

	NAV (\$)	Quarter (%)	CAGR <sup>2</sup> (%)	Since Inception <sup>1</sup> Cumulative (%)
Perennial Private to Public Opportunities Fund No.2	1.266	-1.0	+8.3	+26.6

## Performance Update

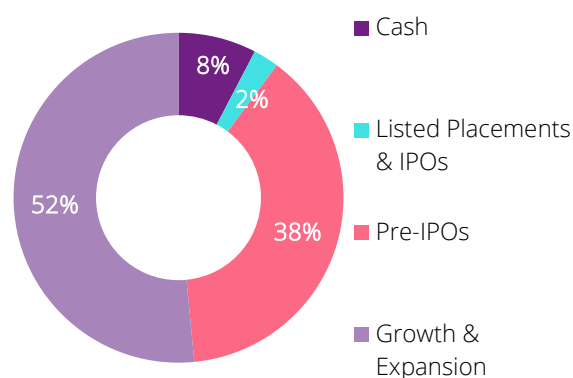
The Private to Public Opportunities Fund No.2 (PPP2) returned -1.0% (net of fees) for the quarter ending September 2023. Since inception in October 2020, PPP2 has now returned +26.6% (net of fees).

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 an uplift to the carrying value of our position in an online creative marketplace business. Positive contribution also came from our placement in a medical diagnostics business which rallied during the quarter. We also made a follow-on investment in a B2B music royalties business to support working capital and better position it for future M&A.

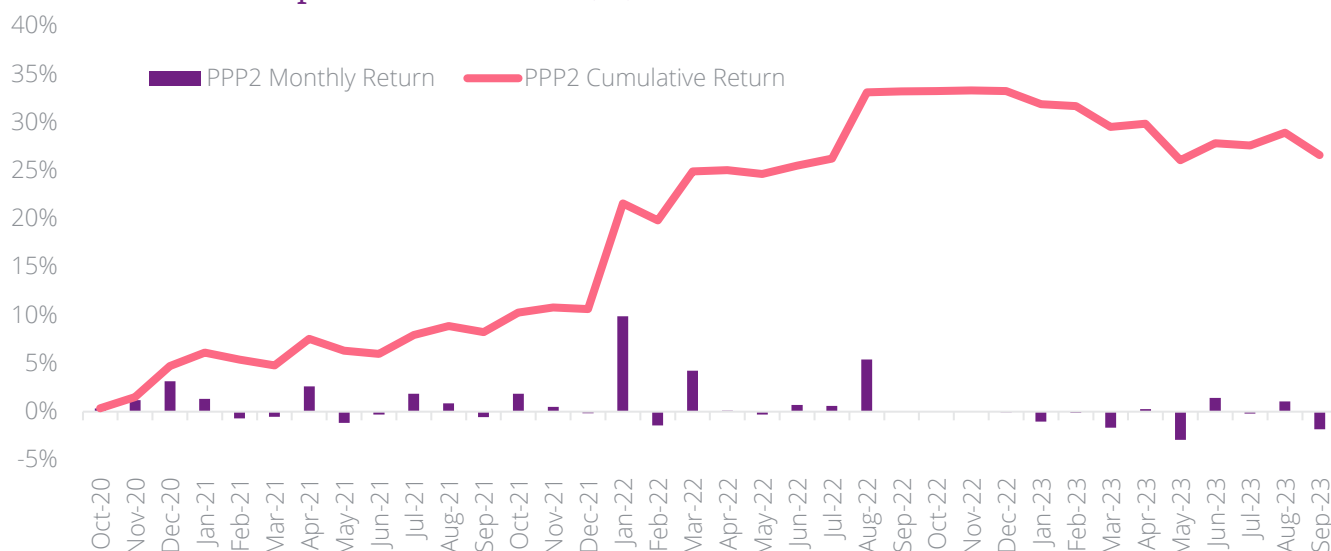
The key driver of negative performance during the quarter was a reduction in the carrying value of an HR tech investment after a company restructure. Whilst this will have a negative effect on fund performance in the short term, we believe the company is now well positioned to achieve profitability. The carrying value of our position in a data SaaS business was also reduced as the company completed the sale of one of its core divisions.

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.

## Current Fund Allocation



## Return Since Inception<sup>1</sup> Net of Fees (%)



<sup>1</sup> 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.

<sup>2</sup> CAGR is compound annual growth rate.

