

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (% p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	0.5	14.6	34.2	34.0	21.7	28.2	170.1
S&P/ASX Small Ordinaries Accumulation Index	-0.3	13.0	20.0	5.4	6.7	10.4	48.5
Value Added	0.8	1.6	14.2	28.6	15.0	17.8	121.6

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

Overview

Markets drifted higher for most of January, only to see a sharp sell-off towards month end erode all gains, resulting in an Index drop of 0.3% for January. Pleasingly, the Trust outperformed the benchmark to deliver a 0.5% positive return net of all fees. Investors should be aware this return is inclusive of the 6.9209 cents per unit distribution paid to investors in January 2021.

Towards month end, much was written about heightened speculation in certain stocks and sectors in the US, and we are seeing pockets of this speculation in the Australian market. We won't add to the noise here but such activity and detachment from fundamentals make us nervous about the overall market direction. As a result, we have increased our downside protection via index-linked derivatives while maintaining holdings in our portfolio companies, given strong investment fundamentals and stock specific catalysts.

Our focus now shifts to reporting season in February with some of our holdings already de-risked having pre-announced pleasing results in January (e.g. Genetic Signatures, Good Drinks Australia, Booktopia, MoneyMe and Marley Spoon).

The portfolio average PE ratio of 13.6x remains at a sizeable discount to the Index which is 18.8x for FY22.

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 \$328 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

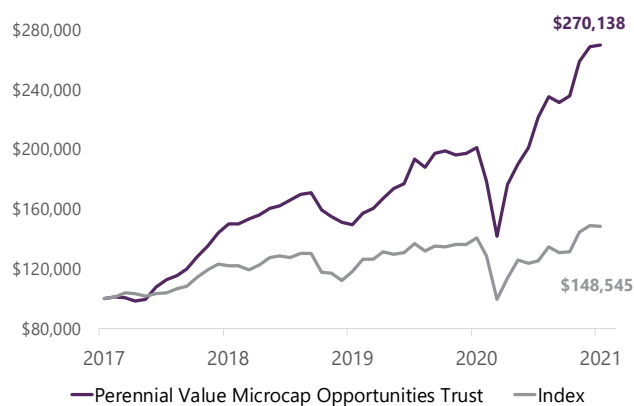
APIR Code

WPC3982AU

Top 5 Positions

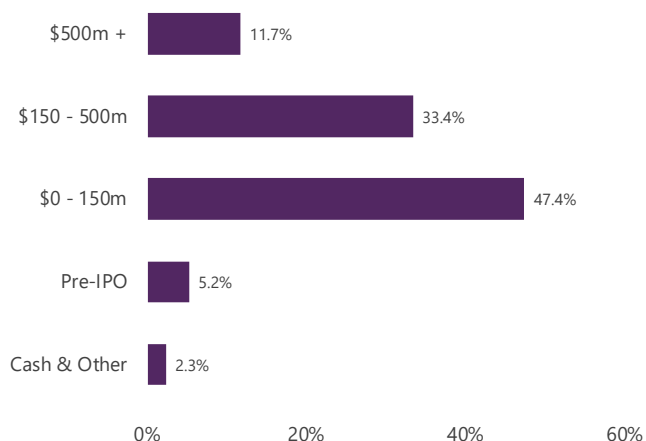
	Trust (%)	Index (%)
SCIDEV LTD	3.0	0.0
GOOD DRINKS AUSTRALIA LTD	3.0	0.0
ALLIANCE AVIATION SERVICES L	2.9	0.0
MICRO-X LTD	2.9	0.0
MARLEY SPOON AG	2.9	0.0

