

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust*	-5.3	3.4	3.4	7.7	6.7	6.6	10.7
S&P/ASX Small Ordinaries Accum. Index	-5.5	1.5	1.5	-0.1	1.7	-0.3	5.3
Value Added (Detracted)	0.2	1.9	1.9	7.8	5.0	6.9	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 September 2014):

AUD117.2 million

Income distribution frequency:

Half yearly

Minimum initial investment:

\$25,000

Trust inception date:

March 2002

APIR code:

IOF0214AU

- ▶ **The Trust outperformed the Index by 0.2% net, returning -5.3 for the month**
- ▶ **Cyclicals, particularly small resources, underperformed as commodity prices declined, while defensive stocks outperformed.**
- ▶ **The Trust's best performing stock during September was insurance, utility and financial products comparator company iSelect.**

Following a strong July and August, equity markets retraced in September with the benchmark S&P/ASX Small Ordinaries Accumulation Index (the Index) returning -5.5%. The Perennial Value Smaller Companies Trust (the Trust) outperformed the Index by 0.2 after all fees, returning -5.3% for the month.

Global events including unrest in the Middle East, fears over a slowdown in China and increased uncertainty around the timing of interest rate hikes in the US dominated major indices. This led to increased volatility. Cyclicals, particularly small resources, underperformed as commodity prices declined, while defensive stocks outperformed.

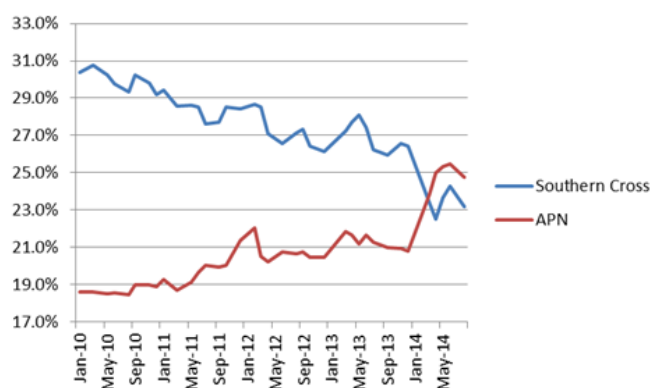
The only sector to reflect a positive return was telecommunication services (up 4.0%) largely driven by index-heavy TPG Telecommunications, which trades on a 1-year forward multiple of 25 times and is no longer held in the Trust. The weakest sector was materials (down 13.3%), industrials (down 8.6%) and energy (down 8.3%). The Trust remains underweight resources and overweight energy.

Both globally and domestically, macro data was mixed. In the US, second quarter GDP growth was revised upwards to 4.6% on an annualised basis but other data, including employment growth data, was underwhelming. In China, the latest round of data indicates that growth is falling short of the official target, which prompted the announcement of additional bank liquidity measures to help stimulate growth. In Europe, the European Central Bank (ECB) also announced additional stimulus measures as growth remains barely positive. Domestically there was a huge gain in employment in August (the largest ever reported) which caused the unemployment rate to fall back to 6.1%. Housing data was strong, however, retail sales growth, business and consumer confidence numbers were a little weak. The Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.5% but hinted that it may be considering counter-cyclical credit controls to cool the extremely strong housing market.

The Trust's best performing stock during September was insurance, utility and financial products comparator company iSelect (up 16.9%) which conducted its annual result's investor road show early in the month. Additionally, the company announced it had acquired a 20.1% stake in Intelligent Money, South East Asia's leading personal finance comparison service. Crop protection company Nufarm (up 14.4%) reported their FY14 result during the month reflecting a significant improvement in their working capital leading to much improved cash flow and a stronger balance sheet.

APN News & Media (up 10.8%) retained its number one radio rating in the latest survey (September 2014). The company announced that it is considering options for its New Zealand assets which may include an IPO of these assets in New Zealand.

Overleaf is a chart reflecting APN's radio assets gaining market share, most notably since snaring the strong duo "Kyle and Jackie O" in January 2014 from listed competitor Southern Cross.



Source: Morgan Stanley – radio market share

Detracting from performance was BC Iron (down 36.7%) following further weakness in iron ore prices. Platinum producer Aquarius Platinum (down 26.1%) fell with a weaker platinum price.

In terms of portfolio activity, we took profits and exited our position in Abacus Property Group and switched the proceeds into property developer Peet owing to its more attractive valuation. We also took some profits in Australian Industrial REIT given its premium to NTA and concerns over rising bond yields. We used weakness in Mermaid Marine's share price to add to our position given it trades at a significant discount to market.

At month end, stock numbers were 58 and cash was 1.7%.

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	11.9	7.4
Materials	14.1	15.0
Industrials	18.1	15.5
Consumer Discretionary	24.7	23.6
Consumer Staples	0.0	3.7
Health Care	2.3	6.2
Financials-x-Real Estate	7.4	6.8
Real Estate	12.7	10.1
Information Technology	3.9	4.3
Telecommunication Services	1.7	6.6
Utilities	1.5	0.6
Other	1.7	-

Rounding accounts for small +/- from 100%.

For all other enquiries please contact us on 1300 730 032
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