Private to Public Opportunities Fund No.2

Quarterly Report June 2023

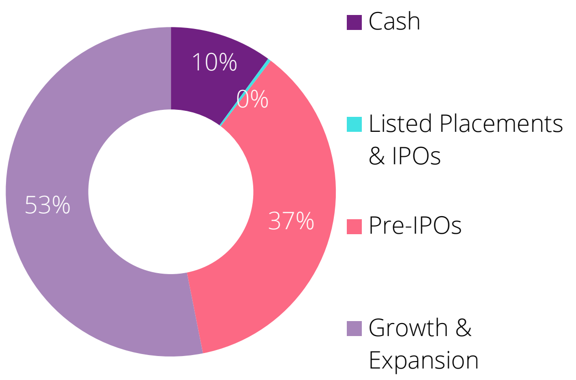
	NAV ($)	Quarter (%)	FY23 (%)	Since Inception[1] CAGR[2] (%)	Since Inception[1] Cumulative (%)
Perennial Private to Public Opportunities Fund No.2	1.279	-1.3	+1.9	+9.6	+27.9

Performance Update

The Private to Public Opportunities Fund No.2 (PPP2) returned -1.3% (net of fees) for the quarter ending June 2023, and over FY23 delivered +1.9% (net of fees). Since inception in October 2020, PPP2 has now returned +27.9% (net of fees).

During the quarter, there were a number of offsetting impacts which resulted in an overall decline. Positive contributions were made by a number of revaluations across the portfolio, notably from the takeover of telehealth business InstantScripts, which was acquired by Wesfarmers at a significant uplift to our carrying value. An uplift to our holding in proptech platform Equiem also contributed positively to performance.

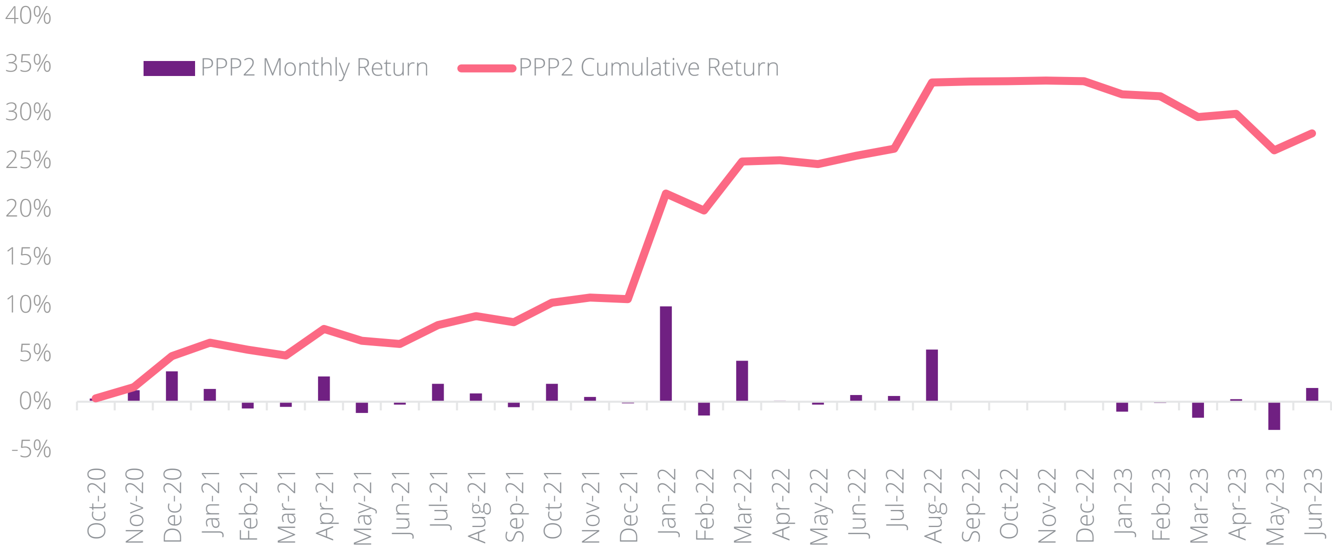
Current Fund Allocation



The key driver of negative performance during the quarter, as mentioned in our May 2023 commentary, was a reduction in the carrying value of online gaming business Animoca Brands after the company released updated financials. Animoca has a large revenue base and a strong cash position, and we are confident that the outlook for the business remains positive. Other negative contributions came from our position in listed manufacturer Adrad with weakness in the share price reflecting broader softness in sentiment. We also had a small downwards revaluation to our position in a gaming business.

PPP2 is fully deployed and so our attention has moved to exit opportunities. While some businesses will take longer to reach IPO due to the current equity market volatility, others have received private M&A approaches which they are now investigating. If successful, these transactions should be a key driver of the Fund's performance in the period ahead.

Return Since Inception[1] Net of Fees (%)



[1] Inception date for PPP2 is 2 October 2020. Performance shown is net of fees. It does not take into account any taxes payable by an investor. Past performance is not a reliable indicator of future performance.

[2] CAGR is compound annual growth rate.

Key Themes for FY23

During the last 12 months, there have been a number of key themes relevant to our PPP funds:

Macro Uncertainty Abating

The uncertain global macro environment over the last year has impacted both public and private markets. The combination of higher inflation, rising interest rates and lower economic growth has resulted in volatile listed equity markets in particular. The RBA has just paused its rate hikes in July with the cash rate now sitting at 4.10%, more than double where we began the financial year (up from 1.35%). However, with expectations that we are now near peak rates, we have seen more positive sentiment returning to listed equity markets (All Ordinaries closed up +2.5% YTD) plus increased M&A activity in recent months.