## Increasing IPO Activity

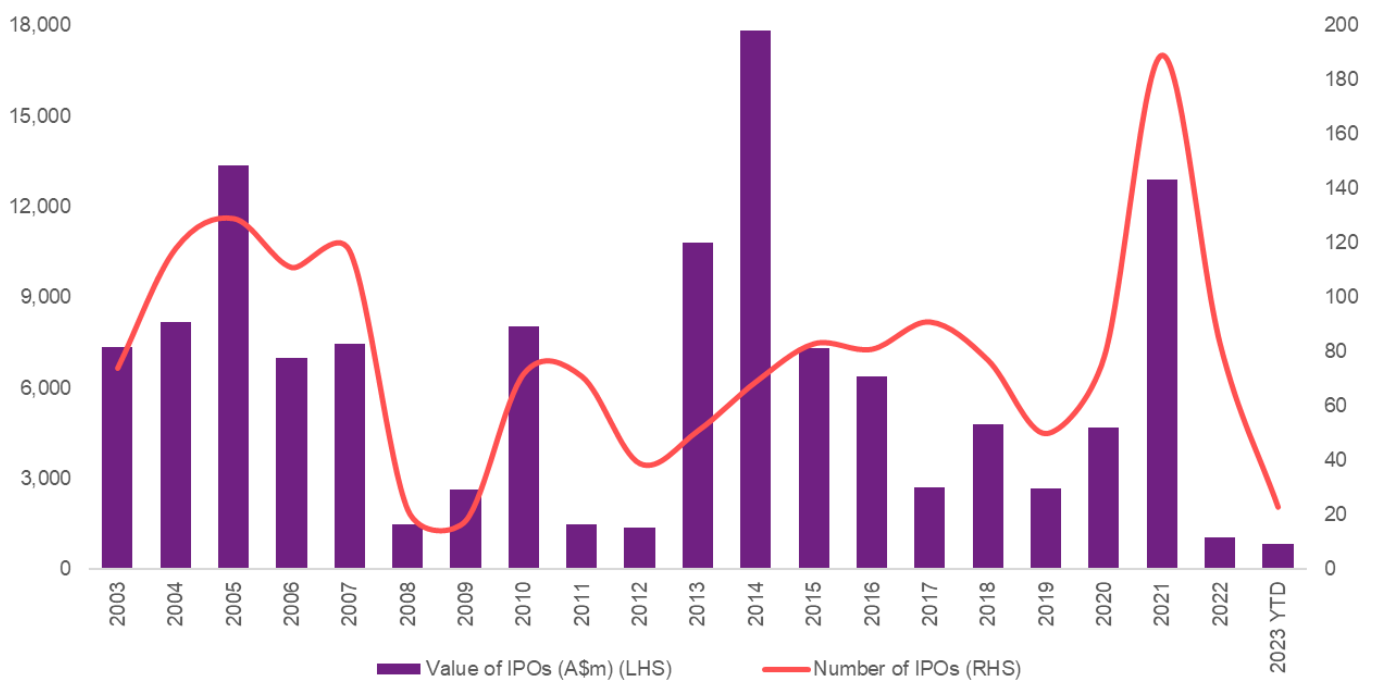
One of the key themes during the September 2023 quarter was the re-emergence of IPO activity in both Australia and the USA. We investigate this theme in more detail below.

### Recent IPO Activity on ASX

As highlighted on the chart below, the last 18-months have been incredibly quiet for IPO activity in Australia, especially outside of the resources sector. This main driver of the low number of new ASX listings during this period were global macro headwinds and equity market volatility. In CY22, the value of IPO capital raised fell to 30-year lows, and while the number of transactions was close to the long-term ASX average, many of these IPOs were in the mining exploration sector and raised only small amounts of capital. However in recent months, the domestic market has started to see increased IPO activity, with 4 non-resources companies listing on ASX including chemical distributor Redox and medtech business Curvebeam. Unfortunately, all four of these non-resources names are trading below IPO issue price at the time of writing, partially due to another bout of macro-driven equity market volatility recently. The Perennial private funds did not invest in any of these four recent IPOs.

Despite this mixed after-market performance, the domestic IPO pipeline continues to build with Nido, Virgin, MolyCop, Cuscal, AirTrunk and Mondiale VGL all on the horizon according to press reports. Interestingly, the majority of these businesses have not undertaken a pre-IPO round from institutions. In many cases this reflects the larger equity values for these companies, and the decision to use the IPO as a mechanism for a sell-down by existing shareholders rather than raise new primary capital. To date, the domestic companies finding better IPO support from institutions are larger, profitable businesses with predictable operating histories, plus those businesses raising primary capital to grow. It feels too early for younger high-growth technology stocks to list successfully on ASX, however this could change in CY24 given recent activity in the US market. There are also a number of private companies within the PPP portfolios which may look to IPO over the next 12 months which we can discuss closer to their proposed date of listing.

