



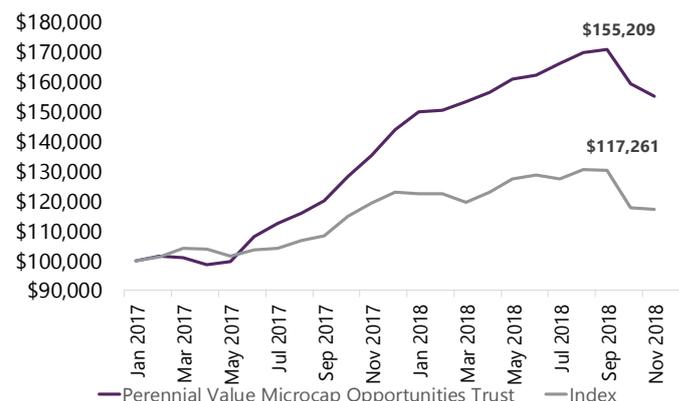
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception (%p.a.)	Since Inception Cumulative (%)
Perennial Value Microcap Opportunities Trust (Net)	-2.6	-8.6	-4.3	14.7	27.2	55.2
S&P/ASX Small Ordinaries Accum. Index	-0.4	-10.3	-8.9	-1.6	9.1	17.3
Value Added (Detracted)	-2.2	1.7	4.6	16.3	18.1	37.9

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

Overview

- The Trust was down 2.6% compared to the market decline of 0.4%
- The market was clearly in the mood to punish modestly bad company news and largely ignore in-line or positive commentary during the AGM season – this was particularly true in small and micro cap names
- Of our 62 holdings **only 3 had negative updates** during AGM season whereas price action was negative almost across the board
- With sentiment in the market so negative, and valuations improving with the recent selloff, we are becoming more optimistic about the returns prospects from here and are seeing many more opportunities to deploy capital in well priced (and sometimes bargain priced) investments
- The Trust is a discount to the market with a current PE of 10.1x in FY20 (a 29.0% discount to market) with 42.9% p.a. EPS growth forecast over the next three years

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.

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

AUD \$100 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% + Perf fee

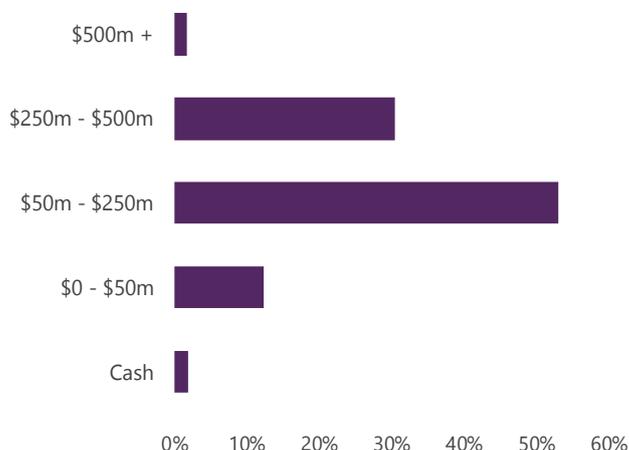
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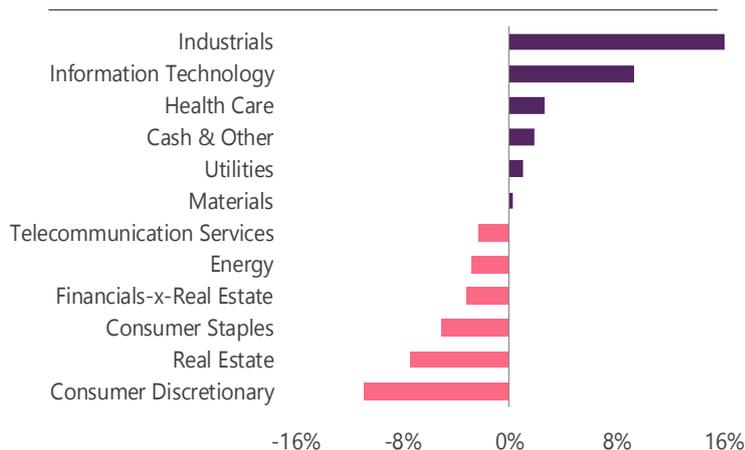
Top 5 Positions

