

	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)	4.1	-8.3	-6.1	-12.6	-19.1	-6.9	0.6	3.9	4.7	7.9
S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-0.8	-3.2	-8.8	-0.5	4.0	5.4	5.5	5.5
<b>Value Added</b>	<b>-2.9</b>	<b>-5.4</b>	<b>-5.3</b>	<b>-9.4</b>	<b>-10.3</b>	<b>-6.4</b>	<b>-3.4</b>	<b>-1.5</b>	<b>-0.8</b>	<b>2.4</b>

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

## Overview

The Trust was up 4.1% compared to the Index which was up 7.0%.

The strong bounce in markets was driven by a fall in bond rates and signs of moderating inflation. The Trust kept pace for much of the month but then was flat for the last few days, in contrast to the sharp move higher in REITs and expensive health/tech names.

We continue to avoid REITs given high debt levels and early signs of vacancies, which we expect to increase. We are also avoiding expensive/liquid growth names (e.g. PME, TLX) and more speculative names (e.g. NEU, IMU).

We see much higher potential for upside in our portfolio given high growth but at a low valuation (11.1x PE as shown below) and with lower balance sheet risk (55% of the portfolio have net cash).

AGM season concluded at the end of the month with many encouraging updates from the portfolio. Some were reflected in higher share prices (e.g. GTN Limited, Qoria and MedAdvisor) while others were ignored (e.g. Experience Co and Alliance Aviation). Signs of a turnaround also drove Iress higher as did strong earnings at Collins Food.

We believe as improving risk appetite spreads investors will return to the lower market cap names where the bulk of our portfolio is positioned. The portfolio offers considerable upside in just reaching the average market multiple. A premium multiple for some names can also be justified – given they are exceeding low consensus expectations and offer superior growth.

We expect this and an increase in takeover activity to be the driver for our portfolio over CY24.

## 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

### APIR Code

IOF0214AU

### Distribution Frequency

Half yearly

### Minimum Initial Investment

\$25,000

### Trust Inception Date

March 2002

### Fees

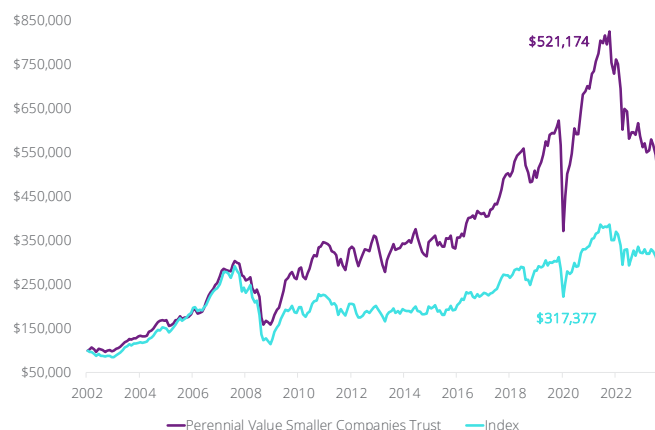
1.20% p.a. + Performance fee

Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	11.1	17.1
Price to Free Cash Flow (x)	7.6	15.3
Gross Yield (%)	3.8	4.0
Price to NTA (x)	1.4	2.3

Source: \*Perennial Value Management as at 30 November 2023. \*\*FactSet, Goldman Sachs, Macquarie Securities and UBS forecast as at 30 November 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.

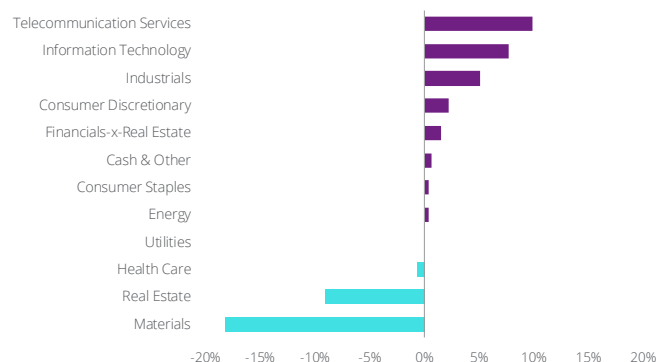
## Growth of \$100,000 Since Inception



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 (%)
COOPER ENERGY LTD	5.1	0.1
QORIA LTD	4.7	0.0
SUPERLOOP LTD	4.1	0.0
EXPERIENCE CO LTD	3.6	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	3.5	0.0
ACROW FORMWORK AND CON LTD	3.4	0.0
GTN LTD	3.2	0.0
FLIGHT CENTRE TRAVEL GROUP LTD	3.0	1.4
RPMGLOBAL HOLDINGS LTD	3.0	0.0
ENERO GROUP LTD	3.0	0.0

## Sector Active Exposure vs Index



## Trust Review

AGM season concluded and there were many strong updates across the portfolio despite the challenges in the domestic economy.

