

	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	5.5	7.9	37.9	16.2	15.0	11.3
S&P/ASX Small Ordinaries Accumulation Index	0.9	3.7	4.4	31.0	13.5	11.5	7.1
Value Added	1.4	1.8	3.5	6.9	2.7	3.5	4.2

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

Overview

The Trust was up 2.3% (net of all fees) compared to the Index which was up 0.9%.

The drivers of performance were largely stock specific, with a takeover offer for Class Limited (up 69.8%) and a well priced asset sale for Superloop (up 32.3%).

Some of our gold exposures also began to perform with Dacian (up 17.9%) and De Grey Mining (up 15.5%) on the back of company updates.

On the negative side, we have started to build positions in new names that are under pressure such as Codan (down 21.3%) and Marley Spoon (down 31.7%) and thus, while they were a modest drag on performance in the short term, we believe the entry point will prove to be good value in the medium term.

AGM season starting in October was largely positive, albeit we are conscious that good news travels fast, so a full read of the earnings health of the market is unlikely until AGMs finish in November.

The portfolio-average PE ratio of 12.6x remains at a sizeable discount to the index which is 19.1x 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	Trust FUM
Andrew Smith, Julian Guido & Marco Correia	AUD \$232 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

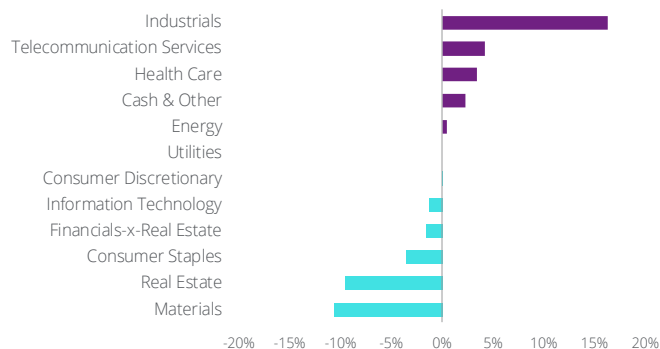
Portfolio Characteristics – FY23	Trust*	Index**
Price to Earnings (x)	12.6	19.1
Price to Free Cash Flow (x)	9.9	18.9
Gross Yield (%)	3.9	2.8
Price to NTA (x)	2.2	2.6

Source: *Perennial Value Management as at 31 October 2021. **FactSet forecast as at 31 October 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	5.0	0.0
SRG GLOBAL LTD	3.7	0.0
NAVIGATOR GLOBAL INVESTMENTS L	3.4	0.0
SUPERLOOP LTD	3.3	0.0
SEVEN GROUP HOLDINGS LTD	3.0	1.2
COOPER ENERGY LTD	2.9	0.2
INTEGRAL DIAGNOSTICS LTD	2.7	0.3
CLASS LTD	2.7	0.0
VIVA LEISURE LTD	2.4	0.0
FLETCHER BUILDING LIMITED	2.3	0.8

Sector Active Exposure vs Index



Trust Review

We purchased an initial position in **Class Limited** back in August 2019 at \$1.25 per share. While we had followed the company prior to this, we were attracted to the then incoming CEO's change in strategy which centred on reinvesting in the Technology stack and developing new products for growth.

Execution on this strategy combined with value enhancing acquisitions increased our confidence to build our position over time and become a substantial shareholder.

HUB24's takeover offer valued Class at \$3.11 with the shares finishing the month at \$2.92 (+69.8% for October). While we do not hold HUB, we think this has the potential to be very value enhancing beyond the conservatively claimed 8% EPS accretion via several cross-sell and complimentary opportunities.

Superloop traded higher (+32.3%) following the sale of its Hong Kong and domestic Singaporean fibre assets at prices better than expected by the market.

The annual general meeting update was also positive, with Superloop's Australian businesses showing good momentum during the first quarter of the financial year.

People Infrastructure was up 15.4% during the month following the announced end of lockdowns in New South Wales and Victoria. Going forward, leading indicators such as job advertisements and general commentary on heightened labour demands across multiple industries bodes well for the company.

AGM season was largely positive with the following notable updates in the portfolio:

- **GUD Holdings** (+18.8%) announced positive organic sales growth for the September quarter (despite lockdowns) and issued initial FY22 EBITA guidance of ~\$114m (+12% YoY). Separately the acquisition of US based Vision X for US\$53mm is attractively priced at 6x EBITA, offers 9% proforma EPS accretion and is in addition to existing guidance issued.
- **PSC Insurance** (+9.0%) issued an upbeat presentation on its UK operations, reminding investors of the strong leverage to this region at 40% of Group EBITDA.
- **Acrow Formwork and Construction** (+17.9%) highlighted record September contract wins and a large order from the Snowy Hydro project.

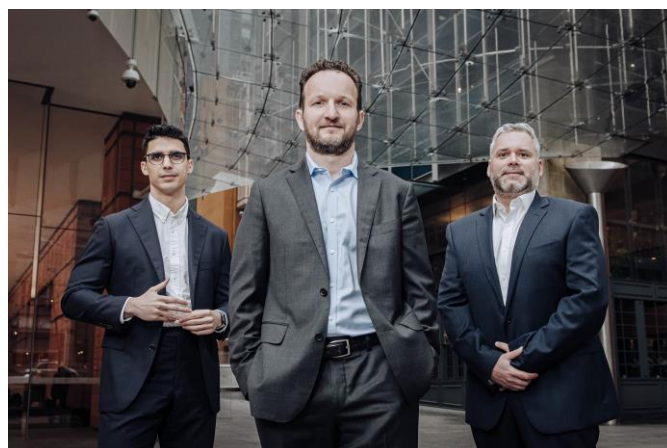
On the negative side, **Marley Spoon** (down 31.7%) reduced revenue growth guidance from 30-35% to 26-28%. The large share price over-reaction leaves Marley by far, the cheapest meal subscription business amongst its listed peers.

We expect further updates from companies with AGM season stretching into November.

At month end, the Trust finished with 63 positions and cash of 2.3%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	+0.9
Energy	-1.4
Materials	+7.2
Industrials	-1.2
Consumer Discretionary	-1.0
Consumer Staples	-0.5
Health Care	-3.7
Financials	+1.1
Real Estate	+2.8
Information Technology	+3.2
Telecommunication Services	+5.8
Utilities	+0.4



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

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