

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	0.6	4.8	40.8	46.5	11.5	14.9	11.0
S&P/ASX Small Ordinaries Accumulation Index	0.3	6.1	29.3	26.7	7.9	10.3	6.8
Value Added	0.3	-1.3	11.5	19.8	3.6	4.6	4.2

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

Overview

The Trust was up 0.6% for the month of May, ahead of the Small Cap Index which was up 0.3%.

So far this calendar year, there has been several reminders of the importance of sell discipline, with the Trust avoiding large drawdowns in Kogan, EML Payments, Mesoblast, RedBubble and Perenti Global – all names we exited late last year given concerns over valuation or potential earnings risks. We don't get all our calls right, however the above examples provide strong vindication for the research effort of the team.

We have recycled into cheaper names with a more certain earnings path – names such as MAAS Group, VEEM and SRG Global are starting to perform.

Given the volatility in the market, we are also looking for oversold opportunities with outsized moves compared to modest downgrades – attractive names here are Limeade and the recently added Viva Leisure. The market is also overlooking solid progress in names such as Class and Superloop in our opinion.

The portfolio-average PE ratio of 14.6x remains at a sizeable discount to the Index which is 20.2x 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 \$203 million
Distribution Frequency	Minimum Initial Investment
Half yearly	\$25,000
Trust Inception Date	Fees
March 2002	1.20% p.a. + Performance fee

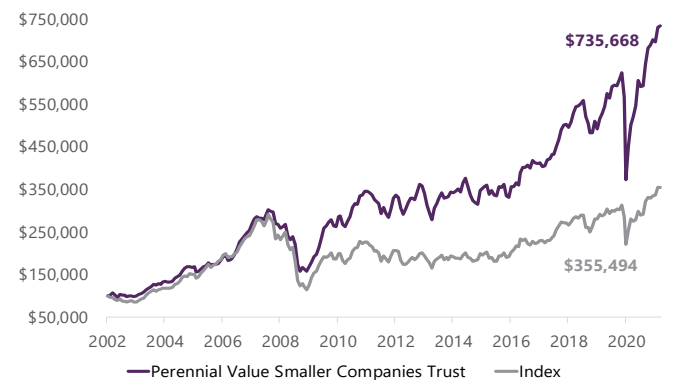
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Portfolio Characteristics – FY22	Trust*	Index**
Price to Earnings (x)	14.6	20.2
Price to Free Cash Flow (x)	11.7	25.0
Gross Yield (%)	4.1	2.8
Price to NTA (x)	2.3	3.0

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

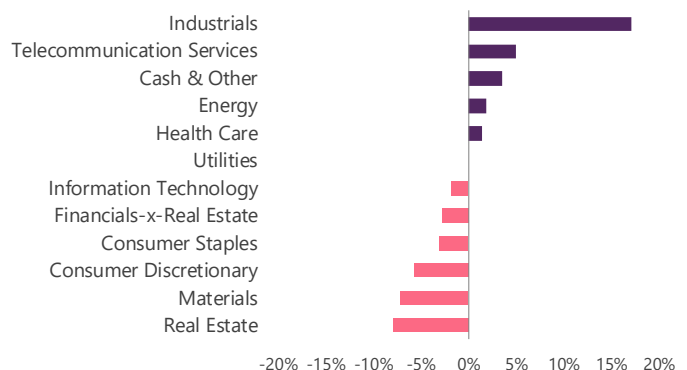


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES L	5.7	0.0
SEVEN GROUP HOLDINGS LTD	3.7	1.2
UNITI GROUP LTD	3.4	0.8
SRG GLOBAL LTD	3.3	0.0
SUPERLOOP LTD	2.9	0.0
NAVIGATOR GLOBAL INVESTMENTS L	2.6	0.0
EMECO HOLDINGS LTD	2.5	0.2
COOPER ENERGY LTD	2.2	0.2
INGENIA COMMUNITIES GROUP	2.2	0.6
INTEGRAL DIAGNOSTICS LTD	2.1	0.3

Sector Active Exposure vs Index



Trust Review

We have been invested in **VEEM** (+27.6% in the month to \$1.34) since the IPO in 2016. It is a good reminder of the benefit of patience in small cap investing and the benefit of alignment with management teams/founders via high share ownership. At IPO, VEEM provided a solid industrial exposure with 20+ years of profitable trading in marine engineering, anchoring the valuation – while the potential blue sky from the gyro technology was free upside. It is pleasing to see the gyro technology now progress from encouraging pilot phases to increasing global adoption with leading brands. Sales are now set to double for this product for the third year in a row.

SRG Global (+14.4%) began to gain investor traction after several months of encouraging earnings news and contract wins.

Cooper Energy (+12.2%) started to recover as a production update pointed to incremental gains at its problematic Sole project.

EBOS (+10.7%) rose after Pfizer announced a return to distributing domestic medicines via the wholesaler channel (by Q3 2021) – a structural positive given the major player is now abandoning direct distribution. EBOS will benefit due to its leading position in domestic wholesale.

Our financials exposures (**MoneyMe** +7.7% and **Virgin Money** +6.5%) as well as REITS (**Ingenia** +5.7% and **HPI** +5.2%) also moved higher.

Other strong performers on no news flow were **Collins Food** (+10.8%), **Perpetual** (+8.9%) and **Uniti Group** (+7.9%).

Weaker names on limited news flow included **Genetic Signatures** (down 17.8%) and **Austin Engineering** (down 13.8%).

Class (+9.0%) hosted its inaugural investor day and reiterated FY21 Guidance (\$54m revenue, underlying EBITDA margin of 40%). Pleasingly, the update highlighted that:

- Organic growth is solid including progress on the new Trust product;
- Tech spend has peaked and will trend down in FY22;
- Margins should lift going forward given scale benefits;
- Further growth opportunities are likely from industry adjacencies, commercialisation of data and/or offshore acquisitions.

Class has been adding to its stable customer base with new products and acquisitions as shown below.



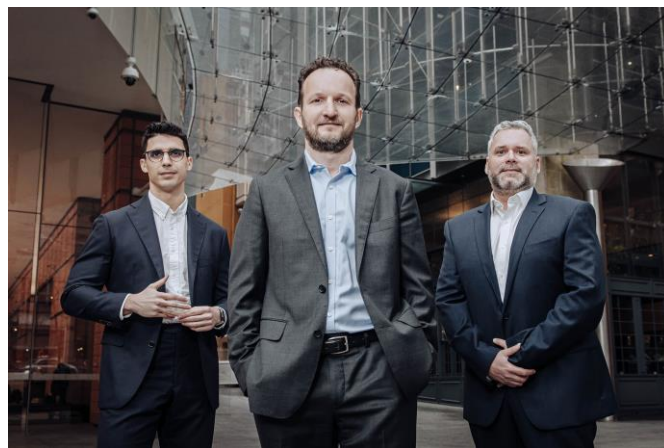
Source: Class Ltd Investor Day Presentation 25 May 2021

At month end, the Trust finished with 64 positions and cash of 3.5%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.3
Energy	+5.4
Materials	+2.4
Industrials	+0.6
Consumer Discretionary	+0.6
Consumer Staples	-4.3
Health Care	-1.6
Financials	+1.1
Real Estate	+2.4
Information Technology	-4.3
Telecommunication Services	+0.3
Utilities	-0.5

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Portfolio Managers: Marco Correia, Andrew Smith and Julian Guido (left to right)

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