

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception [^] (% p.a.)
Perennial Value Smaller Companies Trust (Net)	-0.9	-7.3	7.1	-20.0	3.1	4.4	8.3	9.6
S&P/ASX Small Ordinaries Accumulation Index	0.6	-2.6	12.1	-14.7	5.1	4.1	6.9	6.0
Value Added	-1.5	-4.7	-5.0	-5.3	-2.0	0.3	1.4	3.6

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

Overview

For the month of August, the Trust was down 0.9% (net of all fees) compared to the Index which was up 0.6%.

The month started positively with a better-than-feared domestic reporting season, but it then began to fall with macro concerns post the hawkish commentary from the Fed at the Jackson Hole summit.

We were pleased with the strong fundamentals delivered in the August full year results from our portfolio companies.

Given the mood of the market, there were many cases where these fundamental improvements were ignored – Navigator (down 15.6%) was a case in point after beating earnings expectations and demonstrating inflows and positive absolute performance (a rarity amongst its funds management peers).

Pleasingly, the market did begin to notice the improved earnings outlook at Cooper Energy (up 20.0%) as well as PeopleIN (up 9.1%).

The portfolio-average PE ratio of 10.3x remains at a sizeable discount to the index which is 15.2x 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 \$153 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

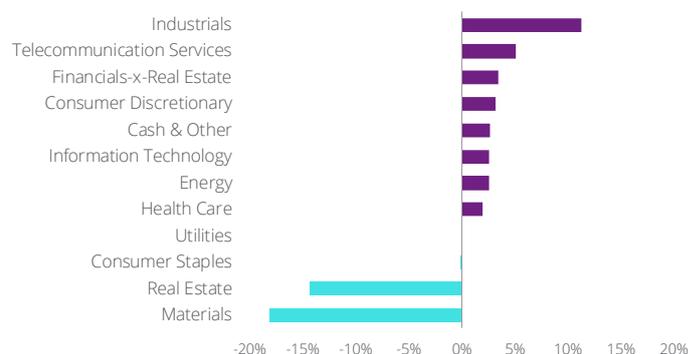
Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.3	15.2
Price to Free Cash Flow (x)	8.2	15.9
Gross Yield (%)	6.1	3.8
Price to NTA (x)	2.4	2.1

Source: *Perennial Value Management as at 31 August 2022. **FactSet forecast as at 31 August 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 (%)
COOPER ENERGY LTD	5.8	0.3
NAVIGATOR GLOBAL INVESTMENTS	5.0	0.0
ALLIANCE AVIATION SERVICES LTD	4.1	0.0
RPMGLOBAL HOLDINGS LTD	3.9	0.0
SUPERLOOP LTD	3.6	0.0
ENERO GROUP LTD	3.0	0.0
FLETCHER BUILDING LTD	2.7	0.6
CSR LTD	2.6	1.0
PSC INSURANCE GROUP LTD	2.6	0.0
SEVEN GROUP HOLDINGS LTD	2.5	1.3

Sector Active Exposure vs Index



Trust Review

There were many pleasing updates during August, namely:

- **Cooper Energy** (up 20.0%) on an improving production outlook for its Sole gas development in Victoria, and the continuing increase in domestic gas prices
- **Ridley** (up 23.1%) produced a strong and clean set of results, with earnings up 16% year on year. We continue to support Ridley, with business momentum remaining strong, the balance sheet de-levered and a management team that we believe is first rate. In addition, the growth outlook for the company remains compelling, both organically and through potential strategic M&A
- **PSC Insurance** (up 18.2%) delivered another strong result with NPATA 5% above the top end of the guidance range. In what was a rare sight this reporting season, management issued initial FY23 guidance which was above consensus expectations and demonstrates the quality and resilience of the business
- **Family Zone Cyber Safety** (up 17.6%) delivered an inline result given recent quarterly disclosures, but August recurring revenue growth was ahead of expectations, setting them up well for their near-term target of transitioning to sustainable positive cash flows
- **IPH** (up 9.5%) announced a solid set of FY22 results and the acquisition of Smart & Biggar, a leading IP patent attorney firm based in Canada. Management continues to grow the international businesses nicely, with both Singapore and Canada representing an attractive and high-margin growth avenue for the broader group
- **Envirosuite** (up 9.4%), after demonstrating strong operational leverage from additional revenues and outlining “a clear pathway towards adjusted EBITDA profitability during FY23”
- **PeopleIN** (up 9.1%) delivered strong FY22 results and EBITDA guidance for FY23 which indicates ~10% organic growth as well as a positive contribution from recent acquisitions
- **RPM Global** (down 3.2%) provided one of the strongest outlook statements from our coverage with guidance for FY23 of \$14.2m EBITDA from the \$4.5m delivered in FY22. This solid growth reflects the impact of strong software sales already made late in FY22 and flat development costs for FY23 after years of heavy investment – hence this earnings growth is relatively low risk.

The short-term focus of markets was reflected in the response to the results that beat expectations for FY22 but included further investment in growth initiatives for FY23 that boost medium-term growth but at a cost to FY23 expectations – in these cases the market was disappointed with the lack of a sugar hit in FY23 and ignored the improved growth prospects in future years from this investment. This was seen in:

- **Superloop** (down 12.4%) beating market expectations in FY22. However, management flagged further investment in marketing spend in FY23 to continue the healthy organic growth profile, leading to consensus earnings being lowered in FY23 and FY24. We remain supportive of management and the broader business, with good underlying growth, improving earnings quality and a net cash balance sheet providing good upside for investors.
- **Navigator Global investments** (down 15.6%) delivering a 6% beat to expectations as well as strong absolute performance and positive flows. Prudently, the dividend payout was reduced so that the group can fully fund the deferred consideration for recent acquisitions which have enhanced the future EPS growth profile.

At month end, the Trust finished with 52 positions and cash of 2.7%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.6
Energy	+14.1
Materials	+1.1
Industrials	-0.7
Consumer Discretionary	-1.5
Consumer Staples	+0.4
Health Care	-6.3
Financials	-0.4
Real Estate	-5.0
Information Technology	-3.4
Telecommunication Services	+0.0



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

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