

	Month (%)	Quarter (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (% p.a.)	Since Inception Cumulative [^] (%)
Perennial Better Future Fund (Managed Fund)	-0.8	0.0	3.0	3.0	-4.0	5.6	6.0	36.3
S&P/ASX Small Ordinaries Accumulation Index	-2.0	0.0	8.5	3.6	-2.9	3.9	3.7	21.3
Value Added	1.2	0.0	-5.5	-0.6	-1.1	1.7	2.3	15.0

[^]Inception date was 23 May 2019. Performance shown above are net of fees. Fund returns are calculated using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or the bid ask spread that investors incur when buying and selling units on the ASX. Past performance is not a reliable indicator of future performance.

Overview

The benchmark finished down 2.0% during August. The Fund finished the month down 0.8%, outperforming by 1.2%.

The portfolio had a generally solid reporting season. Positive contributors to relative performance during the month included Immutep (+17.4%), Charter Hall Group (+14.3%) and Chorus NZ (+10.6%).

The main detractors from performance were NIB Holdings (-16.9%), EQT Holdings (-13.8%) and Janison Education (-24.0%).

Since inception, the Fund has returned 6.0% p.a. after fees, outperforming the benchmark by 2.3%. Performance for the 9 months between 1 July 2023 and 31 March 2024 was weak, with the Fund lagging the strong rebound in the market. This has impacted relative performance across longer time periods. Looking forward, our target price forecasts* suggest that the portfolio is well positioned with a preference for stocks that have stock-specific drivers that we expect to materialise in the short to medium term and/or are expected to be operationally resilient regardless of the macroeconomic environment.

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

Better Future Highlight

Portfolio company Calix is developing a lower carbon concrete with Boral utilising clay that is calcined by Calix's proprietary calcination technology. The concrete industry makes up around 8% of global greenhouse gas emissions.

The innovative solution aims to ensure the ongoing supply of a lower carbon concrete offering, given the expected decline in the global supply of existing products used in lower carbon concrete such as fly ash (sourced as a by-product of coal fired power stations) and blast furnace slag (by-product of steel production using coking coal). The clay product developed by Calix and Boral is, by contrast, relatively abundant.

Other participants in the SmartCrete CRC project include the University of Technology Sydney and Transport for NSW.

The first batch of clay has been successfully calcined by Calix's unique renewably powered electric calcination technology, demonstrating the potential of the approach to produce a low carbon intensity concrete.

The Calix technology being used as part of this project is the same core process which is being developed to process materials from other industrial processes, including low carbon Iron and Steel.

Perennial Better Future Fund (Managed Fund)

The aim of IMPQ is to grow the value of your investment over the long term by investing in companies predominantly outside the S&P/ASX Top 50 Index that conduct business taking into account environmental, social and governance ("ESG") considerations and/or businesses that are making a positive contribution to creating a better future. IMPQ seeks to provide a total return (after fees) that exceeds the S&P/ASX Small Ordinaries Accumulation Index.

Portfolio Manager

Damian Cottier

IMPQ FUM

\$46 million

Distribution Frequency

Annually (if any)

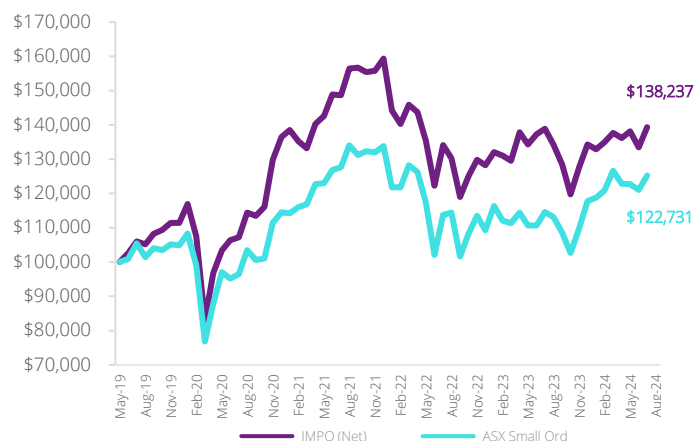
Fees

0.99% p.a. (incl of GST and RITC)
+ Performance fee

Inception Date

23 May 2019

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.

