

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	11.5	-11.5	-7.9	-5.0	7.3	6.8	9.3
S&P/ASX Small Ordinaries Accumulation Index	10.6	-1.9	-3.8	-2.9	7.5	6.6	5.8
Value Added	0.9	-9.6	-4.1	-2.1	-0.2	0.2	3.5

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

Overview

The strong market recovery continued in May as investors focused on the re-opening of economies both domestically and overseas. The most cyclical sectors performed best, with Consumer Discretionary up 12.4%, Materials up 12.0% and Financials up 10.0%.

Given the domestic cyclical tilt of the Trust it was able to outperform in such an environment, up 11.5% for the month compared to 10.6% for Index. The most pleasing aspect of the Trust performance was that most stocks were reacting to better-than-expected company earnings updates, rather than just the expectation of the same.

Oversold online businesses provided solid updates led by Redbubble (up 57.0%), Superloop (up 37.3%) and MoneyMe (up 31.7%). Other domestic cyclicals continued their strong recovery led by GTN (up 24.9%), City Chic Collective (up 23.9%), Baby Bunting (up 19.4%) and Adairs (up 18.4%). Alliance Aviation (up 25.0%) reacted nimbly to the COVID-19 environment adding customers in the mining and government sector and providing profit guidance which was 50% ahead of market expectations.

We continue to be very active, buying select names left behind by the rally and participating in corporate deals, allowing attractive entry points for new names. We have also begun trimming some names where the share price recovery may have run ahead of reality.

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 \$126 million

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

Trust Inception Date Fees
March 2002 1.20% p.a. + Performance fee

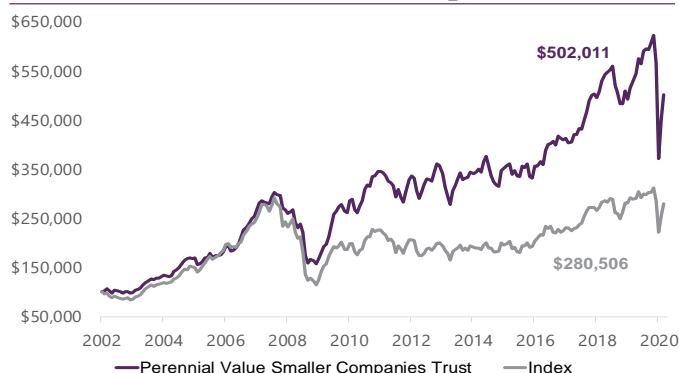
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Portfolio Characteristics – FY22	Trust**	Index*
Price to Earnings (x)	13.2	13.9
Price to Free Cash Flow (x)	9.6	11.2
Gross Yield (%)	5.7	4.5
Price to NTA (x)	2.2	1.7

Source: *Macquarie, Goldman Sachs & UBS forecast as at 31 May 2020.
**Perennial Value Management as at 31 May 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.

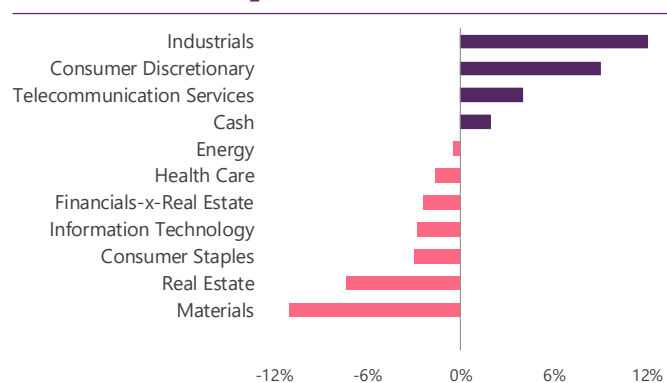
Growth of \$100,000 Since Inception



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	3.4	0.0
SEVEN GROUP HOLDINGS LTD	3.0	1.1
INTEGRAL DIAGNOSTICS LTD	2.8	0.0
INGENIA COMMUNITIES GROUP	2.7	0.5
REDBUBBLE LTD	2.7	0.0
SUPERLOOP LTD	2.6	0.1
LIMEADE INC	2.6	0.0
CITADEL GROUP LTD	2.5	0.0
GTN LTD	2.3	0.0
FLEETWOOD CORPORATION L	2.3	0.0

Sector Active Exposure vs Index



Trust Review

While May is usually known as “confession season”, this year it actually provided many updates which were positive compared to market expectations (which admittedly had become too bearish).

