

	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)	1.2	16.4	32.2	10.6	11.3	15.5	10.8
S&P/ASX Small Ordinaries Accumulation Index	-0.3	13.0	20.0	5.4	6.7	11.6	6.5
<b>Value Added</b>	<b>1.5</b>	<b>3.4</b>	<b>12.2</b>	<b>5.2</b>	<b>4.6</b>	<b>3.9</b>	<b>4.3</b>

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

## Overview

Markets drifted higher for most of January, only to see a sharp sell-off towards month end erode all gains, resulting in an Index drop of 0.3%. Pleasingly, the Trust outperformed the benchmark to deliver a 1.2% positive return net of all fees.

Towards month end, much was written about heightened speculation in certain stocks and sectors in the US, and we are seeing pockets of this speculation in the Australian market. We won't add to the noise here but such activity and detachment from fundamentals make us nervous about the overall market direction. As a result, we have increased our downside protection via index-linked derivatives while maintaining holdings in our portfolio companies, given strong investment fundamentals and stock-specific catalysts.

The focus now shifts to reporting season in February with some of our holdings already de-risked having pre-announced pleasing results in January (eg. Genetic Signatures, Navigator, MoneyMe and Marley Spoon).

The portfolio average PE ratio of 14.7x remains at a sizeable discount to the Index which is 18.8x 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 \$179 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)	14.7	18.8
Price to Free Cash Flow (x)	12.1	20.1
Gross Yield (%)	3.7	2.9
Price to NTA (x)	2.5	2.4

Source: \*Perennial Value Management as at 31 January 2021. \*\*FACTSET forecast as at 31 January 2021.

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.

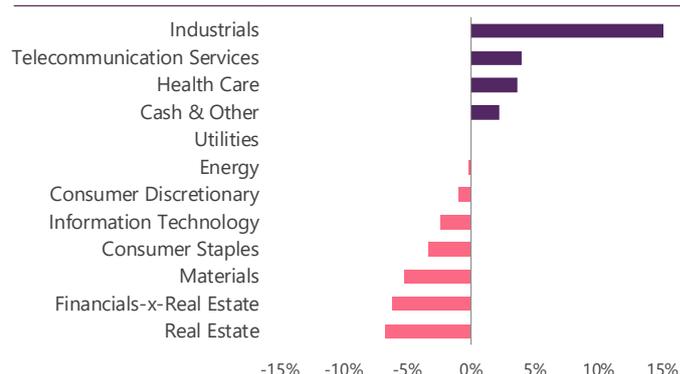
## Growth of \$100,000 Since Inception



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	6.0	0.0
UNITI GROUP LTD	4.1	0.4
SEVEN GROUP HOLDINGS LTD	3.2	1.2
INTEGRAL DIAGNOSTICS LTD	3.0	0.3
MARLEY SPOON AG	2.8	0.0
SRG GLOBAL LTD	2.8	0.0
GENETIC SIGNATURES LTD	2.8	0.0
CALIX LTD	2.3	0.0
INGENIA COMMUNITIES GROUP	2.3	0.6
MONEYME LTD	2.2	0.0

## Sector Active Exposure vs Index

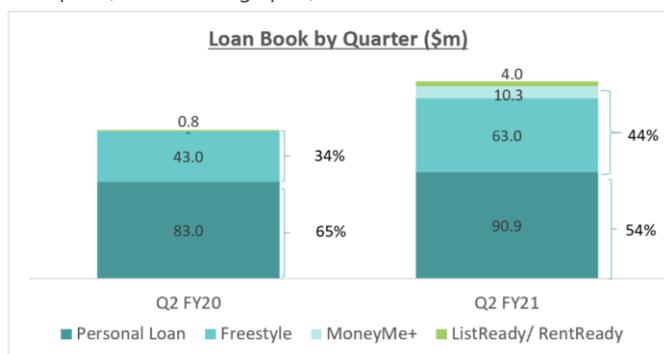


## Trust Review

**Calix** (+46.0%) was a standout, announcing that CEMEX, one of the largest cement companies in the world, has joined the LEILAC-2 project backed by the EU and led by Calix using their technology for CO<sub>2</sub> mitigation. Cement producers are one of the largest CO<sub>2</sub> emitters in the world, and the scale of the market potential for this product is impressive. However, this is just one of the many 'shots on goal' which Calix is developing with growing revenues and profits already in Agriculture, Aquaculture and Odour control providing the fundamental value basis for our investment. The market is also beginning to pay attention to their R&D work in battery technology, with potential applications in electronic vehicles, although we think it's too early to put a value against this division.

The positive backdrop for electronic vehicles also benefited our Lithium exposures with **Galaxy Resources** (+20.6%) and **Orocobre** (+11.9%) up strongly over the month to a point where we began taking some profits.

**MoneyMe** (+11.0%) had loan origination quarter-on-quarter growth of 52%, with loan quality also improving as highlighted by lower net charge-offs and an improving Equifax score. The speed of product innovation remains a key attraction - the relatively new Freestyle virtual card is a key driver, while List/RentReady is beginning to make an impact (see attached graphic).



Source: MME presentation 28 January 2021

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.3
Energy	-7.0
Materials	-2.1
Industrials	-0.4
Consumer Discretionary	+3.1
Consumer Staples	+1.6
Health Care	-1.3
Financials-x-Real Estate	+1.9
Real Estate	-3.9
Information Technology	-5.3
Telecommunication Services	+1.2
Utilities	+4.3

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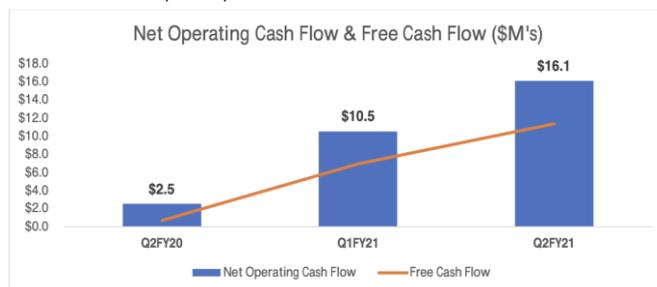
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**Uniti Group** (+7.0%) highlighted strong cashflow (as per the attached graphic) and fibre connections that are well ahead of forecast, to the benefit of future profit periods.



Source: UWL presentation 27 January 2021

**Navigator** (+18.4%) announced strong December performance and a resulting boost to performance fees, in addition to positive inflows for the first time in several quarters.

**Cooper Energy** was down 16.7% as the Orbost gas plant continued to have processing issues, albeit progress is being made. There was also profit taking in resource names generally. Outside of this, there was no newsflow to explain other weak stocks such as **Superloop** (-10.4%) and **Maas Group** (-9.0%).

While the bulk of the portfolio will report profit results in February, **Marley Spoon** reported encouraging sales after the market close with any share price reaction coming in February.

At month end, the Trust finished with 65 positions and cash/derivatives of 2.2%.

## Invest Online Now



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