Growth of \$100,000 Since Inception

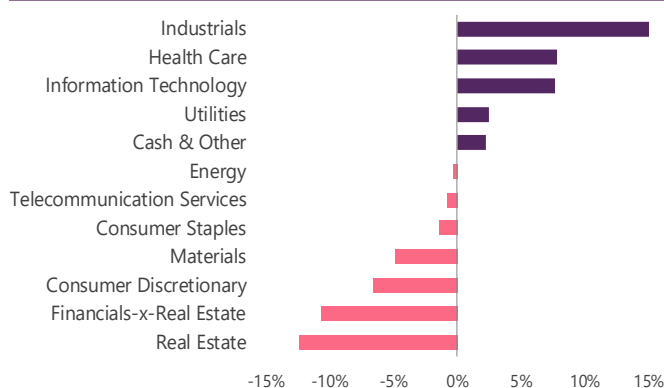


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



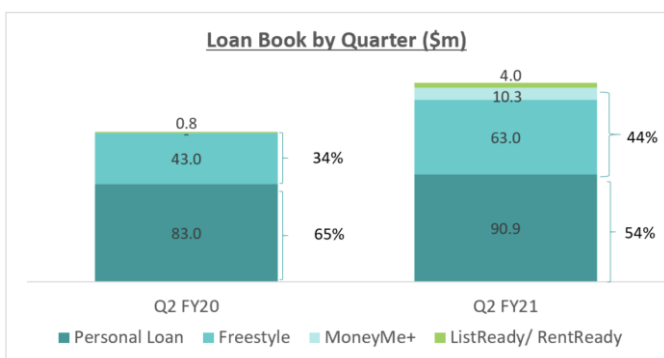
Sector Active Exposure vs Index



Trust Review

Calix (+46.0%) was a standout, announcing that CEMEX, one of the largest cement companies in the world, has joined the LEILAC-2 project backed by the EU and led by Calix using their technology for CO2 mitigation. Cement producers are one of the largest CO2 emitters in the world, and the scale of the market potential for this product is impressive. However, this is just one of the many 'shots on goal' which Calix is developing with growing revenues and profits already in Agriculture, Aquaculture and Odour control providing the fundamental value basis for our investment. The market is also beginning to pay attention to their R&D work in battery technology, with potential applications in electronic vehicles, although we think it's too early to put a value against this division.

MoneyMe (+11.0%) had loan origination quarter-on-quarter growth of 52%, with loan quality also improving as highlighted by lower net charge-offs and an improving Equifax score. The speed of product innovation remains a key attraction - the relatively new Freestyle virtual card is a key driver, while List/RentReady is beginning to make an impact (see attached graphic).



Source: MME presentation 28 January 2021

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-0.3
Energy	-7.0
Materials	-2.1
Industrials	-0.4
Consumer Discretionary	+3.1
Consumer Staples	+1.6
Health Care	-1.3
Financials-x-Real Estate	+1.9
Real Estate	-3.9
Information Technology	-5.3
Telecommunication Services	+1.2
Utilities	+4.3

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au

Signatory of:



Issued by: The Investment Manager, Perennial Value Management Limited, ABN 22 090 879 904, AFSL: 247293. Responsible Entity: Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet and application forms can be found on Perennial's website www.perennial.net.au.

Good Drinks Australia (up 5.2%) dramatically beat expectations. Given this is yet to be reflected in the share price, we added to our position. Product due diligence was particularly enjoyable for the Investment team over the Christmas break, with a thumbs up given to the new Atomic beer range and the new microbrewery in Redfern.

H1 FY21 PERFORMANCE

- H1 FY21 significantly overdelivered on expectations
- Good Drinks Volume 6m L, **up 42%** on H1 FY20
- Total Volume 8.5m L, **up 39%** on H1 FY20
- Revenue \$27.4m*+, **up 42%** on H1 FY20
- Gross Profit margin **71%*+**, up from 68% in H1FY20
- **\$7.1m EBITDA***, **up 2,254%** on H1FY20 (\$0.3m)
- Good Drinks is the #1 independent craft supplier
- Single Fin is now the #1 independent craft beer in WA (#2 nationally)^

Source: GDA presentation 28 January 2021

Booktopia Group (+8.5%) also beat expectations with a 52% increase in revenue and an outsized growth in EBITDA.

Other notable performers were **Revasum** (+45.7%) and **DeMem** (+39.1%) with encouraging quarterlies offset to some degree by profit taking in **Maggie Beer** (-20.4%) despite a strong quarter update.

While the bulk of the portfolio will report profit results in February, **Marley Spoon** reported encouraging sales after the market close with any share price reaction coming in February.

At month end, the Trust finished with 66 positions and cash/derivatives of 2.3%.

Invest Online Now



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