

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	0.1	8.4	13.5	-0.4	9.6	10.7	10.1
S&P/ASX Small Ordinaries Accumulation Index	0.5	4.7	6.2	-2.4	4.6	8.6	5.9
Value Added	-0.4	3.7	7.3	2.0	5.0	2.1	4.2

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

Overview

The Trust was up 0.1% for the month marginally underperforming the Small Cap Index (the Index) which was up 0.5%.

October was a volatile month, initially starting off very strongly before a late selloff reflecting increased COVID cases in the US/Europe and uncertainty around the US election. By contrast, the situation is improving in Australia with Victoria emerging from lockdown against a backdrop of supportive fiscal and monetary policy. As a result, we continue to shift the portfolio to a largely domestic focus with only a few offshore exposed companies in defensive sectors (e.g. healthcare, food, technology).

Newsflow at the stock level was mixed with positive updates from marine supplier Veem, retailer Adairs and insurance repair specialist, Johns Lyng. These were offset by a disappointing update from EcoFibre and uncertainty around the proposed merger at Uniti Group.

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 11.6x remains at a sizeable discount to the Index which is 17.0x 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 \$146 million

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

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

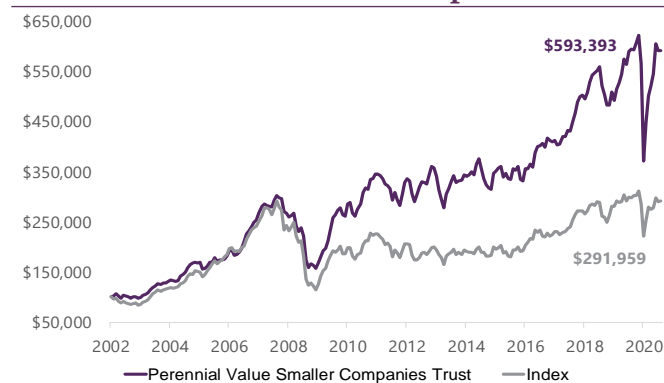
APIR Code
IOF0214AU

Portfolio Characteristics – FY22	Trust*	Index**
Price to Earnings (x)	11.6	17.0
Price to Free Cash Flow (x)	9.6	17.0
Gross Yield (%)	4.5	3.2
Price to NTA (x)	2.0	2.1

Source: *Perennial Value Management as at 31 October 2020. **FACTSET forecast as at 31 October 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.

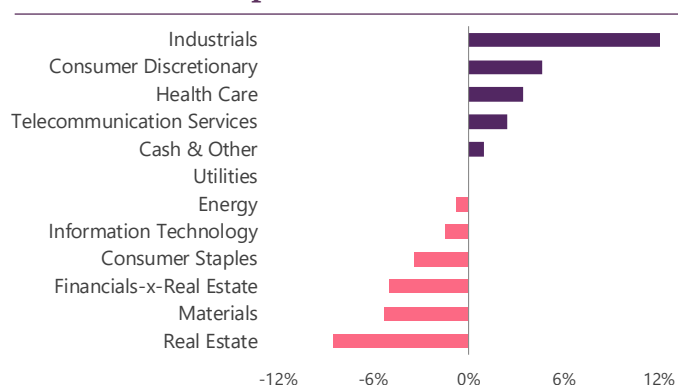
Growth of \$100,000 Since Inception



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	6.4	0.0
MARLEY SPOON AG	4.8	0.0
SEVEN GROUP HOLDINGS LTD	3.1	1.2
LIMEADE INC	3.1	0.0
INTEGRAL DIAGNOSTICS LTD	3.1	0.4
INGENIA COMMUNITIES GROUP	2.9	0.6
UNITI GROUP LTD	2.8	0.2
GENETIC SIGNATURES LTD	2.8	0.0
BAPCOR LTD	2.6	1.2
SRG GLOBAL LTD	2.5	0.0

Sector Active Exposure vs Index



Trust Review

Positive updates during the month included:

