



	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (%p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	-20.6	-28.1	-19.9	-11.7	12.0	11.7	42.0
S&P/ASX Small Ordinaries Accumulation Index	-22.4	-26.7	-23.9	-21.0	-1.3	-0.0	-0.1
<b>Value Added</b>	<b>1.8</b>	<b>-1.4</b>	<b>4.0</b>	<b>9.3</b>	<b>13.3</b>	<b>11.7</b>	<b>42.1</b>

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

## Overview

As COVID-19 spread throughout the world the market reacted with a sharp selloff of historic proportions and the VIX (volatility index) spiked to an all-time high. At their lowest from the 20/2/2020 peak the S&P 500 (US large caps) was down 33.7%, the S&P/ASX Small Ordinaries was down 40.8% and the S&P/ASX Emerging Companies Index (Microcaps) was down 52.8%. The poor relative performance of Australia in this sell off is in contrast to encouraging signs of a slowing in the COVID-19 spread here and a strong fiscal response from the government.

We rapidly adjusted the portfolio cutting stocks deemed vulnerable in this environment whilst also adding and increasing our holding in stocks that are likely to experience strong demand. For example during the month we added meal delivery service Marley Spoon and increased our position in Genetic Signatures which has an efficient test for COVID-19 (recently approved in Europe). We also have a position in Atomo Diagnostics which lists on the ASX in mid-April and has secured a large volume contract to supply their blood based rapid diagnostic COVID-19 test kit to a European biotech. Performance outside these stocks remains very weak with numerous examples of stocks detached from fundamental value. Accordingly we will look to exploit what we see as the best investment opportunities we have seen this decade both in our portfolio and in new stocks we are assessing.

## 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 and Sam Berridge

### Trust FUM

AUD \$136 million

### Distribution Frequency

Annual

### Minimum Initial Investment

\$25,000

### Trust Inception Date

February 2017

### Fees

1.20% p.a. + Performance fee

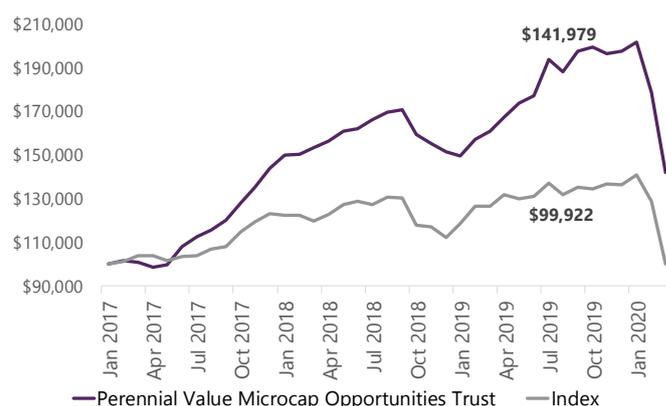
### APIR Code

WPC3982AU

## Top 5 Positions

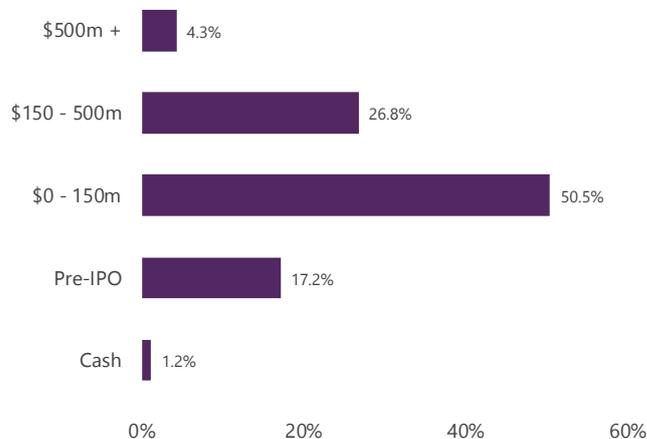
	Trust (%)	Index (%)
GENETIC SIGNATURES LTD	4.4	0.0
SWICK MINING SERVICES LTD	3.4	0.0
MARLEY SPOON AG	3.1	0.0
LIMEADE INC	2.7	0.0
ALLIANCE AVIATION SERVICES L	2.7	0.0

