

	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)	0.7	3.4	9.3	14.1	13.5	12.0	10.7
S&P/ASX Small Ordinaries Accum. Index	-0.5	-1.8	2.6	14.4	10.4	9.6	6.4
Value Added (Detracted)	1.2	5.2	6.7	-0.3	3.1	2.4	4.3

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

Overview

- The Trust was up 0.7% net of fees outperforming the Small Ordinaries Accumulation Index (the Index) return which was down 0.5%. For the financial year to date the Trust has returned +9.3% (net of fees) compared to the Index return of +2.6%.
- Early in the month, there was a sell-off in markets given weak global economic indicators, this was followed by a mild recovery on optimism of a potential trade deal between China and the United States.
- At the Index level there was a sizeable selloff in Southern Cross Media, Costa Group and Bega (down between 18%-34%). While none of these stocks are held in the Trust (which helped relative performance) we did have a position in Navigator Global Investments which was down 26.0% on a weak FUM update.
- Two stocks held in the Trust lifted strongly on accretive acquisitions - Sealink (+41.0%) and Acrow Formwork (+34.7%). Separately, Redbubble was up +30.4% post a strong quarterly update.
- The portfolio represents solid value at 13.3x FY20 earnings (a 24.0% discount to the Index) and a gross yield of 4.4%.

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 \$148 million

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

Trust Inception Date Fees
 March 2002 1.20% + Perf fee

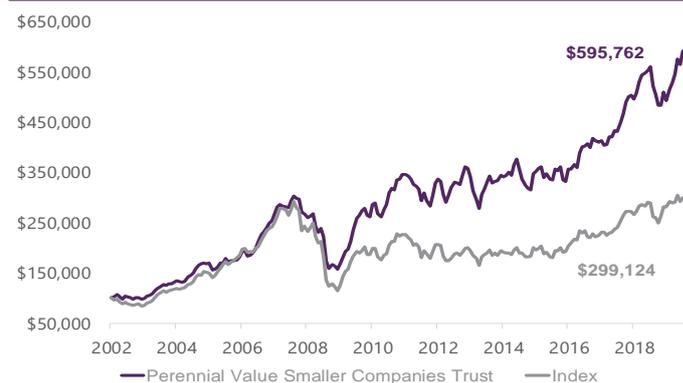
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	13.3	17.5
Price to Free Cash Flow (x)	10.9	16.6
Gross Yield (%)	4.4	3.9
Price to NTA (x)	2.4	2.3

Source: Perennial Value Management. As at 31 October 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

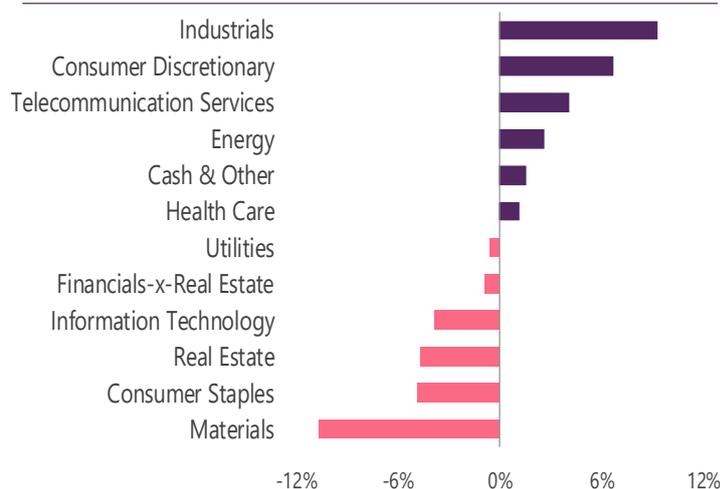


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
SEALINK TRAVEL GROUP LTD	3.7	0.0
NAVIGATOR GLOBAL INVESTMENTS	3.6	0.2
ALLIANCE AVIATION SERVICES L	3.6	0.0
INTEGRAL DIAGNOSTICS LTD	3.5	0.0
SEVEN GROUP HOLDINGS LTD	2.9	1.3
INGENIA COMMUNITIES GROUP	2.8	0.5
SRG GLOBAL LTD	2.6	0.0
BABY BUNTING GROUP LTD	2.5	0.3
COOPER ENERGY LTD	2.5	0.4
NATIONAL VETERINARY CARE LTD	2.4	0.0

