



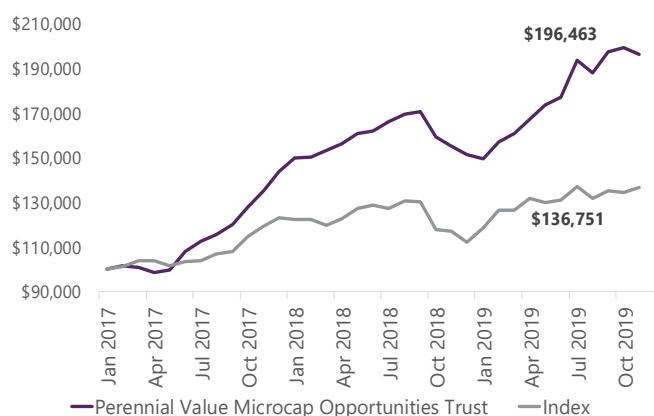
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception (%p.a.)	Since Inception Cumulative (%)
Perennial Value Microcap Opportunities Trust (Net)	-1.4	4.4	10.9	26.6	27.0	96.5
S&P/ASX Small Ordinaries Accum. Index	1.6	3.7	4.2	16.6	11.7	36.7
Value Added (Detracted)	-3.0	0.7	6.7	10.0	15.3	59.8

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

Overview

- The Trust was down -1.4%, underperforming the Small Ordinaries Accumulation Index (the Index) which was up 1.6%. Over the last 12mths the Trust is up +26.6% compared to the Index which is up +16.6%.
- While some positions had disappointing updates the larger theme was the market ignoring positive developments in stocks such as Primero Group and Otto Energy where we see very cheap valuations.
- There was softer earnings updates from Swick (down 17.8%) and Straker Translations (down 14.6%) with the share price falls materially larger than the minor changes in medium term earnings expectations. We added materially to our position in Swick which in our view is the cheapest mining services/mining technology exposure we can find.
- After more than 6 planned IPOs were cancelled early in the quarter (none of which we were involved with) we have taken advantage of more realistic pricing adding several to the portfolio with 5 listing in December, one of which is our pre-IPO position in Aerometrex.
- The portfolio is now more attractively priced on 8.9x P/E in FY21, a 42.9% discount to the market.

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 \$201 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% + Perf fee

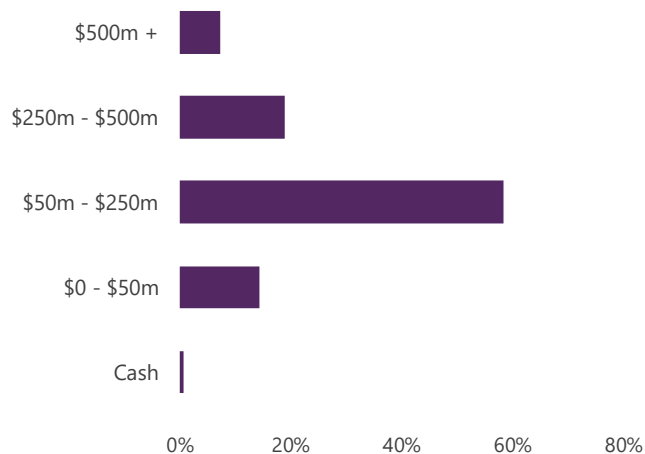
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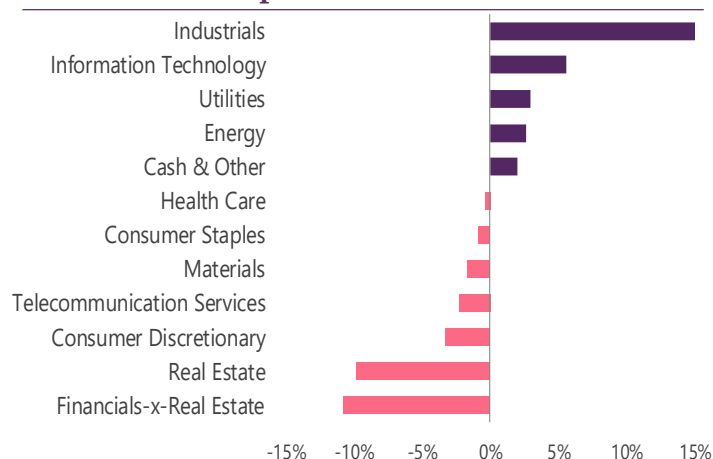
Top 5 Positions

