

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since Inception^ (% p.a.)	Since Inception Cumulative^ (%)
Perennial Value Microcap Opportunities Trust (Net)	-0.4	-1.1	32.2	39.6	18.3	25.4	166.0
S&P/ASX Small Ordinaries Accumulation Index	0.3	6.1	29.3	26.7	7.9	11.5	60.0
Value Added	-0.7	-7.2	2.9	12.9	10.4	13.9	106.0

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

Overview

The Small Cap Index eked out a small rise of 0.3% while the Trust was down slightly by 0.4%.

There has been a noticeable withdrawal of liquidity from the microcap end of market – this was likely driven by fund flows chasing the action in large cap banks and resources. This has created dislocation in many names with share prices drifting despite solid or improving earning fundamentals. It was worse for companies with relative minor earnings revisions with often savage share price moves – in both cases we view this break from fundamentals as providing very attractive investment opportunities to drive future returns.

Names that now look more attractive as hot money leaves the register include FirstWave, Limeade, 4D Medical and Atomo Diagnostics.

Interestingly, names that were similarly ignored several years ago are now starting to perform with Swick, VEEM, Maggie Beer and SRG Global all performing well during the month – highlighting the benefit of patient, contrarian investing.

The portfolio-average PE ratio of 10.5x remains at a sizeable discount to the Index which is 17.4x for FY23.

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 \$318 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

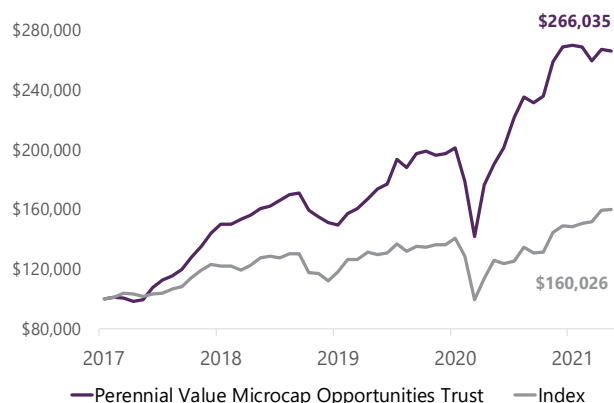
APIR Code

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Top 5 Positions

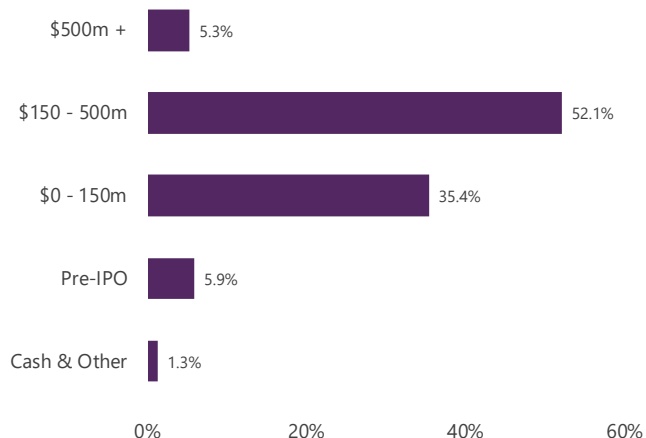
	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	3.7	0.0
MICRO-X LTD	3.6	0.0
SCIDEV LTD	3.5	0.0
SUPERLOOP LTD	3.5	0.0
ALLIANCE AVIATION SERVICES L	3.2	0.0

