

## Perpetual Investment Funds

# PERPETUAL SMALLER COMPANIES FUND

October 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

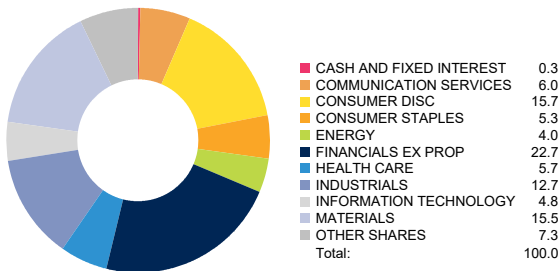
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

### 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:** \$651.57 million as at 30 Sep 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

Stock Holding	% of Portfolio
Pacific Current Group Ltd	7.4%
Capricorn Metals Ltd	3.1%
EQT Holdings Limited	2.8%
Premier Investments Limited	2.8%
Centuria Capital Group	2.8%

### NET PERFORMANCE - periods ending 31 October 2024

	Fund	Benchmark #	Excess
1 month	-1.37	0.80	-2.17
3 months	-0.87	3.77	-4.63
1 year	14.01	26.65	-12.63
2 year p.a.	4.26	9.63	-5.37
3 year p.a.	2.88	-0.61	+3.49
4 year p.a.	11.19	6.50	+4.70
5 year p.a.	9.36	4.65	+4.71
7 year p.a.	8.25	5.69	+2.55
10 year p.a.	9.31	7.11	+2.21
Since incep.	11.73	5.52	+6.21

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

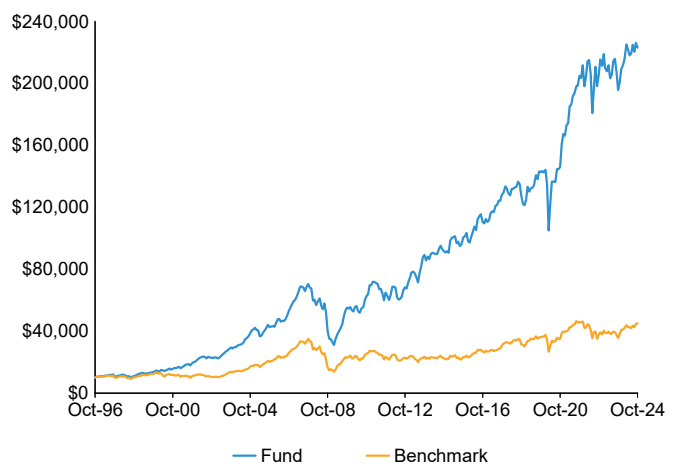
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	14.3	19.4
Dividend Yield*	4.5%	3.9%
Price / Book	1.5	1.7
Debt / Equity	24.5%	29.9%
Return on Equity*	11.5%	10.4%

<sup>^</sup> 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 posted a positive return while the S&P/ASX 300 Accumulation Index declined, clawing back some relative performance which has been weak for some time. Investor sentiment was initially buoyed by ongoing Chinese stimulus efforts and generally positive economic data. However, as the month progressed, enthusiasm waned regarding China's recovery due to limited details and concerns over potential tariffs, which dampened the rotation trade. Financials were a notable outperformer, with the sector up 8.9% for the month. In contrast, Consumer Discretionary and Real Estate underperformed

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Pacific Current Group Ltd, EQT Holdings Ltd and Universal Store Holdings Ltd. Conversely, the portfolio's largest underweight positions include Life360 Inc, Alcoa Corporation and Perseus Mining Limited, all of which are not held in the portfolio.

Vault Minerals Limited contributed to performance over October (+21.54%) as the price of gold continued its two year rally. Vault became an attractive opportunity to us post the merger between RED and SLR which created an investment opportunity which had both a strong balance sheet and extremely high-quality assets.

Gold Road Resources contributed to performance over October (+16.96%) largely driven by the continuing rally in the price of gold. The company continues to provide one of the lowest cost exposures to a gold miner on the ASX and with potential to unlock value from the DeGrey which is the largest gold development project in Australia.

Enero Group Limited detracted from performance over the month of October as the stock fell (-14.62%) 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.

Centuria Capital Group detracted from performance over the month of October (-11.24%) largely on the back of a rally in the yield curve which impacted the whole REIT sector negatively. Despite the medium term market dynamics, with inflation slowly under control the sector will face a renewed optimism from investors and we believe Centuria to be best in class operators.

## OUTLOOK

Market confidence remains fragile following further declines in early September, particularly in the U.S. tech sector, markets remain sensitive to economic indicators. Nvidia's share price, for instance, fell from \$130 on August 19 to \$106 in early September, impacted by weak manufacturing PMI data and a decline in job openings, raising concerns about a potential slowdown in the U.S. economy. In Australia, second-quarter GDP growth for 2024 was just 0.2%—the slowest rate of expansion since the early 1990s, excluding the COVID period—marking a sixth consecutive quarterly decline in GDP per capita. The economy has been buoyed by government spending and high migration rates, while consumers continue to face the pressures of persistent inflation and elevated interest rates. Adding to this complex outlook, U.S. 10-year bond yields have been rising in anticipation of higher economic growth and the potential return of inflation, with Australian bond yields climbing in tandem. This trend suggests a possible shift in equity markets toward cyclical stocks, likely bolstered by any Republican gains in the upcoming U.S. election. While markets remain near all-time highs, these dynamics underscore the importance of continued caution.

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# 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.

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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.

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## MORE INFORMATION

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