

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	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)	9.0	5.2	2.4	-3.8	-5.9	3.3	4.5	5.5	8.3
S&P/ASX Small Ordinaries Accumulation Index	7.2	8.5	6.4	7.8	0.9	6.4	5.9	6.0	5.8
Value Added	1.8	-3.3	-4.0	-11.6	-6.8	-3.1	-1.4	-0.5	2.5

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

Overview

The Trust was up 9.0% compared to the Index which was up 7.2%.

The move in markets continued to reflect the fall in bond rates and signs of moderating inflation.

The strong performance of the Trust during the month was a combination of positive earnings updates (e.g. GEM, GTN) and broadening investor interest in lower market cap names, where the bulk of our portfolio is positioned. We believe this process is in its infancy and it is not limited to domestic investors, as shown by a new substantial shareholder in RUL from the US.

M&A activity was unusually high in December with six small cap takeover bids in one week alone. The Trust was a partial beneficiary with a non-binding, indicative bid for Perpetual resulting in a higher share price.

We continue to believe CY24 will see a sustained pick up in takeover activity and that the portfolio is attractively priced, thus likely to be a beneficiary should this recent trend continue.

Many of our holdings trade at significant discounts to global corporate peers. The attractiveness to offshore buyers is further enhanced by the low AUD/USD, providing another source of potential buying as they look for ways to boost their growth via acquisitions. This is in addition to potential buying interest from private equity which are sitting on a lot of cash after several years of large raisings.

We continue to see strong potential for upside in our portfolio given the companies have high earnings growth but trade at a low valuation (12.5x PE as shown below) and with low balance sheet risk (53% of the portfolio holdings have net cash on their balance sheet).

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

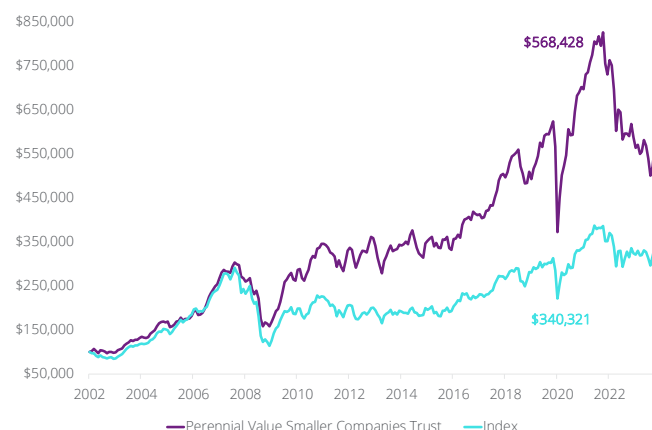
1.20% p.a. + Performance fee

Portfolio Characteristics – FY24	Trust*	Index**
Price to Earnings (x)	12.5	17.5
Price to Free Cash Flow (x)	8.4	13.0
Gross Yield (%)	3.5	3.5
Price to NTA (x)	1.5	1.6

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

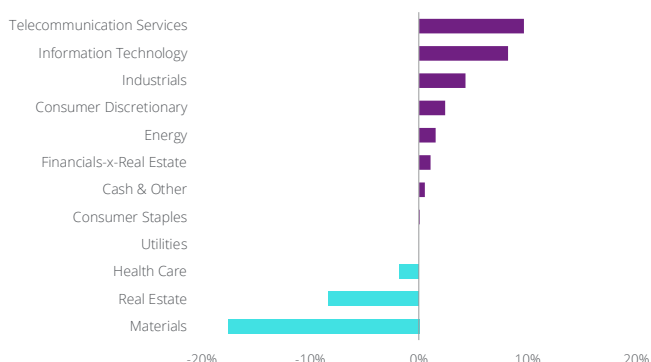
Growth of \$100,000 Since Inception



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	6.0	0.1
QORIA LTD	5.4	0.0
SUPERLOOP LTD	3.9	0.0
ACROW FORMWORK AND CON LTD	3.6	0.0
EXPERIENCE CO LTD	3.4	0.0
GTN LTD	3.3	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	3.2	0.0
FLIGHT CENTRE TRAVEL GROUP LTD	3.1	1.4
ENERO GROUP LTD	2.8	0.0
ALLIANCE AVIATION SERVICES LTD	2.7	0.0

