

|   | Month (%)  | Quarter (%) | FYTD (%)   | 1 Year (%) | 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) | 0.6        | 8.0         | 17.1       | 18.1       | -4.0             | 4.2              | 7.0              | 6.4               | 8.8                                   |
| S&P/ASX Small Ordinaries Accumulation Index   | 0.0        | 1.5         | 10.9       | 10.9       | -0.1             | 4.2              | 6.7              | 6.5               | 5.9                                   |
| <b>Value Added</b>                            | <b>0.6</b> | <b>6.5</b>  | <b>6.2</b> | <b>7.2</b> | <b>-3.9</b>      | <b>0.0</b>       | <b>0.3</b>       | <b>-0.1</b>       | <b>2.9</b>                            |

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

## Overview

The Trust was up 0.6%, ahead of the benchmark which was flat.

At the Trust and Index level there was significant diversion in stock performance with several stocks moving higher on profit upgrades, while more cyclical exposures were sold off in sympathy to others in the Index that had issued formal downgrades.

Stocks in the Trust providing guidance during the month moved significantly higher – led by MedAdvisor, OzForex and Gentrack.

Cyclical stocks drifting lower with no news impacting names such as Experience Co (despite a solid March quarter update), People Infrastructure and Fletcher Building. We acknowledge cyclical risk in these names but also balance this with the clear corporate appeal of each.

There was also some transition selling in the market as two competing small and microcap focused funds closed. This was a drag on some of our positions but also an opportunity to add more to key positions such as Alliance Aviation on the temporary weakness.

We expect this selling, as well as tax loss selling, may also impact some stocks in June which might create more opportunities in those names with solid or improving fundamentals.

We remain comfortable with the positioning of the Trust with superior growth forecasts\* when compared to the Index, strong balance sheets (43% net cash) and a low earnings multiple (12.0x PE).

*\*Based on Perennial Value Management Forecasts. While due care has been used in the preparation of forecasts information, actual outcomes may vary in a materially positive or negative manner.*

## 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 soon to be listed 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

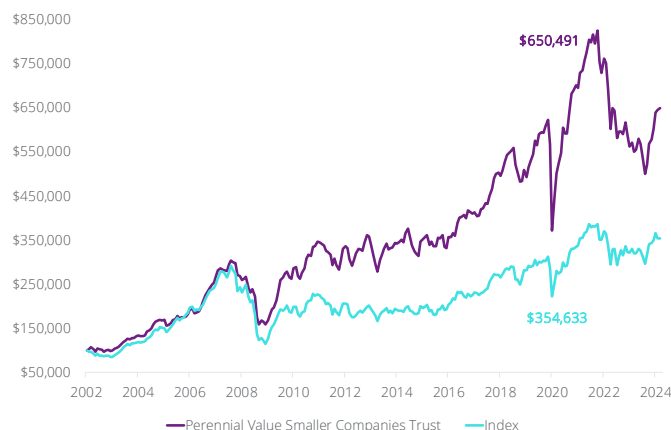
1.20% p.a. + Performance fee

| Portfolio Characteristics – FY25 | Trust* | Index** |
|----------------------------------|--------|---------|
| Price to Earnings (x)            | 12.0   | 15.1    |
| Price to Free Cash Flow (x)      | 9.6    | 12.3    |
| Gross Yield (%)                  | 3.7    | 3.8     |
| Price to NTA (x)                 | 1.8    | 2.4     |

**Source:** \*Perennial Value Management as at 31 May 2024. \*\*FactSet, Goldman Sachs, Macquarie Securities and UBS forecast as at 31 May 2024.

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.

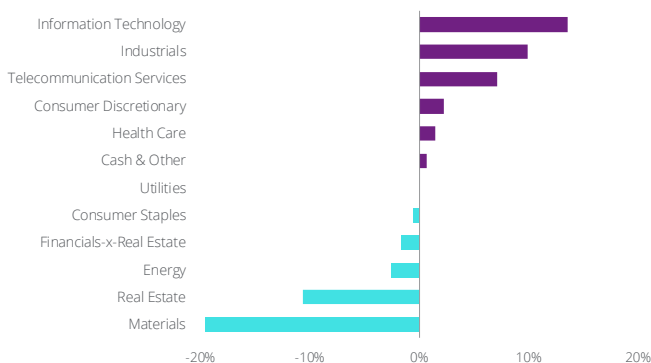
## Growth of \$100,000 Since Inception



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 (%) |
|----------------------------|-----------|-----------|
| QORIA LTD                  | 7.8       | 0.0       |
| ACROW FORMWORK AND CON LTD | 4.2       | 0.0       |
| MEDADVISOR                 | 3.8       | 0.0       |
| COOPER ENERGY LTD          | 3.8       | 0.2       |
| ALLIANCE AVIATION LTD      | 3.1       | 0.0       |
| GTN LTD                    | 3.0       | 0.0       |
| DUG TECHNOLOGY LTD         | 2.9       | 0.0       |
| ENERO GROUP LTD            | 2.6       | 0.0       |
| SRG GLOBAL LTD             | 2.5       | 0.0       |
| VEEM LTD                   | 2.4       | 0.0       |

