

	NAV (\$)	Quarter (%)	CAGR ² (%)	Since Inception ¹ Cumulative (%)
Perennial Private to Public Opportunities Fund No.2	1.283	+1.3	+8.1	+28.3

Performance Update

The Private to Public Opportunities Fund No.2 (PPP2) returned +1.3% (net of fees) for the quarter ending December 2023. Since inception in October 2020, PPP2 has now returned +28.3% (net of fees).

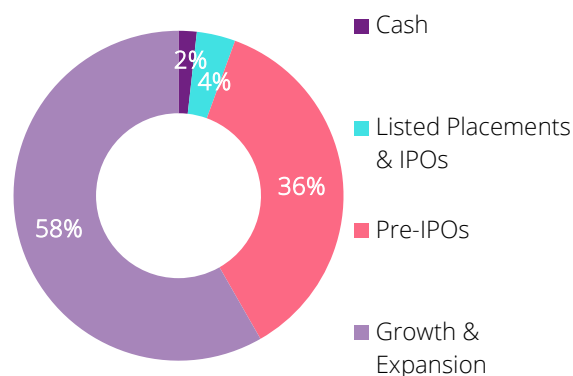
There were a number of contributors to the positive performance during the quarter in what was a busy period for the Fund. This included the upwards revaluation to our investment in a payroll compliance business following a capital raise at a higher valuation than our current holding level. Performance also benefited from an uplift to the carrying value of our position in an enterprise SaaS business following a primary capital raise at a higher valuation.

The Fund also made a number of follow-on investments during the period, notably in a fast-growing online design software company. In addition, the Fund participated in a capital raise for an existing HR tech investment under attractive terms, which subsequently resulted in an uplift to the carrying value of our position. We also took the opportunity to make a new investment in a fintech business during the quarter.

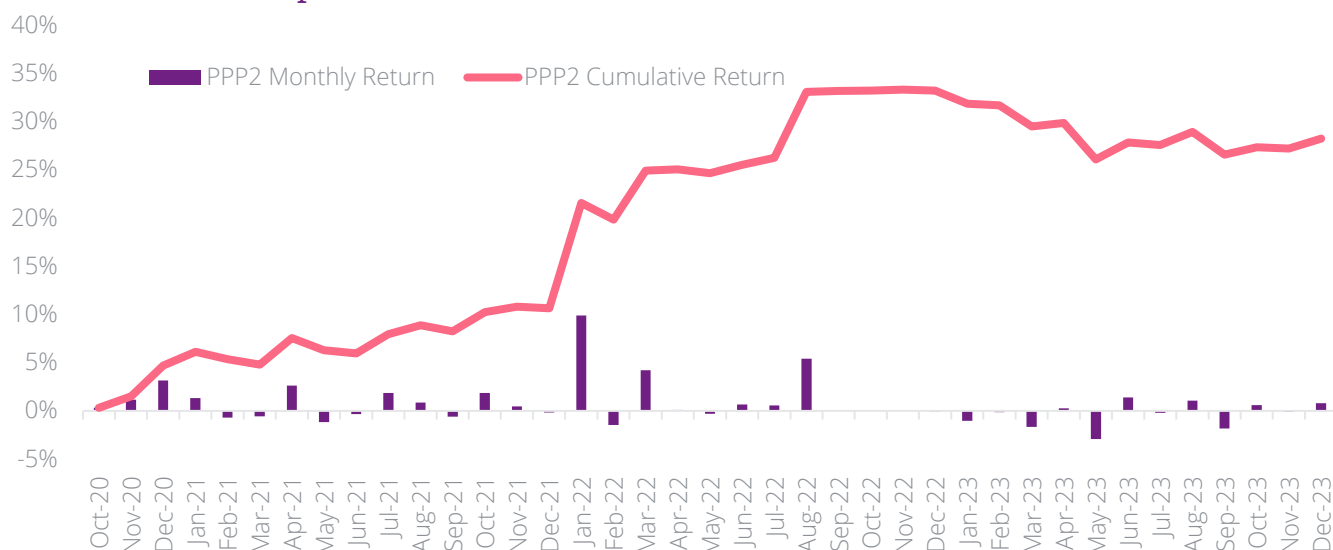
The strength of the \$A in the December quarter negatively impacted the valuation for PPP2's foreign currency domiciled companies. General softness in the Fund's listed exposures also negatively impacted performance over the three months.

