

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception (% p.a.)	Since Inception Cumulative (%)
Perennial Value Microcap Opportunities Trust (Net)	-6.8	-4.1	-1.7	24.4	<b>30.6</b>	59.4
S&P/ASX Small Ordinaries Accum. Index	-9.6	-7.7	-8.6	2.6	<b>9.8</b>	17.7
<b>Value Added (Detracted)</b>	<b>2.8</b>	<b>3.6</b>	<b>6.9</b>	<b>21.8</b>	<b>20.8</b>	<b>41.7</b>

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

## Overview

- The S&P/ASX Small Ordinaries Accumulation Index (the Index) was down 9.6% the biggest monthly fall in the index since May 2012
- The value discipline, which we always employ, helped minimise the fall in the Trust which was down 6.8% net of all fees for the month – outperformance of 2.8% versus the Index. Despite the fall the Trust is still up 24.4% for the year and 59.4% cumulatively since inception (net of all fees)
- The silver lining with the market sell-off was the resetting of valuation expectations particularly for companies looking to list for the first time. As a result we believe we can source more attractively priced investments for our clients and we have already seen this play out in several deals we participated in during the month
- While the market valuation has improved we always ensure our Trust is a discount to the market with a current PE of 10.1x in FY20 for our Trust (a 28.0% discount to market) with 48.0% p.a. EPS growth forecast over the next three years

## 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

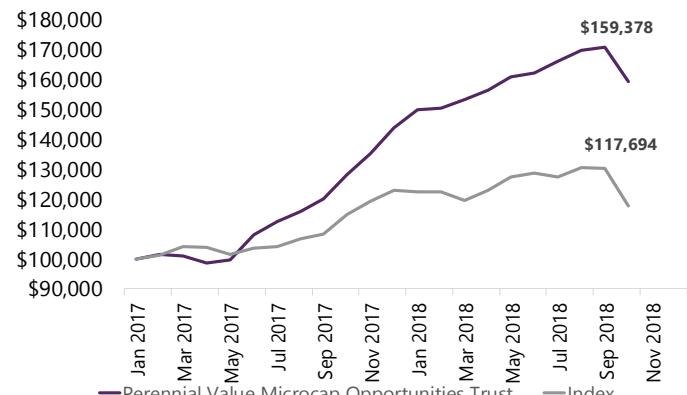
Trust FUM	Distribution Frequency
AUD \$101 million	Annual

Minimum Initial Investment	Trust Inception Date
\$25,000	February 2017

Fees	APIR Code
1.20% + Perf fee	WPC3982AU

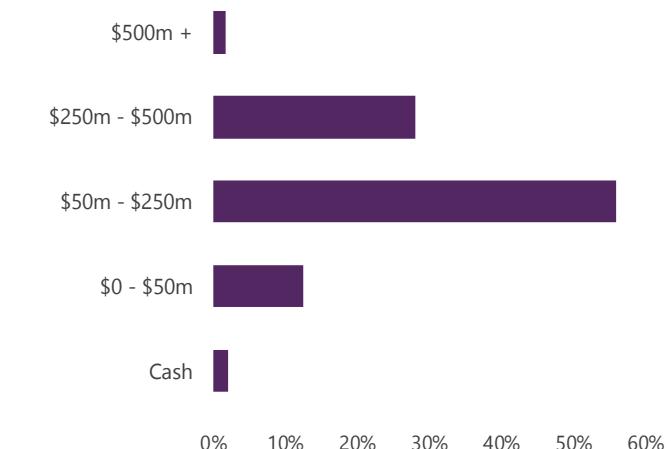
Top 5 Positions	Trust (%)	Index (%)
Imdex Ltd	4.2	0.2
Acrow Formwork and Construction Services Ltd	3.6	0.0
Latam Autos Ltd	3.5	0.0
EML Payments Ltd	3.2	0.2
Austin Engineering	2.9	0.0