Some examples from the Trust were:

- **Redbubble** (up 57.0%) initially called out early signs of slowing sales, only to see this turn to strong sales in April, building on the cash balance of \$31m at quarter end.
- **Alliance Aviation** (up 25.0%) reacted nimbly to the COVID-19 environment, adding customers in the mining and government sector and providing profit guidance which was 50% ahead of market expectations.
- **City Chic Collective** (up 23.9%) began reopening stores with 57% growth in their sizeable online business while stores were closed.
- **Baby Bunting** (up 19.4%) was able keep stores open and had a pick up in both in-store and online sales (doubling as a % of group sales from the end of March).
- **Adairs** (up 18.4%) began reopening stores, but importantly during the lock down, online sales were up 221% for Adairs and 151% for Mocka Australia.
- **Elders** (up 15.8%) delivered a strong result reflecting a rural sector in the early stages of a recovery from drought conditions in the prior period.

In resources, the rally in gold continued with the Trust benefitting from our holding in **Ramelius Resources** (up 30.5%) and **Dacian Gold** (up 20.8%).

Austal was added to the portfolio on weakness during the month and closed well above our entry price after a subsequent profit upgrade.

GTN Limited (up 24.9%) was a case of the news being weak, but not as weak as feared, with a new debt package and cost cutting reducing the risk of a dilutionary capital raise.

We think the following two charts (shown opposite) sum up the current environment well: 1) The Work-From-Home (WFH) thematic and 2) The benefit of government stimulus reducing economic stress.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+10.6
Energy	+4.3
Materials	+12.0
Industrials	+9.5
Consumer Discretionary	+12.4
Consumer Staples	+6.6
Health Care	+11.5
Financials-x-Real Estate	+10.0
Real Estate	+9.1
Information Technology	+17.6
Telecommunication Services	+10.1
Utilities	+10.1

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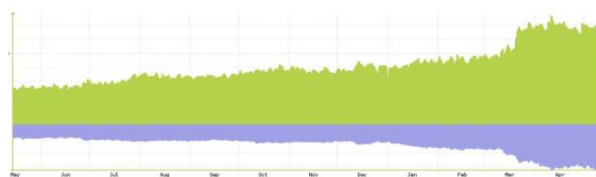
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- **Superloop** (up 37.3%) reaffirmed guidance as heightened demand for internet bandwidth (upload and download seen below) offset other weakness in segments such as Hong Kong

Total Internet Bandwidth over 12 months*



Source: SLC ASX release 18 May 2020

- **MoneyMe** (up 31.7%) provided an encouraging update, disclosing new products but most importantly a declining level of financial stress amongst their customers as shown below.

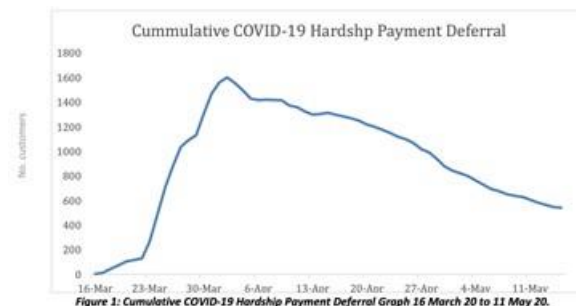


Figure 1: Cumulative COVID-19 Hardship Payment Deferral Graph 16 March 20 to 11 May 20.

Source: MME ASX release 22 May 2020

There was no negative company updates during the month however several stocks lagged the market with no newsflow, including **HRL** (down 12.6%) and **Citadel Group** (down 18.2%). **SRG** fell 25.0% as the market became concerned about the pipeline of construction contracts.

At month end the Trust had 69 positions and cash of 2.3%.

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