

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception^ (% p.a.)
Perennial Value Microcap Opportunities Trust (Net)	-5.5	-13.6	-13.9	-14.7	13.6	10.9	18.2	17.0
S&P/ASX Small Ordinaries Accumulation Index	-1.5	3.7	-0.4	2.9	19.9	7.6	9.6	9.9
Value Added	-4.0	-17.3	-13.5	-17.6	-6.3	3.3	8.6	7.1

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

Overview

For the month of April, the Trust was down 5.5%, underperforming the Index which was down 1.5%. The market remains very risk adverse with size the dominant factor, not the fundamentals of the company.

Our analysis of the 900 companies in our Industrial Small Cap Universe shows that so far this calendar year, companies which had a market cap of less than \$500m (the cap for our Microcap investable universe) were down 15.4% whereas Industrials above \$500m were only down 8.5% (median).

The sharp move lower in recent months, in many cases despite improving company fundamentals, creates compelling value in our opinion. We have long been cautious on the prospect of higher interest rates - as a result, 79% of the portfolio has net cash on their balance sheets and our only consumer exposures are at the premium end (e.g. Maggie Beer and Lark Whisky) which have been less economically sensitive in the past.

Given the mood of the market at present, we suspect it will be corporate M&A activity that stimulates interest in the sector so we will be monitoring that closely. The portfolio-average PE ratio of 12.0x remains at a sizeable discount to the index which is 15.2x for FY24.

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 \$238 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

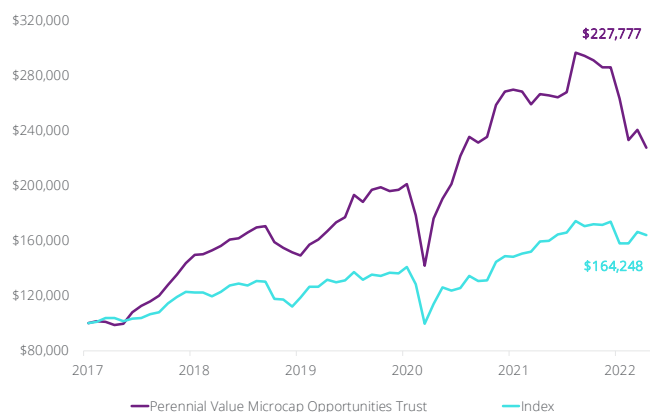
1.20% p.a. + Performance fee

APIR Code

WPC3982AU

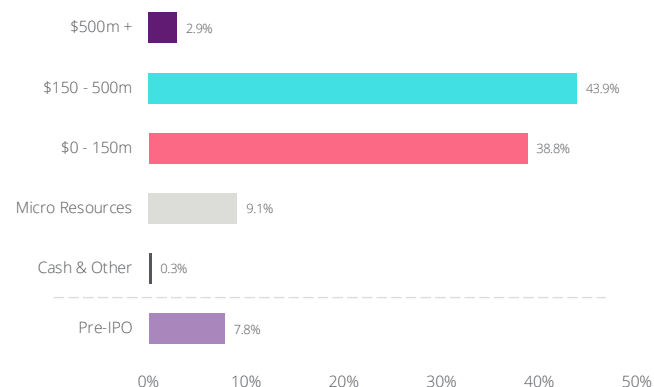
Top 5 Positions	Trust (%)	Index (%)
SUPERLOOP LTD	5.2	0.0
LARK DISTILLING CO. LTD	4.9	0.0
MAGGIE BEER HOLDINGS LTD	4.3	0.0
GOOD DRINKS AUSTRALIA LTD	3.9	0.0
NAVIGATOR GLOBAL INVESTMENTS	3.3	0.0

Growth of \$100,000 Since Inception



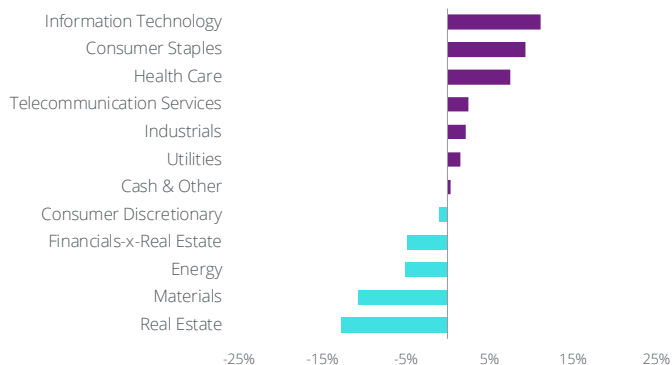
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Please note, the above table may add to more than 100% as Pre-IPO equity positions will be double counted

Sector Active Exposure vs Index



Trust Review

The chart to the right splits out the Universe of Small Cap Industrials into those below \$500m (the investable universe for this fund) and those above \$500m at the start of the year.

