



	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (%p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	8.0	6.6	7.6	9.7	24.1	21.4	90.6
S&P/ASX Small Ordinaries Accumulation Index	10.6	-1.9	-3.8	-2.9	7.5	7.3	26.3
Value Added	-2.6	8.5	11.4	12.6	16.6	14.1	64.3

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

Overview

The strong market recovery continued in May as investors focused on the re-opening of economies both domestically and overseas. The cyclical sectors performed best with Consumer Discretionary up 12.4%, Materials up 12.0% and Financials up 10.0%.

The Trust was up 8.0% for the month underperforming the Index which was up 10.6%. There were many encouraging updates from stocks recovering from the initial demand shock however at the portfolio level these were offset to some degree by a drag from those stocks which were net beneficiaries from COVID-19 in April and thus gave back some of their strong gains in May (notably Genetic Signatures, Marley Spoon and Atomo Diagnostics). In the case of all three, our thesis is that the strong customer growth experienced due to COVID-19 will result in permanently higher market share and enable growth in other products.

Oversold online businesses provided solid updates led by Redbubble (up 57.0%), Superloop (up 37.3%) and MoneyMe (up 31.7%). Alliance Aviation (up 25.0%) reacted nimbly to the COVID-19 environment adding customers in the mining and government sector and providing profit guidance which was 50% ahead of market expectations.

We continue to be very active adding several names via discounted placements as well as taking advantage of on market selling.

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 \$190 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

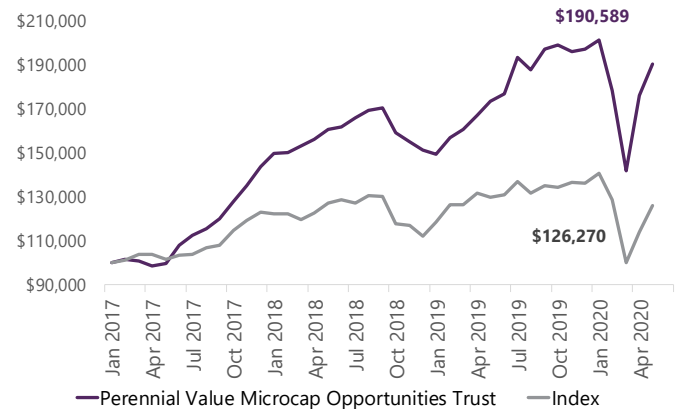
APIR Code

WPC3982AU

Top 5 Positions

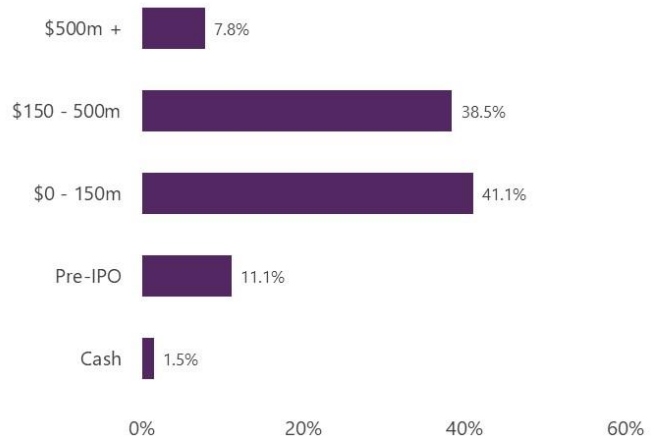
	Trust (%)	Index (%)
SWICK MINING SERVICES LTD	3.2	0.0
ORA BANDA MINING LTD	3.2	0.0
GENETIC SIGNATURES LTD	3.1	0.0
REVASUM INC	2.9	0.0
REDBUBBLE LTD	2.9	0.0

Growth of \$100,000 Since Inception

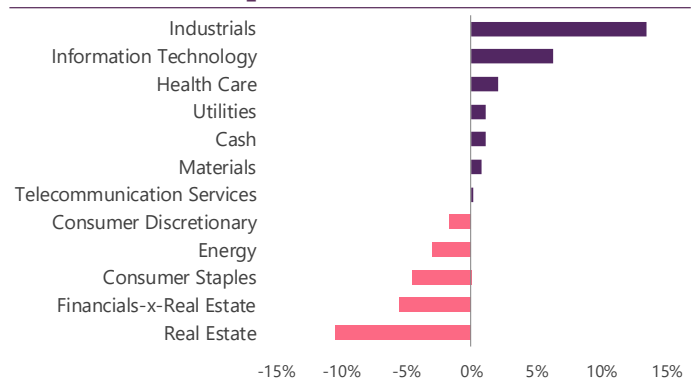


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

While May is usually known as “confession season” this year it actually provided many updates which were positive compared to market expectations (which admittedly had become too bearish).

