

21 November 2013

**Perennial Value Smaller Companies Trust (ARSN 099 824 101)  
Changes to the Performance Fee Calculation Methodology**

IOOF Investment Management Limited (IIML) as Responsible Entity of the Perennial Value Smaller Companies Trust (the Trust), along with Perennial Investment Partners Limited and Perennial Value Management Limited, operate a continuous review process of our investment products to ensure that they remain highly competitive.

Following a recent review, it was determined that the performance fee calculation methodology for the Trust will change, with new offer documents to be issued on or around 2 December 2013. Based on our review, we are implementing a methodology that is more consistent with current market practice. We anticipate that the new methodology will reduce the level of any future performance fees paid by investors in the Trust.

We believe that the changes reflect Perennial's commitment to put investors' interests first and deliver competitive, long-term investment performance outcomes. Some of the key aspects of the changes include:

- The payment of future performance fees to IIML will be conditional rather than automatic. Under the new methodology, performance fees will only be paid to IIML in a month where the Trust both outperforms its benchmark and delivers a positive return.
- Future performance fee calculations will be based on current period performance rather than cumulative past performance.
- Performance fees will be waived until at least 1 July 2014.

Further details of the changes are outlined below.

**Performance fee calculation methodology**

As detailed in the current product disclosure statement:

- A 15% performance fee is payable on the Trust's net accumulated performance (after fees from 1 December 2008) in excess of the accumulated benchmark return, subject to an historical high water mark.
- The historical high water mark is the highest percentage that the accrued net performance of the Trust has exceeded the return of the benchmark since 1 December 2008.
- The investment management fee is 1.20% p.a.
- Any underperformance is fully recovered before a performance fee is payable.
- The unit price for the Trust is calculated daily.
- The performance fee is calculated daily and expressed in that day's unit price.
- While the performance fee is accrued daily, it is paid to IIML each month.

Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620, AFS Licence Number 238763  
Responsible Entity: IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFS Licence Number 230524

Under the new methodology:

- Any performance fees will be based on current period performance rather than cumulative past performance.
- A performance fee of 15% of the Trust's net performance (after fees) in excess of the benchmark return is calculated and accrued daily.
- The daily performance fee amount is added to or subtracted from (if the Trust has underperformed) the aggregate performance fee amount accrued up until the previous day.
- If the aggregate performance fee amount up to that day is positive, both positive and negative daily performance fee amounts will be reflected in the unit price.
- If the aggregate performance fee up to that day is negative, no daily performance fee amount will be reflected in the unit price. Any daily performance fee amount will be brought forward to be offset against any positive performance fee in the future.
- While the performance fee is calculated and accrued on a daily basis, any positive aggregate performance fee balance will only be paid to IIML at the end of a calendar month when the Trust's net performance for that month is positive and the Trust has outperformed the benchmark over that month.

There is **no change** to the following aspects of the current methodology:

- The Trust's benchmark remains the S&P/ASX Small Ordinaries Accumulation Index.
- The requirement to fully recover all underperformance before a performance fee may be payable.
- The investment management fee of 1.20% p.a.
- Daily unit pricing.

Due to the move away from the accumulated performance calculation methodology, the historical high water mark is not included in the new methodology.

#### **Next performance fee calculation: 1 July 2014**

As noted above, we have decided to waive performance fees until at least 1 July 2014. We note that all of the underperformance of the Trust since 7 February 2013 (being the last day the performance fee was charged under the current methodology) will need to be fully recovered under the current methodology before a performance fee will be charged in accordance with the new methodology.

#### **Updated Trust and offer documents**

The Trust's constitution has been amended to reflect the new performance fee methodology and, as noted above, IIML will issue an updated Product Disclosure Statement and Perennial Institutional Investment Trusts Reference Guide. The updated disclosure documents will be available on the Perennial website: [www.perennial.net.au](http://www.perennial.net.au) on or around 2 December 2013.

#### **What do you need to do?**

You do not need to take any action at this time.

#### **Where to go for more information?**

If you have any questions or would like a paper copy of the updated Product Disclosure Statement, please contact a Client Services Representative on 1300 730 032 or via [invest@perennial.net.au](mailto:invest@perennial.net.au).

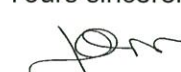
We thank you for your investment with Perennial and look forward to continuing to deliver investment outcomes that add value to your portfolio.

Yours sincerely,



John Murray  
Managing Director  
Perennial Value Management Limited

Yours sincerely,



Julie Orr  
Operations Manager  
On behalf of the Responsible Entity  
IOOF Investment Management Limited