Better Future Stats



The **portfolio is 84.2% less carbon intensive compared to the ASX300** and 82.9% less carbon intensive compared to the ASX Small Ords[^]



8 female Directors were appointed to the board across 7 portfolio companies in 2023, typically following engagement, totalling **73 female Directors since inception** as at 31 December 2023



109 dedicated ESG engagements in 2023 with management and boards about material risks and opportunities **across 44 portfolio companies**



31% of portfolio companies have a Reconciliation Action Plan, compared to 20% of the ASX300 and 10% of the ASX Small Ords as at 31 December 2023

Fund Review

The benchmark finished down 2.0% during August. The Fund finished the month down 0.8%, outperforming by 1.2%

The portfolio had a generally solid reporting season. Positive contributors to relative performance during the month included Immutep (+17.4%), Charter Hall Group (+14.3%) and Chorus NZ (+10.6%).

The main detractors from performance were NIB Holdings (-16.9%), EQT Holdings (-13.8%) and Janison Education (-24.0%).

Immutep was stronger after its partner Merck, announced that it was discontinuing a Phase 3 trial of a therapy of a potential competitor to Immutep's "efti" therapy for use in non-small cell lung cancer. This was the second trial of a potentially competitive product that Merck has discontinued recently. This suggests Immutep is well-placed as it moves into the next phase of trials for efti.

Charter Hall announced a solid FY24 result and guidance for FY25 was better than expected. The company also benefited from improved sentiment as bond yields moved lower during the month.

Chorus NZ delivered a solid FY24 result. In addition, capex guidance was lower than expected and dividend guidance for FY25 was significantly higher than expected. In our view, the company is well positioned to grow going forward as headwinds from legacy copper broadband withdrawal abate over the next two years.

Other companies that provided positive earnings updates during reporting season included Arena REIT (+3.1%), Integral Diagnostics (+4.8%) and Fisher & Paykel Healthcare (+11.9%).

NIB Holdings announced a weaker than expected result with claims of inflation bringing margins back into the company's medium term target range sooner than expected. EQT Holdings delivered a solid result with underlying earnings per share up 9%, however the result did not meet the market's high expectations. In each case we remain comfortable with the company's medium-term prospects and in our view valuations are attractive.

Sims (+7.9%) announced that it has sold the company's UK Metals business for approximately \$385m. This was a good outcome for the company's least attractive major operation, and the price was well above net tangible assets value. This is significant as the remaining, more attractive, US and Australian assets are currently trading below NTA.

Since inception, the Fund has returned 6.0% p.a. after fees, outperforming the benchmark by 2.3%. Performance for the 9 months from 30 June 2023 to 31 March 2024 was weak, lagging the strong rebound in the market. This has impacted relative performance across longer time periods. Looking forward, our target price forecasts* suggest that the portfolio is well positioned with a preference for stocks that have stock-specific drivers that we expect to materialise in the short to medium term and/or are expected to be operationally resilient regardless of the macroeconomic environment.

At month end, the portfolio held 45 stocks and cash of 8.7%. The weighted average Perennial-derived Environmental, Social, Governance and Engagement ("ESGE") Score of the Fund was 7.3 which is 30% higher than the benchmark ESGE Score of 5.6.

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

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ESG Activity

ESG activity during the month included:

- Perennial co-signed an investor letter with the IPCC to advocate for a 1.5 degree 2035 NDC for Australia. This is a key enabler for policy certainty to allow for an orderly transition. The challenges from delayed actions to reduce greenhouse gas emissions include the risk of cost escalation, lock-in in carbon-emitting infrastructure, stranded assets, and reduced flexibility in future response options in the medium to long term.
- Genetic Signatures announced the appointment of Anne Lockwood on the board following a Perennial introduction. Anne is a NED for Mayne Pharma. She brings finance, accounting and US operations experience to the board.
- Netwealth produced their inaugural disclosures of Scope 1 and 2 GHG emissions and introduced 40:40:20 targets for the board and executives by FY26, both are outcomes that we had discussed with the company for some time.
- AUB Group discussion on diversity targets. We discussed gender diversity and pay gap data with the MD and CFO and gender diversity on the board.

Top 5 Portfolio Positions

Meridian Energy

IMPQ (%)

Index (%)

0.0

AUB Group Ltd

5.2

1.3

Chorus Ltd

4.6

1.4

Immutep

4.4

0.0

G8 Education

4.2

0.4



Emilie O'Neill (left), Damian Cottier (middle) and Madeleine Huynh (right)