

	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)	-3.6	-6.3	-8.6	-20.9	-13.5	3.1	0.7	6.0	6.4	8.4
S&P/ASX Small Ordinaries Accumulation Index	-3.3	-1.3	8.4	-5.8	-5.2	4.5	2.5	5.6	6.0	5.6
<b>Value Added</b>	<b>-0.3</b>	<b>-5.0</b>	<b>-17.0</b>	<b>-15.1</b>	<b>-8.3</b>	<b>-1.4</b>	<b>-1.8</b>	<b>0.4</b>	<b>0.4</b>	<b>2.8</b>

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

### Overview

For the month of May, the Trust was down 3.6% (net of all fees), compared to the Index which was down 3.3%.

Markets were dominated by weaker China data and concerns over negotiations in the US to lift the debt ceiling. Share prices were also impacted by pockets of 'tax loss' selling further separating share prices of some stocks from fundamentals – with many stocks down >10% on no news flow.

This sidelined (for now) early signs of positive momentum returning to the smaller end of the market. Encouragingly, there has been more commentators noting the large underperformance and contrarian opportunity within Small and Microcap stocks. This combined with the natural end to tax loss selling by the end of June sets up the potential for a strong recovery in the sector in FY24.

Earnings updates were mixed with OFX providing guidance ahead of consensus for FY24 (stock up 28.4%) offset by one of our few consumer exposures, Universal Stores, falling significantly after highlighting weakening sales (but importantly it has a strong balance sheet).

The portfolio-average PE ratio of 10.3x remains at a sizeable discount to the index which is 16.4x 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.

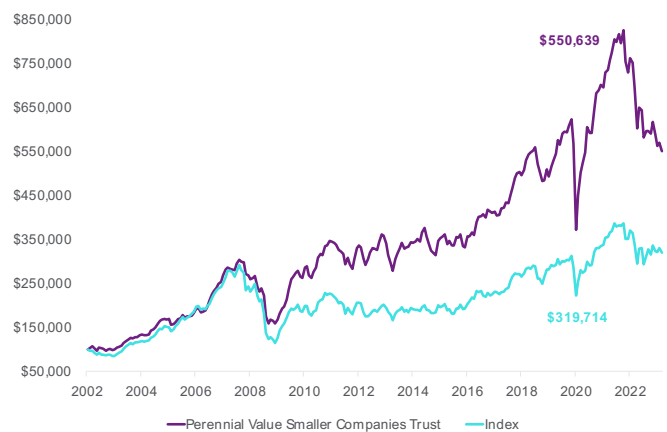
<b>Portfolio Managers</b>	<b>Trust FUM</b>
Andrew Smith, Julian Guido & Marco Correia	AUD \$107 million
<b>Distribution Frequency</b>	<b>Minimum Initial Investment</b>
Half yearly	\$25,000
<b>Trust Inception Date</b>	<b>Fees</b>
March 2002	1.20% p.a. + Performance fee

**APIR Code**  
IOF0214AU

Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.3	16.4
Price to Free Cash Flow (x)	7.5	13.4
Gross Yield (%)	5.8	4.0
Price to NTA (x)	1.8	1.7

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

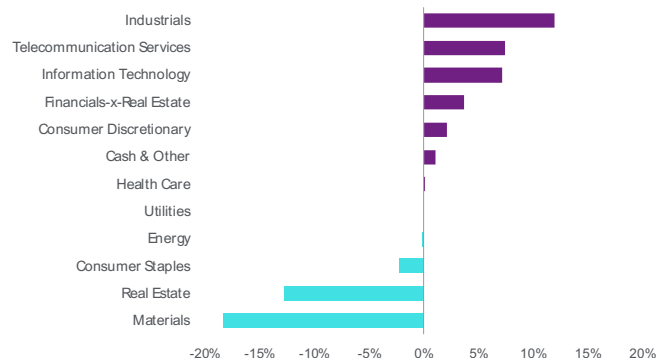
### Growth of \$100,000 Since Inception



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	Trust (%)	Index (%)
RPMGLOBAL HOLDINGS LTD	5.6	0.0
ALLIANCE AVIATION SERVICES LTD	5.0	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	4.9	0.0
EXPERIENCE CO LTD	4.0	0.0
SUPERLOOP LTD	3.6	0.0
PEOPLEIN LTD	3.6	0.0
COOPER ENERGY LTD	3.4	0.2
ENERO GROUP LTD	3.1	0.0
GTN LTD	2.9	0.0
FLETCHER BUILDING LTD	2.3	0.5