	Trust (%)	Index (%)
Imdex Ltd	4.3	0.3
Acrow Formwork and Construction Services Ltd	3.9	0.0
Latam Autos Ltd	3.7	0.0
Austin Engineering	3.7	0.0
EML Payments Ltd	3.2	0.2

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

One theme which emerged in the AGM season was the impact of poor weather and project delays in the infrastructure sector. In large caps Lend Lease warned due to a problem contract while Boral blamed poor weather. The small and microcap sector sold off in sympathy impacting several names we hold, for example:

- **Acrow Formwork and Construction** (-5.0%) was initially sold off aggressively on fears of a downgrade but the AGM comments implied that project delays in some areas have been offset by positive developments elsewhere with no changes to market estimates

- **SRG Global** (-24.0%) lowered their earnings estimate vs market expectations with some project delays pushing revenue into FY20. There was also some confusion in the market about statutory and pro-forma guidance given the timing of the recent merger – we believe once the market understands this they will see the downgrade was more like 5.0% and thus selloff looks overdone.

The pipeline of future infrastructure work continues to build hence we added to both names on weakness.

Stanmore Coal (+23.5%) was the strongest performer in the Trust after a takeover offer from Golden Investments. Given the recent upgrade from Stanmore the current offer looks too low and has been rejected by the board.

Pacific Energy (+18.6%) highlighted the prospect for an early resumption of dividends and noted they are currently trading ahead of market expectations. **Rhipe, Integral Diagnostics and Austin Engineering** were all up close to 7.0% after providing encouraging AGM updates.

The remainder of our holdings discussed trading conditions that were either inline with expectations or slightly better however share price responses were in the range of -15.0% to +5.0% with the distribution skewed to the downside despite attractive valuations. Such poor sentiment in the market excites us as contrarian investors and thus we are putting more capital to work in many of our existing names.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.4
Energy	-13.6
Materials	-1.5
Industrials	-4.2
Consumer Discretionary	+0.2
Health Care	-1.7
Financials-x-Real Estate	+0.5
Real Estate	+0.7
Information Technology	+5.5
Telecommunication Services	-3.1
Utilities	+1.5

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Contact Us

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Symptomatic of the mood of the market was the trading in **Primero Group**. The company provided a positive market update in November, confirming a 30.0% increase in FY19 orders only to be sold off as much as 11.5%, at which point we added to our position, enjoying a bounce into month end.

Outside of **SRG Global** the only other holdings to provide negative updates were **HRL Holdings** (-35.3%) and **Redbubble** (-19.9%).

In both cases there were very short term issues in the business that impacted their monthly performance. However the share price movements were reflective of the market and any bad news was punished. Despite the short term concerns both businesses have long term growth options, and as such we added to our position at the share price lows during the month.

In the case of HRL Holdings the New Zealand government is reducing methamphetamine testing and HRL had made several public comments that this reduction would be offset by new revenue streams. It now appears that this was overoptimistic in the short term with new revenue streams yet to deliver margins high enough to offset. Management have clearly lost credibility on this issue however we still like the long term growth options for food testing in particular and the strategic value of the assets.

Redbubble announced thanksgiving sales growth of 14.3% compared to expectations of +20.0% from the market. Changes to the google algorithm which were previously flagged impacted organic search results. The growth rate improved towards the end of the weekend as did the index data we have tracked since.

At month end the Trust held 62 stocks and cash of 1.9%.

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

Global, Currency & Commodities (%)

S&P500	+1.8
Nikkei225	+2.0
FTSE100	-2.1
Shanghai Composite	-0.6
RBA Cash Rate	1.50
AUD / USD	+3.0
Iron Ore	-15.1
Oil	-22.2
Gold	+0.5
Copper	+4.1