Perpetual Pure Series Funds

PERPETUAL PURE MICROCAP FUND - CLASS A

December 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

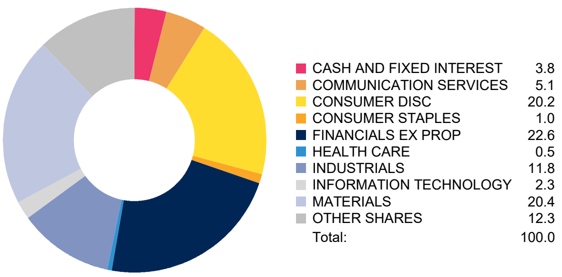
Professionally managed portfolio using Perpetual's bottom up stock selection process The potential for long-term capital growth via an investment in under-researched microcap stocks, which are typically mispriced and undervalued

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.

Inception Date:	September 2013
Size of Portfolio:	$102.99 million as at 30 Sep 2024
APIR:	PER0704AU
Management Fee:	1.28%*
Performance Fee:	20.5% of outperformance*
Performance Hurdle:	S&P/ASX Small Ordinaries Accumulation Index
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven Years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Capral Limited	8.1%
Pacific Current Group Ltd	6.5%
Wagners Holding Co. Ltd.	5.0%
Servcorp Limited	5.0%
MaxiPARTS Limited	4.8%

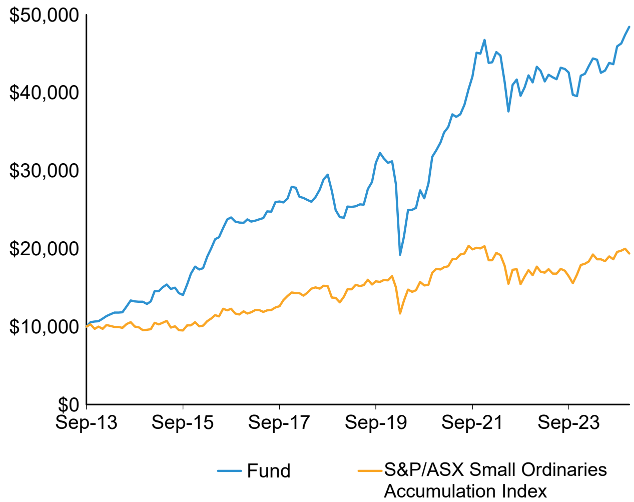
NET PERFORMANCE - periods ending 31 December 2024

	Fund	S&P/ASX Small Ordinaries*
1 month	2.12	-3.07
3 months	5.44	-1.01
1 year	14.77	8.36
2 year p.a.	8.28	8.09
3 year p.a.	1.16	-1.57
4 year p.a.	10.35	2.75
5 year p.a.	9.32	4.01
7 year p.a.	8.18	4.37
10 year p.a.	14.13	7.28
Since incep.	15.94	6.03

*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

Markets sold off in December after their strong bounce in November. The S&P/ASX Small Ordinaries gave up -1.01% with the best performing sector Financials up 10.35% and the worst Real Estate down -8.02%. Euphoria over hoped-for tax cuts and de-regulation from the incoming Trump administration were tempered by the growing reality of governing with a narrow Republican majority in the House of Representatives. Squabbling over spending measures nearly forced the US federal government into shutdown before Christmas. Combined with resurgent economic confidence this led to US bond yields rising, with the yield on the US 10 year threatening to rise above the 4.7% peaks in April. The Australian economy sent mixed signals. Employment growth remained robust, at 35,600 in November, pushing the unemployment rate down tc 3.9%, but most jobs were being created by government as public spending continued to grow. Meanwhile GDP slowed to just 0.8% for the year ended Q3 with just 0.3% for the quarter. GDP per capita fell -0.3% the seventh consecutive quarterly decline.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Capral Limited, Pacific Current Group Ltd and Wagners Holding Co. Ltd. Conversely, the portfolio's largest relative underweight positions include Life360 Inc, Pinnacle Investment Management Co and Zip Co Ltd, all of which are not held in the portfolio.

Pacific Current Group outperformed the Small Ordinaries index over the quarter up 11.58%. It was a busy period of announcements for the company announcing planned further buybacks and an EGM. This has been a classic case of the sum of the parts equating to a greater value than the whole, with considerable value set to be unlocked as PAC winds up and shareholders receive a significant amount of capital.
Universal Store contributed to portfolio performance in the fourth quarter of the calendar year rallying 14.29%. This marks a period of incredibly strong performance for the stock having more than doubled over the past 12 months. The company has been a strong performer over the past year. We remain invested in UNI as the opportunity to expand the private label offering through the Perfect Stranger and Cheap THRILLS Cycles (CTC) businesses, along with a continued store rollout, further enhances the medium term earnings growth outlook.

Enero Group Limited detracted from performance over the quarter (-15.38%) as investors sentiment remained weak. Enero Group operates a collection of global performance media agencies & a high quality Australian creative media agency which should see tailwinds as business confidence & advertising markets improve. The company owns a 51% stake in an web based advertising arbitrage business OBMedia which has been an overhang on the stock across the last 12 months. The business is currently pursuing a strategy to divest this asset and unlock value for shareholders. We have had engagement with the incoming chair has been constructive. The balance sheet of the consolidated entity is net cash ($43.7m - FY24) & the business has capacity to continue to manage the cost base given ongoing macro-economic conditions.
After a period of very strong performance, Servcorp detracted from relative performance (-4.84%). Weakness was largely attributed to news the company was not not proceeding with the listing of the Middle East business. Despite this, the company continues to enjoy operating success, marked by solid free cash flow and a net profit before tax well ahead of the previous comparable period. Its strong balance sheet, with a large cash balance, adds further appeal to investors. Servcorp remains attractively priced.

OUTLOOK

After initially embracing Trumponomics attention is now turning to the challenges of delivery and containing excesses in the economy, includinc the potential for inflation to return in 2025. The incoming administration will need all its political guile to deliver the much hyped agenda of reduced regulation, tax relief and spending cuts whilst also reducing the budget deficit. Bond vigilantes will no doubt be around to remind markets if they think that this ambitious mix of goals is not being achieved. Whilst bond markets have been wary of the period ahead equity markets in the United States continue to exhibit extreme exuberance and are once again trading at similar valuations to the Dotcom peak in 2000 and the post COVID bubble in 2021. Australian equity valuations, whilst stretched in some sectors, are not as out of kilter overall, especially as resources trade near multi year lows. The big question remains what happens in China where the economy flirts with deflation and whether authorities can pull off a the sustained stimulus that Mario Draghi and Ben Bernanke did in 2012, such as QE3, that allayed market concerns about the commitment to reflating the economy.

MORE INFORMATION

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