

## Perpetual Pure Series Funds

# PERPETUAL PURE MICROCAP FUND - CLASS A

June 2024

### FUND FACTS

**Investment objective:** Aims to provide investors with long term capital growth via an investment in a portfolio of quality Australian microcap companies. Microcap companies are defined as companies with a market capitalisation or free float of less than \$300m on acquisition.

### FUND BENEFITS

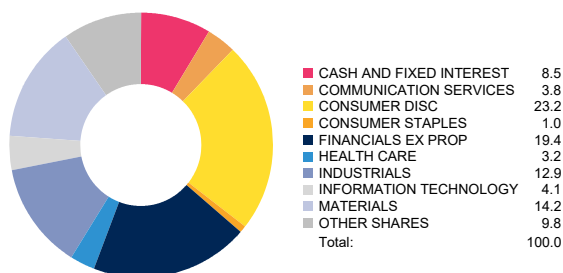
Professionally managed portfolio using Perpetual's bottom up stock selection process. The potential for long-term capital growth via an investment in under-researched microcap stocks, which are typically mispriced and undervalued.

### 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.

<b>Inception Date:</b>	September 2013
<b>Size of Portfolio:</b>	\$116.49 million as at 31 Mar 2024
<b>APIR:</b>	PER0704AU
<b>Management Fee:</b>	1.28%*
<b>Performance Fee:</b>	20.5% of outperformance*
<b>Performance Hurdle:</b>	S&P/ASX Small Ordinaries Accumulation Index
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Seven Years or longer

### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
Capral Limited	8.7%
Pacific Current Group Ltd	6.0%
Servcorp Limited	5.5%
MaxiPARTS Limited	4.6%
Universal Store Holdings Ltd.	4.3%

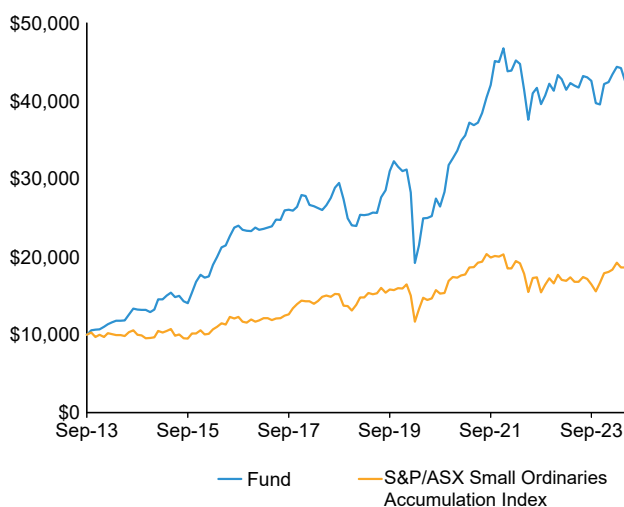
### NET PERFORMANCE - periods ending 30 June 2024

	Fund	S&P/ASX Small Ordinaries*
1 month	0.66	-1.39
3 months	-3.52	-4.46
FYTD	2.70	9.34
1 year	2.70	9.34
2 year p.a.	6.73	8.89
3 year p.a.	4.77	-1.55
4 year p.a.	14.43	6.19
5 year p.a.	10.83	3.70
7 year p.a.	8.13	6.15
10 year p.a.	13.71	6.45
Since incep.	15.43	5.80

\*S&P/ASX Small Ordinaries Accumulation Index is the Performance Hurdle.

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

### GROWTH OF \$10,000 SINCE INCEPTION



\*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee 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 Capral Limited, Pacific Current Group Ltd and Servcorp Limited. Conversely, the portfolio's largest relative underweight positions include Telix Pharmaceuticals Limited, 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 Managese 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.

During a quarter where the market declined by 1.2%, the portfolio's investment in Servcorp significantly contributed to its performance, with the stock appreciating by 7.63%. Following an encouraging update to shareholders in February, the stock continued to perform well despite the absence of material news releases. The current valuation remains attractive, with considerable upside potential from the anticipated IPO of Servcorp's Saudi Arabian business. As disclosed at the half-year mark, Servcorp has secured a regional headquarters license from the Saudi Ministry of Investment. The plan is to list its Middle East and European (excluding the UK) operations, which would result in a substantial cash injection into the business. Servcorp already boasts a robust balance sheet, with approximately \$100 million in cash. Whether or not the IPO proceeds, Servcorp is currently trading at an appealing valuation, generates strong cash flows for investors, and has multiple avenues to unlock shareholder value. With the growing demand for flexible workspaces, Servcorp remains a leader in providing innovative and premium office solutions, adapting to the evolving dynamics of the workplace.

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 stabilization 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 specialize in Creative, Public Relations, and Data Analytics.

Despite InvestSmart detracting from performance over the quarter (-37.50%), INV remains an attractive proposition given its market capitalisation and growth profile. INV remains largely dependent on growing users in its robo-advisor service although has struggled to do so in recent years. Despite volume growth remaining challenging, the subscription income is annuity like and the balance sheet remains in a healthy position with almost half the market cap net cash.

## 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.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

## MORE INFORMATION

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