

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception <sup>^</sup> (% p.a.)
Perennial Value Smaller Companies Trust (Net)	-7.5	-4.7	-8.2	-5.4	17.7	9.6	11.4	10.1
S&P/ASX Small Ordinaries Accumulation Index	-7.0	-3.6	-7.4	-4.6	10.0	5.5	8.5	6.2
<b>Value Added</b>	<b>-0.5</b>	<b>-1.1</b>	<b>-0.8</b>	<b>-0.8</b>	<b>7.7</b>	<b>4.1</b>	<b>2.9</b>	<b>3.9</b>

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

### Overview

For the month of May, the Trust was down 7.5% (net of all fees) in line with the Index which was also down 7.0%.

Markets globally were very weak as concerns around inflation and interest rate expectations continued to impact growth stocks but this has now added concerns about economic health which is starting to impact the market more broadly.

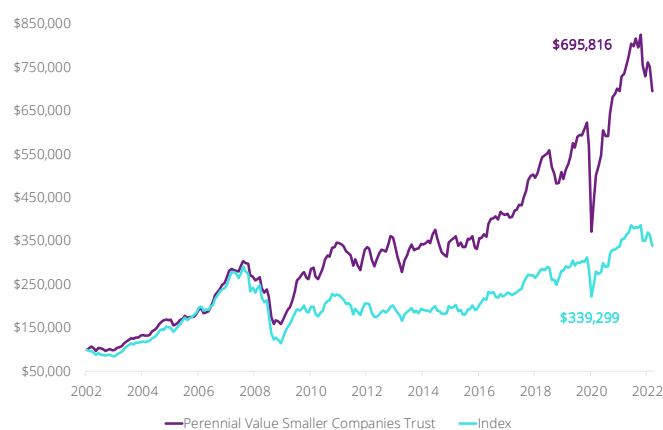
We have started to see a lift in takeover activity during the month but more is likely to be required before the market begins to react to the strong fundamental valuation support we see in many of our positions.

The Trust benefited from the bid by Qantas for Alliance Aviation at \$4.75 per share albeit the stock was only up 7.4% for the month to \$4.07 as ACCC approval is still required.

May and June are historically the largest months for tax loss selling so we expect this pressure may create buying opportunities in our current portfolio as well as via new positions.

The portfolio-average PE ratio of 9.9x remains at a sizeable discount to the index which is 14.0x for FY24.

### 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 \$197 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

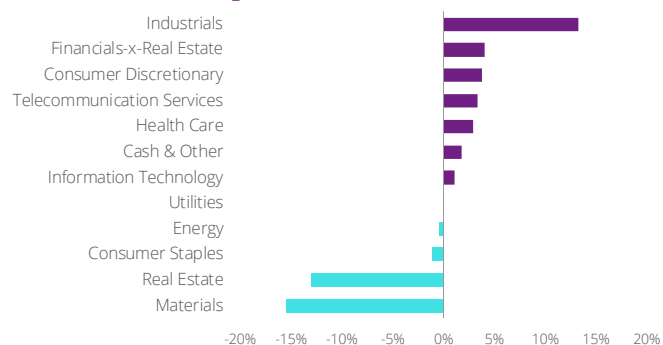
Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	9.9	14.0
Price to Free Cash Flow (x)	7.4	13.7
Gross Yield (%)	5.7	3.8
Price to NTA (x)	2.3	1.8

Source: \*Perennial Value Management as at 31 May 2022. \*\*FactSet forecast as at 31 May 2022

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	6.3	0.0
NAVIGATOR GLOBAL INVESTMENTS L	4.6	0.0
COOPER ENERGY LTD	3.8	0.2
SUPERLOOP LTD	3.1	0.0
RPM GLOBAL HOLDINGS LTD	2.9	0.0
INTEGRAL DIAGNOSTICS LTD	2.8	0.3
SEVEN GROUP HOLDINGS LTD	2.6	1.2
ENERO GROUP LTD	2.3	0.0
CSR LIMITED	2.3	0.9
FLETCHER BUILDING LTD	2.2	0.6

### Sector Active Exposure vs Index



## Trust Review

**Veem** (+15.6%) began to recover given improving prospects for Gyro sales with several new customers revealed on LinkedIn updates.