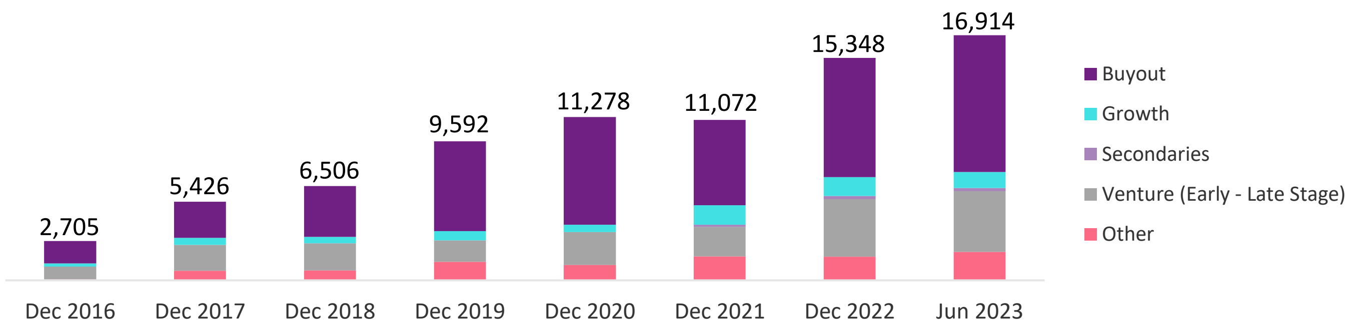
Green Shoots in IPO Market

After a very quiet 18 month period for non-resources IPOs, we are starting to see a building pipeline of IPOs targeting a listing in 2H CY23. In terms of sectors, industrials and healthcare are finding solid support, especially those with profitable outlooks. As the financial year closed, we saw chemicals business Redox complete its IPO which ultimately began trading in early July slightly below issue price on day 1. At this point in time, the IPO pipeline continues to build with Virgin, MolyCop, Greencross and Mondiale VGL on the horizon. There are also a number of private companies within the PPP portfolios which may look to IPO over the next 12 months as well.

M&A Activity Continues As Exit Option

Over the last year, we have seen a marked increase in takeover interest across our private portfolios. This interest is from both large corporates (for example the recent Wesfarmers takeover of InstantScripts) and from private equity funds with significant dry powder (see chart below). In many cases, large listed companies are deciding to 'buy rather than build' and PE funds are finding it harder to deploy into their traditional segments. We have also seen significant interest in public listed technology companies with many being taken over recently, including: Nitro (ASX: NTO), Proptech Group (ASX: PTG) and ELMO software (ASX: ELO). The macro environment has resulted in slower deal cadence recently, however with market sentiment starting to improve, we may begin to see dealmaking accelerate. We also view that with fewer growth plays on the ASX, high quality growth companies that are profitable (or have a clear path to profitability) will be much in demand by listed equity investors.

Dry Powder by Strategy (A$m)



Source: S&P Capital IQ

Private Market Reset

Over the last 12-18 months, the private market has undergone a material change. This has been reflected in private valuations, which have reduced from the peaks seen in 2021. The reduction has been as much as 50% or even more in some cases. In addition, deal terms have become much more 'investor friendly' which has enabled greater downside protection and better entry valuations. In addition, many of the temporary participants in the private growth segment have retreated, putting Perennial in a great position to invest in quality companies on favourable terms.

Operational Updates

Animoca Brands

Animoca released an updated list of their balance sheet assets and digital investments during April 2023. In light of this new information, we adjusted the carrying value of our position as outlined in the May 2023 email update. Since our first investment in 2020, Animoca has been a very successful investment for PPP2, and we believe the outlook for the business remains positive.

Design Crowd

Online custom design marketplace Design Crowd released a strong update in May, reaffirming our conviction in the position. Significant growth in YoY ARR (+120%) and strong cash flow leave the business with an extended runway moving forward.

Equiem

Commercial tenant experience platform Equiem completed a strategic acquisition during the quarter, triggering the conversion of notes held within the Fund into preference shares. This represented a modest valuation uplift for our existing position. The acquisition will expand Equiem's footprint in over 25 countries, growing the global reach for their 'Equiem One' proptech platform.

InstantScripts

We are pleased to announce that Australian Pharmaceutical Industries (a subsidiary of Wesfarmers) entered into an agreement to purchase InstantScripts during the quarter for approximately $135 million. Wesfarmers plans to invest in the continuing growth of InstantScripts and the continued expansion of digital health services for patients. PPP2 first invested in InstantScripts in early 2021 via an equity position, and then topped up by acquiring some secondary shares later in that year. The position has been revalued several times since our initial investment, and the recent acquisition by Wesfarmers represents a realised ~150% uplift to our original cost base.

Spriggy

Spriggy, Australia's leading pocket money app, closed a $10m capital raise in June 2023, putting the company in a strong financial position. The business also saw record revenues and impressive growth for 1Q23, with revenues up 40% QoQ. Spriggy was a keynote speaker at the recent AIC VC Industry Forum in Sydney. It was one of the early investments made by the Fund, and we are very pleased to have supported Spriggy throughout its growth journey to date.

Thank you again for your continued interest in PPP2.

Yours sincerely
The Perennial Private Investments Team

L to R: Brendan Lyons, Ryan Sohn, Karen Chan, Andrew Smith, James McQueen

Contact us

Level 27, 88 Phillip Street
Sydney NSW 2000

1300 133 451

invest@perennial.net.au

www.perennial.net.au