Those positions with positive updates and which are beginning to be noticed by the broader market include:

- **GTN Limited** (+34.3%) provided a strong update in the context of a weak media market with cost cutting post the CEO exit lifting EBITDA by 39% in 1Q despite slower revenue in Australia and the UK but growth in Canada and Brazil. A net cash position also helps fund the ongoing share buyback.
- **Qoria** (+18.4%) disclosed they had hit the first target of >\$100m recurring revenues and cash breakeven as well as providing medium term targets for higher profitability
- **MedAdvisor** (+15.8%) delivered +27% revenue growth in 1Q and guidance for growth in the 1H24 despite a COVID boosted prior period – addressing a key concern of the market. Investors were also given a glimpse into the improving profitability with expected cash of \$20m at the end of December, despite UK restructuring costs, as compared to \$9.8m at the end of September.
- **Superloop** (+7.4%) provided a solid trading update on the 1Q and a new hosted backhaul agreement for >\$30m revenue
- **RPM Global** (+5.9%) increased EBITDA guidance from \$18.5-20.5m to \$21.5-23.5m

Other positive updates were ignored by the market, but these companies may come onto more investor radars in the months ahead, for example:

- **Alliance Aviation** (down 3.7%) announced the re-signing and expansion of several FIFO contracts and confirmed they are comfortable with consensus forecasts
- **DUG** (down 6.4%) with the market focused on the first sale by the founder since IPO (only ~10% of his holding) rather than the very strong demand conditions discussed at the AGM and the arrival of the new compute to help work through the large backlog in demand. We added to our position on weakness.
- **Experience Co** (down 14.0%) despite a 25% increase in revenue as international tourists continued to return

Some positions with different financial year ends also reported during the month with a mixed reaction.

- **Collins Food** (up 24.1%) reported a strong 1H24 result driven by better-than-expected management of inflationary pressures. Importantly, solid sales growth was maintained resulting in market share gains.
- **OFX** (down 6.8%) provided its first half results during the month. While there was some short-term weakness within its Canadian operations, that momentum has since improved, and management are confident of a stronger second half of the year. Valuation remains undemanding while balance sheet continues to deleverage post recent M&A, allowing management to continue buying back its stock at these attractive levels.

**Acrow** (+9.8%) was up after a successful capital raise for the accretive acquisition of MI Scaffold

**IRESS** (up 40.9%) provided an update on its turnaround strategy. It demonstrated a healthier balance sheet and improving topline trends within its core wealth and trading software verticals.

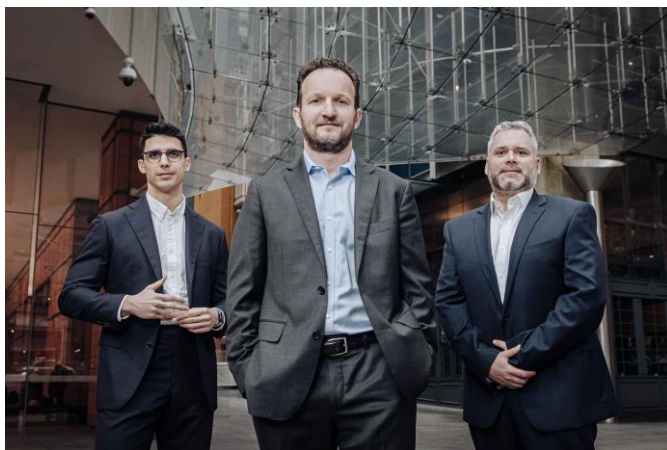
**People Infrastructure** (down 16.3%) provided a 1Q update at its AGM. While this highlighted weakness in the cyclical part of the business cash flow remains solid and there is structural growth in areas such as health as well as significant strategic value in the business.

Performance in resources was mixed with **Cooper Energy** (up 9.4%) after announcing a new gas contract with Energy Australia and more detail of the turnaround at the Orbost gas facility, **Genesis Minerals** (up 26.4%) on higher gold prices and **Aeris** (down 20.4%) on a rights issue to reduce debt levels.

The Trust finished with 54 positions and cash of 0.7%.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	7.0
Energy	-1.5
Materials	3.6
Industrials	3.3
Consumer Discretionary	5.1
Consumer Staples	4.3
Health Care	9.4
Financials	6.9
Real Estate	8.8
Information Technology	10.7
Telecommunication Services	4.0



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

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## Contact us



Level 27, 88 Phillip Street  
Sydney NSW 2000



1300 730 032



invest@perennial.net.au



www.perennial.net.au

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