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 Inception¹ 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.

Private Markets in 2023

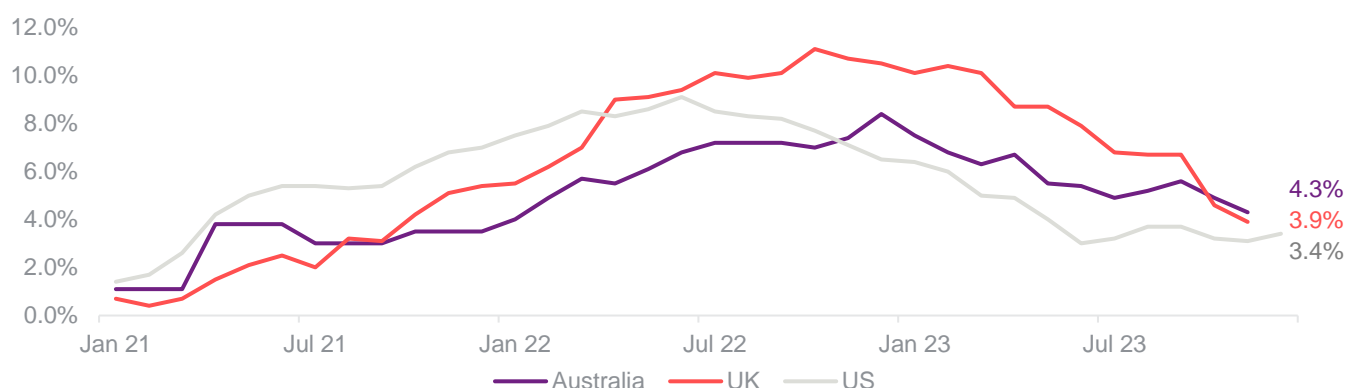
It is often said that 'no two years in the market are the same', and that was certainly the case in 2023. It was a volatile year characterised by high interest rates, persistent inflation, macro uncertainty, slow decision-making and increased geopolitical risks. It was also a year where private companies focused on their cost base, cashflow and balance sheet, with growth & expansion less of a priority. While this market uncertainty has created good investment opportunities in private markets, general confidence was low and deal cadence remained slow over the last year. IPO activity was again subdued in 2023, however M&A activity increased, with a number of our portfolio companies either executing or investigating mergers in order to generate greater scale and synergies.

As a general market theme, private companies are opting to 'stay private for longer' which ensures that Perennial continues to see a strong pipeline of high-quality proprietary deal flow. Our ability to be a funder of private companies to IPO and beyond often makes Perennial the partner of choice for many founders. In addition, we have seen a reduced number of other private capital providers in the market in the last two years. During 2023, we undertook approximately 30 transactions across our 5 private funds which included both follow-ons in our existing portfolio companies as well as new private investments. The current market uncertainty has enabled us to execute these transactions on favourable terms for our investors. These various themes in private markets are discussed in more detail below.

Economic Trends

Macroeconomic trends were again a key driver of private & public markets in 2023. While the consensus view is that interest rates are now top of the cycle (or close to it), there is widespread debate about the timing of rate cuts given the persistent level of high inflation globally. While consumer & business demand has reduced as a result of the successive rate increases, cost-push inflation remains a key concern given high government spending, strong wage rises, higher energy prices and ongoing supply chain issues. At present, Australia has higher inflation and lower interest rates than the USA and UK.