Growth of \$100,000 Since Inception

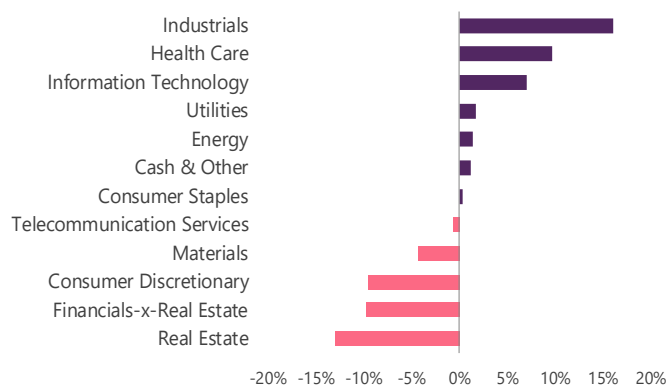


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure

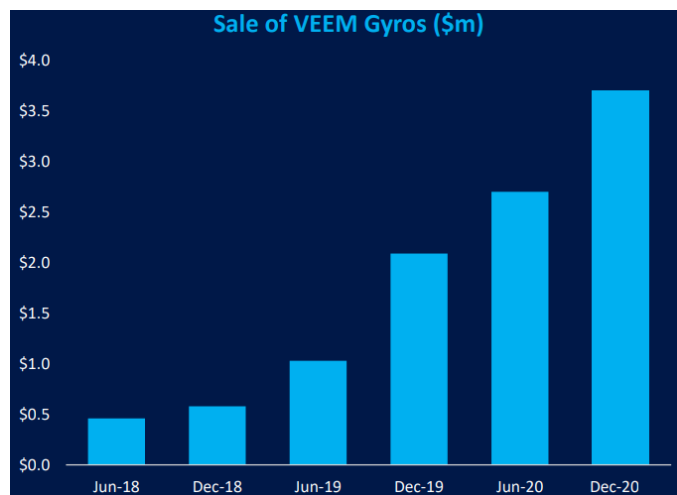


Sector Active Exposure vs Index



Trust Review

We have been invested in **VEEM** (+27.6% in the month to \$1.34) since the Trust's inception. It is a good reminder of the benefit of patience in small cap investing and the benefit of alignment with management teams/founders via high share ownership. For many years, VEEM provided a solid industrial exposure with 20+ years of profitable trading in marine engineering, anchoring the valuation – while the potential blue sky from the gyro technology was free upside. It is pleasing to see the gyro technology now progress from encouraging pilot phases to increasing global adoption with leading brands. Sales are now set to double for this product for the third year in a row.



Source: VEEM 1H21 Results Presentation

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+0.3
Energy	+5.4
Materials	+2.4
Industrials	+0.6
Consumer Discretionary	+0.6
Consumer Staples	-4.3
Health Care	-1.6
Financials	+1.1
Real Estate	+2.4
Information Technology	-4.3
Telecommunication Services	+0.3
Utilities	-0.5

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Swick Mining Services (+24.1%) rallied on positive market updates from drilling peers. May ABS stats showed Australian exploration spend at the highest level since 2011, which is driving up utilisation and rates across the industry.

SRG Global (+14.4%) began to gain investor traction after several months of encouraging earnings news and contract wins.

Cooper Energy (+12.2%) started to recover as a production update pointed to incremental gains at its problematic Sole project.

High performance computing provider, **DUG** (+11.4%), announced FID for a new HPC facility in Geraldton, which will become the first carbon-free HPC facility globally. Its location, effectively adjacent to the Square Kilometre Array radio telescope development, stands it in good stead to win contracts from that project.

We supported several capital raisings which we believe will restore the balance sheet strength at **FirstWave** (down 7.6%), **Laybuy** (down 13.3%) and **EnviroSuite** (down 14.3%) and clearly fund the companies to a sustainable cashflow positive position. Once this is demonstrated to the market, the share prices could re-rate materially from the currently depressed levels.

BetMakers Technology Group (down 11.4%) made an audacious bid for the wagering assets of Tabcorp. There is significant uncertainty on how this will play out but it does highlight how transformative BET's technology and reach in the US could be for traditional wagering companies – either Tabcorp or some of the large UK players.

Weaker names on limited newsflow included **Genetic Signatures** (down 17.8%) and **Austin Engineering** (down 13.8%).

The significant sell-off in **4D Medical** (down 19.0%), **Atomo Diagnostics** (down 20.9%), **Revasum** (down 27.7%) and **Limeade** (down 28.1%) provided an opportunity to add to these positions given fundamentals that are largely intact.

At month end, the Trust finished with 64 positions and cash of 1.3%.

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