## Growth of \$100,000 Since Inception

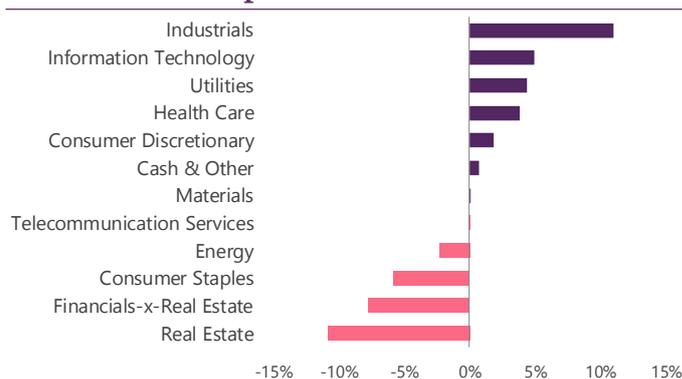


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

## Market Capitalisation Exposure



## Sector Active Exposure vs Index



## Trust Review

The accompanying graphics describe how we assessed the market selloff and the likely path forward. Firstly we cut several stocks that were vulnerable in this environment and shifted this capital to names also caught up in the panic selling but which we think are better placed to survive and ultimately prosper in a recovery. We also wrote down our position in Speedcast International to nil given challenges in their end markets means an extensive debt restructure is required which could materially impact equity holders.

We then began to focus on those microcaps best placed to actually grow revenue in this environment. We bought home meal delivery service **Marley Spoon** (up 100% from our acquisition price of 40c intra month) after it posted sales growth of 40% for March.

As discussed last month **Genetic Signatures** (+57.0%) already had a solution capable of more efficient COVID-19 testing, pleasingly this was approved in Europe during the month and the company disclosed they had added new customers in Australian and Europe.

**Atomo Diagnostics** (which IPO'd in April) also announced some success in Europe with a large scale order for their home testing device which a European biotech will use for their COVID-19 test.

Several of our preferred names fell back below our \$500m market cap limit enabling us to buy back a position in **Uniti Wireless**, which is seeing strong broadband demand, as well as **EML Payments** which was able to renegotiate a recent acquisition to make sure it stays in a strong net cash position of \$100m, **Navigator** a low beta fund manager with US\$35.1m in net cash and **Kogan.com** which is well placed given it is a pure online retailer.

We then began to put capital to work in existing names which have been caught up in the selling but which we believe have more defensive attributes that are poorly understood by the market.

For example **Limeade** (down 25.8%) despite US\$32m net cash and software which is supporting employees working from home, **Alliance Aviation** (down 29.1% despite increased FIFO demand), **Redbubble** (down 36.6%) with sales 100% online and \$31m in net cash and **RPMGlobal** (down 16.6%) with \$24.6m net cash and defensive subscription software revenue.

## Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-22.4
Energy	-23.5
Materials	-15.1
Industrials	-29.0
Consumer Discretionary	-35.1
Consumer Staples	+5.9
Health Care	-16.5
Financials-x-Real Estate	-31.0
Real Estate	-33.3
Information Technology	-19.0
Telecommunication Services	-34.8
Utilities	-7.4

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## Markets – Fear, Opportunities, then Recovery



Source: Perennial Value

Some of our more defensive consumer staple names were sold-off given their low liquidity. For example **Longtable** (down 45.3%) despite strong supermarket sales and more interest in at home cooking as well as **Gage Roads** (down 23.1%) despite a rush on bottle shops during the lock down.

Online education is another attractive sector that was caught up in the general market selloff with **Janison Education** down 38.0% despite a shift to digital examinations being a significant competitive advantage for them in the medium term.

Another example of risk aversion is **Zenith Energy** which despite being up 23.2% is still trading at a 14.1% discount to a takeover offer which appears to have very little risk of falling over.

Microcap gold names generally performed poorly despite the improving fundamentals from a strong AUD gold price. We added to our position in both **Ora Banda** (down 34.4%) and **Aurelia** (down 39.2%) as a result.

Our discussions with numerous industry participants and our read of government policy leads us to believe the Australian mining sector will not be subjected to a compulsory shutdown of operations. Innovations to avoid the spread of COVID-19 by the miners and their contractors have been impressive to date. As a result we view the large selloff in mining services as another attractive area to invest capital. To this end we added **Emeco Holdings** to the portfolio late in the month (down 55.5% for the month) and maintained our position in **SRG** (down 40.8%).

Seeing what we believe as the best investment opportunities in a decade we have moved close to fully invested with 1.2% cash at month end with 65 positions in the portfolio.



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