Sector Active Exposure vs Index

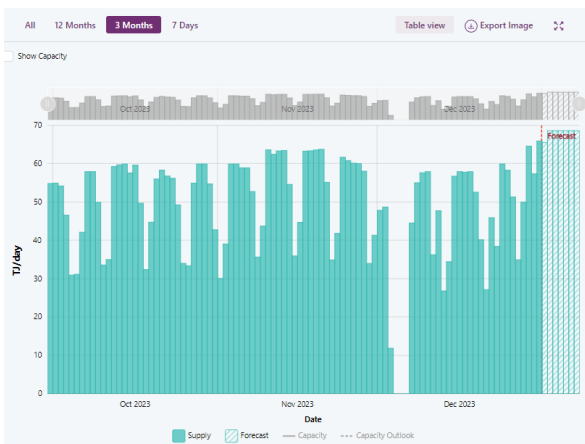


Trust Review

There were several updates during December despite it usually being a subdued month for newsflow. These included:

- **G8 Education** (+24.9%) providing a profit upgrade versus market expectations. This demonstrated good cost control under the new CEO helping offset a small fall in occupancy year-to-date.
- **Qoria** (+24.4%) announced a cost out program to accelerate the company's path to profitability.
- **Ridley** (+19.6%) announced the acquisition of Oceania Meat Processors (OMP). The acquisition is highly strategic and was debt-funded at an attractive multiple.
- **RPMGlobal Holdings** (+14.8%) performed well after a high conviction US investor, Long Path Partners, disclosed a substantial shareholding in the business.
- **Perpetual** (+13.1%) after receiving an indicative takeover proposal from Washington H. Soul Patinson. The bid highlights the value in the Corporate Trust business, a key part of our investment thesis.
- **Fineos** (+12.4%) provided an in-line AGM trading update in early December. Management reaffirmed guidance, noting a stronger contribution from subscription/SaaS revenues.
- **Navigator Global Investments** (+10.1%) completed a placement and rights issue. The transaction brings forward significant additional earnings into the current financial year and removes an earnout liability which was to be paid in 2026.
- **GTN** (+8.9%) announced a positive trading update. The company expects EBITDA to be in the range of \$12.5m to \$13.5m, up from \$12m in the previous corresponding period. This underlying increase is even higher when adjusted for restructuring costs.
- **Experience Co** (+5.4%) secured a new \$42.7m debt facility with the Commonwealth Bank – the new structure is a strong vindication, suggesting the debt markets' view of their earnings capacity and asset value is higher than equity investors. Hence this should remove any concerns around a potential capital raise.

Cooper Energy (+23.8%) announced progress with their well decommissioning project, a key risk the market is focused on. We believe a bigger driver of future value is any signs of progress at the Orbus Plant, given it has been several months since acquiring full control and a recent shutdown. Publicly available data, shown below, shows an encouraging trend into year-end with daily throughput above 42TJ/d sold into the spot market. Our analyst also visited the site during the month to further test our investment thesis.



Source: <https://aemo.com.au/energy-systems/gas/gas-bulletin-board-gbb/data-gbb/data-dashboard>

Elsewhere in resources there was a strong bounce in **Aeris** (+31.8%) and **Sandfire** (+19.2%). This reflected a more positive view on Chinese stimulus and the likely impact on copper demand.

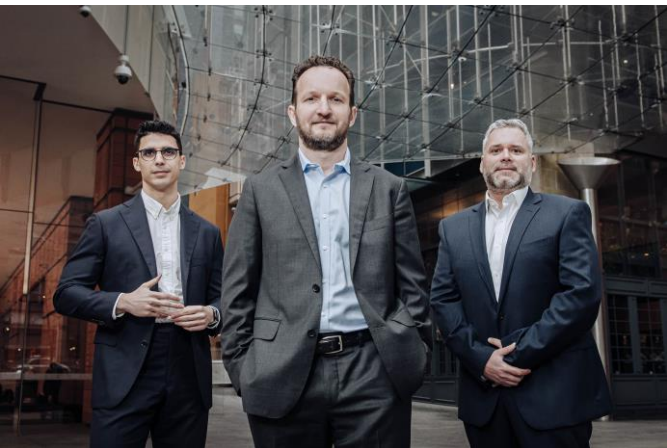
Several other stocks moved higher despite no newsflow. We suspect this reflects investors beginning to look at smaller market cap opportunities where companies have been oversold. For example, there was big moves during the month in; **Envirosuite** (+27.9%), **Universal Store Holdings** (+24.3%) and **DUG Technology** (+13.1%).

It was encouraging to see director buying in **Alliance Aviation** (+11.0%) and **PeopleIN** (down 0.4%). On the negative, **Microba** (down 14.3%) and **Genetic Signatures** (down 10.9%) were weaker as they digested the respective rights issues and the selling from short-term traders this tends to attract.

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

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	7.2
Energy	6.1
Materials	5.5
Industrials	6.4
Consumer Discretionary	10.3
Consumer Staples	1.5
Health Care	6.9
Financials	7.1
Real Estate	10.2
Information Technology	3.2
Telecommunication Services	5.7



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

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