

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust*	1.0	3.4	23.9	9.9	0.3	13.9	10.8
S&P/ASX Small Ordinaries Accum. Index	-1.2	2.5	14.3	2.1	-4.9	5.8	5.4
Value Added (Detracted)	2.2	0.9	9.6	7.8	5.2	8.1	5.4

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

Perennial Value Smaller Companies Trust

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 April 2014):

AUD119.5 million

Income distribution frequency:

Half yearly

Minimum initial investment:

\$25,000

Trust inception date:

March 2002

APIR code:

IOF0214AU

- ▶ **The Trust finished ahead of the Index return for the month and has posted net outperformance of 9.6% for the financial year to date.**
- ▶ **The best performing stocks for April included Horizon Oil, APN News & Media and Resmed.**
- ▶ **We exited our holding in Automotive Holdings at an average price of \$3.98, being a 14% gain since acquiring our stake the previous month at \$3.49.**

April was a pleasing month with the Perennial Value Smaller Companies Trust (the Trust) returning 1.0% net of all fees. This resulted in net outperformance of 2.2% against the S&P/ASX Small Ordinaries Accumulation Index, which closed down 1.2%.

For the financial year to date, the Trust has returned 23.9% after all fees against the Index return of 14.3%, thereby outperforming by a net 9.6%.

The month of April brought more evidence that the US economy was lifting, with retail spending and consumer confidence improving, while housing indicators continue to lag despite the improved weather. Conditions in Europe also continued to improve, while data for China continued to show evidence of a slowdown. One of the highlights amongst equity markets globally was the sell-off in a number of expensive stocks, particularly high profile internet stocks in the US. Closer to home, the big story also included rising fears of an austere upcoming budget.

Domestically, economic data was mixed. A decent bounce in employment saw the unemployment rate drop back below 6%. Residential building approval numbers continued to remain strong. However, confidence measures remained subdued and are unlikely to be helped by the government continuing to leak details of proposed budget measures, which suggests that the budget will be a tough one. The Reserve Bank of Australia (RBA) kept interest rates steady and suggested that a "period of stability" on interest rates was ahead. The AUD/USD ended the month at 92.9c up slightly over the month.

The best performing sectors in the Index were property trusts (up 4.2%), consumer staples (up 3.6%, mainly due to a takeover offer for Goodman Fielder, which is not held in the Trust) and materials (up 0.3%). The worst performing sectors were healthcare (down 11.9%), largely driven by a couple of Biotech companies releasing disappointing updates. Neither Acrux nor Prana Biotechnology are held in the Trust given they do not meet our value investing criteria. Other sectors which underperformed included information technology (down 5.1%) and utilities (down 4.3%).

The best performing stock in the Trust was Horizon Oil (up 22.6%) after a merger with Roc Oil was announced. APN News & Media (up 19.3%) continued to rally following another strong rating in the radio surveys. Resmed (up 14.1%), which manufactures and markets respiratory medical devices, reacted positively to its third quarter profit announcement, with sales growth ahead of market expectations. Crowe Horwath (up 8.8%) continues to gain while interested acquirer Anchorage Capital Partners conduct their due diligence. Other strong performers included Sundance Energy (up 8.3%), Fairfax Media (up 7.1%) and Regis Resources (up 7.0%).

Detracting from performance was Hillgrove Resources (down 16.0%). The company did not release any new information to the market following the release of its annual report last month, which was in line with market expectations. The Managing Director released a notice during the month reflecting that he had acquired shares on market. With approximately 50% of production hedged at a significant premium to the spot copper price, Hillgrove should generate strong free cash flows over the next 12 months.

Software and consulting business RungePincockMinarco (down 12.6%) relinquished some of last month's gains after announcing an earnings downgrade late in the month, largely due to weaker consulting services. However, its core software business remains in a strong position, with mining software assisting mining productivity the main focus, but is subject to the timing of software sales contracts being concluded.

In terms of Trust activity, we took profits in each of Horizon Oil, APN News & Media, Fairfax and Crowe Horwath following strong gains in each of their share prices as described above. We exited our holding in Automotive Holdings at an average price of \$3.98, being a 14% gain since acquiring our stake the previous month at \$3.49. Proceeds were used to establish a position early in the month in nickel producer Panoramic Resources at an average price of 45c. We have a positive short-term view on the nickel price due to Indonesian nickel export bans. Towards month end, the share price was up 49%, which led to us taking some profits at an average price of 67c.

At month end, stock numbers were 57 and cash was 3.3%.

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	10.7	5.7
Materials	12.3	17.9
Industrials	14.5	15.8
Consumer Discretionary	27.2	24.3
Consumer Staples	0.7	3.0
Health Care	2.2	4.2
Financials-x-Real Estate	5.6	7.5
Real Estate	14.6	11.6
Information Technology	5.2	2.5
Telecommunication Services	2.2	5.8
Utilities	1.5	1.7
Other	3.3	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
or visit www.perennial.net.au.

Signatory of:



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