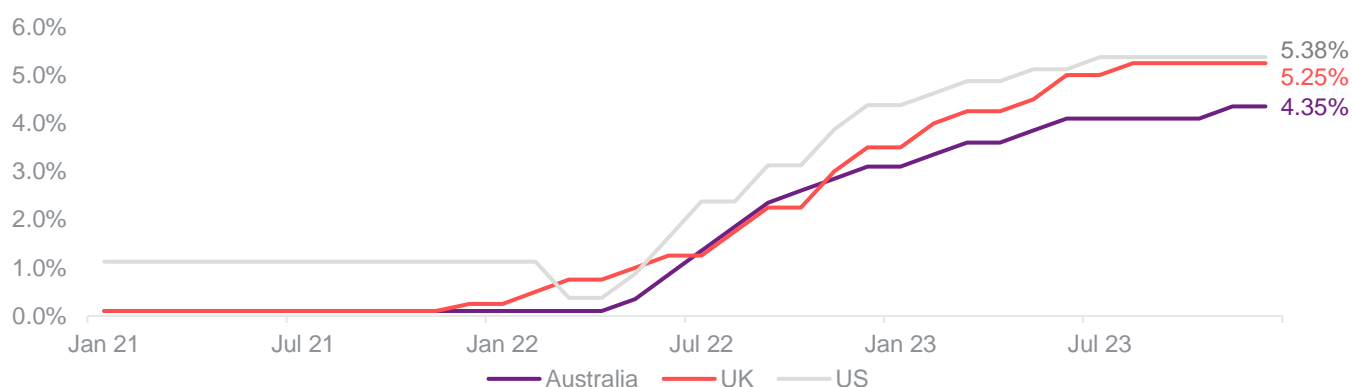
Consumer Price Index (year-on-year % change) – Australia, UK, USA



Source: RBA, Office for National Statistics and U.S. Bureau of Labour Statistics

Note: Australia CPI is on a quarter by quarter basis until monthly data was available from January 2022

Central Bank Policy Rate (%) – Australia, UK, USA



Source: RBA, Bank of England and Forbes

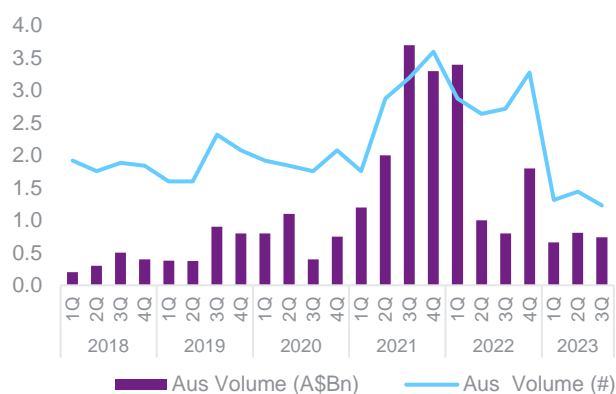
Note: The US rate is calculated as the mid-point of the Fed Funds Rate range at that point in time

Private Deal Flow

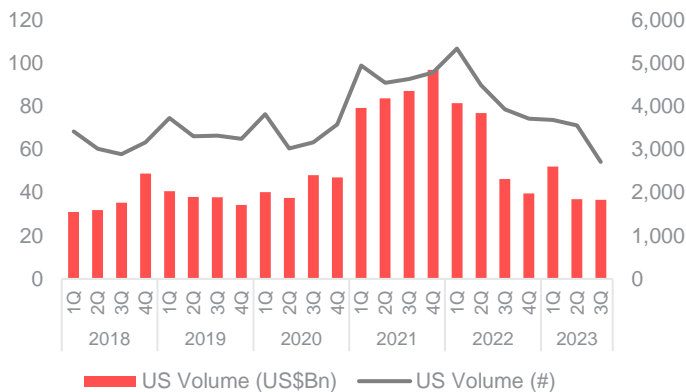
During 2023, private markets transaction activity remained subdued in terms of both volume and value, and was below 2022 levels in most quarters. As highlighted on the first two charts below, 2023 represented the second year in a row of lower activity compared to the frothy levels experienced in 2021 (the data shown is up to 3Q CY23). In addition, deal cadence was slow, with many transactions taking longer to negotiate and close than in previous years.

However, the combination of cautious markets, lower valuations, better deal terms and limited suppliers of private capital has resulted in much more investor-friendly markets. This is highlighted on the second chart below which outlines the valuation reset for Australian and American listed technology companies over the last two years.

