

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception^ (% p.a.)	Since Inception Cumulative^ (%)
Perennial Better Future Trust (Net)	+5.0	+4.6	-2.7	+4.1	-8.4	-1.2	+7.7	+6.8	+47.7
S&P/ASX Small Ordinaries Accumulation Index	+7.2	+8.5	+6.4	+7.8	-6.2	+0.9	+6.4	+3.9	+25.2
Value Added	-2.2	-3.9	-9.1	-3.7	-2.2	-2.1	+1.3	+2.9	+22.5

[^]Since inception: 1 February 2018. Past performance is not a reliable indicator of future performance.

Overview

Global equity markets continued to rally in December as bond yields fell in response to signs that central banks are becoming less concerned about inflation and there were some early signs of merger and acquisitions activity in the Australian market. The Trust performed well in absolute terms, finishing up +5.0% after fees during the month. However, the benchmark was stronger, finishing up +7.2% leading to the Trust underperforming by 2.2%.

Positive held contributors to relative performance during December included G8 Education (+24.9%), Sims Ltd (+16.3%), Immutep (+16.9%) and Neuren Pharmaceuticals (+61.1%).

The most significant relative detractors included 4D Medical (-25.1%), PEXA Group (-7.3%), Calix (-4.2%) and AUB Group (-1.4%).

After a strong June quarter, the performance of the Trust since 30 June has been weaker than expected impacting performance across longer time periods. We discuss some of the drivers over the last 6 months overleaf. Looking forward, our target price forecasts* suggest that there remains good upside in the portfolio with a preference for stocks that have stock-specific drivers that we expect to materialise in the short-medium term and/or are expected to grow over the medium term regardless of the macroeconomic environment.

**Based on Perennial Value Management Forecasts. While due care has been used in the preparation of forecasts information, actual outcomes may vary in materially positive or negative manner.*

Better Future Highlight

During the month portfolio holding Neuren Pharmaceuticals announced positive Phase 2 clinical trial results for the company's drug NNZ-2591 in Phelan-McDermid syndrome. Phelan-McDermid syndrome is a neurodevelopmental condition that has severe quality of life impacts for those living with it, as well as their families and carers. The most common characteristics include moderate to severe developmental and intellectual impairment and developmental delay, delayed or absent speech and mild to severe epilepsy. There are currently no approved treatments for the condition.

During the Phase 2 trial significant improvements were consistently observed by clinicians and caregivers from treatment, across many of the core Phelan-McDermid characteristics including communication, cognition, learning, socialisation and behaviour.

Neuren already has a product approved by the FDA for the treatment of Rett syndrome and is developing NNZ-2591 to treat other neurodevelopmental disorders. The outcome of the Phase II trial bode well for the further development of NNZ-2591 in both Phelan-McDermid syndrome and other neurodevelopmental conditions.

Perennial Better Future Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in companies predominantly outside the S&P/ASX Top 50 Index that conduct business taking into account environmental, social and governance ("ESG") considerations and/or businesses that are making a positive contribution to creating a better future. The Trust seeks 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 Manager

Damian Cottier

APIR Code

WPC5600AU

Distribution Frequency

Annually (if any)

Minimum Initial Investment

\$25,000

Trust Inception Date

1 February 2018

Fees

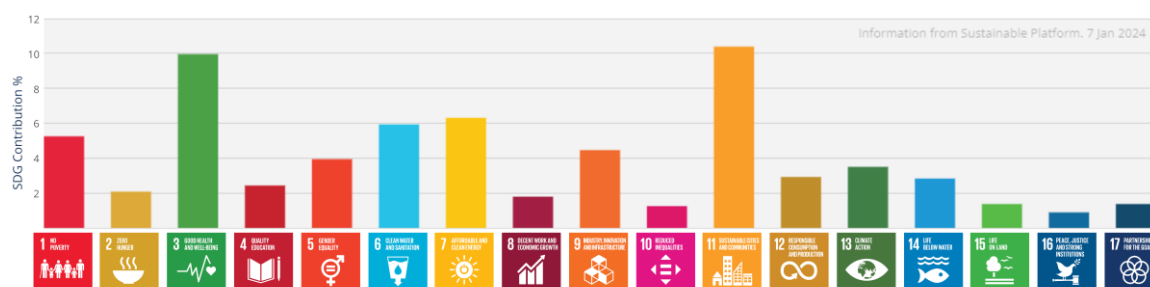
1.20% p.a. + Performance fee

Growth of \$100,000 Since Inception



As at 31 December 2023. Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Portfolios Contribution to the UN Sustainable Development Goals



