



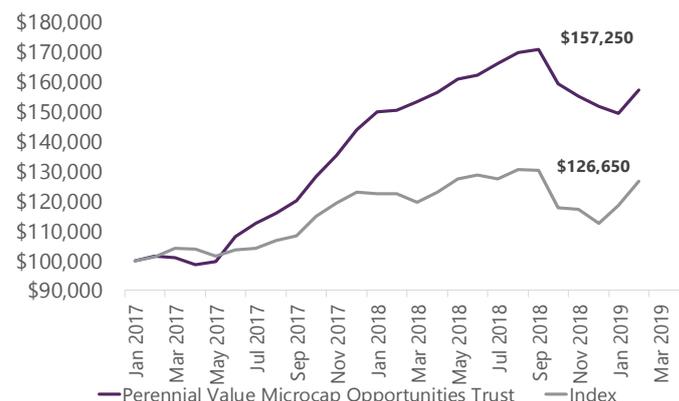
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception (%p.a.)	Since Inception Cumulative (%)
Perennial Value Microcap Opportunities Trust (Net)	5.2	1.3	-3.0	4.5	24.4	57.2
S&P/ASX Small Ordinaries Accum. Index	6.8	8.0	-1.6	3.5	12.1	26.7
<b>Value Added (Detracted)</b>	<b>-1.6</b>	<b>-6.7</b>	<b>-1.4</b>	<b>1.1</b>	<b>12.3</b>	<b>30.5</b>

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

## Overview

- The Trust was up 5.2% compared to the Small Ordinaries Index (up 6.8%). The risk aversion and lack of liquidity we noticed in microcaps in January began to thaw somewhat with the quality of results during February.
- Reporting season dominated share price moves and while earnings generally were revised lower (at an Index level) this was offset by a re-rating in many stocks – particularly those growth stocks that were already the most expensive.
- On average our Trust delivered strong revenue and earnings growth in the reporting period.
- We remain comfortable with our portfolio and in many cases have increased our conviction off the back of strong results. While the market is beginning to look expensive again our portfolio is positioned towards value companies with little or no debt (this feature comes through in our EV/EBIT multiple which is 6.4x for the Trust, a 52.0% discount to the Small Ordinaries Index).

## 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 \$118 million

### Distribution Frequency

Annual

### Minimum Initial Investment

\$25,000

### Trust Inception Date

February 2017

### Fees

1.20% + Perf fee

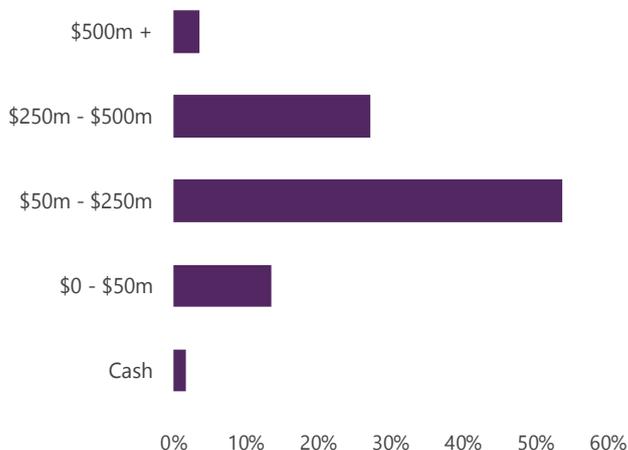
### APIR Code

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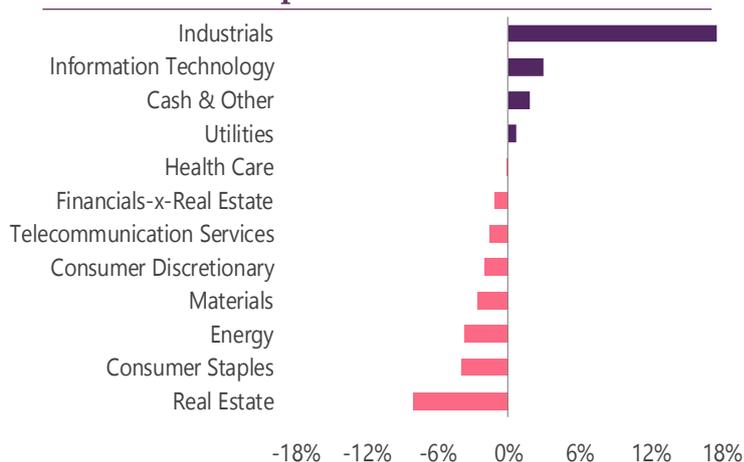
### Top 5 Positions

