

	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)	10.8	20.8	16.0	7.2	11.8	12.5	10.3
S&P/ASX Small Ordinaries Accumulation Index	7.2	6.6	8.7	2.1	8.0	10.5	6.1
<b>Value Added</b>	<b>3.6</b>	<b>14.2</b>	<b>7.3</b>	<b>5.1</b>	<b>3.8</b>	<b>2.0</b>	<b>4.2</b>

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

## Overview

The Trust was up 10.8% for the month outperforming the Small Cap Index (the Index) which was up 7.2%.

Reporting season was generally better than market expectations with investor interest pushing up retail, consumer finance, healthcare and industrials while profit taking in the gold sector dragged the materials sector lower.

Irrational exuberance was notable in some stocks with Zip Money (+53.9%) and IDP Education (+50.9%) as examples. Neither is held in the Trust but both are large in the Index and running well ahead of fundamentals.

To have outperformed in such a strong market was pleasing. Earnings updates and corporate developments drove the turnaround in Navigator Investments (+35.4%) and MoneyMe (+57.4%). While cyclicals such as GTN (+48.3%), People Infrastructure (+42.5%) and Adairs (+40.3%) also performed well. A recent addition to the portfolio, Class Limited (+38.9%), takes the prize for the best presentation and articulation of future strategy.

We began to take profits in some recent strong performers given continued momentum (e.g. Redbubble +49.2% and Mesoblast +40.5%) and in other areas where valuations are becoming stretched.

## 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.

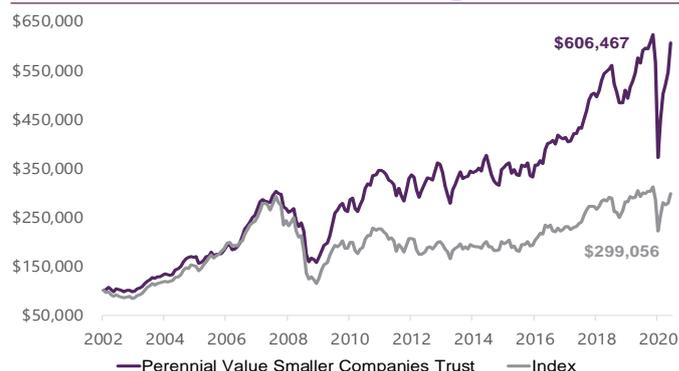
Portfolio Managers	Trust FUM
Andrew Smith and Julian Guido	AUD \$149 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee
APIR Code	
IOF0214AU	

Portfolio Characteristics – FY22	Trust*	Index**
Price to Earnings (x)	15.8	19.2
Price to Free Cash Flow (x)	10.6	16.5
Gross Yield (%)	4.5	3.1
Price to NTA (x)	2.6	2.2

Source: \*Perennial Value Management as at 31 August 2020. \*\*Factset forecast as at 31 August 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.

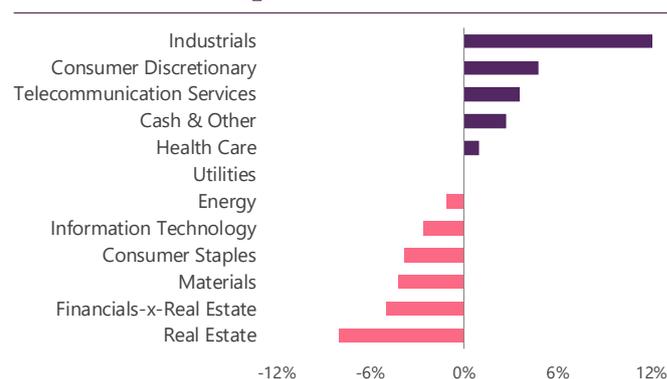
## Growth of \$100,000 Since Inception



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	4.4	0.0
MARLEY SPOON AG	4.0	0.0
INTEGRAL DIAGNOSTICS LTD	3.3	0.3
SEVEN GROUP HOLDINGS LTD	2.9	1.2
INGENIA COMMUNITIES GROUP	2.9	0.7
SRG GLOBAL LTD	2.8	0.0
UNITI GROUP LTD	2.7	0.2
LIMEADE INC	2.5	0.0
MONEYME LTD	2.4	0.0
BAPCOR LTD	2.3	1.1

## Sector Active Exposure vs Index



## Trust Review

The August 2020 reporting season proved to be one of the most taxing (excuse the pun) in some time for our large team of analysts. Government stimulus inflated earnings for some, while accounting rule changes and volatile month on month trading made gauging true underlying earnings harder. However it was also an environment where stock pickers were generally rewarded for backing their conviction.

The impressive portfolio performance in August can be split across:

### Domestic Cyclical (strong performance)

- **GTN (+48.3%)** reported revenues recovering from the lows of COVID which was enough to see the stock bounce from an oversold position
- **People Infrastructure (+42.5%)** beat guidance with strong trading in May and June as well as outlining \$80-90m of acquisition capacity
- **Adairs (+40.3%)** rose strongly after delivering a double "beat" on both earnings and cash flow. Low net debt and a return to dividends was a further positive surprise
- **Baby Bunting (+30.0%)** delivered strong results despite little Government funding help. Market share gains are continuing allowing a new upgrade to strategic store targets

### Laggards (catching up to the market recovery)

- **Navigator Investments (+35.4%)** announced a transformative acquisition which provides high levels of free cashflow
- **MoneyMe (+57.4%)** delivered a high quality result and further product innovations
- **Fleetwood (+22.0%)** demonstrated an earnings turnaround and a growing cash pile



## FY20 dashboard

Delivering strong top line growth as the Class business transforms



Source: Class Limited August 2020 Investor Presentation

A recent addition, **Class Limited (+38.9%)**, takes the prize for the best presentation and articulation of future strategy with an impressive scoreboard as shown above.

**NRW Holdings (+19.9%)** was another new addition making a positive impact after reporting better than expected cash flow and revenue guidance slightly ahead of consensus expectations. NWH's rapidly improving balance sheet suggests further upside surprise for dividends in FY21 in our view.

**Cooper Energy** was the only major drag on the portfolio, down 12.0%.

We exited **Monadelphous** after a strong recovery and trimmed momentum names such as **Redbubble (+49.2%)** and **Mesoblast (+40.5%)**.

Despite the generally positive results through reporting season we remain cautious at the Index and economic level and hold some downside protection in the portfolio as a result.

At month end, the Trust had 68 positions and cash/derivatives of 3.2%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+7.2
Energy	-2.4
Materials	-1.4
Industrials	+7.8
Consumer Discretionary	+21.0
Consumer Staples	+5.5
Health Care	+5.3
Financials-x-Real Estate	+8.3
Real Estate	+6.9
Information Technology	+14.0
Telecommunication Services	+14.4
Utilities	-2.9

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## Invest Online Now



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