials	-0.2
Industrials	-0.5
Consumer Discretionary	+5.6
Health Care	-0.3
Financials-x-Real Estate	+9.7
Real Estate	-2.4
Information Technology	+1.3
Telecommunication Services	+2.3
Utilities	+0.1

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Source: Bloomberg

Positions in **Ausdrill** (+11.8%) and **Navigator Global Investments** (+11.7%) also added to the Trust's outperformance.

Largest detractors were **Alliance Aviation** (-9.4%) and **SRG Global** (7.9%) which both pulled back on limited news-flow.

The identification of good valuation opportunities caused us to buy back into **GTN** and add to our existing position in **oOh!media**. On similar grounds we participated in the **Centuria Capital** equity raising thereby increasing our holding. Separately, post material share price appreciation and Index related buying, we realised profits in **Codan**.

At month end we held 67 positions and cash of 3.6%.

## Global, Currency & Commodities (%)

S&P500	+1.7
Nikkei225	+5.1
FTSE100	+2.8
Shanghai Composite	+0.7
RBA Cash Rate	1.00
AUD / USD	+0.1
Iron Ore	+9.3
Oil	+0.6
Gold	-3.1
Copper	+1.1