Such a large difference in performance shows how dominant size, rather than company fundamentals, is at present. Ironically, academic research actually shows the opposite should occur over time, with smaller market cap companies providing higher returns over the long term in overseas markets#.

Hence we think the current depressed share prices provide an attractive entry point.

There were many updates for companies in the portfolio during April, the bulk of which were positive:


- **DUG Technology** (+24.8%) continued the strong revenue trends first reported in January. The quarter showed strong positive cashflow of US\$2.22m but more importantly, for future periods, a 5 fold increase in new services contracts as compared to the prior quarter.
- **Genetic Signatures** (+10.7%) with year to date sales up 34% and \$10m of positive cashflow thus far. Domestic COVID tests have been a strong driver historically but will clearly decline going forward. It was therefore encouraging to see International sales, mainly from Europe, move to 19% in the quarter and the Enteric detection kit selected as the national test for Public Health Wales.
- **Superloop** (up 1.1%) provided a solid update during the month, announcing the completion of the sale of its Hong Kong and Singaporean assets which was above book value – this is a very significant announcement which de-risks the investment case as the company now moves to a net cash position. Importantly, they also provided a positive trading update for 3Q22 and re-affirmed FY22 EBITDA guidance. We are encouraged by the good momentum within all three operating segments; the recovery of a few previously COVID-impacted areas of the business; and now the balance sheet strength to pursue additional organic and inorganic growth.

See 'The Journal of Finance – The Cross-Section of Expected Stock Returns – Fama and French'

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	-1.5
Energy	+8.0
Materials	-2.0
Industrials	-0.8
Consumer Discretionary	-2.4
Consumer Staples	+6.7
Health Care	-1.5
Financials	+0.5
Real Estate	+0.4
Information Technology	-10.7
Telecommunication Services	-2.7

Contact us

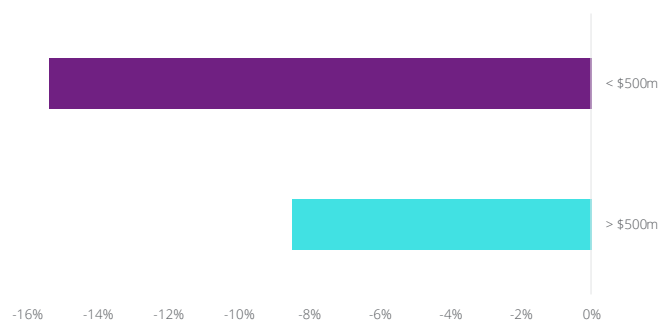
 Level 27, 88 Phillip Street
Sydney NSW 2000

 1300 730 032

 invest@perennial.net.au

 www.perennial.net.au

Our Universe – CYTD Performance (Median)



Source: FactSet, Universe is ex-100 down to \$20m Market Cap

Other quarterlies provided more mixed news albeit investors chose to focus on the negatives:

- **Lark Distilling** (down 8.5%) had slower sales to bottle shops in Q3 as Omicron disrupted early trading but they are still tracking at 51% growth year to date and margins lifted a further 4.9% compared to the 1H22 result. This is a clear sign the premium strategy continues to deliver and points to further upside to future net sales value which sits at \$422m on historic pricing. Guidance was re-confirmed with the large fourth quarter projection supported by the first export sales agreement. They were also awarded a government grant of \$4.5m for the new distillery at Pontville.
- **SciDev** (down 34.1%) as the well-regarded CEO resigned given family matters needed his urgent attention. This large reaction overlooks the strong progress in the quarter with a 22% increase in gross margins and EBITDA of \$1.8m. Activity was particularly elevated in March in the water division, a large part of this being the business built by now interim CEO Sean Halpin, so we are encouraged with his selection for the new role.
- **Pivotal Systems** (down 30.8%) had strong demand conditions (backlog up to US\$5.9m from US\$3.9m) but customers were deferring delivery given their own supply chain issues putting installing machines. This should normalise in coming months allowing Pivotal to deliver into the strong end market with significant semi-conductor capex across the industry

At month end, the Trust finished with 49 positions and cash of 0.3%.



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

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Signatory of:

 PRI Principles for Responsible Investment

 Significant Investor Visa (SIV) Compliant

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