

|  | Month       | Quarter     | FYTD       | 1 year     | 3 years    | 5 years    | Since Inception <sup>^</sup> |
|--|-------------|-------------|------------|------------|------------|------------|------------------------------|
|  | %           | %           | %          | %          | % p.a.     | % p.a.     | % p.a.                       |
| Perennial Value Smaller Companies Trust* | -0.5        | 5.1         | 4.3        | 9.4        | 2.8        | 2.4        | 9.7                          |
| S&P/ASX Small Ordinaries Accum. Index    | 0.0         | 6.6         | 3.0        | 6.5        | 1.5        | -1.9       | 5.0                          |
| <b>Value Added (Detracted)</b>           | <b>-0.5</b> | <b>-1.5</b> | <b>1.3</b> | <b>2.9</b> | <b>1.3</b> | <b>4.3</b> | <b>4.7</b>                   |

\*Net performance (including performance fee). <sup>^</sup>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 30 November 2015):

AUD 120 million

### Income distribution frequency:

Half yearly

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2002

### APIR code:

IOF0214AU

- ▶ This is the fourth consecutive month that the S&P/ASX Small Ordinaries Accumulation Index (the Index) has outperformed the S&P/ASX Top 100 Accumulation Index.
- ▶ In Australia, the October jobs report was also very strong, delivering an unexpected near 60,000 net gain in employment and a fall in the jobless rate back below 6.0%.
- ▶ The top performing stock in the Trust was animal feed supplier Ridley Corporation (up 25.2%), which benefitted from the sale of one of its non-core properties above book value.

November was dominated by companies holding their annual general meetings (AGM), with some providing a trading update. Overall, the S&P/ASX Small Ordinaries Accumulation Index (the Index) was largely unchanged, ending up flat. The Perennial Value Smaller Companies Trust (the Trust) fell 0.5% after all fees, thereby underperforming by a net 0.5%.

It is worth noting, that this is the fourth consecutive month that the Index has outperformed the S&P/ASX Top 100 Accumulation Index.

Markets were quiet globally with the S&P500 up 0.1%, FTSE down 0.1%, Nikkei up 3.5% and Shanghai Composite up 1.9%. Globally, the clear highlight of the month was the release of a strong US employment report, with 271,000 jobs added in October, and the jobless rate slipping to 5.0%, strengthening expectations that the Federal Reserve (the Fed) will start raising rates in December.

In Australia, the October jobs report was also very strong, delivering an unexpected near 60,000 net gain in employment and a fall in the jobless rate back below 6.0%. The strong results were uniform across states and align with leading indicators of employment, which have been positive. There have also been healthy results for business conditions, which held at recent highs, and consumer confidence, which bounced, despite the banks' recent mortgage rate hikes. However, September retail sales data was sluggish. Overall, this is more consistent with our positive outlook for the domestic economy as the transition to the non-resources sector takes place. The Reserve Bank of Australia (RBA) left the cash rate steady at 2.0% and the Australian Dollar (AUD) drifted slightly higher over the month to close at 72.3 US cents, despite further falls in key commodity prices.

The best performing sectors were defensive with utilities (up 10.1%), telecommunications services (up 8.1%) and consumer staples (up 7.2%). Giving back some of last month's gains was energy (down 13.5%) and materials (down 8.3).

The top performing stock in the Trust was animal feed supplier Ridley Corporation (up 25.2%), which benefitted from the sale of one of its non-core properties above book value.

Outdoor media company QMS (up 20.8%) rallied following upgrades from peers APN Outdoor and oOh! Media, which bodes well for the outdoor sector overall. The stock went into a trading halt at the end of the month pending an acquisition. Television and radio company Southern Cross Media (up 19.4%) benefitted from press coverage that they had begun merger talks with Nine Entertainment Co. Holdings.

G8 Education (up 16.0%) was a strong attributor post the acquisition announcement of 13 new childcare centres. The company improved its governance with the appointment of a new chairman who was previously the CEO of Price Waterhouse Coopers.

Additionally, they also announced that they will be putting the audit out to tender to one of the top three audit firm.

Consumer and business telecommunications service provider M2 Group (up 12.3%) co-hosted an investor day in Auckland with Vocus, whom they are currently merging with. Perennial Value's analyst attended this event where the new iPrimus NBN plans were announced:

Source: M2 Group Limited, 2015

The main detractor during the month was marine logistics provider MMA Offshore (down 40.5% \*) following a worse than expected update at their AGM, which forecast lower earnings for FY16, with a caveat of a low level of visibility for the second half. This, coupled with balance sheet concerns led us to exit our holding during the month.

Almost all major commodity prices fell during the month with iron ore (down 13.5%), oil (down 9.5%), copper (down 10.9%), nickel (down 11.8%) and gold (down 7.4%) falling heavily and posting new post Global Financial Crisis lows. The Trust has copper, nickel and oil exposure, which impacted our holdings in Sandfire Resources (down 17.0%), Panoramic Resources (down 26.7%) and Austex Oil (down 15.9%) respectively.

Sandfire announced the highest grade result to date from their Monty discovery (22 meter core at 34.4% Copper) early in the month. Despite the extremely high grade, the market looked through the result and the stock was sold off. We look forward to results from holes being drilled adjacent to the reported intercept as well as results from the Homer prospect, which lies in a similar geological setting to the Monty discovery.

Panoramic continued its cost cutting drive in the quarter, but could not detach itself from the nickel price. Nickel is now at the lowest level since 2003, with over 60% of global nickel producers now loss making. Low prices are having an impact with production cuts starting to accelerate.

Homebuilder Simonds Group (down 21.7%) announced the resignation of their managing director in the prior month, which weighed on the stock. Meanwhile they confirmed at their AGM that the home building, development and training businesses are on track.

During the month, we further reduced our housing exposure by reducing some of our exposure in Simonds Group given the resignation mentioned above. Having established a position in Myer the previous month at 94 cents, we exited during the month at an average price of \$1.03. We took some profits in HFA Holdings and Southern Cross Media post strong share price performances.

At month end, stock numbers were 50 and cash was 3.0%.

\*Based on exit price

| Asset Allocation           |                |                |
|----------------------------|----------------|----------------|
| Sector                     | Trust weight % | Index weight % |
| Energy                     | 6.1            | 2.9            |
| Materials                  | 6.6            | 13.8           |
| Industrials                | 8.0            | 12.7           |
| Consumer Discretionary     | 35.1           | 22.0           |
| Consumer Staples           | 2.9            | 7.6            |
| Health Care                | 4.5            | 9.1            |
| Financials-x-Real Estate   | 11.2           | 9.4            |
| Real Estate                | 12.7           | 12.1           |
| Information Technology     | 5.1            | 6.0            |
| Telecommunication Services | 3.5            | 3.7            |
| Utilities                  | 1.2            | 0.7            |
| Cash & Other               | 3.0            |                |

Rounding accounts for small +/- from 100%.

For all other enquiries, please contact us on 1300 730 032  
or visit [www.perennial.net.au](http://www.perennial.net.au)

Signatory of:



Issued by: The Investment Manager, Perennial Investment Partners Limited ABN 59 087 901 620, AFSL: 238763 ("Perennial"). Sub Manager: Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. 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](http://www.perennial.net.au).