## Sector Active Exposure vs Index



## Trust Review

Stocks providing solid profit updates during the month included:

- **MedAdvisor** (up 46.7%) attracted new investors after providing a material update to FY24 profit expectations – providing a range for revenue of \$120m-\$123m and EBITDA of \$6.8-\$7.6m as well as a maiden net profit. This is a material improvement on the prior year and reflects the improved competitive position in Australia and go to market strategy in the US under the relatively new management team.
- **OFX** (up 27.7%) reported strong earnings growth and improved operating leverage in their FY24 annual results, bolstering investor sentiment. The company's future growth prospects are promising, with opportunities for expansion in new geographic markets, verticals and products. Despite a strong month, OFX's valuation remains attractive.
- **PEXA** (up 19.3%) announced a strategic partnership with NatWest Bank that will see the UK lender utilise PEXA's technology to deliver 48 hour remortgage transactions to its customers, before extending its use of the PEXA platform to speed up the handling of sale and purchase transactions. This is a significant milestone for PEXA's UK business, with NatWest being one of the largest lenders in the UK. NatWest's involvement is likely to encourage other lenders to use the platform as well. Remortgage transactions currently ordinarily take months and NatWest sees the PEXA technology as an opportunity to improve customer outcomes and improve its competitive position.
- **Gentrack** (up 17.8%) outperformed during the month after announcing a strong set of interim results, with revenue growth significantly exceeding expectations. We are particularly encouraged by the accelerated business momentum and the positive underlying trends supporting the company. This includes the continued investment in digitalisation within Gentrack's utility and airport end markets.
- **GQG Partners** (up 13.9%) was well supported, reporting monthly inflows of \$1.7bn in April alone and now totals \$6.3bn for CY24 to date. The company continues to execute well with good share price performance but still offers a highly attractive valuation and yield.
- **News Corporation** (up 8.6%) reported a solid 3Q result with growth in the DOW Jones segment a key highlight. Later in the month we noted the signing of a \$250m deal with OpenAI to license its content. This is significant in our view and could be the start of more agreements to monetise the valuable content within the company.
- **Alliance Aviation** (up 1.0%) announced they will beat consensus forecasts for profit before tax of \$83.9m (a 60% improvement on the prior year). Most importantly the engine sales which will complete in June will bring in material cashflow to reduce debt levels (a key concern of the market) and the profit on sale also reminds investors of how well-timed their large fleet purchase was (with prices now higher given shortages in the industry). The price reaction was subdued reflecting selling pressure from transitions in the market which now seems to be complete.

Takeover activity continues to benefit the fund with **PSC Insurance** (up 12.7%) securing a full takeover from UK-based Ardonagh, valued at \$2.3bn and a 32% share price increase vs March when PSI first announced corporate interest.

We were quick to realise full value and recycled capital into increasing our **AUB Group** (up 4.5%) position including via an equity raise conducted at \$27.50 vs month-end price of \$29.55.

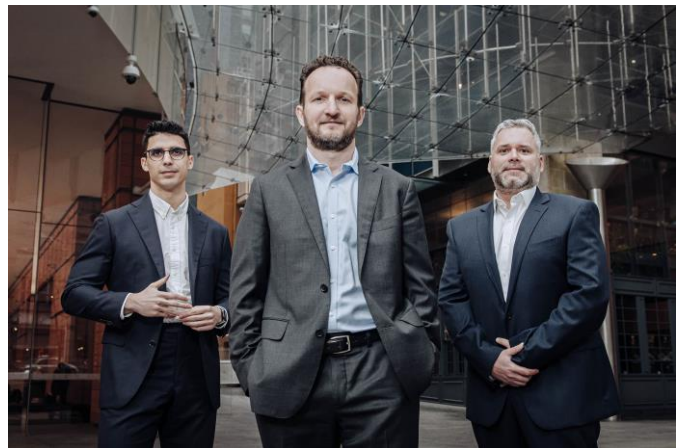
These positive developments helped offset the drag from more cyclical exposures such as **Experience Co** (down 23.5%), **People Infrastructure** (down 19.6%) and **Fletcher Building** (down 18.2%).

**Ridley** (down 7.1%) provided a subdued update during the month, with growth in bulk stockfeeds now being offset by softness in the ingredient recovery segment. We remain supportive of the business with its positive medium-term outlook and solid growth potential, both domestically and within its newly acquired North American operations.

The Trust finished with 64 positions and cash of 0.7%.

## Market Review – Australia (%)

|                                |      |
|--------------------------------|------|
| S&P/ASX Small Ordinaries Index | 0.0  |
| Energy                         | 4.9  |
| Materials                      | 0.2  |
| Industrials                    | -1.0 |
| Consumer Discretionary         | -6.2 |
| Consumer Staples               | -3.2 |
| Health Care                    | 3.5  |
| Financials                     | -1.1 |
| Real Estate                    | 2.2  |
| Information Technology         | 0.8  |
| Telecommunication Services     | -7.6 |



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

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