

	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)	-0.7	2.1	33.3	87.0	12.0	14.3	10.8
S&P/ASX Small Ordinaries Accumulation Index	0.8	2.1	22.8	52.1	8.3	10.7	6.6
<b>Value Added</b>	<b>-1.5</b>	<b>0.0</b>	<b>10.5</b>	<b>34.9</b>	<b>3.7</b>	<b>3.6</b>	<b>4.2</b>

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

## Overview

The Small Cap Index was up 0.8% during the month, however, this headline number masks a continuation of a powerful rotation (particularly in International markets) towards cyclical value and away from growth stocks; something we continue to adjust the portfolio towards. Some of our preferred value names are yet to capture attention due to lack of coverage (e.g. SRG) or transitory cost headwinds (e.g. NWH). Against this background, the Trust was down 0.7%, underperforming by 1.5%. In the medium term, we expect the shift towards value to continue and benefit the portfolio as the market becomes more discerning at identifying these names within the small cap universe that provide cyclical growth at good valuations.

Passive selling also contributed to the weakness in the portfolio with several stocks leaving the ASX300, providing attractive opportunities to add to our existing positions on weakness. As an example, we bought more NGI, MVF and SLC which were down on average 5.7% for the month.

Limeade (down 41.8%) was caught up in a bungled escrow stock release providing an opportunity to add to what is now one of the cheapest subscription software names globally.

The portfolio-average PE ratio of 14.7x remains at a sizeable discount to the Index which is 19.9x 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.

<b>Portfolio Managers</b>	<b>Trust FUM</b>
Andrew Smith and Julian Guido	AUD \$184 million
<b>Distribution Frequency</b>	<b>Minimum Initial Investment</b>
Half yearly	\$25,000
<b>Trust Inception Date</b>	<b>Fees</b>
March 2002	1.20% p.a. + Performance fee

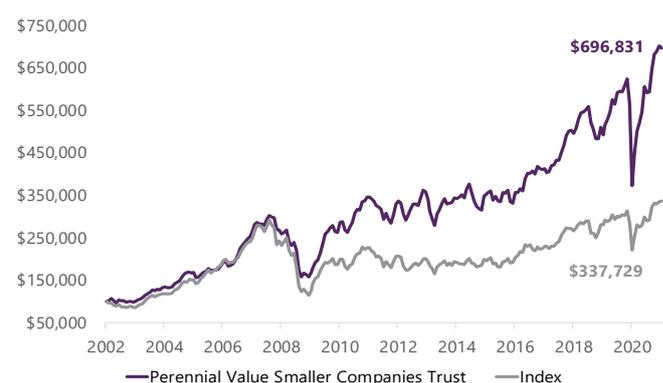
**APIR Code**  
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<b>Portfolio Characteristics – FY22</b>	<b>Trust*</b>	<b>Index**</b>
Price to Earnings (x)	14.7	19.9
Price to Free Cash Flow (x)	11.8	22.7
Gross Yield (%)	4.0	2.8
Price to NTA (x)	2.2	2.8

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

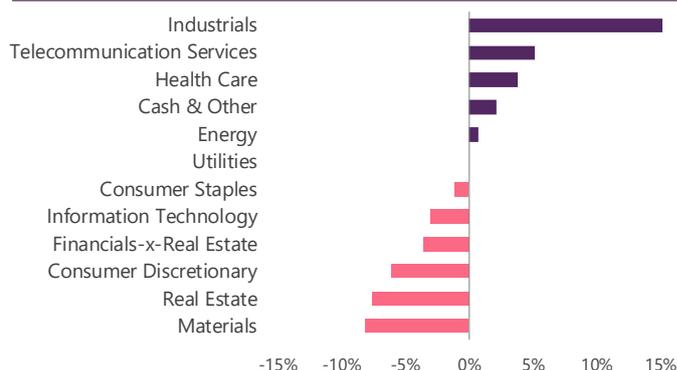


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 10 Positions

	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES L	6.0	0.0
SEVEN GROUP HOLDINGS LTD	3.7	1.2
INTEGRAL DIAGNOSTICS LTD	3.5	0.3
UNITI GROUP LTD	3.4	0.6
SRG GLOBAL LTD	2.9	0.0
SUPERLOOP LTD	2.7	0.0
INGENIA COMMUNITIES GROUP	2.5	0.6
NAVIGATOR GLOBAL INVESTMENTS L	2.3	0.0
GENETIC SIGNATURES LTD	2.2	0.0
FRONTIER DIGITAL VENTURES L	2.2	0.0

