

| | Month | Quarter | FYTD | 1 year | 3 years | 5 years | Since Inception [^] |
|---|------------|------------|------------|--------|---------|---------|------------------------------|
| | % | % | % | % | % p.a. | % p.a. | % p.a. |
| Perennial Value Microcap Opportunities Trust* | 3.8 | 11.3 | 11.3 | - | - | - | 20.1 |
| S&P/ASX Small Ordinaries Accum. Index | 1.3 | 4.4 | 4.4 | - | - | - | 8.2 |
| Value Added (Detracted) | 2.5 | 6.9 | 6.9 | - | - | - | 11.9 |

*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 \$8.6 million

Distribution frequency

Annually

Minimum initial investment

\$25,000

Trust inception date

February 2017

APIR code

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- ▶ The Trust was up 3.8% net of all fees for the month of September.
- ▶ In the eight months since inception (1 February 2017) the Trust is up 20.1% net of all fees.
- ▶ The focus remains on companies with good balance sheets (48.0% of stocks have no debt), good growth prospects (average EPS growth of 51.0% in financial year 2019 (FY19)) and attractive valuations (EV/EBIT* in FY19 is 7.8 times, a 39.0% discount to the market).

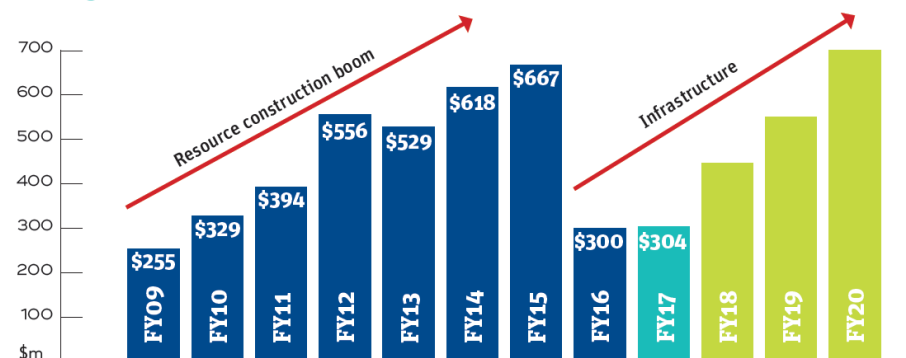
Trust Performance

The Perennial Value Microcap Opportunities Trust (the Trust) was up 3.8% net of all fees for the month of September.

The largest contribution came from **Decmil Group** (DCG) (up 44.5%) which bounced strongly after being sold off late in August on the back of a weak financial year 2017 result (albeit this was in line with revised guidance).

In an example of how the market can be caught out by backward looking numbers, the strong order book and tender pipeline (shown below) was initially missed by the market. DCG is leveraged to east coast infrastructure, iron ore and renewable technology capital expenditure - all of which have a robust outlook at present.

Drive growth from Resources, Infrastructure and Renewables sectors



Source: Decmil Group FY17 Investor Presentation

Macmahon Holdings (MAH) (up 21.6%) found traction during September as a number of market participants sought to close their underweight positions in mining services. Post-closing its deal with its Indonesian partner (AMNT) MAH was trading on an EV/EBITDA* multiple of 2.8 times, more than offsetting Indonesian operating risk, perceived or otherwise. We expect MAH to continue to re-rate as operational milestones at the Indonesian project are met.

Other positions in the Trust which delivered solid returns in September included **Skydive the Beach** (up 16.1%) and **Senex Energy Limited** (up 26.9%) after being awarded a highly prospective tenement for gas production in Queensland.

The main detractors were **Catapult** (down 23.5%), **Swick** (down 14.3%) and **Fleetwood** (down 12.4%).

Trust Activity

We exited several positions where near term growth prospects looked challenged and put the capital to work in several new ideas - the most notable of which is **New Century Resources** (up 29.2% for the month).

New Century Resources rallied strongly following a resource update which showed tailings zinc grades to be higher than expected. Earlier this year, New Century Resources acquired the Century Zinc mine, which came with a tailings dam holding 79 megatonnes at 3.0% Zinc as well as the processing infrastructure to produce a saleable zinc concentrate.

At month end the Trust held 54 stocks and cash of 7.9%.

Company Visit Highlights

The highlight for September was our site visit to New Century Resources. We were impressed with the scale and quality of the infrastructure present. This is a potentially a significant global operation and likely to continue to attract investor and corporate interest at a time of elevated zinc prices.



Source: Perennial Value – Portfolio Manager Sam Berridge on the New Century Resources tailings dam

| Asset Allocation | | |
|----------------------------|----------------|----------------|
| Sector | Trust weight % | Index weight % |
| Energy | 4.3 | 6.4 |
| Materials | 8.9 | 17.2 |
| Industrials | 25.6 | 9.9 |
| Consumer Discretionary | 16.8 | 19.8 |
| Consumer Staples | 2.2 | 10.4 |
| Health Care | 9.1 | 6.6 |
| Financials-x-Real Estate | 3.9 | 8.0 |
| Real Estate | 0.0 | 12.4 |
| Information Technology | 21.4 | 6.9 |
| Telecommunication Services | 0.0 | 1.8 |
| Utilities | 0.0 | 0.6 |
| Cash & Other | 7.9 | - |

Rounding accounts for small +/- from 100%.



Source: Perennial Value - Flotation tanks at the Century processing facility

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations.

Signatory of:



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