

	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)	2.4	-8.3	-0.9	-27.1	0.3	0.0	5.7	9.1
S&P/ASX Small Ordinaries Accumulation Index	6.5	-4.9	6.0	-18.3	3.5	1.5	4.2	5.7
<b>Value Added</b>	<b>-4.1</b>	<b>-3.4</b>	<b>-6.9</b>	<b>-8.8</b>	<b>-3.2</b>	<b>-1.5</b>	<b>1.5</b>	<b>3.4</b>

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

## Overview

For the month of October, the Trust was up 2.4% (net of all fees) underperforming the Index which was up 6.5%. The ASX followed global markets which traded higher during the month, with a better-than-feared US reporting season and investor hope that the peak in interest rates is nearing.

The underperformance of the Trust in a strong market was despite many clearly positive updates from the portfolio. There were 12 companies providing clear evidence on which the market upgraded expectations. Investors are still gravitating to the more liquid end of the Small Cap Index and thus share price responses were largely muted. Despite this, we are encouraged as these fundamental improvements continue to build the value in the portfolio which will benefit patient investors or attract strategic interest given increasing M&A activity.

While the bulk of the remaining portfolio provided AGM updates reconfirming guidance, there were four which were negative, some of which we have now exited. We expect further company updates as AGM season stretches into November.

The portfolio-average PE ratio of 10.8x remains at a sizeable discount to the index which is 13.4x for FY24.

## 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.

<b>Portfolio Managers</b>	<b>Trust FUM</b>
Andrew Smith, Julian Guido & Marco Correia	AUD \$140 million
<b>Distribution Frequency</b>	<b>Minimum Initial Investment</b>
Half yearly	\$25,000
<b>Trust Inception Date</b>	<b>Fees</b>
March 2002	1.20% p.a. + Performance fee

**APIR Code**  
IOF0214AU

Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.8	13.4
Price to Free Cash Flow (x)	8.6	17.9
Gross Yield (%)	5.0	5.5
Price to NTA (x)	1.9	2.0

**Source:** \*Perennial Value Management as at 31 October 2022. \*\*FactSet, Goldman Sachs, Macquarie Securities and UBS forecast as at 31 October 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.

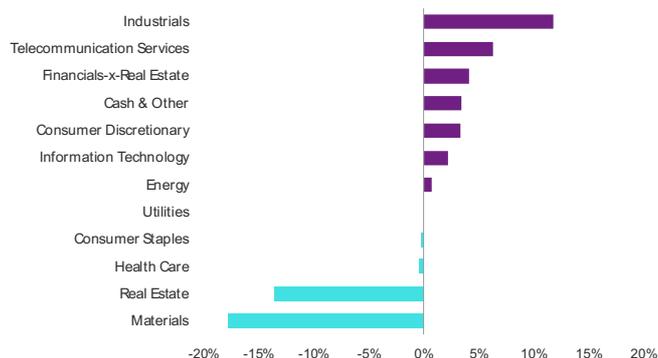
## Growth of \$100,000 Since Inception



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 (%)
NAVIGATOR GLOBAL INVESTMENTS	5.2	0.0
RPMGLOBAL HOLDINGS LTD	5.1	0.0
COOPER ENERGY LTD	5.0	0.3
ALLIANCE AVIATION SERVICES LTD	4.9	0.0
SUPERLOOP LTD	4.0	0.0
EXPERIENCE CO LTD	3.2	0.0
CSR LTD	2.9	1.0
ENERO GROUP LTD	2.8	0.0
FLETCHER BUILDING LTD	2.8	0.5
SEVEN GROUP HOLDINGS LTD	2.7	1.3

## Sector Active Exposure vs Index



## Trust Review

Highlights from the 12 companies providing positive updates during the month were:

- **Experience Co** (+15.0%) with a first quarter update showing a strong recovery in their tourism assets despite the wet weather
- **Superloop** (+13.6%) upgraded earnings guidance with strong subscriber growth and a strategic deal with Uniti Group
- **RPMGlobal** (+25.0%) after positive AGM commentary showing subscription revenue growth passing 80% of that required to hit full year guidance (after only one quarter)
- **PeopleIN** (+7.2%) after reiterating guidance of robust earnings growth in FY23. Their exposure to more defensive and well-funded labour markets builds our confidence in the company's ability to grow in potentially more adverse future economic conditions. In addition, the recent reduction in visa backlog and increased immigration will benefit PPE's ability to source and place nurses and other in-demand talent.
- **Envirosuite** (+4.2%) increased annual recurring revenues with the uplift in 1Q sales 23.5% stronger than the same time last year
- **Navigator** (down 0.9%) reported strong absolute fund performance and funds inflows – a rare feat in this market

Several stocks were down despite positive newsflow given lack of liquidity and market attention at this time:

- **Enero Group** (down 3.4%) despite 1Q sales growing 19.1% on a like for like basis – well ahead of consensus expectations
- **Genetic Signatures** (down 21.0%) despite growing sales 16% compared to the previous quarter more than offsetting the sharp drop in COVID-related revenues

Other names were rewarded for reconfirming guidance or consistent outlook commentary with names such as **Adairs** and **Fleetwood** recovering close to 18% each from oversold levels.

Amongst the four names providing negative updates, we sold down our position in **Codan** and **Baby Bunting** – moving the capital to higher conviction names elsewhere in the portfolio.

More patience is justified in the following names:

- **Cooper Energy** (down 17.6%) with a quarter showing encouraging production growth but subdued price growth as spot sales were limited
- **Betmakers** (down 12.7%) with the 19% revenue growth for Q1 behind expectations as the significant push into the US is delayed until the new year, albeit the successful BETR launch lifts Q2

In both cases our valuations based on medium-term forecasts has not changed.

Finally, despite no formal newsflow, **MAAS Group** (down 27.8%) moved lower as investors factored in short-term earnings risk from the severe weather events across the east coast.

At month end, the Trust finished with 52 positions and cash of 3.5%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+6.5
Energy	+4.5
Materials	+2.2
Industrials	-1.5
Consumer Discretionary	+5.2
Consumer Staples	+2.5
Health Care	+8.9
Financials	+3.4
Real Estate	+9.3
Information Technology	+2.8
Telecommunication Services	+6.8



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

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