### Annual IPOs on ASX by number and value over the last 20 years

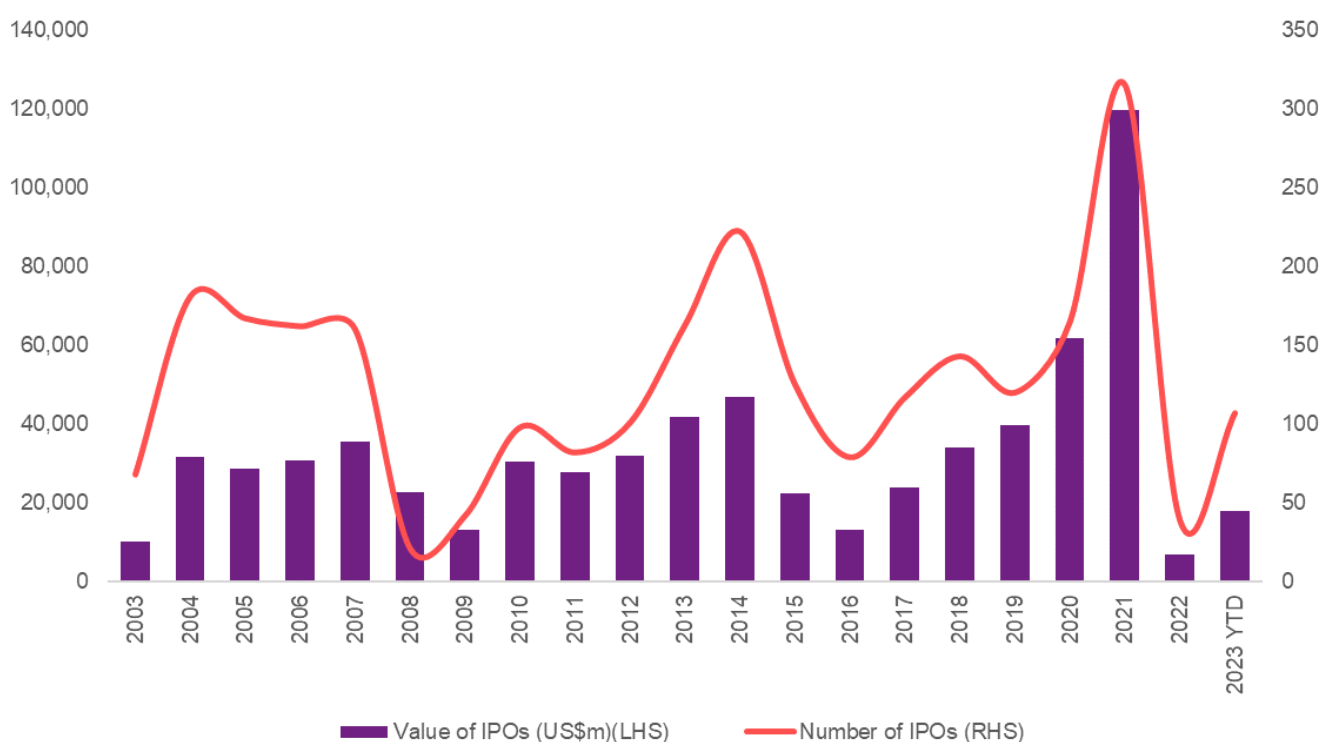


Source: Ord Minnett, ASX, Perennial

## Recent IPO Activity in the USA

As was the case in Australia, the US IPO market over the last 18 months has also been negatively impacted by the equity market selloff and macroeconomic concerns as demonstrated on the chart below. However, the US market is now showing good signs of increased IPO activity with YTD volumes and values recovering from a low point last year. So far in CY23, the US market has seen 107 IPOs (excluding SPAC listings) which is marked increase on the 39 listings in CY22. The IPOs this year include a number of larger companies such as chip-maker ARM (+9% on IPO issue price at the time of writing), grocery delivery business Instacart (-10%), marketing platform Klaviyo (+16%) and footwear company Birkenstock (listed this week). Other private companies in the IPO pipeline in the USA include the fintech Chime, payments business Stripe and social media platform Reddit. In a key difference to Australia, a number of the recent and future IPOs in the US market are technology companies, albeit they generally have long operating histories and are profitable businesses.

## Annual IPOs on NYSE / NASDAQ by number and value over the last 20 years



Source: University of Florida, stockanalysis.com, Perennial  
 Note: The above data excludes SPACs, penny stocks, REITs, units, funds and other small raisings

Thank you for your continued interest in PPP2.

Yours sincerely

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