### Sector Active Exposure vs Index



## Trust Review

During the month, there were pockets of fundamental updates and renewed investor interest in some small cap names. This translated into outsized share price moves despite the weak macro backdrop, for example:

- **OFX Group** (+28.4%) reported a strong FY23 result (EBITDA +38%) in line with guidance. More importantly, with improved quarterly run-rates, management have issued above consensus FY24 guidance and announced a 10% share buy-back
- **Fleetwood** (+18.5%) extended gains on news on the proposed Perdaman urea plant proceeding. We expect Fleetwood to benefit either directly or indirectly via providing accommodation services in Karratha during construction.
- **Kelsian Group** (+11.5%) received regulatory approvals for its \$487m US-based acquisition (All Aboard America) which subsequently completed post month end.
- **Fletcher Building** (+10.2%) reiterated existing guidance, however a bigger focus was on RBNZ commentary suggesting further rate hikes are now less likely with the desired slowdown in the economy now evident.

The accompanying graphic of the Industrial Universe Performance gives a stark reminder that size, not fundamentals, has driven performance since 1 January 2022. This has created many opportunities in both the sub \$500m category (30.1% of the fund) and sub \$200m category (22.7% of the fund).

Those stocks that are closer to the consideration of mainstream small cap managers (given their size) have begun to benefit from renewed investor interest and remain a hunting area for new investment ideas, as examples:

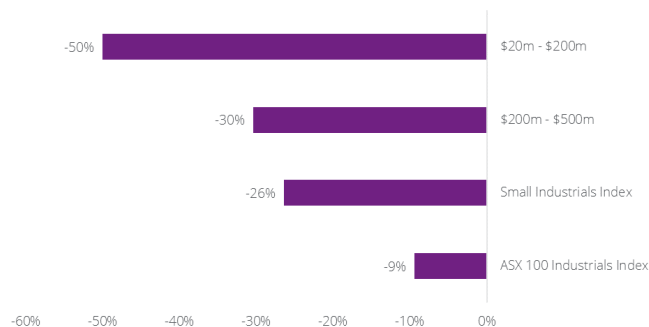
- **RPM Global** (+7.5%) extended their share buy-back for another year and keen investors would have noticed the disclosure in the announcement of a cash balance of \$35.3m as at 30 April 2023, up from \$22.3m at 31 Dec 2022
- **Superloop** (+7.3%) after a positive investor day which clearly demonstrated significant progress in recent years and an enhanced earnings and cash flow generation ability

In this category we also added **Acrow Formwork** as the acquisition of Heinrich Plant Hire and a 7% earnings upgrade was overshadowed by a poorly handled sell-down by a large shareholder creating an opportunity to enter the stock on its lows.

**Universal Store** (down 39.8%) provided a weaker trading update with slower sales in the June quarter. On a relative basis, Universal offers appeal with a clean inventory position, net cash balance sheet, attractive valuation and growth options. We also note material director buying on market post the downgrade.

The Trust finished with 61 positions and cash of 1.1%.

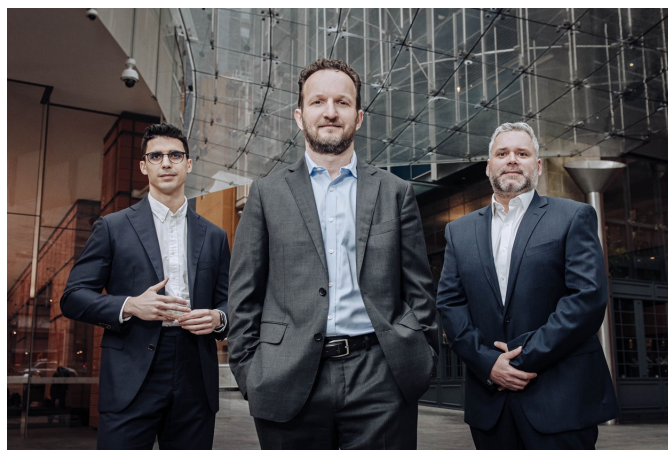
## Industrials Universe Performance



Source: FactSet, median performance shown from 31 December 2021 to 31 May 2023

## Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-3.3
Energy	-5.6
Materials	-5.1
Industrials	1.8
Consumer Discretionary	-5.3
Consumer Staples	-1.7
Health Care	-0.9
Financials	-0.1
Real Estate	-0.4
Information Technology	3.6
Telecommunication Services	-7.6



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

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