	Trust (%)	Index (%)
SWICK MINING SERVICES LTD	4.2	0.0
ALLIANCE AVIATION SERVICES L	3.8	0.0
GAGE ROADS BREWING CO L	3.1	0.0
JANISON EDUCATION GROUP L	2.8	0.0
PRIMERO GROUP LTD	2.7	0.0

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

AGM season continued into November with plenty of news flow for stocks held in the Trust. The market reaction to these updates can be split into those where the market seemed to appreciate the progress in the business contrasted by those positions where the market seemingly ignored positive developments.

Good progress recognised by the market:

- **Calix** (+15.1%) presented the strong sales growth of 48% for 1Q20 and discussed their environmental technology solutions across water, agriculture, cement and batteries at several investor conferences during the month
- **Janison Education** (+12.8%) presenting the growing recurring revenue line at their AGM with a large increase forecast for the Janison Insights division in FY20
- **Karoon Energy** (+14.9%) bounced strongly post a significant capital raising in the month, fully funding the acquisition of the Bauna field, offshore Brazil. We consider this a great deal for KAR, which in time will establish Karoon as a mid-cap oil producer
- **Genetic Signatures** (+12.2%) held their AGM revealing expectations of material sales in the US and Europe from current pilot trials in those regions of their 3base™ diagnostic solution for the rapid detection of infectious diseases. Our team also conducted a site visit with CEO Dr John Melki during the month
- **MacMahon** (+11.6%) rallied post announcement of a settlement with Newcrest over the Telfer contract, which removed the last perceived overhang on the stock
- **Austin Engineering** (+7.9%) revealed they are currently tracking at the top of their guidance range driven by their Perth operations which has the highest fixed cost leverage in the group
- **Longtable** (+6.3%) the incoming CEO, who successfully improved profits at portfolio company Maggie Beer, will now turn her attention to the Paris Creek brand while continuing sales momentum at St David's Dairy. Cost cutting and other initiatives has the group on track to generate positive cashflow on a run-rate basis in 2HFY20



Source: Perennial Site Visit of Genetic Signatures : CEO Dr John Melki with Andrew and Jasmine

By contrast the good news at the following companies was ignored by the market opening up obvious buying opportunities

- **Primero Group** (-9.9%) was sold down despite a positive AGM update, which stated the order book at \$120m was ahead of FY19 (vs consensus expectations of flat revenue) with a strong outlook for FY21.
- **Otto Energy** (-16.3%) lagged during the month despite a +3.7% bounce in the oil price and a reserve update which included a PV10 valuation of US\$210 or \$0.125 per share. OEL has had considerable drilling success in CY19 and we look forward to strong production growth as discoveries commence production in CY20.

Earnings updates from Swick Mining (-17.8%) and Straker Translations (14.6%) led to minor medium term adjustments to forecasts with the subsequent share price moves looking like an over reaction given the outlook for both companies remains positive. There is also significant optionality in both ahead of the current earnings base.

Oneview Healthcare (-21.7%) provided a disappointing update that an aged care solution they had been working on with a major provider for 18mths was unlikely to proceed to commercialisation. We await further detail on whether Oneview will now focus solely on hospitals or whether some of the development costs in Aged Care can be salvaged.

At month end the Trust had 69 stocks and 2.4% cash.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+1.6
Energy	+2.9
Materials	-2.2
Industrials	+4.0
Consumer Discretionary	+0.2
Consumer Staples	+4.0
Health Care	0.0
Financials-x-Real Estate	+1.1
Real Estate	-0.4
Information Technology	+8.7
Telecommunication Services	+1.6
Utilities	+6.6



Microcap Portfolio Managers: Andrew Smith (right) and Sam Berridge (left)

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