## Growth of \$100,000 Since Inception

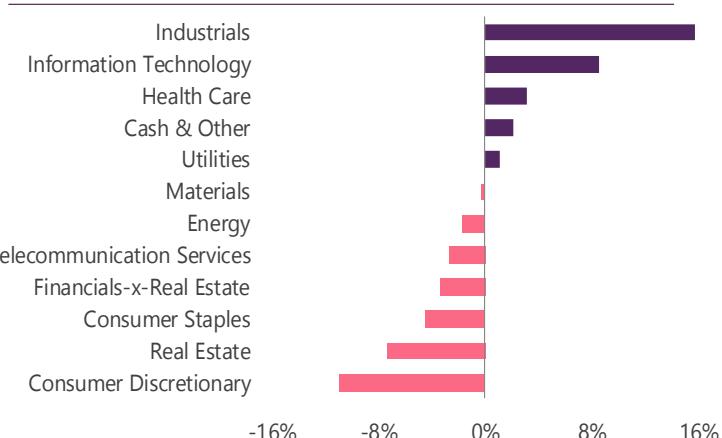


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Market Capitalisation Exposure



## Sector Active Exposure vs Index



## Trust Review

There was a wide discrepancy in stock moves within the Trust with some of the moves more reflective of selling flow in the market (or lack thereof). As an example two positions we have with emerging technology fared quite differently – one of our largest positions **LatAm Autos** was -19.0% on no news while **Mint Wireless** was +13.0% - in the case of the former we used the market weakness to add our position.

The market responded positively to the AGM presentation from **PWR Holdings** (+18.1%). The presentation disclosed the healthy pipeline of OEM contracts as well as some potentially large projects they are currently tendering on. We were also impressed with the engineering team that provided a product demonstration and talked us through some new technologies they have developed. Other positive contributors were:

- **Calix** (+6.0%) on receipt of a further grant from the EU for its emission control technology for the cement and lime industries
- **Big Tin Can** (+4.6%) after a positive update
- **Over the Wire** (+4.1%) after making an accretive acquisition
- **HRL Holdings** (+ 2.9%) post an encouraging quarterly update
- **Doray Minerals** (+2.9%) given the higher gold price

A key disappointment was the update from **Veris** (-42.9%) after disclosing softer margins for the first quarter. When we first invested in Veris we did so in the full knowledge that it was a business still in turnaround but with the backdrop on strong end markets (which is still the case) which helps reduce the risk somewhat. Most of the issues in the first quarter relate to the new ERP system which now gives much greater visibility into the previously disparate businesses – however this has come with some early teething issues. Directors have been buying stock on market post the update and revenue growth remains strong so we have maintained our position for now but are keen to see margin recovery going forward.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-9.6
Energy	-16.6
Materials	-2.9
Industrials	-10.3
Consumer Discretionary	-10.0
Health Care	-9.6
Financials-x-Real Estate	-10.4
Real Estate	-1.2
Information Technology	-14.3
Telecommunication Services	-13.6
Utilities	+0.4

**Invest Online Now**

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Signatory of:



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## Trust Activity

As mentioned we believe the valuation driven selloff has improved the valuation expectations in the favour of new investors. We have already seen this play on in new deals we participated in during the month but also in the performance of **Straker Translations** which listed during the month (+9.3% from the issue price) after being repriced lower during the IPO process.

This repricing is playing out in several other IPO's and placements we are looking to participate in and is providing a more attractive entry point for our investors.

Additionally we used the market weakness in October to add to several positions which began to look oversold in particular **Imdex** which was -3.4% for the month despite very positive AGM commentary which highlighted 23.0% revenue growth for the first quarter of FY19 (well ahead of market expectations).

At month end the Trust held 62 stocks and cash of 2.1%.

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



Source: Marni visiting St David's Dairy, owed Longtable Group

## Global, Currency & Commodities (%)

S&P500	-6.9
Nikkei225	-9.1
FTSE100	-5.1
Shanghai Composite	-7.7
RBA Cash Rate	1.50
AUD / USD	-2.0
Iron Ore	+9.6
Oil	-8.8
Gold	+2.0
Copper	-5.2