

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (% p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	-0.5	3.8	33.6	50.4	21.4	27.5	168.8
S&P/ASX Small Ordinaries Accumulation Index	1.5	4.1	21.8	17.2	7.2	10.6	50.8
Value Added	-2.0	-0.3	11.8	33.2	14.2	16.9	118.0

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

Overview

In a similar pattern to January, the Index moved higher most of the month before a late sell-off reduced the Index to a more modest rise of 1.5%. Against this backdrop, the Trust underperformed, down 0.5% (net of all fees). The one-year Trust performance remains strong at 50.4% (net of all fees) compared to the Index return of 17.2%.

Reporting season was one of the best for many years as measured by upward revisions to FY21 estimates (albeit much of it appeared to already be priced in). The focus of the market, and our analytical team, was on estimating what the sustainable earnings growth is for each company once government stimulus and stay-at-home benefits reverse.

We continued to rotate the portfolio away from COVID beneficiaries and towards those in the portfolio that we think can deliver sustainable earnings growth in FY22. We also added some new re-opening trades we think are overlooked by the market.

The portfolio average PE ratio of 13.9x remains at a sizeable discount to the Index which is 19.3x 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 \$327 million

Distribution Frequency
Annual

Minimum Initial Investment
\$25,000

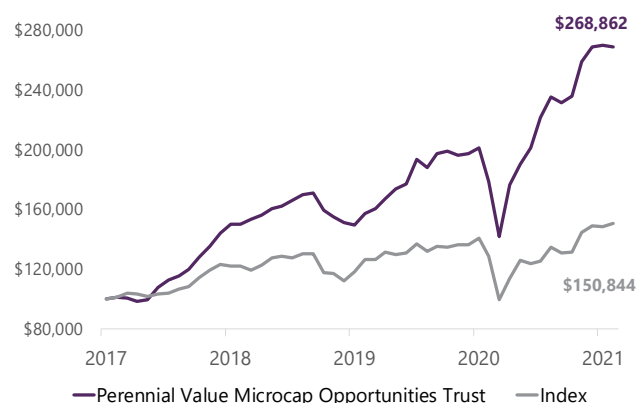
Trust Inception Date
February 2017

Fees
1.20% p.a. + Performance fee

APIR Code
WPC3982AU

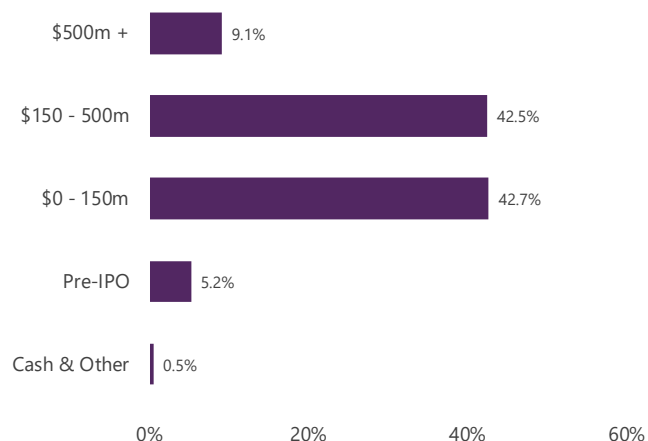
Top 5 Positions	Trust (%)	Index (%)
MICRO- X LTD	3.8	0.0
GOOD DRINKS AUSTRALIA LTD	3.4	0.0
CALIX LTD	3.2	0.0
ALLIANCE AVIATION SERVICES L	3.2	0.0
SCIDEV LTD	2.9	0.0

