

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (%p.a.)
Perennial Value Smaller Companies Trust (Net)	2.3	6.1	2.3	41.7	12.3	14.8	11.2
S&P/ASX Small Ordinaries Accumulation Index	0.7	4.1	0.7	32.3	9.2	9.6	7.0
Value Added	1.6	2.0	1.6	9.4	3.1	5.2	4.2

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

Overview

The Trust was up 2.3% for the month of July, ahead of the Small Cap Index which was up 0.7%.

Our exposure to the resource sector was a key contributor to performance with the soon to be merged Galaxy/Orocobre, up 27%, Austin Engineering, up 17.9%, and SRG Global, up 15.8%. Other resource exposures in the portfolio include Emeco, RPM Global and Seven Group, all up more than 10% for the month.

It appears the market is finally catching on to the positive effect of higher commodity prices to mining service companies – especially those not exposed to wage inflation. By contrast, gold equities were the main area of weakness for the month.

Reporting season is shaping up to be very eventful with the market assessing what is likely to be strong results accompanied by a more cautious outlook given recent lockdowns.

Mergers and Acquisitions are expected to be an increasing driver of stock specific performance with the corporate world now more willing to look at growth options and imagine a post COVID world with a backdrop of ultra low interest rates.

The portfolio-average PE ratio of 15.4x remains at a sizeable discount to the Index which is 20.4x 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

Andrew Smith, Julian Guido & Marco Correia

Distribution Frequency **Trust FUM**
Half yearly AUD \$212 million

Trust Inception Date **Minimum Initial Investment**
March 2002 \$25,000

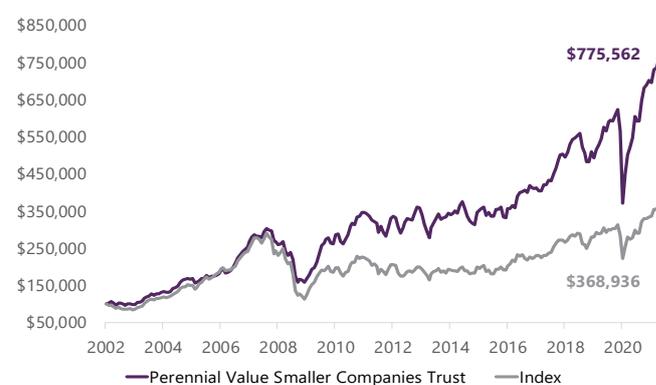
APIR Code **Fees**
IOF0214AU 1.20% p.a. + Performance fee

Portfolio Characteristics – FY22	Trust*	Index**
Price to Earnings (x)	15.4	20.4
Price to Free Cash Flow (x)	12.2	24.0
Gross Yield (%)	3.9	2.7
Price to NTA (x)	2.3	2.7

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

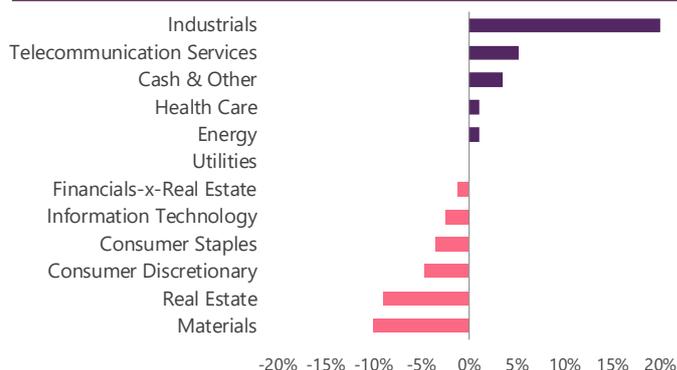


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES L	4.9	0.0
SRG GLOBAL LTD	4.5	0.0
SEVEN GROUP HOLDINGS LTD	4.1	1.4
UNITI GROUP LTD	3.2	0.9
EMECO HOLDINGS LIMITED	3.2	0.2
NAVIGATOR GLOBAL INVESTMENTS L	3.1	0.0
SUPERLOOP LTD	2.7	0.0
MONEYME LTD	2.6	0.0
FRONTIER DIGITAL VENTURES L	2.2	0.0
OROCOBRE LIMITED	2.0	1.0

Sector Active Exposure vs Index



Trust Review

Soon to be merged **Orocobre** and **Galaxy Resources** were both up 27.0% after guiding to higher Lithium prices and solid quarterly production.

We have been positioning the portfolio towards mining services names, with a focus on businesses we viewed as beneficiaries of strong commodity prices, but also resilient to wage pressure. It was pleasing to see positive news flow in many such names during the month:

- **Austin Engineering** (+17.9%) attracted investor interest after selecting a CEO well known to the market with aggressive share-based incentives to perform;
- **SRG Global** (+15.8%) bounced after a positive earnings update, including hitting the top end of the range for FY21 and guiding to a 15% yoy increase in EBITDA in FY22, ahead of market expectations;
- **Seven Group** (+14.3%) surprised many by surpassing the 60% mark in their takeover bid for Boral. Importantly, this enables them to consolidate Boral's earnings and balance sheet which is de-gearing with asset sales. The stock responded to a lift in consensus earnings as this was factored in by analysts;
- **Emeco** (+13.3%) rallied strongly after refinancing all of its debt at a 32.4% discount to its prior interest rate.

Iress Limited continued to trade higher (+8.8%) in July, following a strong June performance. The company held its strategy day during the month, where management outlined robust growth targets to 2025, as well as the receipt of a non-binding indicative offer from EQT private equity. While the Iress Board deemed the initial offer to be too low, they have granted EQT limited non-public access, which is currently ongoing.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.7
Energy	+3.1
Materials	+10.0
Industrials	-1.5
Consumer Discretionary	-0.6
Consumer Staples	-1.2
Health Care	-4.4
Financials	-2.1
Real Estate	+1.7
Information Technology	-0.9
Telecommunication Services	+1.7
Utilities	+23.7

Figure 1: Half-year portfolio revenue since IPO¹ (A\$m, unaudited; FDV % share basis)



Notes:
1. Results figures quoted for entities with continuing operations as at 30 June 2021

Source: Frontier Digital Ventures July 2021 Update

Frontier Digital Ventures (+12.3%) provided an impressive quarterly update with 148% increase in revenue share from their digital classified investments.

Johns Lyng Group (+11.8%) was buoyed after a busy month of positive news flow including: 1) Three Bolt on acquisitions in strata and building management sector; 2) Contract award from the Victorian Government to lead the clean-up from the severe June storms; and 3) Acquisition of a 60% interest in Steamatic Australia (EV of \$22m), complimenting JLG's leading position in restoration services.

Some of the names impacted by June tax loss selling began to recover with **Limeade** and **Viva Leisure** both up over 6%.

MAAS Group (down 17.5%) pulled back after several months of strong performance and as the market digested the equity raise to be used for future acquisitions.

Cooper Energy (down 11.5%) traded down on a marginally softer quarterly production report and increasing investor impatience regarding the ramp up of its Sole gas project.

Gold was weaker again with **Ora Banda** and **Aurelia Metals** both down 10%.

The Trust finished with 63 positions and cash/derivatives of 3.5%.

Invest Online Now



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

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