

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception^ (% p.a.)
Perennial Value Smaller Companies Trust (Net)	-0.8	5.5	5.5	34.9	12.6	14.7	11.3
S&P/ASX Small Ordinaries Accumulation Index	-2.1	3.4	3.4	30.4	9.4	10.2	7.1
Value Added	1.3	2.1	2.1	4.5	3.2	4.5	4.2

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

Overview

The Trust was down 0.8% for the month, holding up much better than the Index which was down 2.1%.

The outperformance was driven by a reduced exposure to Materials, with the sector down 5.4% for the month. Energy by contrast performed well, with Cooper Energy up 20.0% but still a long way of previous highs.

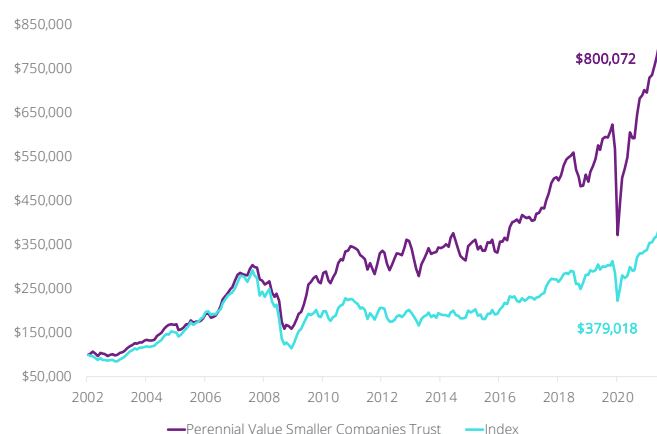
In Industrials, we benefitted from the takeover bid for Smart Group (+18.8%) as well as 're-openers' such as Viva Leisure (+49.0%) and Viva Energy (+11.2%).

Our portfolio remains skewed towards those companies likely to benefit from an ultimate re-opening of the Australian economy, with a clear roadmap now in place for New South Wales.

This is balanced to some degree with more defensive holdings in Healthcare, Telecommunications and Gold.

The portfolio-average PE ratio of 12.7x remains at a sizeable discount to the index which is 19.4x for FY23.

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.

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 Australian companies that are either listed or unlisted companies found 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

Trust FUM

AUD \$224 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2002

Fees

1.20% p.a. + Performance fee

APIR Code

IOF0214AU

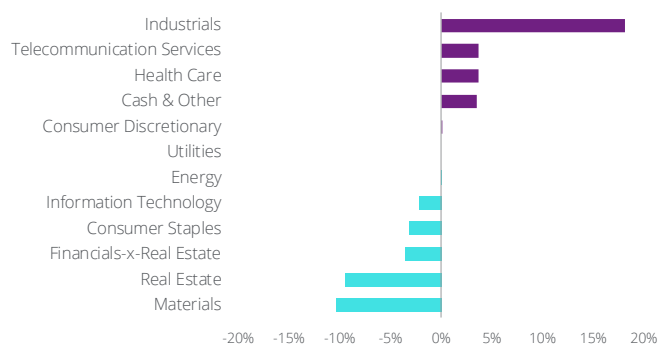
Portfolio Characteristics – FY23	Trust*	Index**
Price to Earnings (x)	12.7	19.4
Price to Free Cash Flow (x)	10.0	19.0
Gross Yield (%)	4.1	2.9
Price to NTA (x)	2.3	2.7

Source: *Perennial Value Management as at 30 September 2021. **FactSet forecast as at 30 September 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.

Top 10 Positions	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES LTD	5.1	0.0
SRG GLOBAL LTD	3.8	0.0
NAVIGATOR GLOBAL INVESTMENTS L	3.3	0.0
SEVEN GROUP HOLDING LTD	3.0	1.1
INTEGRAL DIAGNOSTICS LTD	2.9	0.3
SUPERLOOP LTD	2.8	0.0
EMECO HOLDINGS LIMITED	2.7	0.1
COOPER ENERGY LTD	2.6	0.2
VIVA LEISURE LTD	2.5	0.0
FLETCHER BUILDING LIMITED	2.4	0.8

Sector Active Exposure vs Index



Trust Review

We have been investors in **Smart Group** since the IPO in 2014 which was at \$1.60 per share. The business has been managed very well over that period with strong organic and acquisitive growth in a sector which, despite long term tailwinds, has had several challenges recently.

A hallmark of the business has always been high cashflow and we suspect this is what attracted a consortium led by TPG Global to make an indicative takeover bid at \$10.35 during the month.

The stock closed the month at \$9.50 (up 18.8% for the month) but still reflecting a discount to the bid – as a result we have held the position.

Stocks benefiting from a re-opening of the economy continue to perform, particularly as NSW laid out a roadmap for reduced restrictions. Those benefitting included:

- **Viva Leisure** (+49.0%) after announcing that >20% of their network would be re-opening under the NSW guidelines and reporting reasonable customer retention despite the lockdown;
- **Viva Energy** (+11.2%) began to perform as investors focused on the prospect of increased petrol sales as economies open-up;
- **Auckland Airport** (+9.1%) was higher in anticipation of a resumption in air travel albeit at the time of writing this was still uncertain.

MAAS Group (+24.2%) rose after announcing several M&A deals post its recent equity raising. Deals included:

- 38 ha of land in Dubbo
- Residential development site in Orange
- A quarry in Gladstone

Detractors in the portfolio included:

- **Fleetwood** (down 13.4%) after flagging that extended East Coast lockdowns will impact 1H21 results. In positive news for 2H21, the company separately announced the award of a modular accommodation contract with the Commonwealth Government - worth \$32m.
- **IRESS** (down 22.1%) fell during the month as EQT private equity withdrew their takeover offer. The Trust took the opportunity to add to its position as we remain confident on the numerous levers management have within the business to drive shareholder returns over the medium term.
- **Limeade** (down 21.4%) traded lower following the loss of a top 10 customer (which was American Airlines, due to cost cutting). While disappointing, we expect an improving pipeline and a lift in new contract momentum as general trading conditions in North America improve.

We were active during the month, using weakness to buy back into **Marley Spoon** at a depressed price and top up on our Gold exposures with several names down >15%.

At month end, the Trust finished with 63 positions and cash of 3.8%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-2.1
Energy	+19.3
Materials	-7.4
Industrials	-1.0
Consumer Discretionary	+1.8
Consumer Staples	-3.9
Health Care	-2.2
Financials	-3.3
Real Estate	-1.2
Information Technology	-1.8
Telecommunication Services	+0.2
Utilities	-0.7



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

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