

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception [^] (% p.a.)
Perennial Value Smaller Companies Trust (Net)	-1.0	1.4	-1.9	-28.5	-7.0	-1.0	3.8	8.9
S&P/ASX Small Ordinaries Accumulation Index	-3.7	7.5	7.0	-18.4	-2.3	1.4	2.9	5.7
Value Added	2.7	-6.1	-8.9	-10.1	-4.7	-2.4	0.9	3.2

[^]Since inception: March 2002. Past performance is not a reliable indicator of future performance.

Overview

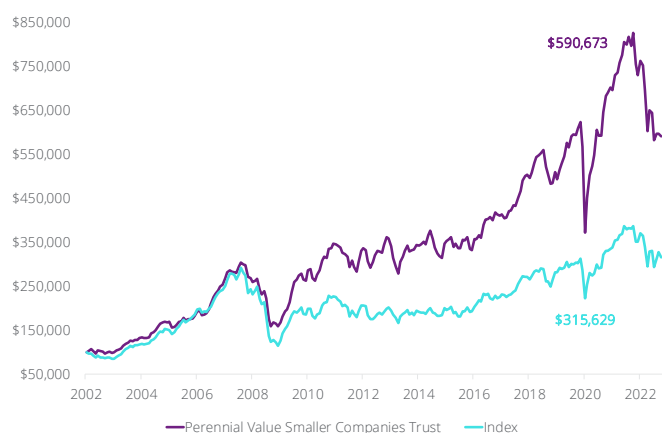
For the month of December, the Trust was down 1.0% (net of all fees) outperforming a very weak market with the Index down 3.7%.

Index performance reflected macro issues as it has for much of the year. Despite this, it was pleasing to see fundamentals at a stock level rewarded, enabling the Trust to outperform. This trend is pleasing to see given we focus on picking stocks on company fundamentals, something which has been out of favour all year.

The early shift in what is driving share price performance likely reflects the absence of the liquidity forced selling which was impacting Small caps for much of the year, but also the emergence of some risk appetite. This emerging risk appetite meant investors began adding new positions for the first time this year. The initial focus seems to be on stocks with a strong earnings outlook in a tough economic environment (where our portfolio is also focused).

The portfolio-average PE ratio of 10.7x remains at a sizeable discount to the index which is 12.8x for FY24.

Growth of \$100,000 Since Inception



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.

Perennial Value Smaller Companies Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of Australian companies that are either listed or unlisted companies found outside the S&P/ASX Top 100 Index, and 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 Managers

Andrew Smith, Julian Guido & Marco Correia

Trust FUM

AUD \$131 million

Distribution Frequency

Half yearly

Minimum Initial Investment

\$25,000

Trust Inception Date

March 2002

Fees

1.20% p.a. + Performance fee

APIR Code

IOF0214AU

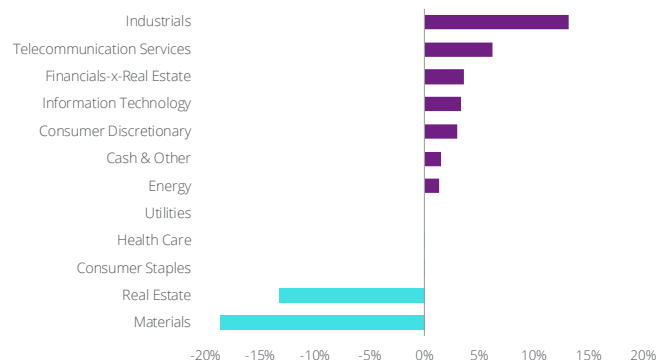
Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.7	12.8
Price to Free Cash Flow (x)	8.3	10.8
Gross Yield (%)	4.6	4.2
Price to NTA (x)	1.9	1.5

Source: *Perennial Value Management as at 31 December 2022. **FactSet, Goldman Sachs, Macquarie Securities and UBS forecast as at 31 December 2022

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Top 10 Positions	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES LTD	5.1	0.0
RPMGLOBAL HOLDINGS LTD	5.0	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	4.9	0.0
COOPER ENERGY LTD	4.7	0.2
SUPERLOOP LTD	3.5	0.0
SEVEN GROUP HOLDINGS LTD	3.3	1.4
EXPERIENCE CO LTD	3.0	0.0
ENERO GROUP LTD	3.0	0.0
FLETCHER BUILDING LTD	2.6	0.5
PEOPLEIN LTD	2.5	0.0

Sector Active Exposure vs Index



Trust Review

There were several companies that were rewarded during the month following positive updates, including:

- **G8 Education** (+13.3%) issued a positive trading update on key business metrics including occupancy, wage ratios and cost savings. With low expectations, the stock rallied on the news with investors now focussed on the incoming CEO
- **Cluey** (+12.2%) had no newsflow but director buying was notable during the month
- **EBOS** (+8.1%) continued to gain investor support following last month's extensive Investor day. Industry data continues to show positive operating trends
- **MAAS Group** (+6.8%) announced an on-market buyback and also director buying
- **Integral Diagnostics** (+5.8%) reported a lower-than-expected earnout payment for the Imaging Queensland acquisition
- **Kelsian** (+4.9%) announced a successful retender and expansion of its Sydney Region 3 contract. While we were not expecting a material earnings benefit to accrue from the retender, it was encouraging to see management organically grow the business, especially due to concerns within the investment community that Kelsian's domestic bus transportation business was ex-growth
- **PSC Insurance** (+1.6%) outperformed the index after guiding to an above-expectations 1H23 performance. The Tysers JV has been delayed by 3 months, however we see upside risk to FY23 guidance

Detractors included:

- **Fletcher Building** (down 4.3%) fell in line with market after a mixed update. An extra provision for a legacy construction project was disappointing, however the reiteration of FY23 guidance and confirmation of margin improvement in Australia is very positive
- **Viva Leisure** (down 11.7%) achieved annualized revenue of \$140.9m and the second strongest month of member additions in November. Pleasingly, they also disclosed solid YTD cashflows
- **MoneyMe** (down 30.0%) reached agreement with their debt provider to reset existing debt covenants while scaling back the size of the facility. The focus for the business remains on statutory profit which will be supported if a lower funding cost model can be secured

At month end, the Trust finished with 56 positions and cash of 1.5%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-3.7
Energy	-5.6
Materials	-5.6
Industrials	-9.2
Consumer Discretionary	-8.2
Consumer Staples	-2.4
Health Care	-5.8
Financials	-3.8
Real Estate	-0.9
Information Technology	-6.3
Telecommunication Services	-8.8



Portfolio Managers: Marco Correia, Andrew Smith and Julian Guido (left to right)

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Signatory of:

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 Significant Investor Visa (SIV) Compliant

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