

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	4.9	5.8	39.9	62.3	12.8	15.4	11.0
S&P/ASX Small Ordinaries Accumulation Index	5.0	7.4	28.9	39.8	9.1	11.1	6.9
Value Added	-0.1	-1.6	11.0	22.5	3.7	4.3	4.1

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

Overview

The Small Cap Index was up strongly again in April, climbing by 5.0% with the Trust also up 4.9%, net of all fees. Unlike previous months, both growth and value performed well with dovish central bank commentary and strong economic data (a rare combination).

Earnings commentary and domestic economic signals were positive with the feared 'fiscal cliff' from the end of JobKeeper yet to materialize. We continue to be positive on the domestic economic recovery and continue to add to cyclical names – albeit with an increasing aversion to business models which are set up poorly should inflation begin to pick up (a growing medium-term risk).

Resources contributed the most to performance with battery material players Galaxy Resources (+55.3%) and Orocobre (+41.8%) performing strongly. In contrast, energy names were weaker with Cooper Energy (down 9.3%) and Beach Energy (down 25.7%) falling during the month – both reflecting company specific issues.

MAAS Group (acquired via an IPO last year) re-rated materially, up 22.4%, on the back of three acquisitions and increased investor focus on their quarry assets.

The portfolio-average PE ratio of 15.2x remains at a sizeable discount to the Index which is 20.5x 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 \$196 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)	15.2	20.5
Price to Free Cash Flow (x)	12.1	23.9
Gross Yield (%)	4.0	2.7
Price to NTA (x)	2.4	2.9

Source: *Perennial Value Management as at 30 April 2021. **FACTSET forecast as at 30 April 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

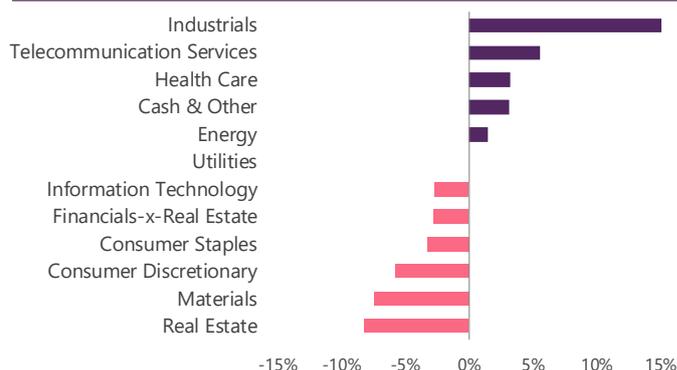


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES L	5.4	0.0
SEVEN GROUP HOLDINGS LTD	4.0	1.4
UNITI GROUP LTD	3.8	0.7
INTEGRAL DIAGNOSTICS LTD	3.2	0.3
SRG GLOBAL LTD	2.9	0.0
SUPERLOOP LTD	2.8	0.0
NAVIGATOR GLOBAL INVESTMENTS L	2.5	0.0
EMECO HOLDINGS LTD	2.3	0.2
FRONTIER DIGITAL VENTURES L	2.1	0.0
INGENIA COMMUNITIES GROUP	2.0	0.6

Sector Active Exposure vs Index



Trust Review

Resources contributed the most to performance with battery material players **Galaxy Resources** (+55.3%) and **Orocobre** (+41.8%) announcing a merger. We see the potential for numerous synergies within the merged entity, justifying the re-rating of both companies.

IGO Ltd (+19.3%) announced the sale of its 30% stake in the Tropicana gold mine to Regis Resources for \$900m, comfortably above market expectations. The sale ensures IGO will remain in a net cash position after settling on its interest in the Greenbushes lithium mine and associated lithium hydroxide plant later in the quarter.

Calix (+24.1%) provided a shareholder update detailing several customer success stories leveraging the core kiln technology. The update shone a light on the Sustainable Processing division with two energy storage projects in Europe.

Cyclical names were the main source of strong performance with:

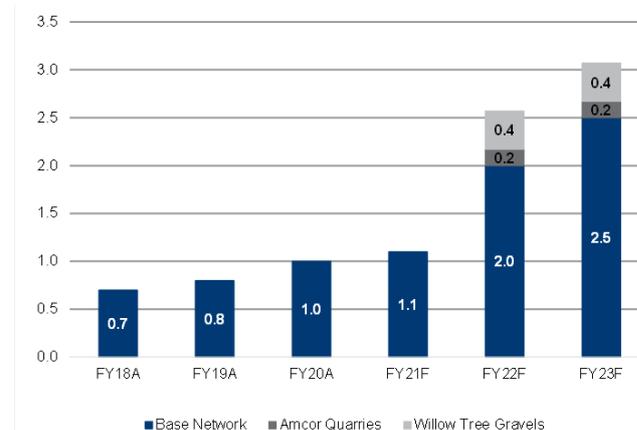
- **Adairs** (+22.1%) after releasing a broker presentation reminding investors of its e-commerce gains but also the benefits of its omni-channel focus;
- **People Infrastructure** (+20.9%) reacting to strong employment figures and job ad data;
- **Uniti Group** (+20.4%) reacted positively to strong detached housing and land sales data which in turn suggests more connections to their fibre assets;
- **Viva Energy** (+16.4%) provided a mixed update with commercial fuel volumes still being impacted from lower jet and cruise demand. However, retail fuel volumes are now within 7% of pre-covid levels.

Other strong performers on no news flow were **City Chic Collective** (+17.6%), **Baby Bunting** (+12.9%), **Smartgroup** (+11.2%) and **Collins Foods** (+9.2%).

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+5.0
Energy	-7.2
Materials	+10.6
Industrials	+9.7
Consumer Discretionary	+1.7
Consumer Staples	-1.1
Health Care	+3.1
Financials-x-Real Estate	+4.6
Real Estate	+4.2
Information Technology	+10.2
Telecommunication Services	+7.1
Utilities	+0.9

MAAS Group (+22.4%) announced the acquisition of 3 businesses for ~\$30m – its first since listing in December 2020. Financially, the acquisition multiples of 3.5x EV/EBITDA look attractive. Strategically, the deals make a lot of sense by expanding the scope and geography of the Construction Materials and Plant Hire businesses. The resulting increase in quarry production volumes (coupled with existing ramp up in volumes, shown in the chart below) is significant and likely to be a major key driver of future earnings growth. Further M&A activity is also possible given existing balance sheet capacity. Importantly, management also re-iterated FY21 guidance, implying solid 2H21 organic growth.



Source: Company Data and Morgans Financial Limited

In contrast, energy names were weaker with **Cooper Energy** (down 9.3%) and **Beach Energy** (down 25.7%) moving lower during the month – albeit this was for company specific reasons. **Class** (down 7.2%) drifted lower on no news flow and we used the weakness to increase our position.

At month end, the Trust finished with 64 positions and cash of 2.6%.

Invest Online Now



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

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