Perennial Value Smaller Companies Trust

Monthly Report as at 30 November 2013

	1 Month %	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception^ % p.a.
Perennial Value Smaller Companies Trust+	-3.8	3.9	18.2	1.0	1.5	15.8	10.8
S&P/ASX Small Ordinaries Accum. Index	-5.2	-1.0	11.9	-0.1	-4.6	8.5	5.4
Value Added (Detracted)	**1.4**	**4.9**	**6.3**	**1.1**	**6.1**	**7.3**	**5.4**

+Net performance (including performance fee). ^Since inception: March 2002. **Past performance is not a reliable indicator of future performance.**

- The Trust delivered net outperformance of 1.4% for the month.
- FKP Property Group (up 15.9%) was a key performer for the Trust after providing a positive update on sales in its residential division.
- During the month, we sold out of Clough, Forge, Fleetwood and SAI Global, with the proceeds to be used to selectively fund some upcoming IPOs in December.

Globally, economic data in the US and Japan continued to show positive momentum while in China, policymakers are continuing their attempts to slow growth in credit and housing activity and accelerate the rotation to domestic consumer spending. Global manufacturing and services forward indicators point to slightly firmer global output growth in the near term. Against this backdrop the S&P500 finished up 2.8% while the Shanghai Composite rose 3.7%.

In contrast after several very strong months, the Australian share market declined in November with the S&P/Small Ordinaries Accumulation Index (the Index) down 5.2%. The Perennial Value Smaller Companies Trust (the Trust) to a lesser extent, down 3.8%, delivering 1.4% outperformance net of all fees against the Index return.

The best performing sectors in the Index were healthcare (down 1.7%) and financials (down 1.9%). Materials, where the Trust is currently underweight, was the worst performing sector (down 10.1%), followed by industrials (down 8.2%) dragged down by the mining services sector in particular.

Domestically, economic data was generally better than expected including monthly retail sales (up 0.8%) as well as improved consumer confidence, housing finance approvals and house prices. Employment growth remains weak however, with the unemployment rate slightly higher and wages growth slowing markedly. The Reserve Bank of Australia left the cash rate unchanged and retained its easing bias, highlighting that it would like a lower Australian dollar (AUD) to rebalance growth. The AUD finished the month down 3.7% at US$0.91.

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	**Risk Profile:** High
Trust FUM (as at 30/11/13): AUD133.3 million	**Income Distribution Frequency:** Half yearly
Trust Inception date: March 2002	**Minimum Initial Investment:** $25,000
	APIR code: IOF0214AU

*Excluding performance fees.

A key performer for the Trust was FKP Property Group (up 15.9%) after providing a positive update on sales in its residential division. It also continued to execute sales at or above book value as it moves towards becoming a 'pure play' retirement operator. We see further upside in FKP as it still trades at a discount to NTA (which was last reported at $2.74 versus a $2.15 closing stock price at month end). We expect this gap should begin to narrow as they execute asset sales at or above book value, a trend that has continued with some early sales announced already in December.

Another strong performer was Runge (up 12.0%) as investors began to focus on its recent product launches aimed at improving the relevance of its software to the mining industry. Runge software has a strong entrenched position at the mine site, however recent initiatives to better link its software to the ERP environment could lead to a step-change in sales. This process is likely to take some time, especially given soft conditions in mining, however with a strong balance sheet and reasonable valuation, investors can afford to be patient.

Tox Free (up 7.9%) was stronger after AGM comments suggested that the performance of the recently acquired Wanless waste services business was on track and 1Q trading across the group was meeting expectations.

Other strong performers were Webster (up 10.5%) after positive AGM comments and Sealink Travel Group (up 7.6%) after securing additional ferry contracts in Sydney harbour.

Forge Group fell significantly (down 83.0%) after announcing significant contract losses on two power construction contracts. Fortunately the impact on the Trust's performance was reduced given we had been selling Forge since the full year result, which, although in line with market expectations, had very poor cashflow for the first time in several years. We accelerated our selling after the AGM comments showed little visibility in earnings such that the weight was halved before the stock went into a trading halt. The subsequent announcement of loss making contracts revealed a balance sheet under considerable stress (compared to a net cash balance at 30 June) and this, combined with questionable management practices, led us to sell the remaining position at month end.

Other detractors during the month were Ausenco (down 27.3%) given weakness in the mining service sector and PanAust (down 24.8%) as the market reacted to its acquisition of the Frieda River project in PNG.

It was a busy month in terms of portfolio activity with the Trust selling out of Clough (as takeover bid went final), Forge, Fleetwood and SAI Global. Proceeds were used to selectively fund some IPOs which are coming to market in December.

At month end, stock numbers stood at 58 with cash at 2.7%.

Asset Allocation as at 30 November 2013

Asset Class	Trust Weight %	Index Weight %
Energy	12.7	6.2
Materials	11.0	17.2
Industrials	16.5	16.7
Consumer Discretionary	25.8	27.4
Consumer Staples	2.0	2.4
Health Care	1.5	4.5
Financials-x-Real Estate	5.7	6.2
Real Estate	13.9	10.0
Information Technology	3.6	2.5
Telecommunication Services	3.4	5.2
Utilities	1.3	1.7
Other	2.7	

Rounding accounts for small +/- from 100%.