

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Microcap Opportunities Trust*	4.3	14.1	4.3	-	-	-	12.6
S&P/ASX Small Ordinaries Accum. Index	0.3	0.2	0.3	-	-	-	4.0
Value Added (Detracted)	4.0	13.9	4.0	-	-	-	8.6

*Net performance (including performance fee). [^]Since inception: February 2017. Past performance is not a reliable indicator of future performance.

Perennial Value Microcap Opportunities Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of Australian companies, that are either listed or unlisted companies found outside the S&P/ASX Top 100 Index, and to provide a total return (after fees) that exceeds the S&P/ASX Small Ordinaries Accumulation Index measured on a rolling three-year basis.

Portfolio managers

Andrew Smith, Sam Berridge,
Damian Cottier

Risk profile

High

Trust FUM:

AUD \$5.7 million

Distribution frequency

Annually

Minimum initial investment

\$25,000

Trust inception date

February 2017

APIR code

WPC3982AU

Contact us

1300 730 032

invest@perennial.net.au

www.perennial.net.au

- ▶ **The Perennial Value Microcap Opportunities Trust (the Trust) was up 4.3% net of all fees for the month of July.**
- ▶ **Since inception (1 February 2017) the Trust is up 12.6% net of all fees.**
- ▶ **The focus remains on companies with good balance sheets (55.0% of stocks have no debt), good growth prospects and attractive valuations (EV/EBIT in FY19 is 7.0 times, a 40.0% discount to the market)**

Trust Performance

The Trust was up 4.3% net of all fees for the month of July.

The best performing stock was **Kogan** (up 52.7%) which delivered a strong trading update. Kogan.com is a leading online retailer in Australia with a low operating cost DNA. We were able to buy the stock at an attractive valuation after it had been sold down on the news of the pending entry of Amazon into Australia. While Kogan may face headwinds from Amazon, it is relatively well placed to deal with these headwinds given its low cost approach and may even benefit if it is able to fully leverage Amazon's "Marketplace" product as a distribution platform.

After weighing on performance last month, **Swick Mining Services** rebounded strongly in July, to finish up 34.0%. There was no company specific news, although we note a substantial holder exited in early July - possibly explaining weaker performance in June. A steady flow of positive data points from exploration facing companies continued during July, and while we expect Swick's FY17 results to be modest, the outlook should be positive.

Metals X rallied 21.6%, aided by a 6.7% bounce in the copper price and some outstanding exploration results at the Nifty copper mine, including an intersection of over 200 meters at reasonable grades. Nifty is a sedimentary exhalative copper deposit, which means mineralisation is generally more continuous than the more commonly found volcanogenic massive sulphide deposits (e.g. SFR). Metals X's quarterly report outlined a steady growth profile to 40 kilotons per annum of copper production, 40.0% above current levels. The exploration success adds some validity to Metal X's growth ambitions.

Other strong performers include **Tinybeans** (up 25.0%) which announced strong growth in both users and premium users of its parenting platform, **The Reject Shop** (up 17.5%) which rebounded strongly from recent underperformance, **Pinnacle Investments** (up 12.4%) which delivered a solid trading update and **Fleetwood Corporation** (up 12.3%). The weakest stock, **Doray Minerals** (down 36.1%), was sold down upon announcing the scheduled closure of the Andy Well mine. The quarterly report showed Andy Well to be marginal at current gold prices, so in acknowledgement of Doray Mineral's balance sheet a decision was made to curtail operations in favour of the lower cost Deflector mine. Positive exploration results from Deflector during the month allude to mine life extension at this asset. We took advantage of the share price weakness and added to our position.

Another weak performer was **Catapult Group** (down 13.3%) which gave back some of the prior month outperformance given its exposure to the weaker US dollar.

Trust Activity

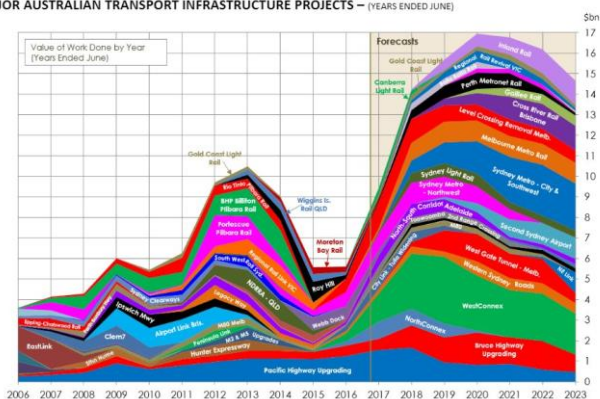
We added positions in online education provider **3P Learning**, as well **Finders Resources** and **Empired Ltd.**

We also increased our holding in **Veris Limited** during the month and this is now one of the key holdings in the portfolio. Veris recently acquired LANDdata surveys at an attractive multiple. LANDdata is exposed to east coast infrastructure spend and as can be seen from the chart below, infrastructure volumes are likely to increase over the next several years.

Australian construction outlook



MAJOR AUSTRALIAN TRANSPORT INFRASTRUCTURE PROJECTS – (YEARS ENDED JUNE)



Source: Macromonitor – March 2017

Company Visit Highlights

Our company visit program was lighter than usual reflecting company blackouts ahead of reporting season, and quarterly reporting from the resources sector. Nevertheless we used this time to visit operations and stores in Perth, Newcastle and Brisbane. We also meet with several IPO candidates.

At month end the Trust held 49 stocks and cash of 6.6% providing room for new investment ideas which we expect to find during the upcoming reporting season.

Asset Allocation

Sector	Trust weight %	Index weight %
Energy	3.5	5.9
Materials	14.8	16.3
Industrials	19.8	9.9
Consumer Discretionary	14.9	21.5
Consumer Staples	1.7	9.6
Health Care	10.8	6.4
Financials-x-Real Estate	7.5	7.6
Real Estate	0.0	13.9
Information Technology	20.3	6.4
Telecommunication Services	0.0	1.9
Utilities	0.0	0.6
Cash & Other	6.6	-

Rounding accounts for small +/- from 100%.

Signatory of:



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