Perennial Value Smaller Companies Trust

Monthly Report
31 March 2015

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception^
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust*	1.7	10.7	2.3	3.2	1.6	4.3	10.2
S&P/ASX Small Ordinaries Accum. Index	-1.9	7.3	4.7	2.3	-1.7	-0.3	5.3
Value Added (Detracted)	**3.6**	**3.4**	**-2.4**	**0.9**	**3.3**	**4.6**	**4.9**

*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 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 31 March 2015):
AUD113.7 million

Income distribution frequency:
Half yearly

Minimum initial investment:
$25,000

Trust inception date:
March 2002

APIR code:
IOF0214AU

- **The Trust outperformed the benchmark by 3.6% on a net return basis.**
- **The best performing sectors were Telecommunication Services (up 5.5%), Information Technology (up 5.1%) and Utilities (up 5.0%).**
- **The best attributor during the month was HFA Holdings (up 25.8%) which benefitted from the sale of their Australian subsidiary.**

The smaller end of the Australian equity market gave back some of last month's strong performance with the benchmark S&P/ASX Small Ordinaries Accumulation Index declining 1.9%. Pleasingly, the Trust gained 1.7% after all fees, thereby outperforming by a net 3.6%.

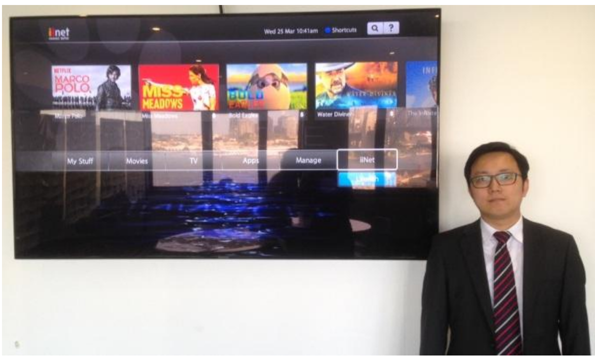
Globally, the month of March saw an extension of the trends seen earlier in the year – generally softer economic data release for the US, Japan and China, but consistently firmer outcomes for the Euro-zone. Global indices were mixed with the Nikkei (up 2.2%) and Shanghai Composite (up 13.2%) stronger, while the S&P500 (down 1.7%) and FTSE 100 (down 2.5%) ended the month lower.

In Australia, the signals remain mixed, with the rotation to non-mining sources of growth still a work in progress. GDP growth underwhelmed early in the month, and retail spending growth remained weak. Employment bounced back and there was a small drop in the unemployment rate. The Reserve Bank left the cash rate steady at the record low of 2.25%, having cut the cash rate in February, but officials still seem open to further rate cuts as needed. The Australian dollar (AUD) remained steady, closing the month at 76 US cents, with shifting expectations of the timing of the Fed's first rate hike a key driver.

The best performing sectors were Telecommunication Services (up 5.5%), Information Technology (up 5.1%) and Utilities (up 5.0%). The weakest sectors included Energy (down 8.6%), Healthcare (down 8.3%) and Materials (down 6.8%).

The best attributor during the month was HFA Holdings (up 25.8%) which benefitted from the sale of their Australian subsidiary to now become a pure offshore fund of funds manager with the company deriving 100% of its earnings from offshore. Despite this share price appreciation, this company still trades at a 50% discount to other listed fund managers, whilst also being a beneficiary from a weaker AUD.

iiNet (up 36.2%) received a cash bid from competitor TPG. Readers will recall from last month's commentary that we acquired iiNet in February 2015 following its sharp sell-off.



Perennial Value's analyst alongside iiNet's content offering - March 2015

Copper producer PanAust (up 31.3%) received a cash offer from their largest shareholder GRAM. It is encouraging to see M&A activity in the small end of the Australian equity market, especially within the Resources sector.

Other strong performers included Mint Payments (up 31.6%), AMA Group (up 14.0%) and Global Construction (up 10.9%)

The main detractor in March was marine service provider MMA Offshore (down 20.5%) driven by a weaker oil price. We used this weakness to add to our position at an average price of 69c, which we view as representing good value when compared to the company's net tangible asset per share of $2.19 as reported in their latest interim accounts.

Following strong gains the previous month, Whitehaven Coal (down 11.5%) announced that they had successfully refinanced their debt. Following this announcement, we took some profits at an average price of $1.68 where after we bought back stock later in the month at an average of $1.56.

In terms of portfolio activity, we exited our position in M2 Telecommunications following strong share price appreciation placing the stock on a premium multiple, coupled with risk that they may try and make a higher offer for rival iiNet. We took some profits in each of Super Retail Group, Sino Gas, Prime TV, AV Jennings and Aveo Group all following good share price gains. Proceeds were used to establish a position in Washington H. Soul Pattinson & Co which trades at a 15% discount to its underlying assets, TPG Telecom, New Hope Coal and Brickworks.

At month end, stock numbers were 54 and cash was 5.2%.

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	8.6	5.0
Materials	11.2	13.6
Industrials	15.1	15.7
Consumer Discretionary	28.8	24.8
Consumer Staples	0.0	3.0
Health Care	2.0	8.5
Financials-x-Real Estate	9.9	7.1
Real Estate	12.1	11.5
Information Technology	2.9	5.2
Telecommunication Services	2.8	4.9
Utilities	1.3	0.7
Other	5.2	-

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:

PRI Principles for Responsible Investment