

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	20.9	-27.9	-17.4	-13.0	3.7	4.7	8.7
S&P/ASX Small Ordinaries Accumulation Index	14.3	-19.0	-13.0	-13.3	3.2	4.9	5.3
Value Added	6.6	-8.9	-4.4	0.3	0.5	-0.2	3.4

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

Overview

Markets recovered strongly in April with the Small Ordinaries Index up 14.3%. The recovery in the Trust was even stronger, up 20.9% net of fees.

The pivot towards domestic cyclicals in the portfolio was beneficial, with signs of parts of the Australian economy beginning to open up towards month end – for example IDX (+32.0%) will benefit from the restart of elective surgeries. Highly cyclical companies recovered strongly, including MoneyMe (up 60.5%), People Infrastructure (up 40.6%) and Emeco (up 38.5%).

With the market beginning to focus back on company fundamentals, those retailers with a high online presence began to perform – for example Adairs (up 75.6%), Kogan.com (up 49.3%), City Chic (up 48.8%) and Redbubble (up 33.9%).

As foreshadowed in the prior month, the Trust was very active in recap trades building new positions in Kathmandu and Dacian Gold (up 51.0% and 20.0% respectively at month end from the placement price). We also took advantage of short term trading opportunities in other placements. Towards month end we locked in profits in areas which bounced too hard and introduced some more defensive names such as Elders. We also increased cash to 3.7% as we expect volatile markets and more trading opportunities in the months ahead.

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 \$113 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee

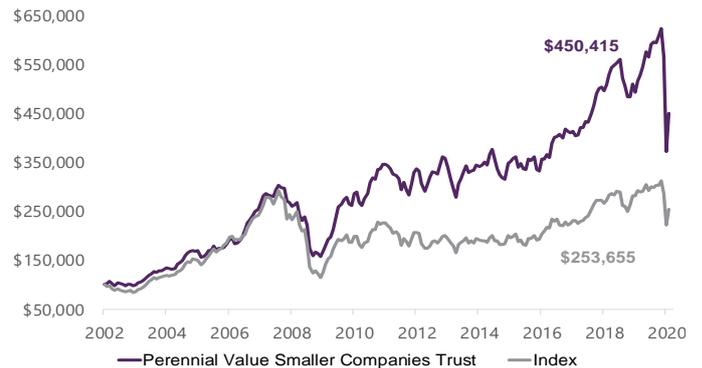
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Portfolio Characteristics – FY22	Trust**	Index*
Price to Earnings (x)	11.5	12.7
Price to Free Cash Flow (x)	8.4	10.2
Gross Yield (%)	5.9	5.1
Price to NTA (x)	2.0	1.6

Source: *Goldman Sachs & UBS forecast as at 30 April 2020. **Perennial Value Management as at 30 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

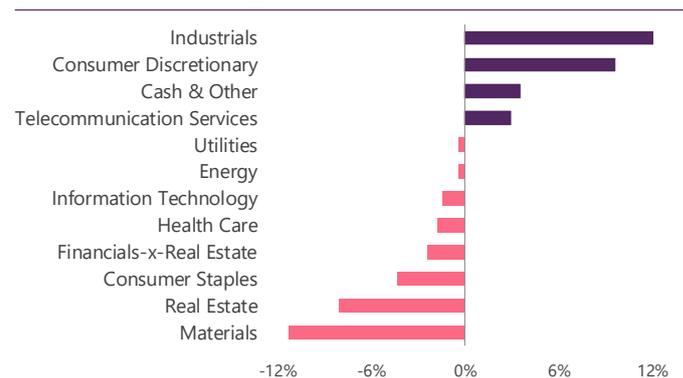


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES L	3.3	0.0
INTEGRAL DIAGNOSTICS LTD	3.2	0.0
SEVEN GROUP HOLDINGS LTD	3.2	1.2
PWR HOLDINGS LTD	3.2	0.0
LIMEADE INC	3.1	0.0
SUPERLOOP LTD	2.8	0.1
SRG GLOBAL LTD	2.4	0.0
FLEETWOOD CORPORATION L	2.3	0.0
CALIX LTD	2.2	0.0
UNITI GROUP LTD	2.2	0.0