	Trust (%)	Index (%)
Pwr Holdings Limited	3.9	0.0
Latam Autos Ltd	3.6	0.0
Imdex Limited	3.6	0.2
Primero Group Limited	3.5	0.0
Doray Minerals Ltd	3.4	0.0

## Market Capitalisation Exposure



## Sector Active Exposure vs Index



## Trust Review

On average our holdings delivered 34.5% revenue growth and 36.8% EBIT growth – well ahead of the market growth rate. The highlights included:

- **Otto Energy** (+60.0%) after announcing a significant discovery in the gulf coast, most pleasingly they will be producing from this well by the end of March. Our investment in Otto has now de-risked significantly with the company announcing forecast free cashflow of US\$27m in 2019 despite still being early in their drill program
- **People Infrastructure** (+31.0%) produced 24.7% revenue growth as well as margin expansion. While the recent acquisition in nursing is performing well the most pleasing aspect was several new business streams that have been started organically
- **Rhipe** (+18.0%) continued to grow strongly with 30.0% revenue growth and 79.0% growth in operating profits
- **Audinate** (+30.0%) surprised the market with much earlier traction in their new adapter product. Revenue growth was 60.0% and there was a substantial jump in EBITDA as they moved from a breakeven position in the prior period

It was also encouraging to see traction with two stocks that have recently been a drag on the Trust with a recovery in **Austin Engineering** (+21.1%) and **Janison Education** (+21.9%). Janison had already guided to a weak 1H19 impacted by an investment in new products however the market was encouraged by new data highlighting that this investment had started dropping off in December and January disclosing a strong margin uplift in these months. Austin maintained their FY19 guidance but most importantly progressed their sale of non-core assets which significantly improved their balance sheet.

Two stocks that dragged on the Trust, despite inline results, were the IPO of **Uniti Wireless** (-24.0% from the IPO price) and **Acrow Formwork** (-13.7%). For Uniti there was perhaps some confusion on board changes however we believe the upcoming roadshow will highlight the positive changes in the business as well as the strong earnings potential of the recent acquisition. In the case of Acrow the reasons for the weakness are unclear with consensus upgrades on the back of >30.0% earnings growth and strong cash conversion. Again we expect the March roadshow to highlight the investment opportunity in this business.

### Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+6.8
Energy	+8.3
Materials	+3.1
Industrials	+4.9
Consumer Discretionary	+11.8
Health Care	+4.1
Financials-x-Real Estate	+8.3
Real Estate	+3.4
Information Technology	+10.0
Telecommunication Services	+9.6
Utilities	-0.3

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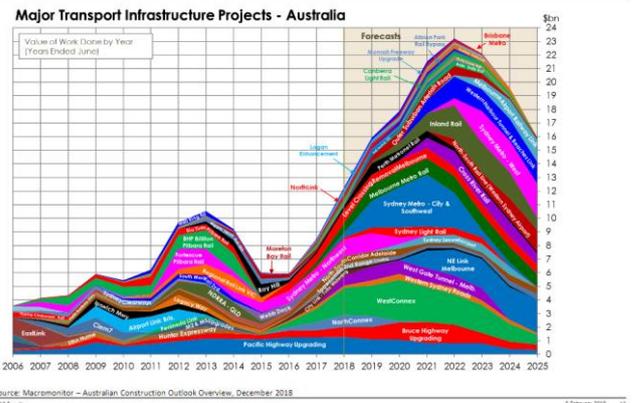
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The main area of earnings disappointment was **SRG Global** (-18.9%) given project deferrals in construction which have impacted many businesses. However looking forward this remains a strong area of growth as highlighted in the chart below from CIMIC – with key exposures in our Trust being **Acrow**, **SRG Global** and **Veris**.

### Australian transport infrastructure projects – market opportunities



The market has also sold off **Veris** (-33.0%) and **Oliver's** (-40.0%) given balance sheet concerns – while we are carefully monitoring the situation it does feel like an over reaction given the small quantum of debt involved in both cases.

### Trust Activity

We added several positions on the back of impressive results and cut some of our lower conviction positions taking advantage of the heightened liquidity in the period.

One of our pre-IPO positions, EcoFibre, is moving to a formal IPO with a listing due in late March. We also corner-stoned the upcoming IPO of Next Science.

At month end the Trust had 65 stocks and 1.8% cash.

### Global, Currency & Commodities (%)

S&P500	+3.0
Nikkei225	+2.9
FTSE100	+1.5
Shanghai Composite	+13.8
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+4.2
Oil	+6.7
Gold	-0.6
Copper	+5.5