



	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Microcap Opportunities Trust (Net)	2.8	6.9	49.0	61.3	-	-	43.0
S&P/ASX Small Ordinaries Accum. Index	3.7	4.1	22.9	25.4	-	-	20.0
Value Added (Detracted)	-0.9	2.8	26.1	35.9	-	-	23.0

^Since inception: February 2017. Past performance is not a reliable indicator of future performance.

Overview

- The Trust was up 2.8% (net of all fees) in May to deliver an annual performance of 61.3% over 1 year (net of all fees).
- The performance of the Trust is pleasing given continued volatility in markets experienced so far in 2018. While several of our stocks disappointed during May our diversified portfolio construction reduced the negative impact and provided positive offsets elsewhere.
- Valuations remain at elevated levels across the market however microcap investors have an advantage of choosing from a very large investment universe. As a result the portfolio still looks attractive from both a valuation perspective (10.8x EV/EBIT in FY20 – 12.2% discount to market) and growth profile (3yr average EPS growth of 27.6%).

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

Trust FUM

AUD \$41 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% + Perf fee

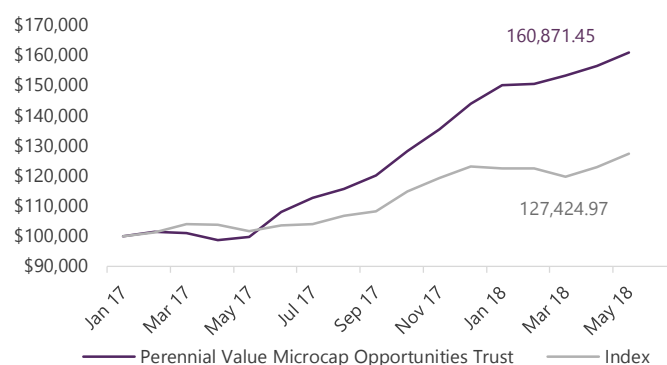
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Top 5 Positions

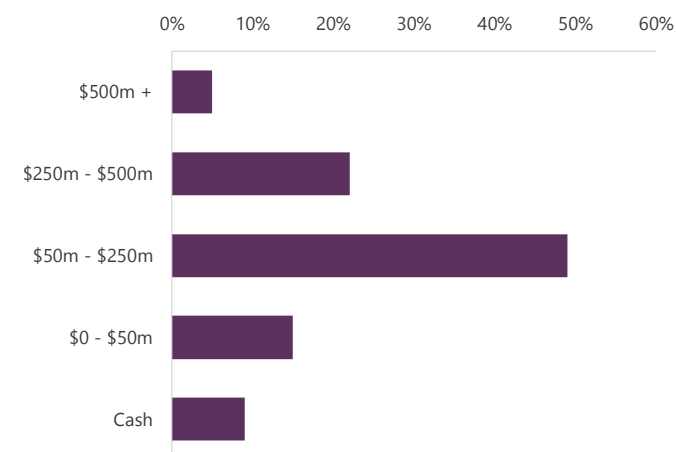
	Trust (%)	Market (%)
Veris Ltd	4.1	0.0
Acrow Formwork and Construction Services Ltd	3.9	0.0
Codan Ltd	3.6	0.0
Pwr Holdings Ltd	3.4	0.0
Aksesstoday Ltd	2.7	0.0

Growth of \$100,000 Since Inception

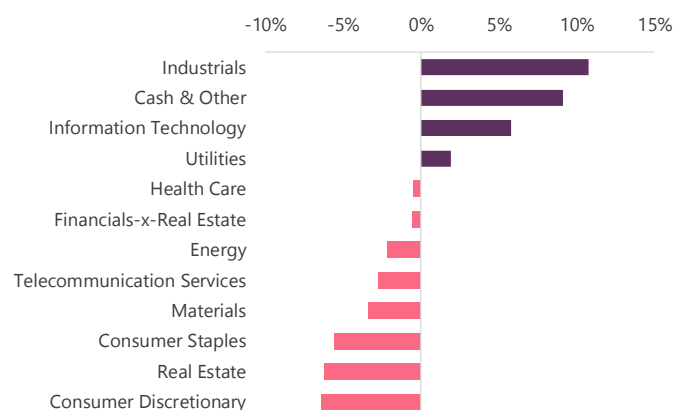


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

The Trust delivered a 2.8% net return during May – this was solid in an absolute sense but behind the ASX Small Ordinaries Accumulation Index which was up 3.7%.

'Confession' season during May resulting in significant volatility amongst microcap companies as those companies adjusted market expectations ahead of the financial year end.

Given the heightened risks in microcaps we have always diversified our holdings close to 60 stocks on average. This diversification served our investors well during May with several disappointments offset by positive developments elsewhere in the portfolio.

We exited our holdings in **Smart Parking** after a concerning update regarding their UK operations and also exited **Maxitrans** after they failed to deliver quality margins despite a strong order book. In both cases we will continue to monitor the businesses and watch for positive developments before considering re-investing.

Another disappointing stock was **Oliver's Real Food** (- 49.1%) as new stores failed to deliver to expectations. Unlike the previous examples we maintained our holding taking some comfort from the like for like sales in existing stores remaining healthy (+5.7%) and decisive actions by the new MD to close one underperforming store. While risks are clearly elevated there remains large potential upside if the new MD can execute.

On the positive side **HRL Holdings** (+31.3%) attracted investor interest after hosting a site trip to their impressive Analytica Laboratory based in New Zealand. **Codan** (+19.0%) increased profit guidance while **Integral Diagnostics** (+18.7%) made several accretive acquisitions.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+3.7
Energy	+2.1
Materials	-0.1
Industrials	+2.0
Consumer Discretionary	+1.8
Health Care	-0.1
Financials-x-Real Estate	+3.1
Real Estate	+3.6
Information Technology	+0.3
Telecommunication Services	-3.3
Utilities	-2.8

Trust Activity

Takeover activity was pronounced in the microcap end of the market and we believe this activity will continue as larger firms look for growth options.

The Trust benefited from this activity with **Mitula Group** (+58.9%) and **Sino Gas Energy** (+38.2%) both receiving takeover bids.

Given the nimble nature of our Microcap Trust we also built positions in several stocks after the prospect of corporate activity was announced to the market. In these circumstances and for companies we know well the prospect of the bid produces asymmetric risk to the upside and increases investor focus. By moving quickly we added **Specialty Fashion** (+ 22.7% on our average purchase price), **Sealink** (+ 2.7% from our average purchase price) and **iSelect** (flat on our entry price).

At month end the Trust held 60 stocks and cash of 9.1%.

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

Global, Currency & Commodities (%)

S&P500	+2.2
Nikkei225	-1.2
FTSE100	+2.2
Shanghai Composite	+0.4
RBA Cash Rate	1.50
AUD / USD	+0.2
Iron Ore	-2.3
Oil	+2.3
Gold	-1.3
Copper	-0.3

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