Perennial Value Smaller Companies Trust

Monthly Report August 2021

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception^ (% p.a.)
Perennial Value Smaller Companies Trust (Net)	4.0	9.6	6.4	32.9	13.4	15.0	11.3
S&P/ASX Small Ordinaries Accumulation Index	5.0	8.9	5.7	29.5	10.1	11.0	7.2
Value Added	**-1.0**	**0.7**	**0.7**	**3.4**	**3.3**	**4.0**	**4.1**

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

Overview

The Trust was up 4.0% for the month of August, compared to the Small Cap Index which was up 5.0%.

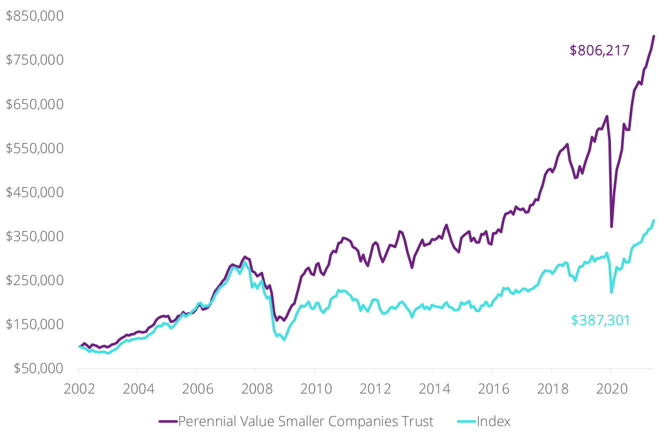
The Trust and the Index were driven higher by continued enthusiasm for Lithium and other battery mineral stocks – for example, Pilbara Minerals (a large Index constituent not held) was up 26.0%. Pleasingly, our exposures – Orocobre (+11.2%) and Calix (+39.6%) made a strong contribution to the Trust and we used the strength to lighten both names.

Industrial reporting season in August was largely positive and we used the liquidity to add some new names to the portfolio, while we exited others with stretched valuations.

Our portfolio remains skewed towards those companies likely to benefit from an ultimate re-opening of the Australian economy, balanced to some degree with more defensive holdings in Healthcare, Telecommunications and Gold.

The portfolio-average PE ratio of 13.0x remains at a sizeable discount to the index which is 18.7x 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 $225 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

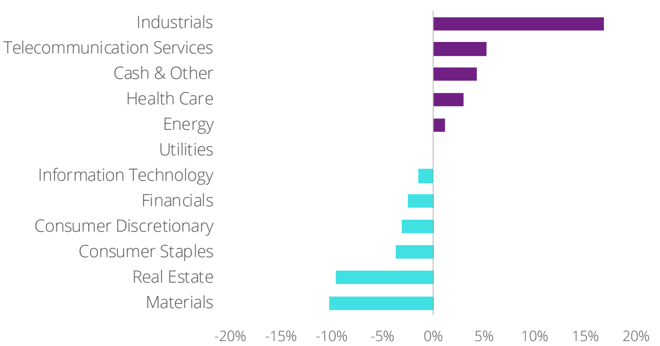
Portfolio Characteristics – FY23	Trust*	Index**
Price to Earnings (x)	13.0	18.7
Price to Free Cash Flow (x)	10.6	18.5
Gross Yield (%)	4.1	3.0
Price to NTA (x)	2.2	2.6

Source: *Perennial Value Management as at 31 August 2021. **FactSet forecast as at 31 August 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	4.8	0.0
SRG GLOBAL LTD	4.1	0.0
NAVIGATOR GLOBAL INVESTMENTS L	3.3	0.0
UNITI GROUP LTD	3.1	1.1
SEVEN GROUP HOLDING LTD	3.0	1.2
EMECO HOLDINGS LIMITED	2.9	0.2
SUPERLOOP LTD	2.9	0.0
RPMGLOBAL HOLDINGS LTD	2.5	0.0
FRONTIER DIGITAL VENTURES L	2.4	0.0
MONEYME LTD	2.2	0.0

Sector Active Exposure vs Index



Trust Review

Risk appetite remains elevated particularly in the battery mineral space with Pilbara Minerals (a large Index constituent not held) up 26.0% as an example. Pleasingly, our exposure via Orocobre (+11.2%) and Calix (+39.6%) made a strong contribution to the Trust and we used the strength to lighten both names during the month.