Australian Quarterly Deal Volume & Value

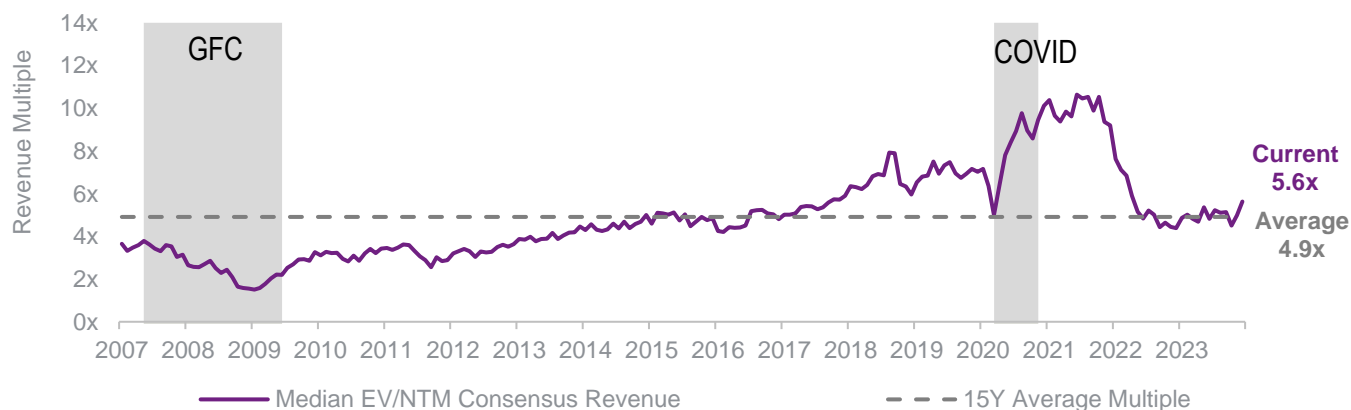


USA Quarterly Deal Volume & Value



Source: Cut Through Ventures and Pitch Book

Valuation Reset for Australia and US Technology Companies - EV / NTM Consensus Revenue



Source: Citi, Factset, Perennial

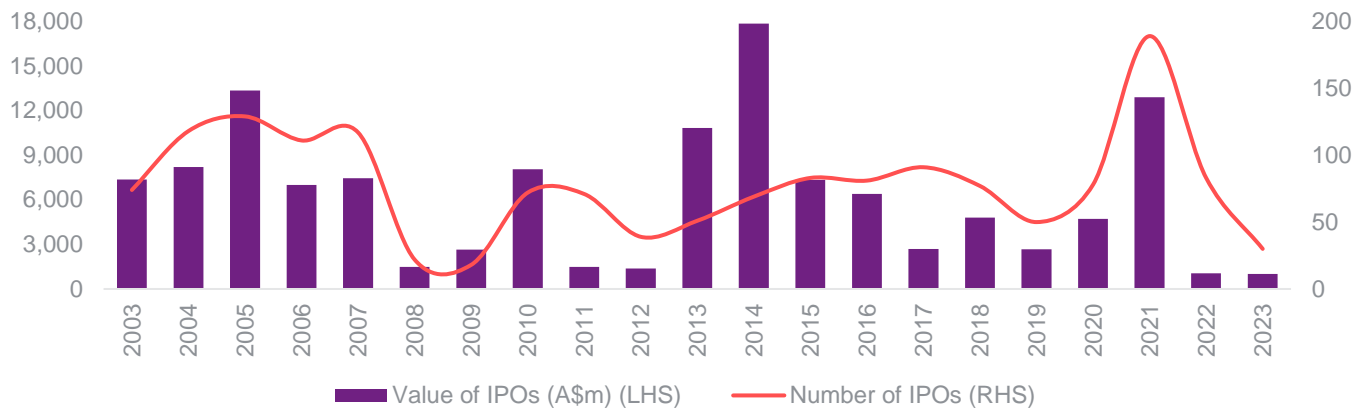
IPO and M&A Activity

We saw an ongoing low level of IPO activity on ASX in 2023. The 30 IPOs in 2023 represented a 64% decline from 2022 and an 84% decline from 2021. In addition, the vast majority of the IPOs last year were in resources & energy - two sectors that our private funds do not invest in due to their inherent cyclicality. In terms of share price performance, last year's IPOs were again mixed with the majority trading below issue price by year end. As we have commented in previous newsletters, overall IPO performance in Australia has been very poor over the last four years due to a combination of high pricing, unfavourable deal structure and volatile equity markets. The US market exhibited a slight improvement in IPO activity in 2023, however like the ASX, it remains at low levels.

On a more positive note, M&A activity in both the listed and private market persisted during 2023. We have successfully exited a number of private investments via trade sale over the last year, and several portfolio companies are in discussions regarding M&A transactions. While some of these transactions may not be successful, we expect private takeovers to remain a driver of fund performance in 2024.

