

Perennial Value Smaller Companies Trust

Monthly Report as at 31 January 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+	5.1	10.1	24.2	18.6	11.0	6.0	12.6
S&P/ASX Small Ordinaries Accum. Index	4.2	5.0	14.0	3.1	2.1	-3.2	6.6
Value Added (Deducted)	0.9	5.1	10.2	15.5	8.9	9.2	6.0

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

- The Trust outperformed the Index return by 0.9%.
- The strongest performer was FKP Property Group (up 52.2%).
- Platinum Asset Management was added to the Trust during the month

In what has been another strong month for the market, the Perennial Value Smaller Companies Trust's (the Trust) 5.1% return net of all fees resulted in outperformance of 0.9% over the S&P/ASX Small Ordinaries Accumulation Index (the Index) return of 4.2%.

Globally, equity markets all finished strongly in January. In the US, the S&P500 had its best start to the year since 1997, closing up 5.0%. Europe saw some reprieve in the negative news flow that has plagued it in recent times, with the FTSE up 6.4%. Japan had a particularly strong month with the Nikkei 225 up 7.1% as the Bank of Japan took aggressive measures to reflate the economy.

Domestic economic data showed a contraction in employment leading to a 20 basis points rise in the unemployment rate to 5.4%. The Reserve Bank of Australia left interest rates unchanged at 3.0%, having cut the official cash rate by 1.75% between November 2011 and December 2012. The Australian dollar finished the month 0.2 cents higher at USD1.042.

The best performing sectors were financials (up 15.5%), energy (up 10.7%) and consumer discretionary (up 8.1%). The worst performing sectors included materials (down 3.5%), healthcare (down 3.0%) and utilities (up 1.7%).

The strongest performer was FKP Property Group (up 52.2%). The share price has been very depressed for quite some time and readers will recall in previous commentaries that we held our ground in this stock on the basis that it was very cheap, trading at a 70% discount to a credible net tangible assets. Our patience in holding a classic contrarian value stock is now being rewarded. The discount has started to close as the market becomes more upbeat towards the housing market and after the group has taken steps to rationalise its asset base.

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

Trust FUM

(as at 31/01/13):

AUD123.9 million

Team FUM

(as at 31/01/13):

AUD7.9 billion

Trust Inception date:

March 2002

Risk Profile:

High

Income Distribution

Frequency:

Half yearly

Minimum Initial

Investment:

\$25,000

APIR code:

IOF0214AU

*Excluding performance fees.

Other major contributors included Clough Engineering (up 18.3%) following a profit upgrade in December and Sundance Energy (up 15.5%) on the back of a stronger oil price and positive drilling results at merger partner Texon Petroleum. Swick Mining (up 21.3%) issued a trading update confirming strong trading, Forge Group (up 20.1%) won a \$125 million power contract with a significant maintenance component, while RCR Tomlinson (up 20.3%) announced stronger first-half guidance. Other solid performers included STW Communications (up 17.1%), Bradken (up 13.9%) and Melbourne IT (up 11.7%).

Whitehaven Coal (down 6.3%) was the largest detractor from the Trust after announcing weaker than expected

short term profit guidance albeit the valuation remains attractive given the medium term outlook. PMI Gold Corp (down 5.5%) and Silverlake Resources (down 23.2%) detracted from performance due to a weaker gold price and, in the case of Silverlake, a disappointing quarterly production report.

In terms of Trust activity, we reduced our holdings in Forge Group and Global Construction Services after strong performance. We sold out of Oakton given a subdued outlook for the information technology services sector and Alacer Gold following on-going operational issues.

We added Platinum Asset Management to the Trust early in the month on the basis that fund flows and performance had improved in recent times after a period of weakness. Pleasingly, we acquired a holding at an average price of \$4.08 and the stock finished the month at \$4.83, delivering an 18% return.

At month end, stock numbers stood at 56 with cash at 4.5%.

Asset Allocation as at 31 January 2013

Asset Class	Trust Weight %	Index Weight %
Energy	19.0%	10.1%
Materials	17.7%	24.7%
Industrials	20.9%	23.0%
Consumer Discretionary	16.2%	16.1%
Consumer Staples	0.0%	1.5%
Health Care	0.0%	3.9%
Financials-x-Real Estate	5.8%	7.4%
Real Estate	4.0%	6.6%
Information Technology	6.5%	1.8%
Telecommunication Services	3.0%	3.6%
Utilities	1.2%	1.3%
Other	5.7%	-

Rounding accounts for small +/- from 100%.

Signatory of:



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