**Codan** (+10.8%) provided a positive market update during its investor day earlier this month. Management guided to a record FY22 net income result and better second half cash inflows, somewhat alleviating investor concerns. While earnings visibility can be enhanced, credibility is building nicely within the new CEO and the recent acquisitions have helped improve revenue diversity within the business. The company trades on an undemanding valuation and has a solid balance sheet to further pursue organic and inorganic growth.

**Alliance Aviation** (+7.4%) received a takeover bid from Qantas at \$4.75 per share. ACCC approval is required hence the large discount which the stock is now trading at versus the bid price (further clarity is expected from the ACCC in August). The approach is encouraging given we see strong valuation support in Alliance at current share prices – indeed we believe corporate interest is likely in many other names in our portfolio and expect this to be a theme for the remainder of CY22.

**Ridley** (+3.6%) outperformed the market during the month as management outlined their new FY23-FY25 growth plans following a very successful FY20-FY22 growth strategy. We were pleased to see the focus remains on stable and bankable internally-funded growth initiatives, with a clear emphasis on shareholder returns. In addition, and while volatile, the domestic agricultural environment remains constructive for Ridley and some of our other agribusiness investments.

**Viva Energy** (+1.1%) rose after the company confirmed very strong refining margins from tight demand, supply mix and geopolitical tensions. Group unaudited EBITDA for the 4 months to April of \$308m is up +65% YoY.

**Event Hospitality** (+0.9%) announced the sale of Rydges North Sydney for \$75m which totals gross proceeds of \$275m in the sale of non-core properties – in excess of its \$250m target.

**PSC Insurance** (down 0.7%) entered into a non-binding MOU whereby it would acquire 50% of Tysers UK retail division in a JV arrangement for a contribution of A\$60-70m.

**Monash IVF** (down 11.7%) downgraded FY22 NPAT to \$22m (-15% vs consensus). Similar to subsequent updates from other listed healthcare related names (pathology, imaging etc), the spread of COVID in the broader community resulted in increased absenteeism in both patients and practitioners – we expect this to be a short-term issue.

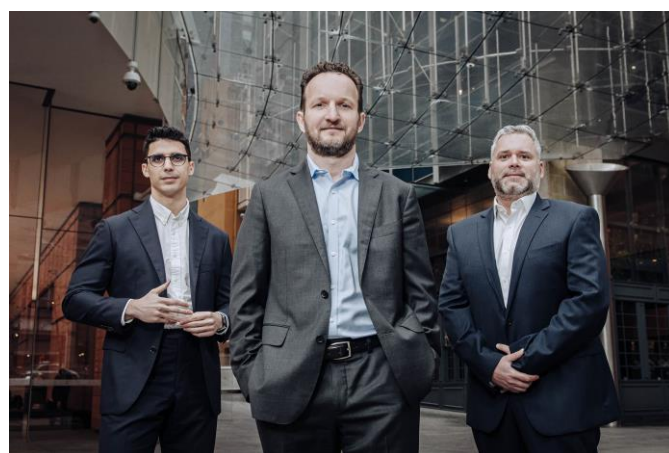
**CSR** (down 23.9%) – A slight beat to the FY22 result (March year end) was overshadowed with investor macro concerns (higher interest rates etc). We believe any risk to CSR's earnings are more than captured in the low valuation and we take comfort from the balance sheet which leaves CSR well positioned for any slowdown in activity.

Several stocks were impacted by tax loss selling such as **Marley Spoon** (down 26.9%) and **DDH1** (down 21.6%) although this also provided an opportunity to add new names such as **Experience Co** (down 24.2% for the month).

At month end, the Trust finished with 62 positions and cash of 1.8%.

## Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-7.0
Energy	-1.4
Materials	-7.9
Industrials	-4.1
Consumer Discretionary	-9.7
Consumer Staples	-6.0
Health Care	-1.7
Financials	-3.5
Real Estate	-8.4
Information Technology	-5.2
Telecommunication Services	-9.9



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

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