

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Smaller Companies Trust*	1.4	13.7	3.8	3.6	2.5	4.4	10.2
S&P/ASX Small Ordinaries Accum. Index	1.7	8.1	6.4	5.3	-0.9	0.0	5.4
<b>Value Added (Detracted)</b>	<b>-0.3</b>	<b>5.6</b>	<b>-2.6</b>	<b>-1.7</b>	<b>3.4</b>	<b>4.4</b>	<b>4.8</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 April 2015):

AUD127.9 million

### Income distribution frequency:

Half yearly

### Minimum initial investment:

\$25,000

### Trust inception date:

March 2002

### APIR code:

IOF0214AU

- ▶ **The smaller end of the Australian equity market outperformed the broader market.**
- ▶ **Globally, economic news over the month was generally subdued, tending to come in below market expectations.**
- ▶ **Best performing small cap sectors were Energy Utilities (up 11.3%) and Materials.**

The smaller end of the Australian equity market outperformed the broader market with the benchmark S&P/ASX Small Ordinaries Accumulation Index (the Index) gaining 1.7%. The Perennial Value Smaller Companies Trust (the Trust) rose 1.4% after all fees, thereby marginally underperforming by a net 0.3%.

Globally, economic news over the month was generally subdued, tending to come in below market expectations. In the US, payrolls grew less than expected and other data was generally weak as was also the case in China and Japan. However, the standout on the upside was again Europe, where consumer confidence continued to grow strongly, helped by easier monetary policy. Despite this, global indices were generally positive with the FTSE100 (up 2.7%), Nikkei 225 (up 1.6%) and S&P 500 (up 0.9%) all stronger. The Shanghai Composite (up 15.8%) and Hang Seng Index (up 13.0%) rose, driven by strong Chinese retail investor flows into equity markets.

In Australia, the Reserve Bank surprised markets early in the month by leaving the cash rate steady. The Australian data released during April generally has been solid. Retail sales bounced, thanks partly to lower petrol prices, employment was much firmer than expected (driving down the jobless rate to 6.1%), and business confidence also improved (although consumer surveys remained unimpressive). All the while, the housing markets in Sydney and Melbourne continued to strengthen, fuelled by lower interest rates and rising offshore demand. Iron ore and oil prices rose strongly over the month. The Australian dollar (AUD) closed the month at \$0.79 US dollar (USD), up 3 cents over the month, with shifting expectations of the timing of the US Federal Reserve's first rate hike a key driver.

The best performing small cap sectors were Energy (up 25.9%) which was largely driven by Liquefied Natural Gas Ltd (up 44.3%). LNG is yet to construct its facility in Louisiana, USA and commands a market cap now in excess of \$2.2 billion, with earnings only likely in 2018. Needless to say, the Trust does not own this stock as it does not meet our value process, although it's important to note its large index weight impacts our relative performance. Utilities (up 11.3%) and Materials (up 4.5%) also performed strongly. The weakest sector was Healthcare (down 2.4%).

The best attributor during the month was Sundance Energy (up 34.4%) which benefitted from Brent oil's 19% rise. Additionally, the company delivered a strong quarter of operational performance and maintained good operational cash flow generation and improved operating margins.



Perennial Value's resource analyst on site at Sundance Energy's Eagleford operation in Texas, USA

Smartgroup (up 20.6%) announced a profit upgrade which was well received by the market. Whitehaven Coal (up 15.8%) announced a good quarterly production result and rallied along with thermal coal's 9.2% rise. iiNet (up 12.6%), having received a cash offer of \$8.60 in March from rival TPG Telecommunications, received a competing cash and script offer from M2 Group.

Other strong contributors included Energy Action (up 12.2%), Sandfire Resources (up 11.3%), Citadel Group (up 9.6%), HFA Holdings (up 9.5%) and Mortgage Choice (up 8.2%).

Weak performers included Sino Gas (down 13.2%) and Matrix Composites & Engineering (down 13.1%).

In terms of Trust activity, we exited our position in patent attorney IPH on valuation grounds at an average price of \$4.55 (month end price \$4.32), having participated in the listing last November at \$2.10. We took some profits in each of Aveo Group and iSelect following strong share price gains. Proceeds were used to add to our positions in gold producer Regis Resources and APN Media.

At month end, stock numbers were 55 and cash was 6.0%.

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	8.2	5.8
Materials	11.1	13.8
Industrials	13.2	15.4
Consumer Discretionary	27.2	25.3
Consumer Staples	1.8	2.9
Health Care	2.6	8.0
Financials-x-Real Estate	9.7	6.8
Real Estate	11.3	11.3
Information Technology	2.6	5.0
Telecommunication Services	2.7	4.9
Utilities	1.2	0.7
Cash and other	8.4	-

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:



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