

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	-34.3	-38.8	-31.6	-24.5	-3.4	1.1	7.6
S&P/ASX Small Ordinaries Accumulation Index	-22.4	-26.7	-23.9	-21.0	-1.3	2.5	4.5
Value Added	-11.9	-12.2	-7.7	-3.5	-2.1	-1.4	3.1

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

Overview

As COVID-19 spread throughout the world, the market reacted with a sharp selloff of historic proportions and the VIX (volatility index) spiked to an all-time high. At the lowest point vs. the 20/2/2020 peak, the S&P 500 (US large caps) was down 33.7%, the S&P/ASX Small Ordinaries was down 40.8% and the S&P/ASX Emerging Companies Index (Microcaps) was down 52.8%. The poor relative performance of Australia in this sell off is in contrast to encouraging signs of a slowing in the COVID-19 spread here and a strong fiscal response from the government. Accordingly, we have shifted the portfolio to a domestic focus as we have more faith in the path to recovery in Australia.

Panic selling was seen in most sectors causing many stocks to detach materially from their fundamentals. For example, healthcare stocks in the portfolio such as Integral Diagnostics (down 37.5% for the month) sold-off despite their hospital based clinics being crucial to the screening of COVID-19 patients during and post treatment.

While the fund materially underperformed in March we see a clear path for a recovery in excess returns looking forward. We will look to take advantage of stocks materially detached from fundamentals (such as IDX) as well as re-cap trades which have begun in April. We still believe it is too early to consider investing in the hardest hit sectors of travel, hospitality and energy services.

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.

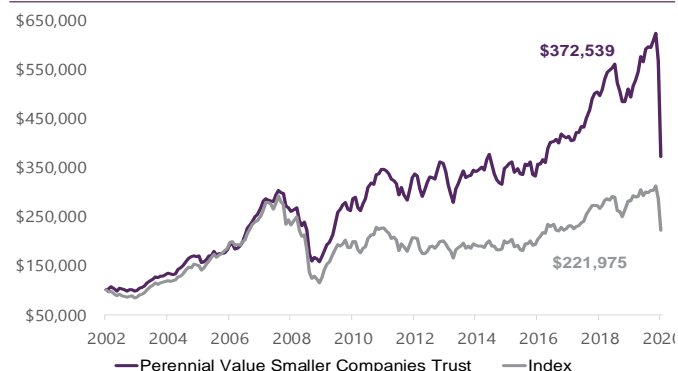
Portfolio Managers	Trust FUM
Andrew Smith and Julian Guido	AUD \$94 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee
APIR Code	
IOF0214AU	

Portfolio Characteristics – FY22	Trust**	Index*
Price to Earnings (x)	7.2	12.3
Price to Free Cash Flow (x)	5.9	10.1
Gross Yield (%)	7.7	5.5
Price to NTA (x)	1.5	1.8

Source: *Goldman Sachs & UBS forecast as at 6 April 2020. **Perennial Value Management as at 6 April 2020.

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.

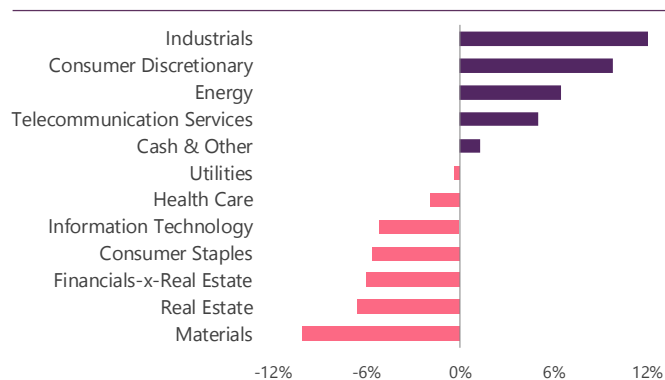
Growth of \$100,000 Since Inception



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 (%)
ALLIANCE AVIATION SERVICES L	4.5	0.0
LIMEADE INC	3.7	0.0
NAVIGATOR GLOBAL INVESTMENTS L	3.4	0.2
PWR HOLDINGS LTD	3.4	0.0
INTEGRAL DIAGNOSTICS LTD	3.3	0.0
CALIX LTD	2.9	0.0
SEVEN GROUP HOLDINGS LTD	2.8	1.0
EMECO HOLDINGS LTD	2.8	0.2
SRG GLOBAL LTD	2.4	0.0
GTN LTD	2.4	0.0

Sector Active Exposure vs Index



Trust Review

The accompanying graphics describe how we assessed the market selloff and how we sort to reposition the portfolio to take advantage of the broad panic selling and ultimate recovery.

