

	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 [^] (% p.a.)
Perennial Value Smaller Companies Trust (Net)	4.7	1.8	4.7	-10.7	-13.4	2.0	1.2	5.9	6.6	8.6
S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	3.5	0.8	-5.3	5.9	3.2	5.1	6.2	5.8
Value Added	1.2	1.6	1.2	-11.5	-8.1	-3.9	-2.0	0.8	0.4	2.8

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

Overview

The Trust was up strongly in July +4.7% (net of all fees) outperforming the Index which was up 3.5%.

As mentioned in recent newsletters, there are tentative signs of renewed interest in the sub \$500m market cap space, where the Trust has a large exposure. It was pleasing to see the beginning of a broad recovery in this space during the month (as an example 8 stocks in this market cap range, and held by the Trust, were up 10% for the month).

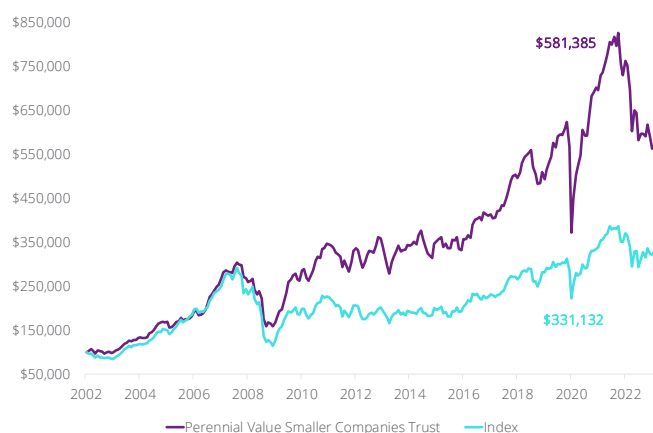
Most encouraging however was the improved earnings updates from several companies in the portfolio. Earnings guidance from Alliance Aviation, RPM Global, Flight Centre and Navigator all led to a lift in broker forecasts.

While there was no company specific news, investors also responded to stronger sector trends with EV volumes for novated leasing pushing up Smart Group and global travel trends helping Webjet.

Most of remainder of the portfolio will provide earnings updates during the upcoming August reporting season.

The portfolio-average PE ratio of 10.8x remains at a sizeable discount to the index which is 17.6x 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 \$110 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

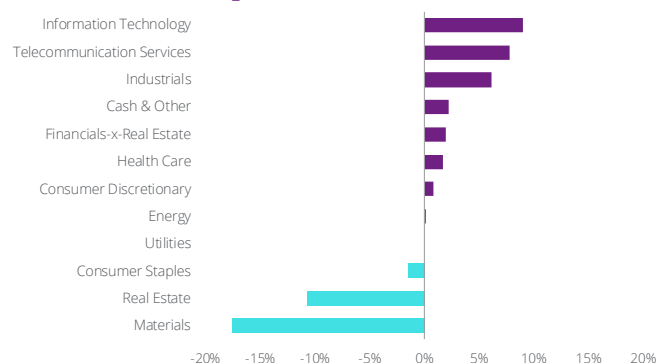
Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	10.8	17.6
Price to Free Cash Flow (x)	7.7	14.8
Gross Yield (%)	4.4	3.5
Price to NTA (x)	2.2	2.5

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

Top 10 Positions	Trust (%)	Index (%)
RPMGLOBAL HOLDINGS LTD	5.4	0.0
COOPER ENERGY LTD	4.6	0.2
NAVIGATOR GLOBAL INVESTMENTS LTD	4.2	0.0
EXPERIENCE CO LTD	3.6	0.0
QORIA LTD	3.6	0.0
SUPERLOOP LTD	3.6	0.0
ALLIANCE AVIATION SERVICES LTD	3.0	0.0
ENERO GROUP LTD	2.9	0.0
FLIGHT CENTRE TRAVEL GROUP LTD	2.8	1.7
PEOPLE INFRASTRUCTURE LTD	2.6	0.0

Sector Active Exposure vs Index



Trust Review

The improving sentiment enabled share prices to respond during the month to positive news. This was a pleasant contrast to prior months when it seemed to be ignored.

Examples of profit or sales upgrades that were rewarded during the month were:

- **Flight Centre Travel** (up 22.7%) – upgraded its FY23 EBITDA guidance by 7% to ~\$300m. Positive momentum continues with the Leisure business benefitting from previous cost savings and growth in the Corporate division from several new contracts.
- **Microba** (up 16.7%) with 21% quarterly revenue growth and significant expansion of their partner agreements with several new regions added.
- **Alliance Aviation** (up 13.9%) with earnings guidance ahead of the previously provided range, indicating strong momentum from the recent fleet expansion and boding well for further growth in FY24.
- **RPM Global** (up 10.5%) after announcing record software sales of \$65.8m and increased EBITDA guidance of \$15m (before sales incentives).
- **Navigator Global Investments** (up 9.0%) after strong flows into both their lighthouse funds and strategic investments.

Lark Distilling (up 12.1%) gave more detail in their quarterly update but given recent guidance we suspect the move was more reflective of a recovery from tax loss selling.

This may also explain the partial recovery in **Enero** and **Universal Stores** (both up 20%) and to a lesser extent **Superloop** (up 14.7%). In all cases there is still significant upside if management can deliver on respective strategies to restore shareholder value.

While there was no company specific news, global travel trends and the positive update from Flight Centre helped lift **Webjet** 14.0%.

Similarly for **SmartGroup** (up 14.1%), the stock rose after comments from a smaller competitor that 36% of all novated leases delivered in 3Q23, and 45% of all novated leases delivered in June, were electric vehicles. Smartgroup is expected to benefit from similar trends following the introduction of government incentives for novated electric vehicles that were introduced in December 2022.

The Trust is currently under-weight the Materials sector and the only holding in Energy is Cooper Energy (down 3.3%). This underweight benefitted performance over June and July given the weakness in the sector, however we are now looking at ways to reduce this by selectively buying back into the sector, a process we began in July.

Our current holdings in the space are mainly in Gold. Both **Genesis Minerals** and **Bellevue Gold** both were up 12.6% and 14.2%, respectively, as they both progressed well strategically and operationally in the quarter.

The Trust finished with 58 positions and cash of 2.2%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	3.5
Energy	5.0
Materials	0.1
Industrials	2.9
Consumer Discretionary	9.0
Consumer Staples	5.7
Health Care	-2.7
Financials	3.5
Real Estate	2.7
Information Technology	6.6
Telecommunication Services	7.3



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

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