Some examples from the Trust were:

- **Redbubble** (up 57.0%) initially called out early signs of slowing sales only to see this turn to strong sales in April building on the cash balance of \$31m at quarter end
- **Alliance Aviation** (up 25.0%) reacted nimbly to the COVID-19 environment adding customers in the mining and government sector and providing profit guidance which was 50% ahead of market expectations.

In resources the Trust benefited from holding **Ora Banda** (up 35.0%), **Bellevue** (up 49.1%) and **Dacian Gold** (up 20.8%). Ora Banda reported a series of positive explorations results, contributing to a 60% increase in gold reserves in the month and a clearer path to production.

Strandline Resources (up 28.0%) has started to gain traction regarding the financing of its Coburn mineral sands project in Western Australia.

Veris (+61.9%) bounced from a low level upon announcing a number of infrastructure-related contract wins. We still consider the company in turnaround mode so lightened into the share price strength.

We were encouraged by improving conditions in the semiconductor markets offshore which was also reflected in updates from **Revasum** (up 25.6%) and **Pivotal Systems** (down 3.0%) – we added to both given they have significantly lagged the market recovery in recent months.

There was no negative company updates during month however several stocks lagged the market with no news flow – **HRL** was down 12.6%, **Citadel Group** (down 18.2%) and **SRG** (down 25.0%) as the market becomes concerned about the pipeline of construction contracts.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+10.6
Energy	+4.3
Materials	+12.0
Industrials	+9.5
Consumer Discretionary	+12.4
Consumer Staples	+6.6
Health Care	+11.5
Financials-x-Real Estate	+10.0
Real Estate	+9.1
Information Technology	+17.6
Telecommunication Services	+10.1
Utilities	+10.1

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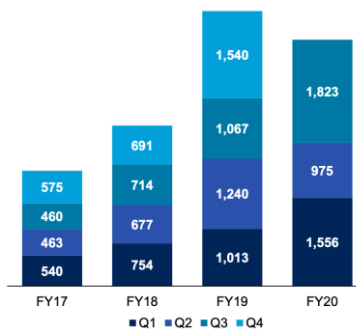


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Those stocks which contributed strongly in April drifted lower in May with Genetic Signatures (down 4.0%), Marley Spoon (down 3.5%) and Atomo Diagnostics (down 29.2%) providing a relative drag on short-term performance.

We believe the selloff reflects a view that these stocks will see peak earnings from COVID-19, but in our view misses the bigger picture; that the peak in sales from COVID-19 has brought significant amounts of new customers to each business. As COVID-19 related revenues subside, each company can use these customer relationships to sell other related items – in each case, the planned land grab pre COVID-19 has just been accelerated.

Genetic Signatures is a case in point - the chart below shows that the strong sales momentum was already happening pre-COVID. They can now use these new customers relationships to sell the much larger product pipeline across the many verticals shown below.



	Enteric	Respiratory	ESBL & CPO	STI / Genital	Alphavirus / Flavivirus	Meningitis	Atypical Respiratory
Asia Pacific	TGA	TGA	TGA				
EMEA	CE IVD	CE IVD	CE IVD	Submissions scheduled for filing this quarter	Deferred by GSS	Currently in development	Currently in development
Americas	Clinical trials delayed due to COVID-19		ASRs available for sales				
Global market size (A\$m p.a.)	\$573m	\$627m		\$1,891m	\$69m	\$156m	See Respiratory

1. World Market for Molecular Diagnostics, Sh. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) (Kobayashi Information, Published: 10/2013 & company estimate)

Source: GSS ASX release 29 May 2020

At month end the Trust had 70 positions and cash of 1.5%.

Invest Online Now



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