Total Contribution: 66.68%
(equal to 53.33% social impact contribution and 13.35% environmental impact contribution)

Source: Data provided by the Sustainable Platform 7 January 2024; based on company revenues

Trust Review

Global equity markets continued to rally in December as bond yields fell in response to signs that central banks are becoming less concerned about inflation and there were some early signs of merger and acquisitions activity picking up in the Australian market. The Trust performed well in absolute terms, finishing up +5.0% after fees during the month. However, the benchmark was stronger finishing up +7.2% resulting in the Trust underperforming by 2.2%.

After a strong June quarter, the performance of the Trust since 30 June has been weaker, impacting the performance across longer time periods. Since 30 June, the portfolio has been overweight stocks which in our view are likely to grow earnings over the medium term, based on stock specific drivers, even in a more difficult economic environment. At the same time, we have generally been underweight cyclical stocks.

The weakness in performance over the last six months has been a combination of some stock specific weakness, lacklustre performance in a rising market from our “defensive growth” stocks and strength in more cyclical stocks as the impacts of rising interest rates on these stocks have been more lagged than expected. This has resulted in a number of cyclical stocks with large benchmark weights trading at or close to all time highs despite uncertain short term economic conditions and, in some cases, potential medium term headwinds.

In terms of stock specific weakness, the main driver over the six month period has been Integral Diagnostics which fell in November after a trading update which suggested that while sales growth was solid, margins improvement was less than management expected. The short term share price weakness has resulted in material price target upside and we continue to hold the stock as the medium term growth prospects of diagnostic imaging are favourable and there is the potential for corporate activity in the stock with logical potential acquirers.

Looking forward, our target price forecasts* suggest that there remains good upside in the portfolio with a preference for stocks that have stock specific drivers that we expect to materialise in the short to medium term and/or are expected to grow over the medium term regardless of the macroeconomic environment.

The most significant relative detractors during December included 4D Medical (-25.1%), PEXA Group (-7.3%), Calix (-4.2%) and AUB Group (-1.4%).

4D Medical raised capital during the month to fund the acquisition of Imbio which is a complementary heart and lung imaging technology that will improve the company's scale and distribution in the US market. PEXA announced a trading update which, while in line with expectations for the core Australian business, was weaker than expected for the earlier stage UK business.

Positive contributors to relative performance during December included G8 Education (+24.9%), Sims Ltd (+16.3%), Immutep (+16.9%) and Neuren Pharmaceuticals (+61.1%).

G8 Education announced a better than expected trading update and as discussed overleaf Neuren announced positive Phase II trial results.

At month end, the portfolio held 45 stocks and cash of 7.4%.

Top 5 Active Positions	Trust (%)	Index (%)
Meridian Energy	5.3	0.0
Steadfast	4.2	0.0
Sims Ltd	5.1	1.0
AUB Group	5.1	1.1
Immutep	3.8	0.0

**Based on Perennial Value Management Forecasts. While due care has been used in the preparation of forecasts information, actual outcomes may vary in materially positive or negative manner.*

At December end, the weighted average Perennial-derived Environmental, Social, Governance and Engagement (“ESGE”) Score of the Trust was 7.4 which is 30% higher than the benchmark ESGE Score of 5.7.

ESG Activity

ESG activity during the month included:

- We engaged with Netwealth on the 40:40 Vision (management gender diversity), modern slavery, GHG emissions disclosures and commitments and had a chance to provide feedback on their Modern Slavery statement.
- PRI (Principles for Responsible Investment) released 2023 reporting. You can read Perennial's public transparency report here: <https://ctp.unpri.org/dataportalv2/transparency>.
- Perennial Better Future enhances Human Rights and Modern Slavery Assessment: <https://perennial.net.au/human-rights-and-modern-slavery-assessment/>
- Perennial publishes FY23 ESG & Engagement Report: <https://perennial.net.au/perennial-publishes-fy23-esg-engagement-report/>



Emilie O'Neill (left), Damian Cottier (middle) and Madeleine Huynh (right)

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The Perennial Better Future Trust has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See <http://www.responsiblereturns.com.au/> for details¹.

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Contact us

Level 27, 88 Phillip Street
Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au