- **Limeade** (+32.7%) maintained revenue guidance set at the time of the IPO but lifted EBITDA guidance from a \$5.5-6.5m loss to \$0-\$2.0m reflecting lower costs
- **Veem** (+21.1%) signed a gyro supply agreement with Damen, Europe's largest shipbuilder. Damen is considered a market leader and is a repeat customer of Veem's gyro stabilisation modules
- **Adairs** (+16.6%) detailed a strong AGM trading update with upside surprises on both accelerating trends (Sales +17% yoy) and higher gross margins (+200bps)
- **Bapcor** (+12.8%) posted a positive 1Q update across all divisions. Large growth in the core Trade division was the key highlight (+17% ex-Vic).
- **Johns Lyng Group** (+11.6%) announced agreements with 2 new national Insurers which will drive higher organic growth and a stronger market position.

These positive updates were offset by some weakness in the following names:

- **Ecofibre** (down 35.2%) provided a disappointing update with continued weakness in the US pharmacy channel. Management are refocusing sales support on the independent channel while also achieving product placement at CVS. It is too early to determine if this turnaround strategy is gaining traction and we are also yet to see meaningful revenue from the recent textile acquisitions
- **Uniti Group** (down 16.8%) continued to drift given uncertainty around the proposed merger with OptiComm given a competing bid. Resolution either way is expected by the scheme meeting in November
- **Baby Bunting Group** (down 9.3%) fell despite delivering a strong trading update. Solid sales momentum (+29% ex-Melb) with improved gross margins (+70bps), signal market share gains.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.5
Energy	-3.4
Materials	+1.5
Industrials	+2.0
Consumer Discretionary	+3.9
Consumer Staples	+2.3
Health Care	-3.5
Financials-x-Real Estate	+6.9
Real Estate	+0.3
Information Technology	+4.9
Telecommunication Services	+6.8
Utilities	-2.4

Contact Us

📍 Level 27, 88 Phillip Street Sydney NSW 2000

☎️ 1300 730 032

✉️ invest@perennial.net.au

🌐 www.perennial.net.au

Signatory of:

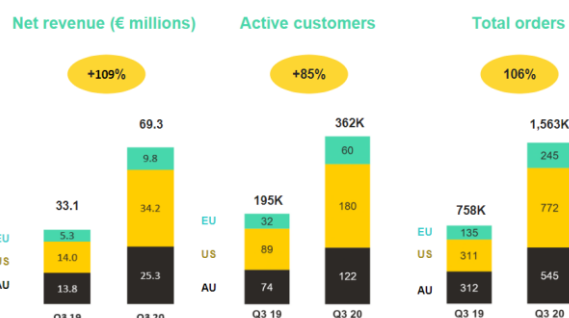


Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.

Marley Spoon (down 9.7%) undertook an opportunistic capital raising which unfortunately overshadowed a strong quarterly update. Revenue guidance was increased to the upper end of the 90-100% growth range after delivering >100% growth in Q3 and an impressive 163% growth in the US. However a poorly timed capital raise, at the same time as the quarterly, absorbed all the buying demand and in the confusion, the stock traded down. While we are pleased the balance sheet is even more solid, with an extra A\$56m raised at \$3.22, we did not participate in the raising, instead buying on market <\$2.60 on the subsequent weakness.

>80% growth in all segments vs. PCP

MARLEY SPOON



Strong performance across all topline metrics in Q3 2020

Source: MMM ASX release 22 October 2020

We continued to rotate the portfolio, exiting **Redbubble** on valuation grounds early in the month and adding to our position in **Alliance Aviation** (down 6.3%).

In the case of the latter the market seems to be ignoring several positive developments – namely the expanded and extended contract with BHP at Olympic Dam and a proposal in front of the ACCC to cooperate with the new owners of Virgin on 40 regional and 2 international routes.

At month end, the Trust had 65 positions and cash/derivatives of 1.0%.

Invest Online Now



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