

	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)	-2.2	3.3	2.4	-11.8	-16.0	-2.1	0.6	5.1	6.0	8.5
S&P/ASX Small Ordinaries Accumulation Index	-1.3	2.2	2.2	-1.1	-8.1	3.0	2.4	5.2	5.7	5.7
<b>Value Added</b>	<b>-0.9</b>	<b>1.1</b>	<b>0.2</b>	<b>-10.7</b>	<b>-7.9</b>	<b>-5.1</b>	<b>-1.8</b>	<b>-0.1</b>	<b>0.3</b>	<b>2.8</b>

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

### Overview

The Trust was down 2.2% compared to the Index which was down 1.3%. Reporting season meant significant volatility against the backdrop of weaker global markets. Our holdings in Gold names performed well in such markets with Bellevue Gold and Genesis up 16.6% and 8.8% respectively.

Given recent guidance in July from many of our holdings, the only genuine surprises were from the likes of GUD Holdings (up 21.8%) and Premier Investments (up 16.1%) contrasted by negative news from smaller positions such as Aeris Resources (down 36.8%) and Genetic Signatures (down 28.7%).

In some cases, the macro concerns were enough to distract investors from situations at companies where genuine progress was announced but is yet to be rewarded by investors. As examples, Lark (up 4.4%) with a renewed debt facility and an export deal in Malaysia, Envirosuite (down 15.2%) despite gross margins lifting from 47.9% to 51.6% and Enero (down 12.8%) despite moves to unlock shareholder value by selling their stake in OBMedia – all appear to have positive catalysts in the short-term so we expect investors to soon take note.

Two new stocks made a positive impact to the Trust with News Corp (up 14.9%) and DUG Technology (up 12.9%).

The portfolio-average PE ratio of 11.8x remains at a sizeable discount to the index which is 18.1x 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 \$106 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

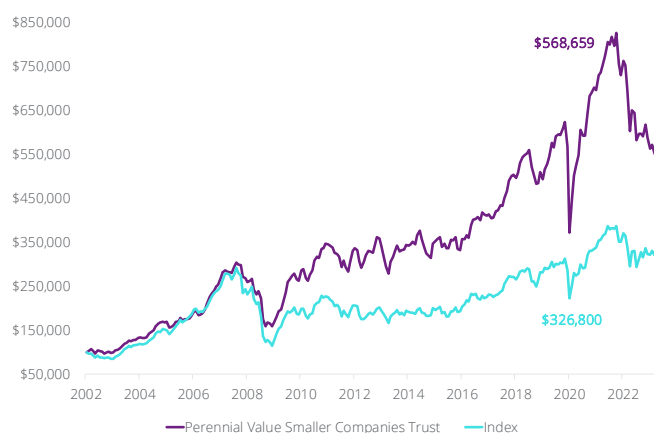
**APIR Code**  
IOF0214AU

Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	11.8	18.1
Price to Free Cash Flow (x)	8.1	15.5
Gross Yield (%)	3.9	3.8
Price to NTA (x)	2.2	2.5

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

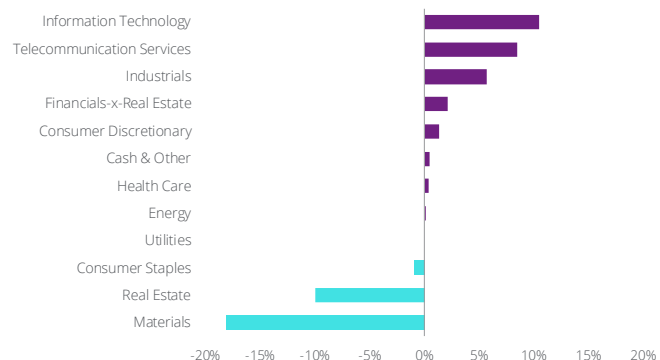
### Growth of \$100,000 Since Inception



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	5.5	0.0
COOPER ENERGY LTD	4.7	0.1
QORIA LTD	4.0	0.0
SUPERLOOP LTD	4.0	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	3.9	0.0
EXPERIENCE CO LTD	3.7	0.0
ALLIANCE AVIATION SERVICES LTD	3.2	0.0
FLIGHT CENTRE TRAVEL GROUP LTD	3.0	1.6
CSR LTD	2.8	1.2
ENERO GROUP LTD	2.6	0.0

### Sector Active Exposure vs Index



## Trust Review

August reporting season provided numerous updates with positive surprises including:

- **GUD Holdings** (+21.8%) rose strongly with an overall inline result but investors are more focussed on management delivering improving balance sheet metrics and positive trends in the APG.
- **PSC Insurance** (+10.0%) demonstrated continued earnings resilience with earnings upgraded 3 times during the course of FY23. Guidance for FY24 EBITDA growth of 12% (midpoint) could prove conservative given likely acquisitions from an undergeared balance sheet.
- **Acrow Formwork** (+11.0%) delivered on recent guidance but it was first time guidance for FY24 of +29% EBITDA growth (at the midpoint) which impressed the market.
- **Superloop** (+6.0%) reported a strong result, with all segments performing well and positive free cash flow in the second half.
- **Ridley** (+9.9%) traded higher on a solid set of results. Management continues to execute on its organic growth strategy and were able to successfully mitigate normalising tallow prices. The balance sheet remains robust and working capital was well managed, resulting in a strong cash outcome.

On the negative side was:

- **PeopleIN** (down 16.3%) announced a lower-than-expected set of FY23 numbers. While the stock enters the year with a few macro headwinds, we were pleased to see strong cash flow performance and lower debt levels. Valuation remains at historic lows which should drive future outperformance once the earnings base stabilises.
- **Fletcher Building** (down 14.3%) delivered on FY23 EBIT guidance however higher than expected FY24 outflows from previously disclosed legacy projects was disappointing. Risk reward looks favourable as the macro improves given the stock is trading on trough cycle multiples on trough cycle earnings.
- **Iress** (down 38.3%) announced a poor 1H23 result during the month, with full year guidance unexpectedly revised downwards due to additional revenue and cost headwinds. With only a small starting position, the Trust was able to further cut its exposure with some early selling which neutralised the performance drag relative to the broader index.

Updates of a more strategic nature had a mixed response:

- **Premier Investments** (+16.1%) after announcing a strategic review to unlock and maximise value across their large asset base
- **Enero** (down 12.8%) despite an in-line result and moves to unlock shareholder value by selling their stake in OBMedia whose earnings had rebased in June but had begun to recover again in July
- **Genetic Signatures** (down 28.7%) with a revenue hit in the quarter while they adapt their test for a new strain of flu. FDA clearance for the Enteric test will be the major driver and the stock rebounded in September once this was lodged
- **Aeris Resources** (down 36.8%) opted for a new debt facility with a major shareholder which, while expensive, is cheaper than a discounted equity raise and the right move if the companies' mining issues are truly transitory as they suggest

There was a positive impact from two new additions to the portfolio with:

- **News Corp** (+14.9%) delivering a solid result supported by cost control but with positive trends in Dow Jones and Residential. The share price continues to trade below its Sum-of-Parts valuation.
- **DUG Technology** (+12.9%) with very strong earnings growth and cash flow resulting in a materially improved balance sheet. The order book for July is already ahead of FY23 revenues underpinning another strong year of growth in FY24.

The Trust finished with 56 positions and cash of 0.5%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-1.3
Energy	4.3
Materials	-5.1
Industrials	-2.5
Consumer Discretionary	3.3
Consumer Staples	-0.1
Health Care	-6.1
Financials	-1.8
Real Estate	-4.4
Information Technology	2.5
Telecommunication Services	-1.3



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

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