

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)	Since inception <sup>^</sup> (% p.a.)
Perennial Value Smaller Companies Trust (Net)	-4.1	-4.6	-6.4	-26.2	-10.1	14.8	2.6	6.7	5.1	8.6
S&P/ASX Small Ordinaries Accumulation Index	-0.7	1.9	9.0	-13.2	-2.4	13.1	3.9	6.8	5.2	5.7
<b>Value Added</b>	<b>-3.4</b>	<b>-6.5</b>	<b>-15.4</b>	<b>-13.0</b>	<b>-7.7</b>	<b>1.7</b>	<b>-1.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>2.9</b>

<sup>^</sup>Since inception: March 2002. Past performance is not a reliable indicator of future performance.

## Overview

For the month of March, the Trust was down 4.1% (net of all fees), compared to the index which was down 0.7%.

Relative performance was impacted by not holding takeover targets Lintown Resources (+89.7%, we had avoided given likely cost blowouts at the project) and United Malt (+33.0%, we avoided given very high debt levels).

We expect takeover activity to continue to be a feature this calendar year and believe several of our holdings are more logical targets given reliable and growing earnings streams as well as low debt (or in most cases, no debt).

Sentiment remains poor amongst stocks below \$500m market cap. By contrast, this is where we have higher levels of conviction in earnings compared to a trickier outlook at the index level.

Our conviction in the portfolio increased further during March as we did follow up meetings with our key holdings. We expect other investors and corporates will also notice these improving fundamentals in coming months.

The portfolio-average PE ratio of 9.7x remains at a sizeable discount to the index, which is 13.3x for FY24.

## 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 \$112 million

### Distribution Frequency

Half yearly

### Minimum Initial Investment

\$25,000

### Trust Inception Date

March 2002

### Fees

1.20% p.a. + Performance fee

### APIR Code

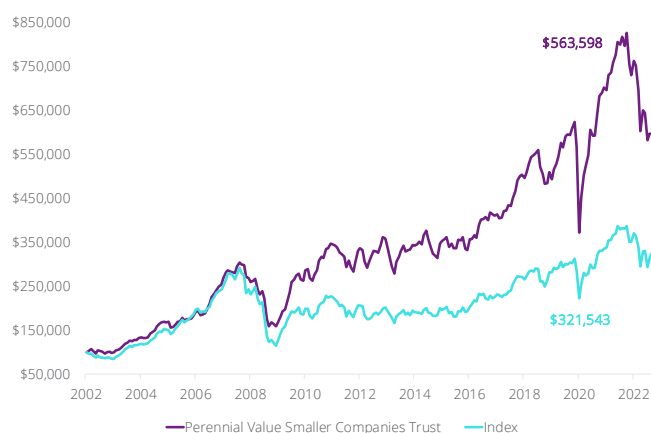
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Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.7	13.3
Price to Free Cash Flow (x)	7.9	12.0
Gross Yield (%)	5.3	5.0
Price to NTA (x)	1.8	1.4

**Source:** \*Perennial Value Management as at 31 March 2023. \*\*FactSet, Goldman Sachs, Macquarie Securities and UBS forecast as at 31 March 2023

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.

## Growth of \$100,000 Since Inception

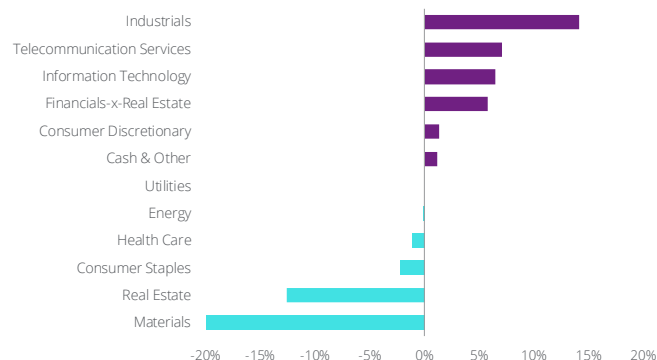


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Top 10 Positions

Top 10 Positions	Trust (%)	Index (%)
ALLIANCE AVIATION SERVICES LTD	5.8	0.0
RPMGLOBAL HOLDINGS LTD	5.2	0.0
NAVIGATOR GLOBAL INVESTMENTS	5.0	0.0
COOPER ENERGY LTD	3.9	0.2
SEVEN GROUP HOLDINGS LTD	3.8	1.5
EXPERIENCE CO LTD	3.7	0.0
PEOPLEIN LTD	3.2	0.0
GTN LTD	3.0	0.0
ENERO GROUP LTD	3.0	0.0
SUPERLOOP LTD	2.9	0.0

## Sector Active Exposure vs Index



## Trust Review

March was another busy month for the team, including follow up meetings with management, as well as discussions with board members for further insights post results. Pleasingly, this improved our conviction in our key holdings.

