

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	Since inception^ (% p.a.)	Since Inception^ Cumulative (%)
Perennial Value Microcap Opportunities Trust (Net)	0.0	-2.8	8.4	6.6	23.7	23.9	186.6
S&P/ASX Small Ordinaries Accumulation Index	1.4	2.0	5.5	16.9	15.7	11.9	74.1
Value Added	-1.4	-4.8	2.9	-10.3	8.0	12.0	112.5

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

Overview

For the month of December, the Trust was flat compared to the Index which was up 1.4%. Performance for the calendar year was +6.6% vs the Index which was +16.9%. We explore the reasons for the under performance relative to the Index in the body of the commentary and point to areas where we believe performance should recover over CY22.

Portfolio performance was weak earlier in the month as the withdrawal of liquidity from the sector (as discussed in the prior month) seemed to peak. Pleasingly, this selling pressure began to abate from Mid-December allowing share prices to recover, something we expect to continue as quarterlies are delivered in January and then full profit results are announced in February – allowing investors to focus on the fundamentals.

Genetic Signatures (up 36.1%) was the best performer (given higher testing volumes) followed by Doctor Care Anywhere which began to recover.

The investment in the Microcap Resources Trust was a positive contributor, up 4.9% for the month. The portfolio-average PE ratio of 13.6x remains at a sizeable discount to the index which is 18.8x 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 \$305 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

APIR Code

WPC3982AU

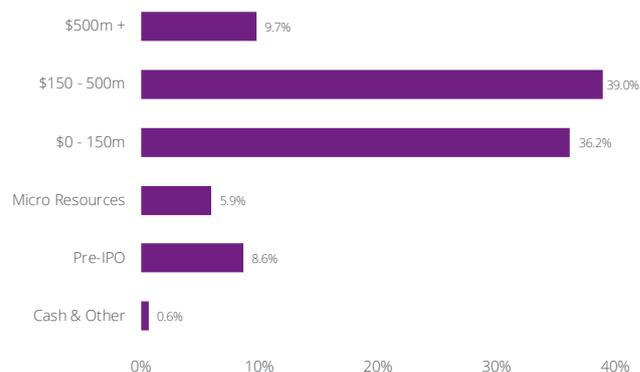
Top 5 Positions	Trust (%)	Index (%)
LARK DISTILLING CO. LTD	4.5	0.0
SUPERLOOP LTD	4.3	0.0
SWICK MINING SERVICES LTD	3.9	0.0
ENVIROSUITE LTD	3.8	0.0
GOOD DRINKS AUSTRALIA LTD	3.8	0.0

Growth of \$100,000 Since Inception

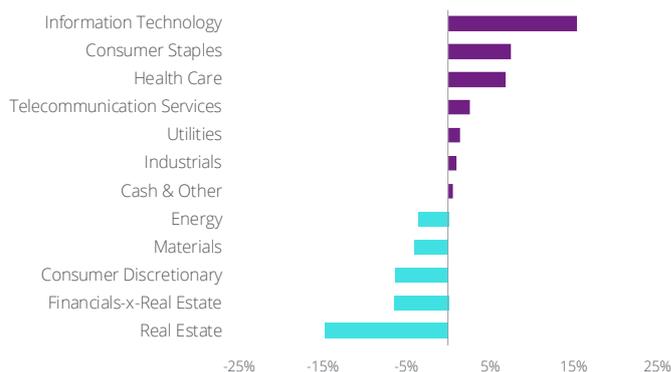


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Sector Active Exposure vs Index



Trust Review

Before moving to the monthly review, it is worth addressing the reasons for the underperformance of the Trust (+6.6% for the calendar year versus the Index +16.9%). The main reasons for the underperformance when looking at stock and sector attribution are:

- A very large move in the Materials portion of the Index (+42.0% for the year). As part of our review process, we felt our concentrated exposures towards the sector (gained by investing directly in 15-17 resource companies), was not allowing us to fully benefit from the strength in the sector. As such, we have moved to investing in the newly formed Microcap Resources Trust which allows for broader sector exposure, and we believe a better risk/return balance. We began investing in the Trust late in the year and pleasingly, the Microcap Resources Trust added 12.1% vs the Resources Index +7.3% for this period. We will look to increase our exposure here and we consider ourselves to be uniquely placed with a dedicated Resources Portfolio Manager Sam Berridge, who has resource industry experience and is based in Perth.
- A key strategy we have successfully deployed in the past is to invest a portion of the portfolio ahead of a positive cashflow inflection point for certain stocks as we see this as a key catalyst for further investor interest. With the benefit of hindsight, we were too early in some of these names (e.g. FirstWave, Limeade, DUG Technology and Doctor Care Anywhere). Notwithstanding this, and despite initial delays, these companies are now back on track with that catalyst and we anticipate positive performance in the coming calendar year.
- Value stocks perceived as early stage growth. We are believers in the current market trend back towards value stocks and expect that this could run for several years given the rate cycle. Some of our preferred 'value' names in Microcaps have ironically been sold-off with growth stocks given poor coverage or understanding of the near term value on offer (SciDev is a case in point). As fundamentals are delivered over reporting season, we believe this performance could quickly reverse.

Taking into account the above, we believe the portfolio is well positioned for the coming calendar year with the delivering of earnings as the key catalyst to shine light on the substantial value we see in the portfolio.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+1.4
Energy	+3.4
Materials	+4.7
Industrials	+4.1
Consumer Discretionary	-1.5
Consumer Staples	+7.0
Health Care	+1.9
Financials	+0.5
Real Estate	+8.0
Information Technology	-2.0
Telecommunication Services	-0.9

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Signatory of:

 PRI

Principles for Responsible Investment

Significant Investor Visa (SIV) Compliant

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Monthly Review

Genetic Signatures (+36.1%) provided a positive trading update of at least \$21m in sales for the 1H continuing the strong momentum seen in the 1Q update. While COVID-related revenues are positive in the short term, we are more focused on the new and more enduring markets – pleasingly in this regard, the company made its first sale of Enteric tests into Europe as well as trials at two other European sites.

It was pleasing to see a partial recovery in some of our holdings that had been under significant pressure late in CY21, namely:

- **Doctor Care Anywhere** (+18.7%) who announced a new and more flexible operating model which will enhance margins and improve the profitability of its joint venture with AXA Health.
- **Family Zone** (+16.5%) after disclosing it had passed the 10 million student milestone.
- **Marley Spoon** (+15.3%) acquired Chefgood, a Melbourne based ready-made meal company generating A\$26m of revenue and positive cashflow with an obvious possibility of cross-sell across respective customer bases.

The **Micro Resources Trust** was up 4.9% driven by **Green Technology Metals** (+33.3%), **Neometals** (+27.2%). Green Technology Metals rallied with China lithium prices while Neometals announced a commercial agreement with Canadian-listed steelmaker, Stelco Holdings, for a lithium battery recycling facility in North America.

Betmakers Technology Group (down 11.1%) moved lower despite no negative newsflow, likely reflecting sector wide weakness.

Booktopia provided a mixed trading update made all the worse by poorly timed director selling. Sales still grew to December despite the strong trading of the prior year, however costs to serve (but importantly not cost of goods) increased with COVID impacting their warehouse and delivery costs. Our view is that these impacts should normalise in time and emotional investors have moved it to what looks like an oversold position.

At month end, the Trust finished with 53 positions and cash of 0.6%.



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

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