Growth of \$100,000 Since Inception

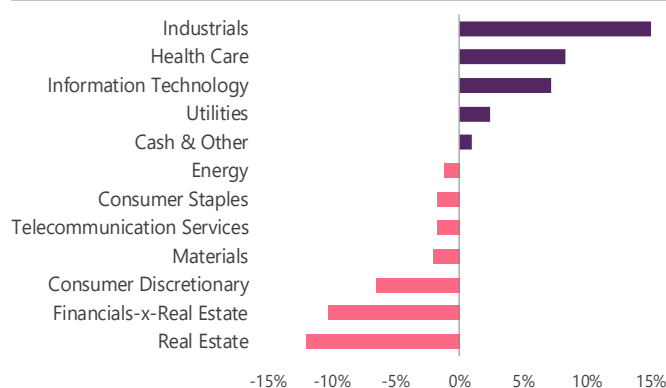


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure

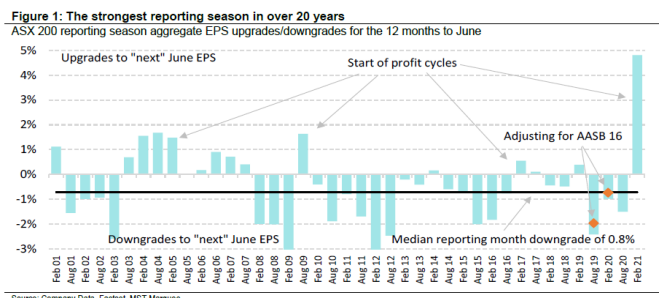


Sector Active Exposure vs Index



Trust Review

The chart below from MST summarises reporting season well; clearly it was very strong if purely looking at changes for earnings expectations for FY21. However, the strong run in the markets in recent months suggests some of this was already anticipated and priced in. In addition, many stocks benefited from government stimulus directly or from a consumer that was cashed up and unable to spend on travel – boosting retail sales growth to levels not seen in decades.



The market began to look through some of these one-off drivers with a noticeable rotation to stocks and sectors which had a poor CY20 but are well positioned for a recovery in CY21 – media and travel are two obvious sectors.

We also rotated the portfolio towards those benefiting from a re-opening of the economy but prefer the attractive valuation of less obvious names outside of media and travel – with new names added from the Industrial and Financial sectors. This new names were funded by reducing **Marley Spoon** (+23.5%) after a strong result.

One of our preferred sectors is Infrastructure in which we hold **SRG Global** (+8.9%) which rallied after earnings beat 1H guidance, avoiding the COVID related disruptions which impacted results from other contractors. SRG appears to have turned itself around over the last 12 months, having now increased full year guidance three times.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+1.5
Energy	+3.8
Materials	+6.6
Industrials	-1.9
Consumer Discretionary	+0.3
Consumer Staples	+3.8
Health Care	-0.8
Financials-x-Real Estate	+5.5
Real Estate	-3.5
Information Technology	-3.5
Telecommunication Services	+8.0
Utilities	-7.3

Calix (+30.6%) which continued to gain investor interest after delivering a strong first-half result and interest from potential global clients in the company's calcination technology which allows mineral and chemical processes to be conducted using renewable energy rather than traditional energy sources.

Betmakers Technology Group (+30.7%) continues to attract strong interest from the gaming sector with industry luminary Matt Tripp investing \$25m in a placement at 70c, which we also participated in (month end closing price was 83c). Matt is tasked with finding more acquisitions for Betmakers to achieve their goal of becoming the technology backbone of global wagering.

Veem (+29.9%) bounced after reporting better-than-expected 1H earnings and a strong outlook for its marine gyro-stabilisation product. After an extended period of product development and commercialisation, Veem appears to be entering a phase of accelerating growth, supporting recent and future share price appreciation.

Fleetwood (+22.7%) rallied after delivering on upgraded EBITA guidance (+21% to A\$15-16m). Strong cashflow has resulted in net cash of \$64m and allowed management to lift the dividend payout ratio to 100%. The 27% increase in the Building Solutions orderbook highlights a growing backlog of work.

Unfortunately there was also some negative surprises with **NRW Holdings** (taken as consideration in the Primero takeover was down 29.7%) as costs and delays (blamed on COVID) impacted 1H21 margins. **EcoFibre** (down 23.4%) also lowered 2H21 earnings expectations as COVID impacted US pharmacy traffic. We had already reduced our gold exposure but our remaining positions were still a drag on performance (**Ora Banda** was down 19.7%).

Pleasingly, two of our holdings entered into trading halt at month end to announce, in early March, the receipt of material government grants with \$29m for 4D Medical to develop a dedicated lung function scanner and \$8m for Micro-X, as part of the Australian Stroke Alliance, to help progress on pre-hospital stroke diagnosis.

At month end, the Trust finished with 66 positions and cash of 0.5%.

Invest Online Now



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

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