Industrial reporting season was largely encouraging for the portfolio. The main positives were:

- Uniti Group traded higher (+24.4%) in August following a strong FY21 result that beat market expectations and led to consensus earnings upgrades. The company continues to execute on its strategy of growing fibre connectivity market share within the greenfield broadacre residential market. Other key positives included better-than-expected growth in its order book and lower-than-expected debt levels.
- BetMakers Technology Group (+21.7%) provided an encouraging update during the month with July annualised revenue of $70m before adding any benefit from fixed odds approval in New Jersey.
- EBOS (+18.9%) posted solid NPAT growth of 14% with organic growth and return on capital employed the key highlights. An under geared balance sheet leaves scope for incremental M&A.
- Monash IVF (+14.9%) showed very strong underlying NPAT growth of 66% on the back of a large lift in Australian IVF cycles. Demand continues to remain high with increased client registrations providing good visibility for further growth.
- Class (+14.7%) delivered on expectations with 16% NPATA growth driven by both organic and acquisition initiatives. Initial FY22 guidance for $25m EBITDA implies 19% growth and was well received.
- PSC Insurance (+14.6%) reported 22% NPATA growth in line with guidance. Initial FY22 EBITDA guidance of $84-89m implies 16-24% growth and resulted in consensus earnings upgrades of 7% post result.

Negative reactions to results in the portfolio included:

- Integral Diagnostics (down 12.8%) posted a largely in-line result, however increased competition for acquisitions and lower-than-expected government funded indexation were a drag on the outlook when combined with COVID lockdowns in FY22.
- GUD Holdings (down 10.1%) recorded 33% NPAT growth with results slightly ahead of expectations. Current investor concern is focused on the extension of domestic east coast lockdowns.
- Viva Leisure (down 10.0%) managed FY21 well given the significant disruption and faces an equally challenging start to FY22.
- Seven Group (down 8.6%) on a largely in-line result, with early guidance for FY22 growth lower than the elevated market expectations. The company's holdings in Beach and Seven West Media were also a drag on performance.

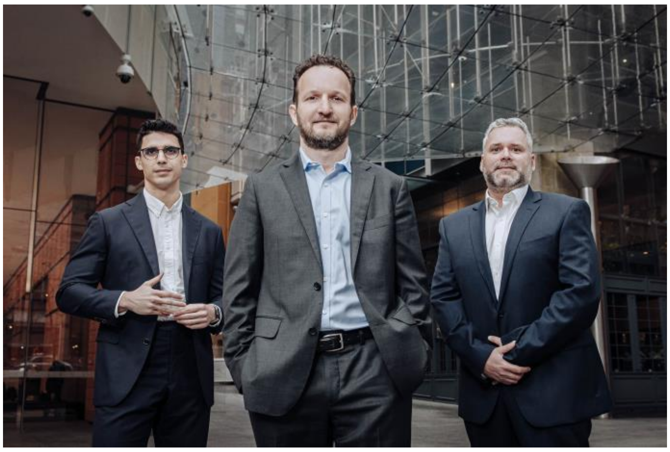
As always, we are on the lookout for opportunities where the market may have missed some encouraging details in the result. In the case of Alliance Aviation (down 7.0%), the company has taken significant costs in FY21 to establish their fleet expansion, with revenue only starting to flow in the last month of FY21 – setting up FY22 growth nicely. There was also a negative reaction to some straightforward reopening names such as Viva Leisure (down 10.0%), where the offshore experience points to a strong rebound in gym memberships once restrictions are removed.

We were active during the month, establishing new positions in Ardent Leisure (+52.6%) and Universal Store Holdings (+8.5%). On the flip side, we exited Johns Lyng (at $6.25 compared to month end price of $5.82) purely on valuation grounds, as well as Austin Engineering to focus on more liquid opportunities in the mining services space.

At month end, the Trust finished with 61 positions and cash of 4.3%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+5.0
Energy	-0.7
Materials	-2.9
Industrials	+4.7
Consumer Discretionary	+4.3
Consumer Staples	+6.9
Health Care	+1.6
Financials	+9.4
Real Estate	+6.6
Information Technology	-0.2
Telecommunication Services	+10.6
Utilities	+4.4



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

Invest Online Now

Contact us

Level 27, 88 Phillip Street
Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au