Perpetual Investment Funds

PERPETUAL SMALLER COMPANIES FUND

June 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

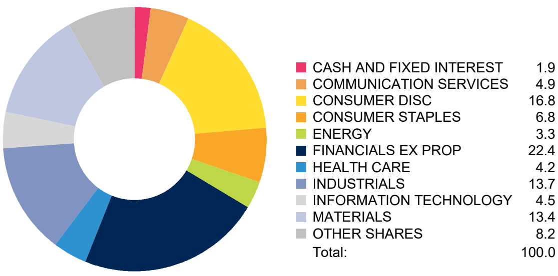
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark:	S&P/ASX Small Ordinaries Accum. Index
Inception Date:	October 1996
Size of Portfolio:	$668.66 million as at 31 Mar 2024
APIR:	PER0048AU
Management Fee:	1.25%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Pacific Current Group Ltd	7.5%
Graincorp Limited	3.4%
Light & Wonder, Inc.	3.2%
EQT Holdings Limited	2.9%
Capricorn Metals Ltd	2.6%

NET PERFORMANCE - periods ending 30 June 2024

	Fund	Benchmark #	Excess
1 month	0.48	-1.39	+1.87
3 months	-2.67	-4.46	+1.79
FYTD	6.61	9.34	-2.73
1 year	6.61	9.34	-2.73
2 year p.a.	10.07	8.89	+1.17
3 year p.a.	4.54	-1.55	+6.09
4 year p.a.	12.57	6.19	+6.38
5 year p.a.	10.28	3.70	+6.58
7 year p.a.	8.88	6.15	+2.73
10 year p.a.	9.33	6.45	+2.89
Since incep.	11.80	5.32	+6.49

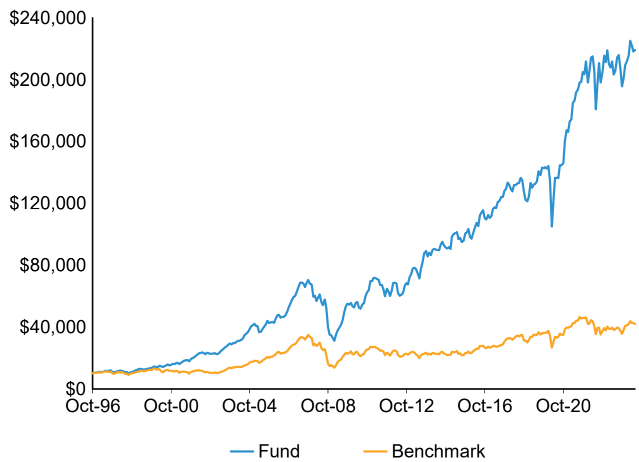
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	13.6	17.8
Dividend Yield*	4.6%	4.0%
Price / Book	1.7	1.6
Debt / Equity	32.8%	32.5%
Return on Equity*	12.4%	10.7%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.
* Forward looking 12-month estimate.

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

The S&P/ASX Small Ordinaries fell -4.46% for the second quarter of the year, giving up some of the strong 7.55% rise the market experienced in the first quarter. Q1 GDP growth unexpectedly slowed to 0.1% for the quarter, down from 0.2% in the previous quarter. On an annual basis, GDP grew by 1.1%, falling slightly short of the consensus estimate of 1.2%. In May, employment rose by 39,700 jobs, surpassing the consensus estimate of 30,000 and the 38,500 increase seen in April. Concurrently, the unemployment rate dropped to 4.0%. Monthly inflation in Australia increased to 4.0% year-over-year in May, up from 3.6% in April, exceeding the consensus forecast of 3.8%. This marks the third consecutive increase, bringing inflation to its highest level since December 2023. Despite this, the Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35%, keeping its options open due to ongoing inflation risks and the influence of recent state and federal budgets on inflation. Sector-wise, Healthcare was the clear winner, the only sector to post a positive gain with Consumer Discretionary and Energy the biggest laggards.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Pacific Current Group Ltd, EQT Holdings Ltd and Graincorp Limited Class A. Conversely, the portfolio's largest underweight positions include Telix Pharmaceuticals Ltd, Sandfire Resources Ltd and Alumina Limited, all of which are not held in the portfolio.