During the month we exited those companies deemed most vulnerable cutting positions in Retail, Media, Energy, Energy Services and Auto retailing – essentially those stocks at the bottom left of the accompanying matrix. We also wrote down our position in Speedcast International to nil given challenges in their end markets means an extensive debt restructure is required which could materially impact equity holders. Our conservative position is in contrast to the benchmark Index (S&P/ASX Small Ordinaries Index), which at month end had 6 stocks (including Speedcast) carried at the last traded price despite those stocks being in trading halts pending deeply discounted equity raises.

As we pivoted the portfolio for the current environment we added new positions in Online Retailing, Agriculture and Consumer Staples. We also added to our stocks which had more defensive earnings and strong net cash balance sheets but were still caught up in the market sell-off – we believe these stocks provide the best potential for meaningful excess returns at lower risk.

We bought more of the following: **Limeade** (-25.8%) despite US\$32m net cash and software which is supporting employees working from home; **Navigato** (-23.3%) a low beta fund manager with US\$35.1m in net cash; **Redbubble** (-36.6%) with sales 100% online and \$31m in net cash; **RPMGlobal** (-16.6%) with \$24.6m net cash and defensive subscription software revenue and **Uniti Wireless** (-10.0%) a broadband provider with net cash of \$34m.

The market also over-reacted to stocks we view as having manageable debt levels as well as parts of business that may prove more defensive than the market has priced. For example **Alliance Aviation** (down 29.1% despite increased FIFO demand), **Bapcor** (down 30.0% despite defensive auto parts exposure) and **Ingenia** (down 34.1% despite mostly retirement rental income). We also view those retailers that have a reasonable online sales offering (**Adairs** down 62.8%, **City Chic** down 42.4% and **Baby Bunting** down 25.1%) as survivors of this crisis. At month end the Trust had 57 stocks and 2.7% cash.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-22.4
Energy	-23.5
Materials	-15.1
Industrials	-29.0
Consumer Discretionary	-35.1
Consumer Staples	+5.9
Health Care	-16.5
Financials-x-Real Estate	-31.0
Real Estate	-33.3
Information Technology	-19.0
Telecommunication Services	-34.8
Utilities	-7.4

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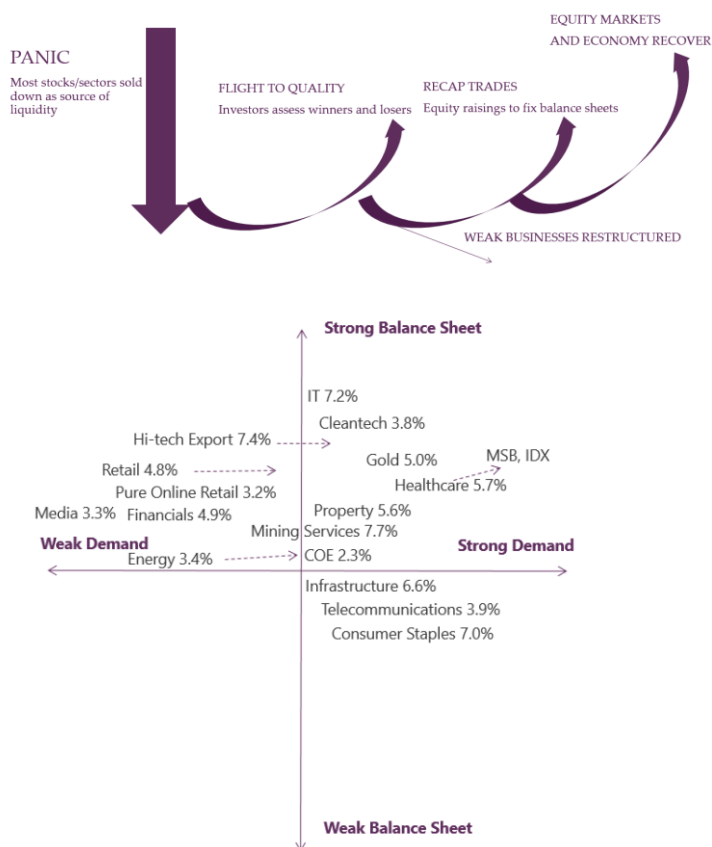
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Markets – Fear, Opportunities, then Recovery



Source: Perennial Value Current Portfolio Positioning

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