

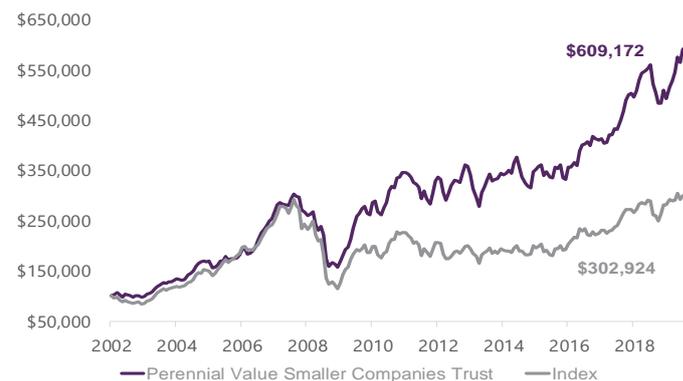
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	2.5	2.9	11.8	26.0	13.3	13.8	10.7
S&P/ASX Small Ordinaries Accum. Index	-0.3	0.8	3.9	21.4	10.0	10.6	6.4
Value Added (Detracted)	2.8	2.1	7.9	4.6	3.3	3.2	4.3

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

Overview

- December was a strong month for the Trust which was up +2.5% (net of fees) outperforming the Small Ordinaries Accumulation Index return (the Index) which was down -0.3%. For the 2019 Calendar year the Trust has returned +26.0% (net of fees) compared to the Index return of +21.4%.
- Corporate activity benefited two positions in the Trust with National Vet (+54.0%) and Village Roadshow (+17.7%) both receiving takeover offers. In this case with National Vet, it was particularly pleasing as we have held this position since the IPO in late 2015 with the takeover price of \$3.70 comparing to the IPO price of \$1.00.
- There were also positive updates from Adairs (+25.4%), GTN (+18.6%) and oOh!Media (+16.3%)
- We added two new positions to the portfolio with the IPO's of employee engagement software provider, Limeade and digital consumer credit lender, MoneyMe.
- The portfolio represents solid value at 12.2x FY21 earnings (a 22.3% discount to the Index) and a gross yield of 4.9%.

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 (%)
ALLIANCE AVIATION SERVICES L	4.1	0.0
INTEGRAL DIAGNOSTICS LTD	4.0	0.0
PWR HOLDINGS LTD	3.0	0.0
NATIONAL VETERINARY CARE LTD	3.0	0.0
NAVIGATOR GLOBAL INVESTMENTS L	2.9	0.2
ATOMOS LTD	2.8	0.0
SEVEN GROUP HOLDINGS LTD	2.8	1.3
LIMEADE INC	2.7	0.0
SRG GLOBAL LTD	2.6	0.0
EMECO HOLDINGS LTD	2.5	0.3

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 \$153 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% + Perf fee

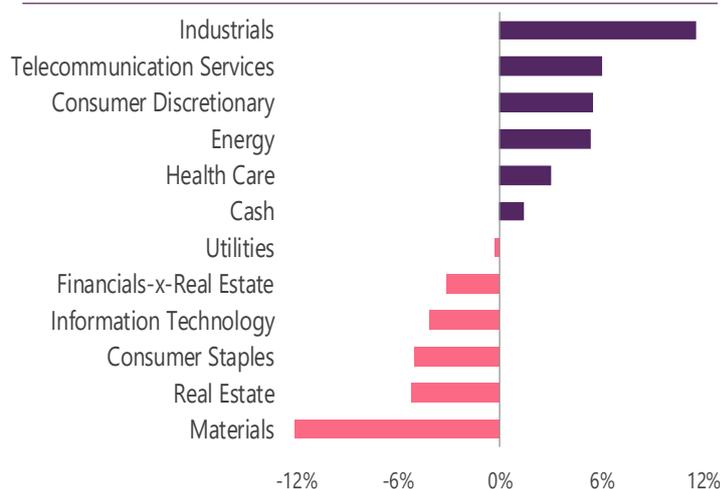
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Portfolio Characteristics – FY21	Trust	Index
Price to Earnings (x)	12.2	15.7
Price to Free Cash Flow (x)	9.1	14.9
Gross Yield (%)	4.9	4.2
Price to NTA (x)	2.6	2.2

Source: Perennial Value Management. As at 31 December 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

National Veterinary Care +54.0% after receiving a takeover offer from VetPartners at a substantial premium. Our position was originally purchased in August 2015 at the IPO price of \$1.00 compared to the current takeover offer of \$3.70 – a healthy CAGR of 35.4% p.a. including dividends.

Village Roadshow (+17.7%) also received a takeover offer while **Adairs** (+25.8%) provided a positive trading update.

Gold was up +0.6% with our equity exposures rebounding strongly, including **Silverlake** +20.7% and **Capricorn Metals** +22.4% after securing a financing package.

Two of our investments in Media performed well in December with **oOh!Media** (+16.3%) and **GTN Ltd** (+18.6%). We bought into both positions after they downgraded earnings on weak 3QCY19 performance. Our view was this weakness was temporary rather than the start of structural weakness as was implied by the share price at the time. Pleasingly both companies provided earnings updates in December pointing to a bounce back in 4QCY19 with earnings ahead of more bearish broker estimates.

Atomos (-20.0%) pulled back in December after an extended period of strong gains. The company released what we consider to be a very positive update late in the month in which Atomos announced Nikon would adopt HDMI recording of ProRes RAW format video files for two of its devices. This places Atomos in the space between camera manufactures and Apple as the sole facilitator of RAW format video capture. We expect this development to positively impact sales of Atomos products over CY20, thus we took advantage of the weaker share price to add to our position.

Redbubble (-37.6%) and **Smartgroup Corporation** (-23.3%) both provided disappointing earnings updates with the share price in both cases falling more than the drop in earnings estimates.

We cut our losses in **Metals X** early in December and deployed the cash in higher conviction names.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.3
Energy	-2.5
Materials	+3.9
Industrials	0.0
Consumer Discretionary	+1.4
Consumer Staples	-0.5
Health Care	-0.9
Financials-x-Real Estate	+1.2
Real Estate	+0.9
Information Technology	-0.8
Telecommunication Services	+3.6
Utilities	-2.0

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Signatory of:
 Principles for Responsible Investment



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 	Entry Price	\$1.000
	Total Dividends	\$0.095
	Current Price	\$3.620
	CAGR	35.4%p.a.

Source: FACTSET, Perennial Value and National Vet Care AGM 2019 Presentation

We participated in two IPO's during the month, **Limeade** and **MoneyMe**. In both cases we built conviction in the investment case after multiple meetings with management and extensive modelling. The common theme from both IPO's is that management remain large shareholders and thus have a strong incentive to deliver on the high growth potential that both businesses have before them.

Limeade (flat on IPO price) is an employee engagement software provider that was established in 2006 and currently has 2.4m users. The capital from the IPO will be used to fuel growth outside of North America where the bulk of revenues are currently concentrated.

MoneyMe (+20.8% from IPO) was established in 2013 and is a fast growing online platform for personal finance which is highly scalable. The capital raised will be used to acquire more customers and support new funding packages.

At month end we held 63 positions and cash of 1.4%.

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