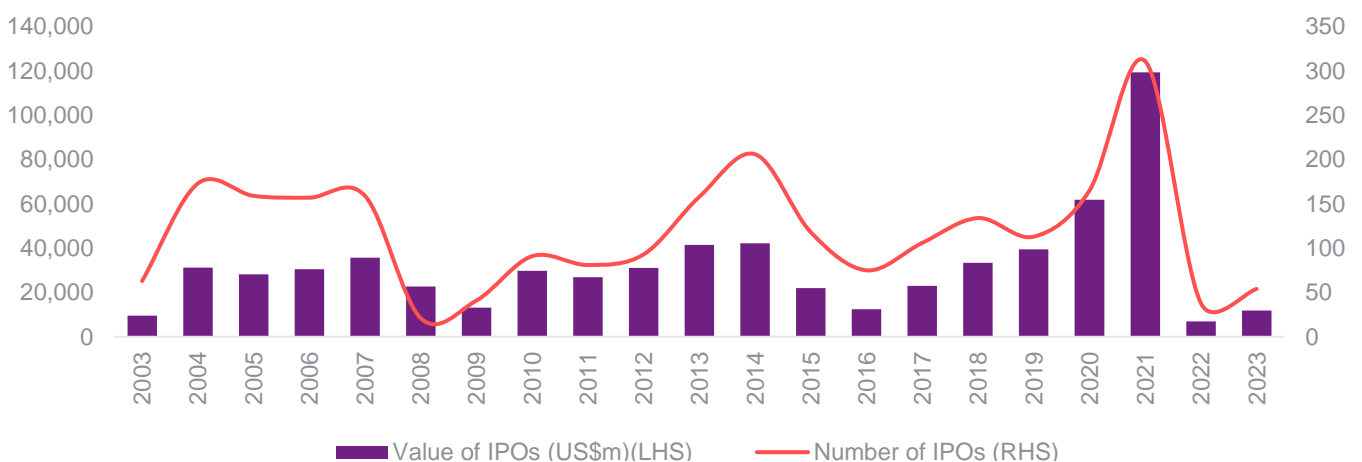
IPO and M&A Activity (continued)

Annual IPOs on ASX by Volume & Value over the Last 20 Years



Source: Ord Minnett, ASX, Perennial

Annual IPOs on NYSE / NASDAQ by Volume & Value over the Last 20 Years



Source: University of Florida, Perennial

Outlook for 2024

In terms of the outlook for 2024, in the near term we are likely to see a continuation of global market uncertainty given a mixed macroeconomic environment and increasing geopolitical risks. Within the domestic private market specifically, the recent trends of tight capital, slow deal cadence and a focus on profitability are likely to remain key drivers this year. Whether a private company wants to attract new investors or consider an IPO and/or trade sale, it will need to display a compelling combination of an existing strong revenue base, profitable & predictable growth, unique IP & competitive advantage, committed founders and supportive counterparties.

The domestic IPO market is unlikely to be tested until March/April 2024 at the earliest, and will take its lead from the behaviour of listed equity markets between now & then. In our view, it will need to be a period of 'no more surprises' for any sizeable IPOs to get away in 1H CY24. Given the high level of M&A activity we are currently seeing across our private portfolios, this will remain an important dynamic in the next year. In an environment of mixed global growth, large companies will increasingly look to bolt-on acquisitions in order to drive earnings and valuation. Merger activity will also continue in the private market as smaller players look to create scale and capture synergies prior to the next transaction. While many private companies on an IPO pathway will continue to wait for an optimal window, others will pursue a private takeover instead, which can often be executed at a higher valuation than the listed market given the premium paid for control.

In our view, the pipeline of private investment opportunities will continue to expand into 2024, as founders will opt to stay private for longer should the capital be available to support them. Many of the structural growth businesses that we have invested in can thrive in any environment, as they did during the various COVID interruptions over the past few years. Following the recent reset in valuations & terms in private markets, we expect the opportunity to make great investments into great companies will continue in 2024 for our Perennial private funds.

Company Snapshot – Koala

Sector	Investment Stage	Brief Description
Retail	Unlisted Expansion and Growth	Vertically integrated e-commerce furniture retailer

PPP2 has been invested in Koala since 2020 and holds convertible notes.

