

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception <sup>^</sup> (%p.a.)
Perennial Value Smaller Companies Trust (Net)	4.8	21.6	4.8	-5.0	9.1	9.5	9.7
S&P/ASX Small Ordinaries Accumulation Index	1.4	9.9	1.4	-8.5	6.5	7.9	5.8
<b>Value Added</b>	<b>3.4</b>	<b>11.7</b>	<b>3.4</b>	<b>3.5</b>	<b>2.6</b>	<b>1.6</b>	<b>3.9</b>

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

## Overview

The Trust was up 4.8% for the month outperforming the Small Cap Index (the Index) which was up 1.4%. At the Index level, gold stocks did all the heavy lifting to offset Industrials which were flat.

The Trust benefitted from several strong earnings updates from the likes of Marley Spoon and Genetic Signatures. Our position in gold names such as Ramelius Resources and Capricorn Metals, as well as diversified miner, Aurelia Minerals, also had a positive impact.

It was also pleasing to see an improving outlook for positions which had previously been a drag on performance – with a growing order book at both engineering firm SRG Global and shipping technology manufacturer Veem, as well as new product additions and improved July trading for Atomos.

Elsewhere, the retail sector continued to perform as government stimulus and the early withdrawal of super provided a 'sugar hit' to the earnings for many retailers – we used this as an opportunity to take profits in the sector.

With valuations beginning to look stretched, we added some downside Index protection ahead of August reporting season.

## 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.

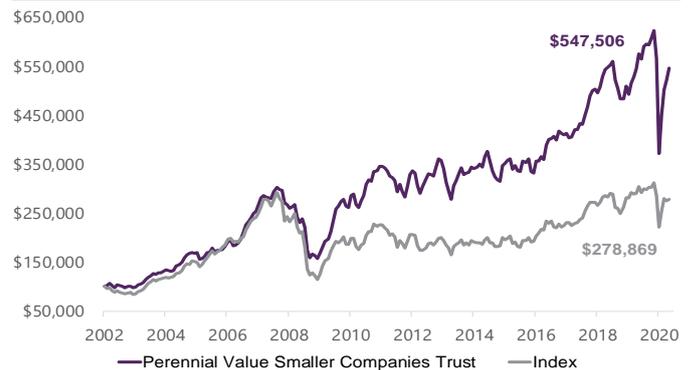
Portfolio Managers	Trust FUM
Andrew Smith and Julian Guido	AUD \$134 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee
APIR Code	
IOF0214AU	

Portfolio Characteristics – FY22	Trust**	Index*
Price to Earnings (x)	12.9	13.9
Price to Free Cash Flow (x)	9.3	11.2
Gross Yield (%)	5.4	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 30 June 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.

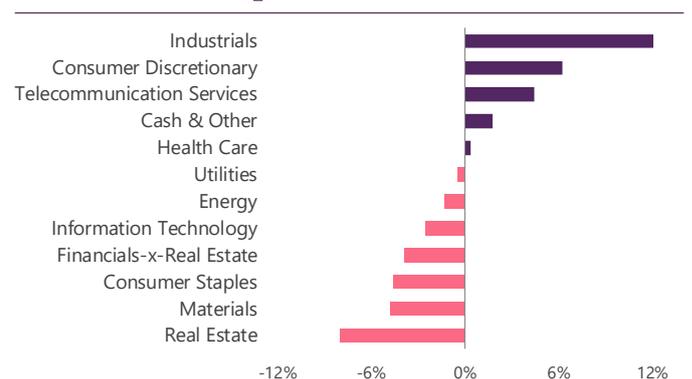
## Growth of \$100,000 Since Inception



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	4.3	0.0
MARLEY SPOON AG	4.2	0.0
UNITI GROUP LTD	3.3	0.2
INGENIA COMMUNITIES GROUP	3.0	0.7
SEVEN GROUP HOLDINGS LTD	3.0	1.2
INTEGRAL DIAGNOSTICS LTD	2.8	0.3
SUPERLOOP LTD	2.7	0.2
LIMEADE INC	2.7	0.0
SRG GLOBAL LTD	2.7	0.0
RAMELIUS RESOURCES L	2.5	0.9