## Sector Active Exposure vs Index



## Trust Review

A key source of alpha in the medium term (and at times a source of short-term frustration) is passive selling in stocks because of Index exclusion. As an active manager, our conviction in a name does not change on Index inclusion or exclusion but it can clearly improve on a lower share price if the fundamentals haven't changed. Hence, we used the passive selling during the month to add to the following names:

- **Navigator Global Investments** (down 14.9%) despite providing a positive outlook in February and more detail around the positive cashflow implications from the recent Dyal transaction;
- **Superloop** (down 1.6%) despite the takeover of fellow fibre operator Vocus Group;
- **Monash IVF Group** (down 0.6%) despite very strong industry data with 25.5% industry volume growth reported for February.

Selling flow also significantly impacted **Limeade** (down 41.8%) with a poorly handled escrow release. Over time, we expect the positive fundamentals of Limeade to win out with US\$55m in recurring revenue, net cash of US\$31.5m and the improved ability to sell as the US economy re-opens.

Stocks which did respond to improving fundamentals were:

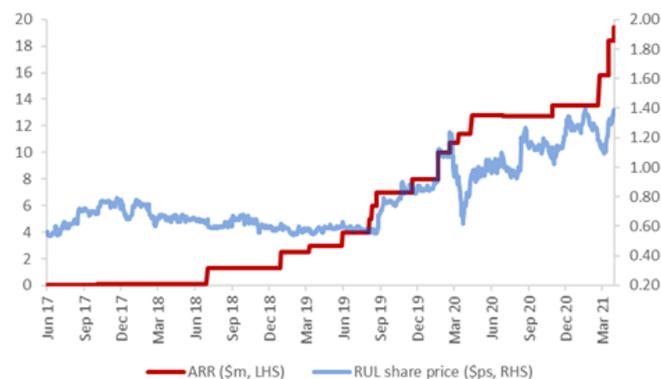
- **MAAS Group Holdings** (+21.2%) reflecting the bullish regional infrastructure outlook and strong detached housing data, which will also benefit **Uniti Group** (+7.0%) and **Fletcher Building** (+6.8%);
- **People Infrastructure** (+18.4%) as labour conditions improve;
- **Perpetual** (+7.6%) with improving flows for the value manager.

Strong agricultural conditions benefited **Graincorp** (+24.4%), **United Malt** (+11.5%), **Nufarm** (+10.6%) and **Elders** (+10.4%).

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.8
Energy	+3.3
Materials	-1.1
Industrials	-1.5
Consumer Discretionary	+2.5
Consumer Staples	+4.1
Health Care	+2.9
Financials-x-Real Estate	-3.1
Real Estate	+4.8
Information Technology	-0.8
Telecommunication Services	-0.5
Utilities	+4.9

**RPM Global** (+21.7%) is the market leader in mining software and a stock we have been following for many years. There were several updates during the month but what was most pleasing was the sharp acceleration in annual recurring revenue (ARR), post the move away from upfront software licenses several years ago.



Source: Company Data and Veritas Securities

In resources, the market continues to be concerned about the ramp up of the Orbost gas plant for **Cooper Energy** (down 16.9%). We, however, have become more comfortable given the experienced management team and steps taken to date, and thus used the weakness to add to our position.

After several strong months, some resource names were weaker such as **Independence Group** (down 10.7%) and **Deterra Royalties** (down 13.8%).

At month end, the Trust finished with 60 positions and cash of 2.1%.

## Invest Online Now



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

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