Size continued to be the main driver of relative performance with several of our larger market cap positions performing well, such as:

- **MAAS Group** (+8.9%) outperformed with the company's share buyback programme becoming highly active in March
- **EBOS Group** (+6.8%) gained strong support after a surprise index inclusion forced new investors to review the recent high-quality result and strong outlook

Sentiment towards stocks below \$500m market cap feels worse than the GFC despite much lower corporate debt levels and many stocks with an improving earnings outlook. We believe there are many obvious examples of value hidden in 'plain sight' which is being overshadowed by poor sentiment. We expect the following companies could become of interest to corporates via a takeover if they are not re-rated by the market:

- **Navigator Global** (down 4.5%) could easily double in price to match peer multiples. A likely catalyst is simplifying the existing capital structure to allow investors to better value the strong USD earnings stream and flows into low beta investment products
- **Lark Distilling** (down 13.2%) continues to win Whisky awards and gain traction in export markets and mainstream domestic retailers. The new high calibre CEO starts 1 May and should be a good catalyst for renewed interest
- **Alliance Aviation** (down 1.7%) is already under takeover from Qantas and awaiting ACCC approval while **People Infrastructure** (down 7.9%) has announced a strategic review

Stocks trading lower on negative updates included:

- **OFX** (down 18.7%) following its investor day where guidance was maintained but investor concerns centred around the change in mix and additional capex investment
- **IPH** (down 8.6%) announced a cybersecurity breach within two of its IP firm brands in Australia. While the issue has since been resolved, concerns regarding reputational damage, potential customer losses and subsequent earnings impact remain to be seen. Our view is IPH's leading position within the Australia and New Zealand market will limit any material customer/revenue losses, especially given the additional cyber safeguards are now firmly in place
- **EVT Limited** (down 6.7%) fell on offshore news that some cinema releases will move from 2H23 to 1H24, creating possible short-term earnings risks. We identify strong value on offer given the market value of property held on the balance sheet matches the market cap, attributing little value to the operating businesses

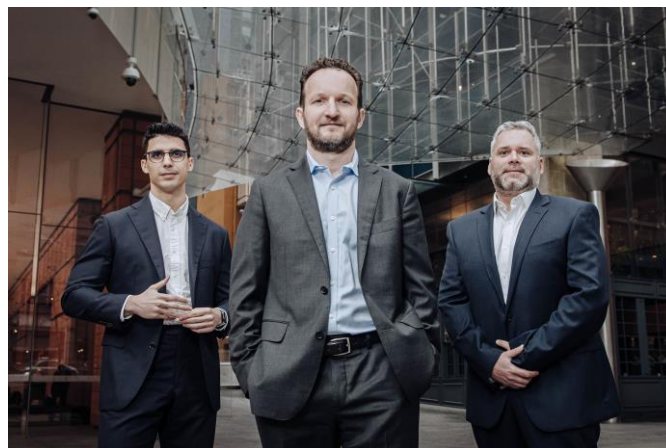
In addition to these names there were many stocks that sold off on low volume and no news flow during March, such as:

- **Enero Group** (down 10.7%) continued to drift after a mixed half year result. Interest may begin to improve as post month end a buyback was announced as well as deep dive presentation on their higher growth business OB Media
- **Envirosuite** (down 12.4%) despite broker upgrades in February given lower costs and increased confidence in the near-term transition to positive cashflow
- **Superloop** (down 14.5%) despite delivering its most confident and clean result under the current management team to date, providing investors with a rare 'defensive growth' exposure

The Trust finished with 57 positions and cash of 1.2%.

## Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-0.7
Energy	-3.0
Materials	2.8
Industrials	-0.1
Consumer Discretionary	-1.4
Consumer Staples	-3.1
Health Care	-0.7
Financials	-6.8
Real Estate	-6.6
Information Technology	-6.3
Telecommunication Services	1.5



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

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