## Sector Active Exposure vs Index



## Trust Review

The strongest contributor to performance was the sharp rise in the share price of meal delivery service **Marley Spoon** (+81.1%). Our relatively high expectations were significantly exceeded with a strong earnings update at the end of July. The last indication the market had of trading was the 100% growth rate during April. Most analysts, including us, expected this growth rate to fade as economies began to open up around the world – the debate was at what lower level sales would settle and we took the view it would be in the order of a still impressive 70%. As it turns out, the strong growth has accelerated in all the markets Marley operates in with particularly impressive growth rates in the United States. We were very impressed with the high customer retention rates that Marley was able to achieve (while customer acquisition costs have dropped). Despite the logistic challenges of such growth, this additional revenue flowed through at a higher margin and the cash position of the company also improved.

In many ways the investment proposition of Marley Spoon has been significantly de-risked with this operational performance, thus despite the higher share price, it remains a core holding.

Another strong quarterly update was delivered by **Genetic Signatures** (+14.0%) with 4Q revenue growth of 351% including sales into Europe for the first time. A key catalyst going forward is the potential for FDA approval into the far larger US market.

After a prolonged period of poor share price performance **SRG Global** (+33.3%) began to win back some investor interest with a string of new contracts and growth in the maintenance space. This, combined with a strong outlook for FY21, emboldened the board to resume the previously deferred dividend.

Other recent poor performers beginning to turn the corner include **Atomos** (+11.8%), disclosing a sharp sales recovery of 50% from the 2H20 run-rate, as well as a key product development with Sony and **Veem** (+12.5%), with repeat orders from the large European ship builder, Damen, who have begun using Veem's high end gyro.

During the month, we also supported a capital raising by **City Chic** (+17.2%) to fund the proposed acquisition of the online assets for a US competitor.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+1.4
Energy	-3.8
Materials	+7.7
Industrials	-1.0
Consumer Discretionary	+2.1
Consumer Staples	+0.4
Health Care	-0.8
Financials-x-Real Estate	+2.6
Real Estate	+1.6
Information Technology	+6.3
Telecommunication Services	+0.1
Utilities	+3.3

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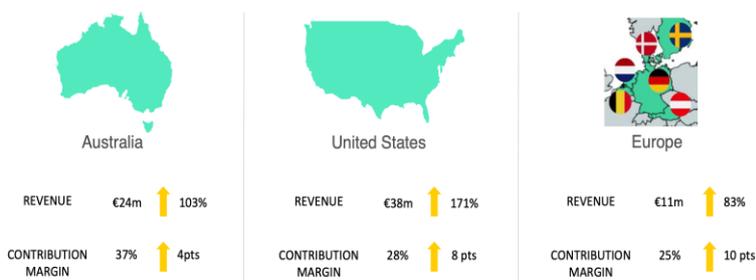
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## Q2 2020 regional performance

MARLEY SPOON



Source: Marley Spoon June 2020 Quarterly Update

Our position in gold names continued to deliver with **Ramelius Resources** (+9.5%) and **Capricorn Metals** (+8.9%), as well as diversified miner, **Aurelia Minerals** (+9.0%), performing well. One detractor in the space was **Dacian Gold** (down 27.0%) after a mixed update. Having reduced our position in the previous month, we used what looked like an over-reaction to add some back.

The main drag on the portfolio was the position in radio traffic provider **GTN** (down 29.3%) which, despite agreeing new debt covenants, was sold off given the weaker advertising market.

Given the uncertain environment and now stretched valuations we have maintained our position in gold and used some of our excess cash to buy a derivative position over the ASX200, providing an element of downside protection.

At month end, the Trust had 69 positions and cash/derivatives of 1.6%.

## Invest Online Now



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