

Perennial Value Smaller Companies Trust

Monthly Report as at 30 September 2012

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception [^] % p.a.
Perennial Value Smaller Companies Trust*	3.9	15.8	15.8	18.0	13.8	6.1	14.6
S&P/ASX Small Ordinaries Accum. Index	4.4	7.3	7.3	3.8	-0.9	-7.5	6.2
Value Added (Detracted)	-0.5	8.5	8.6	14.2	14.7	13.6	8.4
Net Performance	3.2	13.2	13.2	12.6	8.4	2.3	12.0

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

- The best performing stock in the Trust was Mirabella Nickel Limited (up 53.6%).
- Domestic economic data was overall weaker in September.
- The Reserve Bank of Australia left interest rates unchanged at 3.5% for a third consecutive month.

Global equity markets rallied in September as central banks in the US, Europe and Japan announced new stimulus measures to spur growth. The smaller end of the Australian equity market was no exception, enjoying a strong 4.4% return for the month. The Perennial Value Smaller Companies Trust (the Trust) delivered a healthy 3.9%, but underperformed the S&P/ASX Small Ordinaries Accumulation Index (the Index), by 0.5%.

For the September quarter, the Trust delivered 15.8%, more than doubling the Index, which returned 7.3%.

Investors cheered the additional quantitative measures driving the material sector (up 15.0%) with iron ore prices rebounding after a significant sell off in August, while gold prices continued to rise as central bank activism underpinned its appeal as a hedge. The energy sector (up 3.9%) also benefited from the stimulus announcements and helped the Trust's performance given our overweight position in this sector. Defensive sectors were a drag on the Index, with utilities (down 4.3%) and consumer staples (down 2.7%) both underperforming.

Overall, domestic economic data was weaker in September, with retail sales for July falling 0.8% despite the Australian government's Household Assistance Package stimulus. While the unemployment rate ticked down to 5.1%, this was largely due to a reduction in the participation rate, which is not a good sign as some job seekers gave up looking for employment. The Reserve Bank of Australia left interest rates unchanged at 3.5% for a third consecutive month and the Australian dollar was marginally firmer, finishing at USD1.04.

Perennial Value Smaller Companies Trust Facts:

The Trust aims to grow the value of your investment over the long term via a combination of capital growth and tax effective income by investing in a diversified portfolio of Australian shares predominantly outside the S&P/ASX 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:
Grant Oshry and Andrew Smith

Trust FUM (as at 30/09/12):
AUD94.9 million

Team FUM (as at 30/09/12):
AUD7.8 billion

Trust Inception date:
March 2002

Risk Profile:
High

Income Distribution Frequency:
Half yearly
Minimum Initial Investment:
\$25,000

APIR code:
IOF0214AU

*Excluding performance fees.

The best performing stock in the Trust was Mirabella Nickel Limited (Mirabela Nickel) (up 53.6%) following a strong 11% rise in the nickel price during September coupled with a material reduction in its quarterly production costs. Alacer Gold Corp (Alacer Gold) (up 27.7%) benefited from a 6% rise in the spot gold price coupled with a significant 27% increase in its Turkey based Copler mine's resource estimate. During the month, we met with the Managing Director of Alacer Gold ahead of its international roadshow to follow up on a few queries and assess its intentions regarding its Western Australian based gold mines. Silverlake Resources Limited (up

22.6%) and Troy Resources Limited (up 20.5%) both benefited from the firmer gold price, while Independence Group NL (up 20.6%) gained given its exposure to both nickel and gold which were stronger as reported. Premier Investments Limited (up 18.1%) reported a respectable full year result in a tough consumer discretionary environment.

Other strong attributors included copper miners PanAust Limited (up 17.0%) and Sandfire Resources NL (Sandfire Resources) (up 16.3%) both benefiting from spot copper's 8% rise, Prime Media Group Limited (up 12.1%), Sundance Energy Australia Limited (up 11.8%), Aurora Oil & Gas Limited (up 10.8%) and Amcom Telecommunications Limited (up 10.5%).

Stocks which detracted from performance included FKP Property Group (FKP) (down 16.7%) following the completion of the retail component of its \$208 million discounted 6-for-7 entitlement issue at \$0.20 per share (month end closing price \$0.25). While our investment in FKP has to date been disappointing, partly due to a tough residential property cycle (which drives both FKP's residential apartment sales as well as being a driver of its retirement villages, given retirees usually sell their homes before moving into a retirement village) and partly due to management, we are comfortable that its balance sheet post this capital raising is in a stronger position and are pleased to see management change occurring at the senior level. As part of its capital raising, management took some impairment charges, with the net effect being a net tangible asset (NTA) value per share post this equity raising being reported as \$0.58 per share. Hence, the current share price trades at a 57% discount to its NTA, which, in our opinion, is attractive.

Other detractors included Whitehaven Coal Limited (down 11.3%) due to a perceived overhang of stock weighing down on the current share price, which at current levels is essentially pricing in lower long term coal prices, Pacific Energy Limited (down 7.3%), Melbourne IT Limited (down 4.6%) and Matrix Composites and Engineering Limited (down 4.0%).

In terms of Trust activity, we exited our holding in Sandfire Resources on valuation grounds given the strong share

price gains. We also took some profits in each of Mirabella Nickel, Alacer Gold and Western Areas NL given the strong share price rises. We also added to our Mt Gibson Iron Limited position below 69 cents early in the month ahead of the stimulus announcements, after which we sold some above 81 cents to lock in a 17% gain intra-month. We also took some profits in each of Fantastic Holdings Limited, Amcom Telecommunications Limited, Technology One Limited and Clough Limited and switched into relative underperformer Forge Group Limited. We also added to our GWA Group Limited, Mortgage Choice Limited and Horizon Oil Limited positions.

At month end, stock numbers stood at 57 with cash at 2.5%.

Asset Allocation as at 30 September 2012

Asset Class	Trust Weight %	Index Weight %
Energy	21.9%	8.6%
Materials	12.0%	30.3%
Industrials	22.0%	21.2%
Consumer Discretionary	16.5%	14.5%
Consumer Staples	0.0%	1.2%
Health Care	0.0%	4.0%
Financials-x-Real Estate	5.6%	5.5%
Real Estate	5.5%	4.9%
Information Technology	7.7%	3.8%
Telecommunication Services	4.6%	3.3%
Utilities	1.2%	2.7%
Other	3.0%	-

Rounding accounts for small +/- from 100%.

Signatory of:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Managers: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial Growth Management Pty Limited ABN 41 099 336 384 and Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL: 230524. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, reference guides and application forms can be found on Perennial's website www.perennial.net.au.