

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (% p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	-3.4	-3.4	29.0	82.9	19.2	25.8	159.7
S&P/ASX Small Ordinaries Accumulation Index	0.8	2.1	22.8	52.1	8.3	10.6	52.0
Value Added	-4.2	-5.5	6.2	30.8	10.9	15.2	107.7

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

Overview

The Small Cap Index was up 0.8% during the month, however this headline number masks a continuation of a powerful rotation in the market towards cyclical value and away from growth stocks; something we continue to adjust the portfolio towards. At this stage, micro caps appear to all be mostly treated as growth stocks despite many offering cyclical growth at solid valuations (e.g. EHL, GDA, SDV, AQZ) – against this background the Microcap Trust was down 3.4%, underperforming by 4.2%. In the medium term, we expect the shift towards value to continue and ultimately benefit the portfolio as the market becomes more discerning at identifying these names within the microcap universe.

Passive selling also contributed to the weakness with several stocks leaving the ASX300 providing attractive opportunities to add to our existing position or introduce new names. As an example, we bought NGI, MVF, OFX and SLC during the month which were down, on average, 7% for the month. Limeade (down 42.0%) was caught up in a bungled escrow stock release providing an opportunity to add to what is now one of the cheapest subscription software names globally.

The portfolio-average PE ratio of 13.7x remains at a sizeable discount to the Index which is 19.9x 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 \$316 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 (%)
GOOD DRINKS AUSTRALIA LTD	3.7	0.0
BETMAKERS TECHNOLOGY GROUP L	3.7	0.0
SCIDEV LTD	3.5	0.0
MICRO- X LTD	3.5	0.0
SUPERLOOP LTD	3.2	0.0

Growth of \$100,000 Since Inception

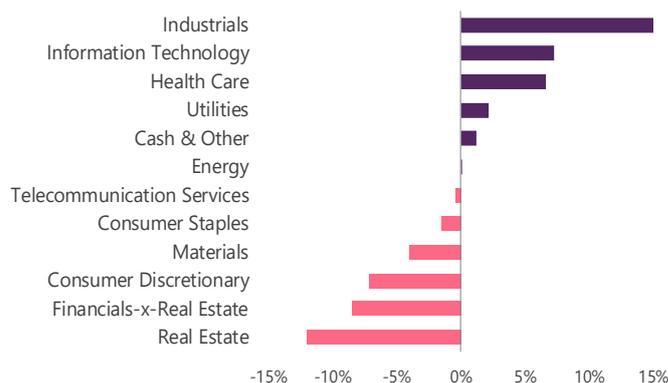


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

A key source of alpha in the medium term (and at times a source of short-term frustration) is passive selling in stocks because of Index exclusion. As an active manager, our conviction in a name does not change on Index inclusion or exclusion but it can clearly improve on a lower share price if the fundamentals haven't changed. Hence, we used the passive selling during the month to add to the following names:

- **Navigator Global Investments** (down 14.9%) despite providing a positive outlook in February and more detail around the positive cashflow implications from the recent Dyal transaction;
- **Superloop** (down 1.6%) despite the takeover of fellow fibre operator Vocus Group;
- **Monash IVF Group** (down 0.6%) despite very strong industry data with 25.5% industry volume growth reported for February;
- **OFX Group** (down 10.6%) despite clear signs of a sequential recovery in transaction volumes in recent quarterlies.

Selling flow also significantly impacted **Limeade** (down 41.8%) with a poorly handled escrow release. Over time, we expect the positive fundamentals of Limeade to win out with US\$55m in recurring revenue, net cash of US\$31.5m and the improved ability to sell as the US economy re-opens.

One stock where the fundamentals did change was **Atrium Coal** (down 77.6%), a Metallurgical coal miner (used in steel production), which we have now exited. The Alberta government amended their policy creating significant risk to the mine development. We had previously excluded Thermal Coal from our investment universe on ESG grounds. We will now also exclude Metallurgical Coal as well given the political risk in the sector.

On a more positive note, our best performing stock was also from the resource sector with **KGL Resources** (+40.2%) after a capital raising to progress the Jervois copper project in the Northern Territory. Pleasingly, directors contributed \$1m of their own cash to the raise.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.8
Energy	+3.3
Materials	-1.1
Industrials	-1.5
Consumer Discretionary	+2.5
Consumer Staples	+4.1
Health Care	+2.9
Financials-x-Real Estate	-3.1
Real Estate	+4.8
Information Technology	-0.8
Telecommunication Services	-0.5
Utilities	+4.9

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 730 032

invest@perennial.net.au

www.perennial.net.au

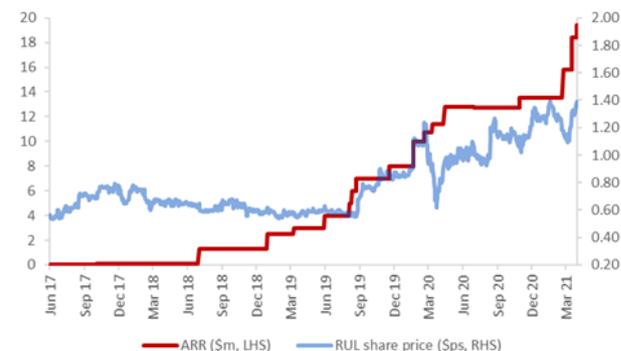
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BetMakers Technology Group (+25.3%) provided a quarterly update with a 25% quarter on quarter revenue increase. It remains cashed up to participate in the further consolidation of the gaming industry.

RPM Global (+21.7%) is a stock we have been following for many years which is the market leader in mining software. There were several updates during the month but what was most pleasing was the sharp acceleration in annual recurring revenue (ARR) post the move away from upfront software licences several years ago.



Source: Company Data and Veritas Securities

Globally, the semiconductor market is showing strong signs of recovery with numerous shortages leading to growing capex intentions. **Pivotal Systems** (+21.5%) is well placed to benefit from this thematic.

It was pleasing to see some of our cyclical value names begin to move (for example **People Infrastructure** +19.8% and **SciDev** +19.6%) however many more are yet to be recognised by the broader market.

Several new names were added to the portfolio given the dislocation in the micro cap market. We also topped up some of our positions with several stocks down 5-20% for the month despite stable or improving fundamentals.

At month end, the Trust finished with 65 positions and cash of 1.2%.

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