Led by co-founder and CEO Mitch Taylor, Koala is a vertically integrated furniture e-commerce company which has transformed the furniture experience for consumers. Since launching in 2015, Koala has become a key player in the furniture and mattress market in Australia. The business has successfully expanded globally into Japan and South Korea since then.

The global furniture & mattress market has historically been characterised by inefficient production, poor supply chains, unnecessary middleman costs and the reliance on traditional retail channels. Koala has been a pioneer in re-shaping the mattress & furniture industry through an efficient production process and supply chain and selling directly to the end consumer.

From an ESG perspective, the company remains BCorp certified and continues to work on new designs to further reduce the environmental footprint of its products.

koala Product Overview

Mattresses



Sofa Beds



Bed Bases



Sofas



The Koala investment case can be summarised as:

- A restructure in August 2022 allowed the business to reach underlying operating profit. These initiatives reduced the fixed cost base of the business;
- Koala has delivered modest top line growth despite difficult market conditions in the last 12-24 months for retail. Gross margins and cash flows have both improved, and in 1H FY24, the company has continued to experience growth in Japan and Australia;
- The successful build out of its Japan and South Korea businesses has demonstrated the global demand for its furniture products and the convenience of the offering;
- 2H FY24 will see entry into the US market via a low-cost model. This represents a significant addressable market which will support top line growth;
- The roll out of new products in recent years, expanding from the bedroom into the living room and other areas of the house, will enable the business to extract further value from its customer base; and
- Koala's proprietary technology enables end-to-end supply chain management and a delivery performance that is better than most retailers, and results in strong unit economics.

Company Snapshot – InDebtEd

Sector	Investment Stage	Brief Description
Fintech	Unlisted Expansion and Growth	Consumer debt recovery

PPP2 has been invested in InDebtEd since 2022 and holds preference shares.

Founded in 2016 in Sydney, InDebtEd's purpose is to change the world of consumer debt recovery by delivering an improved collection experience for both consumers and creditors. At the heart of the business is an automated, data-driven and customer-centric digital platform providing an improved experience and more efficient process for all parties.

The platform uses machine learning and behavioural data to personalise the collections process for each individual consumer. As a result, InDebtEd has a 4.9-star rating on Google, with over 2,000 reviews from consumers using the platform to pay off their debt. Companies utilising InDebtEd are recovering balances at up to 40% greater rate than traditional debt collectors. InDebtEd's automated technology platform also enables them to recover smaller accounts that they would otherwise write off, while providing an experience to their customers that preserves established relationships. InDebtEd has enabled the debt collection process to be almost entirely 'self-serve', with 90% of customers managing their debts digitally through InDebtEd's globally scalable platform and product suite.

The business has scaled rapidly since launch, now operating in 5 countries. Much of this growth has been driven by existing B2B customers taking InDebtEd into new markets in which they operate. Coupled with InDebtEd's sophisticated platform and machine learning engine, their ability to collect smaller debts that are difficult to manage cost effectively, has been a key driver of success. The company has attracted a number of large corporate customers such as Afterpay (Block), Klarna and Affirm. Beyond debt collection, InDebtEd is developing allied products which provide additional growth opportunities in the future and a 'second chance' financial rehabilitation platform.

The InDebtEd investment case is supported by:

- Clear global market leadership in digital debt collection;
- A strong thematic and structural growth story. We believe InDebtEd is well positioned in the current market. With higher interest rates globally, businesses are likely to see increased bad debts and given InDebtEd's customer-centric approach, we believe businesses will continue to favour them over traditional call centre debt collection agencies;
- An attractive financial profile with a sizeable revenue run rate of over US\$20 million as at October 2023, a 3-year revenue CAGR of more than 100% (including acquisitions) and gross margins over 70%. Further, the company has now reached profitability as it reaps the benefit of its operating leverage;
- A strong acquisition strategy where InDebtEd can swiftly implement their proprietary technology which provides an immediate increase in collection / revenue generation and improves margins. InDebtEd targets companies with limited digital capabilities, higher costs or legacy vendors and limited or no self-serve functionality;
- An experienced management team led by Josh Foreman with a history of successful execution; and
- A growing client base across multiple geographies and verticals.

Thank you for your continued interest in PPP2.

Yours sincerely

The Perennial Private Investments Team



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