Sector Active Exposure vs Index



Trust Review

Sealink (+41.0%) announced the acquisition of Transit Systems Group for a mix of cash and shares (with the vendors to hold 33.4% of the enlarged Sealink post the transaction). We increased our position materially via the capital raise making it the largest holding in the Trust. Our positive view on the transaction reflected:

- Increased diversification of the business (adding 40 new contracts and reducing the reliance of Sealink on the Kangaroo Island contract)
- Reduced exposure to Tourism, with an increased exposure to the more stable CPI linked government revenue streams likely to attract a higher valuation multiple in the market
- EPS accretion of over 20% (30% post expected synergies)
- An attractive historic growth profile of Transit Systems as shown in the accompanying graphic
- CEO succession now resolved with the CEO from the Transit Group replacing the current Sealink CEO who had announced his retirement some time ago. This smooth succession and alignment via the new CEO's 2.6% stake in Sealink post transaction reduces acquisition risk in our view

Acrow Formwork (+34.7%) also benefited from the acquisition of Uni-span, a mainly Queensland based formwork and scaffolding business. Negotiations for the acquisition were disclosed several months ago to the market and they have already been successful in a joint bid for formwork work at the Sun Metals Zinc Refinery.

Silverlake (+24.1%) outperformed the gold sector with a medium term production and exploration update.

Redbubble (+30.4%) posted a strong quarterly update with marketplace revenue up +43.0% and the 1QFY20 swinging to a profit. The result also showed strong free cash-flow generation which was well ahead of earnings.

Fleetwood (+16.1%) was awarded a modular building contract for Rio Tinto's Koodaideri accommodation village.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.5
Energy	-2.1
Materials	+1.3
Industrials	-0.1
Consumer Discretionary	+1.3
Health Care	+2.0
Financials-x-Real Estate	-2.4
Real Estate	+1.2
Information Technology	-5.0
Telecommunication Services	-4.8
Utilities	-6.0

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎ 1300 730 032

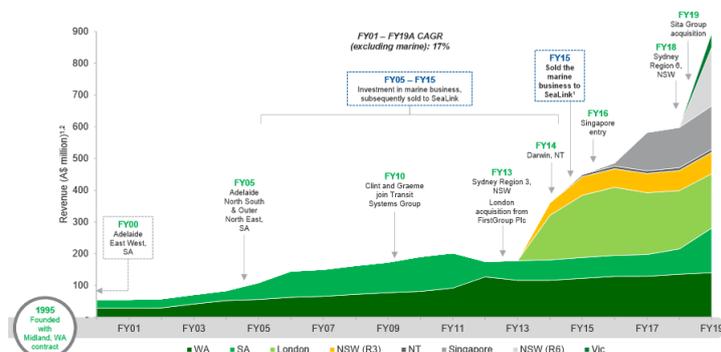
✉ invest@perennial.net.au

🌐 www.perennial.net.au

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Source: Sealink October 2019 Investor Presentation

Navigator Global Investments (-26.3%) announced a weak FUM update with a USD\$350m outflow from the acquired Mesirow business and weak performance in the underlying funds. Given the strong balance sheet and low valuation of Navigator we continue to hold our position.

Revasum (-36.4%) downgraded earnings expectations for CY19 early in the month given the weak semi-conductor markets. However the market seemed to miss the announcement (within the formal quarterly accounts at month end) of a multi-year agreement with Cree, one of the largest operators in the semi-conduction market. We have always viewed Revasum as an CY20/CY21 earnings story and this contract win supports this view.

The placement in **Sealink** and a new position in **Superloop** was funded by exiting both **Imdex** and **Codan** on valuation grounds.

At month end we held 66 positions and cash of 1.6%.

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Small Cap Portfolio Managers: Andrew Smith (left) and Julian Guido (right)