Sector Active Exposure vs Index



Trust Review

Mesoblast (up 142.6%) was the best performer in the portfolio as it continued to make encouraging progress in trials for their cell therapy treatment in COVID-19 patients with moderate/severe acute respiratory distress syndrome. The 83% survival rate so far is encouraging and we will continue to monitor progress as the clinical trial numbers expand to 300 patients (with the trial funded by the US government). Having added significantly to our position in March, when the potential treatment was first announced, we then traded some of the position out post the surge in the share price.

The best performing stocks in the portfolio were those cyclicals that heavily sold-off in March, which then rebounded strongly in April. **People Infrastructure** was up 40.6% after raising capital to reduce downside risk and provide optionality. **Emeco** (up 38.5%) and **MoneyMe** (up 60.5%) also rebounded strongly. Those retailers with a high online presence also began to perform – for example **Adairs** (up 75.6%), **Kogan.com** (up 49.3%) and **City Chic** (up 48.8%).

However as discussed in the prior month, the best opportunities from the selloff, from a risk/reward basis, was in those stocks caught in the sell-off but which we believed would see minimal impact from the COVID-19 induced slowdown.

It was pleasing to see these more defensive fundamentals beginning to be appreciated by the market with broadband providers **Superloop** and **Unifi Wireless** up 41.1% and 31.2% respectively, following encouraging earnings updates that confirmed previous guidance. **Citadel**, an IT provider to Defence and Healthcare, also recovered strongly up 47.7% as did **Integral Diagnostics** up 32.0%.

Resource companies performed well post exploration and quarterly updates led by **Aurelia Metals** (up 37.5%), **Sandfire Resources** (up 36.7%), **Capricorn Metals** (up 30.6%) and **Ramelius Resources** (up 33.2%).

While the economic situation remains fluid, several companies announced encouraging sales updates during the month:

- **Redbubble** (up 33.9%) reported 20% growth in the 3Q and “stronger sales growth” in April, benefitting from the trend to online activity by consumers;
- **Kogan.com** (up 49.3%) grew sales by 30% in the 3Q;
- **RPM Global** (up 19.9%) added to the total contracted value of their software subscriptions passing \$30m, growth of \$4.6m since early March;
- **Austin Engineering** (up 16.7%) noted conditions remain strong in their key Perth facility as well as Chile;
- **Limeade** (up 7.0%) added 5 new contracts in the quarter and 33.9% growth in cash receipts, allowing them to maintain their IPO forecasts.

The only area of disappointment during the month was **Navigator** (down 43.5%). We reduced our position as soon as the weak performance of their diversified fund was announced, as this will make further fund raising challenging until they can demonstrate an improvement. Other investors soon reacted, pushing the stock to an oversold position towards month end, at which point we bought some of the position back. While Navigator is clearly cheap and has a strong net cash balance we need to see improved fund performance before making it a top 10 position again.

We used the deeply discounted capital raisings as an attractive entry point for adding **Kathmandu** and **Dacian Gold** to the portfolio, as well as buying back into **G8 Education**.

We also added some defensive names to the portfolio, such as **Elders**, and took profits in some stocks, as some parts of the market looked to have rebounded too quickly in the short term given the economic backdrop.

At month end the Trust had 61 positions and cash of 3.7%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+14.3
Energy	+9.3
Materials	+14.5
Industrials	+9.8
Consumer Discretionary	+18.3
Consumer Staples	-0.2
Health Care	+17.9
Financials-x-Real Estate	+6.1
Real Estate	+3.7
Information Technology	+18.5
Telecommunication Services	+17.7
Utilities	+3.3

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