Jupiter Mines strongly contributed to performance over the quarter with the stock up 77.78% on the back of favourable commodity price movements. The sudden uptick in manganese pricing is following an incident at South32's Groote Eylandt manganese mine, where a tropical cyclone flooded the pits and damaged a key port and haulage road, taking offline a significant proportion of global supply for a forecasted 12 months. Approximately 80% of the world's known economic manganese resources are found in the Kalahari manganese field in South Africa. Tshipi remains one of the largest and most cost-effective manganese exporters globally, maintaining strong cash margins throughout economic cycles and continually targeting further cost reductions.

After a tough period of performance, the overweight to Healius contributed to performance over the quarter with the stock up 13.21%. With the first quarter under the new CEO Paul Anderson's belt, we have seen progress across operational improvements and a focus to bringing the balance sheet back to a net cash position. Looking forward we continue to see upside in the stock from the rationalisation of the company's portfolio (sale of Lumus imaging for a favourable price) with a potential return of some capital as well as a reduction in overhead costs. We also anticipate a recalibration of the pathology operating model. This is already in train and quite a detailed process, encapsulating everything from the authorised collection centre (ACC) footprint, opening hours, staff rostering, lab scheduling, and looking for efficiencies in middle management layers. Our view is that sustainable pathology margins are in excess of consensus expectations.

During the June quarter, Stanmore Resources contributed to relative performance as the stock rallied 9.94%. The headline coking coal price remained steady through the quarter, but has subsequently rallied in June on supply disruptions from other producers. While the premium hard coking coal price was largely flat, the price discounts for some of the lower quality coals produced by Stanmore closed up during the quarter, increasing realised price. Looking ahead, coking coal is anticipated to face a structural deficit given insufficient supply to meet the escalating steel demand in India and other Southeast Asian countries. In light of these developments, we maintain our perspective on the significant value inherent in Stanmore Resources' assets.

The overweight position in Enero Group detracted from returns during the June quarter with the stock downgrading guidance in May and the stock resulting in the shares finishing the quarter 22.01% lower. The company is currently in the process of selling its stake in OB Media, a programmatic advertising platform. The market has grown impatient with management, as non-binding indicative offers were due on March 25th, and there has been no substantial update since then. Additionally, the first-half results were weak, with minimal growth in Q2 compared to Q1. Despite the decline in stock price, recent results have shown a stabilisation in margins following significant cost reduction measures implemented by management in recent months. Enero owns boutique media agencies in Australia, the UK, and the US that specialise in Creative, Public Relations, and Data Analytics.

The overweight position in motor vehicle equipment, parts, and servicing supplier Bapcor Ltd (-18.54%) detracted from relative performance over the June quarter. This is despite the stock rallying 20.94% in June as the company announced it had received an indicative, conditional and non-binding proposal from Bain Capital to acquire the company. This helped the stock recover following a difficult period for the firm with some turbulence to the leadership team. The previous downgrade in net profit after tax also highlighted the pressure the business faces from costs of doing business. Despite this, FY23 was a solid result with significant improvement in cash flow conversion through the second half as BAP was able to reduce inventory whilst maintaining strong gross margins. We continue to believe that BAP is a good quality business with material opportunity to improve margins, although volatility could persist with a potentially tough trading environment and uncertainty around future leadership.

Elanor Investors Group detracted from performance over the quarter (-16.10%). ENN remains a high-quality property funds management business with approximately $6.2 billion of AUM across a variety of sectors. These earnings are recurring sources of revenue, and the business has the opportunity to earn activity driven revenues such as transaction, performance and development fees. We continue to monitor the level of gearing at both the head stock level and the platform level as we perceive this to be the biggest source of risk.

OUTLOOK

Markets are contending with a range of challenges, including consumer pressure, high interest rates and resurgent inflation. Although the Australian market does not have the same concentration of technology companies as the U.S, there are still pockets of exuberance with sky high valuations. It is still important to remain disciplined about the prices we pay for quality investments, a strategy that has been crucial in consistently delivering superior returns with lower risk over time.

Benchmark prior to 1/4/2000 was the ASX Small Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX Small Ordinaries Accumulation Index.

MORE INFORMATION

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