

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	-2.2	13.5	13.5	0.2	11.1	12.0	10.1
S&P/ASX Small Ordinaries Accumulation Index	-2.8	5.7	5.7	-3.3	6.5	10.0	5.9
Value Added	0.6	7.8	7.8	3.5	4.6	2.0	4.2

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

Overview

The Trust was down 2.2% for the month outperforming the Small Cap Index (the Index) which was down 2.8%.

The modest pullback in markets follows several strong months for small caps in particular. The weakness was led by profit taking in those names and sectors which had led the rebound – namely technology, healthcare and those stocks which structurally benefitted from the COVID-19 lockdowns. While the selloff was warranted in most names, we do think the market is underestimating the significance of the structural benefit and customer acquisition from COVID-19 for specific names such as Genetic Signatures and Marley Spoon – hence we added to our position in both on weakness.

The Trust benefited from the takeover offer for Citadel Group (up 25.1%) which we have now exited. Cyclical names such as Atomos (up 23.8%), SeaLink Travel Group (up 17.8%) and People Infrastructure (up 12.0%) also performed well.

The Trust remains positioned in stocks providing a mix of strong earnings growth but with an average valuation at a discount to the market. The portfolio average PE ratio of 12.2x remains at a sizeable discount to the Index which is 17.1x for FY22.

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.

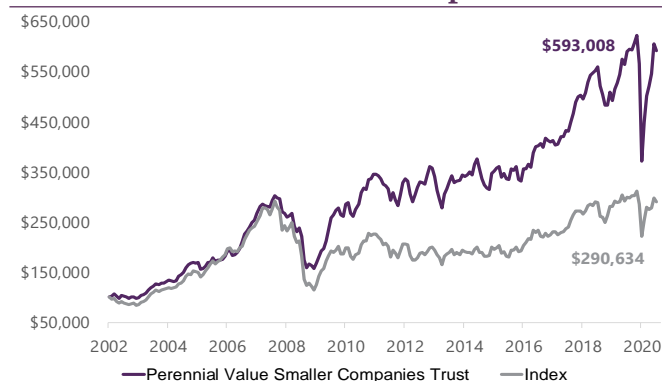
Portfolio Managers	Trust FUM
Andrew Smith and Julian Guido	AUD \$147 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee
APIR Code	
IOF0214AU	

Portfolio Characteristics – FY22	Trust*	Index**
Price to Earnings (x)	12.2	17.1
Price to Free Cash Flow (x)	10.2	16.4
Gross Yield (%)	4.4	3.1
Price to NTA (x)	2.1	2.0

Source: *Perennial Value Management as at 30 September 2020. **FACTSET forecast as at 30 September 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.

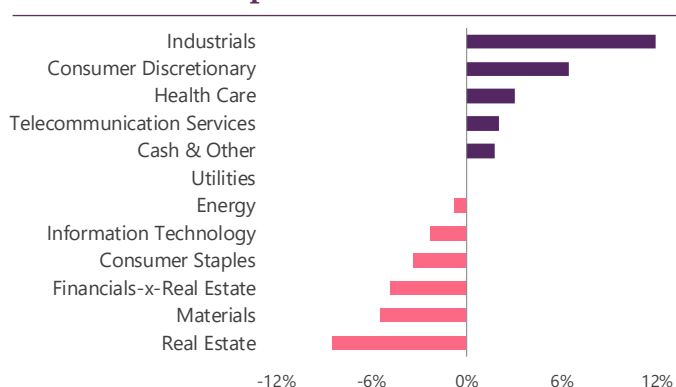
Growth of \$100,000 Since Inception



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 (%)
MARLEY SPOON AG	6.5	0.0
ALLIANCE AVIATION SERVICES L	4.2	0.0
UNITI GROUP LTD	3.2	0.4
INTEGRAL DIAGNOSTICS LTD	3.0	0.3
INGENIA COMMUNITIES GROUP	2.9	0.6
SEVEN GROUP HOLDINGS LTD	2.9	1.1
LIMEADE INC	2.4	0.0
SRG GLOBAL LTD	2.4	0.0
BAPCOR LTD	2.3	1.1
RAMELIUS RESOURCES LTD	2.2	0.8

Sector Active Exposure vs Index



Trust Review

Citadel Group (up 25.1%) received a takeover bid from Pacific Equity Partners at \$5.70 per share (compared to a \$4.46 share price the prior month). While we were keen to see how Citadel's move in to the UK healthtech market played out in coming years, we believe the takeover brings forward the value we expected and thus we have sold the position on market (post the bid) to fund some more attractive investment opportunities.

SeaLink Travel Group (up 17.8%) announced significant new bus contracts in Singapore which are worth S\$1bn over five years.

Cyclical names such as **Atomos** (up 23.8%) and **People Infrastructure** (up 12.0%) also performed well as some investors began to focus on those stocks which will benefit as economies open up around the world.

Uniti Group (up 1.4%) began to recover after acquiring a blocking stake and lifting their bid for Opticomm – albeit there is still risk of a higher offer for First State Super.

Emeco Holdings (down 4.5%) announced the successful refinance of US\$180m of Notes pushing maturity from 2022 to 2024. Despite this the market remains underwhelmed post the surprise and dilutionary equity raise undertaken in August.

MoneyMe (down 15.3%) was weaker despite what we view as a materially positive announcement of a new warehouse funding facility. The new \$167m facility with Westpac and AOFM reduces funding costs below 5% from 11.4% in the FY20.

While the selloff was warranted in some Index names we do think the market is underestimating the significance of the structural benefit and customer acquisition from COVID-19 for **Genetic Signatures** (down 25.0%) and **Marley Spoon** (down 20.1%) – hence we added to our position in both on weakness.

At month end, the Trust had 66 positions and cash/derivatives of 1.8%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-2.8
Energy	-3.8
Materials	-3.9
Industrials	-3.1
Consumer Discretionary	-0.9
Consumer Staples	-3.0
Health Care	-1.7
Financials-x-Real Estate	-9.5
Real Estate	-0.1
Information Technology	-8.5
Telecommunication Services	+2.5
Utilities	-5.1

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