

	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)	-11.2	-25.2	-31.8	-31.8	-5.3	0.6	10.8	11.5
S&P/ASX Small Ordinaries Accumulation Index	-13.1	-20.4	-19.5	-19.5	3.5	0.4	5.1	5.4
Value Added	1.9	-4.8	-12.3	-12.3	-8.8	0.2	5.7	6.1

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

Overview

For the month of June, the Trust was down 11.2% (net of all fees), ahead of the Index which was down 13.1%.

Markets globally were very weak as concerns around inflation and interest rate expectations increased fears of a recession in major markets. We believe our portfolio is well balanced for current conditions with a mix of defensives and cyclicals that have more robust revenue streams than is appreciated by markets (and most importantly with strong balance sheets).

Given this backdrop, we saw weakness in cyclicals and resources. Some other parts of the portfolio were heavily impacted by tax loss selling as market participants looked to offset the large taxable gains from the first half of the year but they were doing so in very illiquid markets causing large share price falls.

It was positive to see the takeover bid for HRL Holdings during the month (at close to 100% premium) proving up the strategic value we have seen in the position for some time. There was also some encouraging fundamental updates across the portfolio in June which should lead to improving share prices as this is digested by the market. Across the portfolio, there were two buybacks announced (followed by two more in early July) and an accretive acquisition – in each case earnings per share is boosted in future years but share prices are yet to respond. The portfolio-average PE ratio of 9.8x remains at a sizeable discount to the index which is 13.0x 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 \$186 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

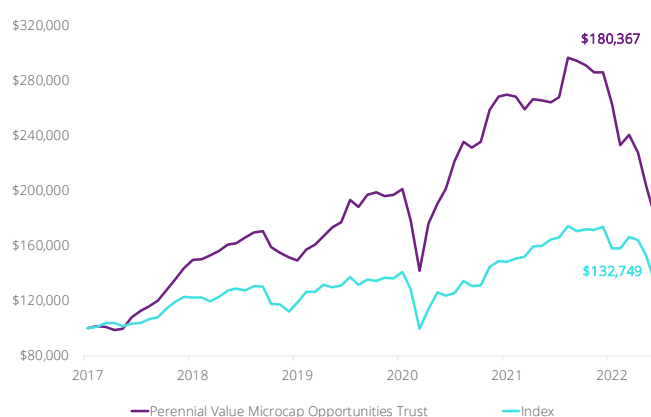
1.20% p.a. + Performance fee

APIR Code

WPC3982AU

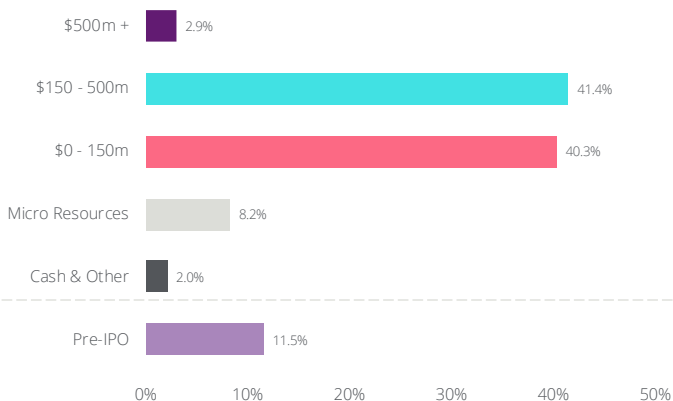
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	5.7	0.0
SUPERLOOP LTD	5.6	0.0
ENVIROSUITE LTD	5.0	0.0
LARK DISTILLING CO. LTD	4.7	0.0
MAGGIE BEER HOLDINGS LTD	4.1	0.0

Growth of \$100,000 Since Inception



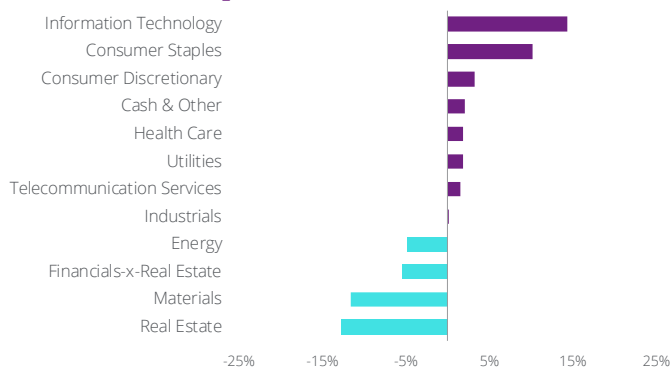
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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

It was pleasing to see two companies announce buybacks in our portfolio (and another two in early July) reminding the market of both the balance sheet strength and the board's view that the shares are undervalued. Buybacks increase earnings per share in future years (which is the ultimate driver of value) and thus, while these seem to have been ignored in June (most likely given tax related selling), it clearly enhances future value. The companies in question were:

- **Betmakers Technology** (down 30.6%) utilising some of the \$107.8m of cash on balance sheet at the end of March to buy shares
- **RPM Global** (down 4.1%) utilising some of the \$32.4m of cash on balance sheet at the end of December to buy shares

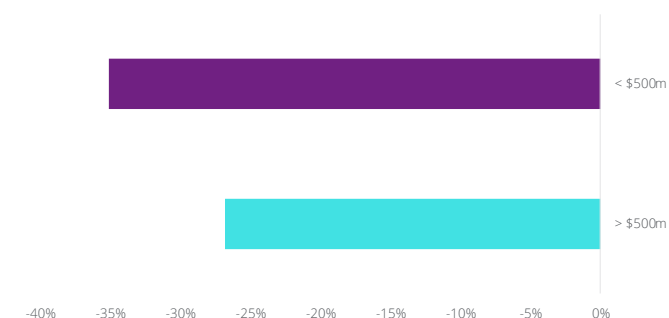
PeopleIn (down 10.8%) announced the acquisition of Food Industry People (FIP) and the reaffirmation of FY22 earnings guidance. FIP provides workers from the Pacific Labour Mobility (PALM) Scheme, helping alleviate the tight labour environment within the food and agricultural sectors.

Positive trading updates came from:

- **Enero Group** (down 3.3%) with 20% growth in revenue and 34-36% growth in EBITDA
- **4DMedical** (down 8.5%) announced an Australia wide, commercial deal with I-Med providing the first significant revenue generating contract and great validation of the technology
- **Family Zone** (down 25.0%) with an expected increase in ARR to \$75m for FY22 and +80% gross margins
- **Viva Leisure** (down 30.4%) achieving their FY22 monthly revenue target of \$10m in May, and 2H margins expected to reach the upper end of guidance

The fact that the above was largely ignored by the market shows the outsized impact of tax loss selling at the sub \$500m end of the market – best captured in the chart on the right hand side.

Our Universe – CYTD Performance (Median)



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

We think such a large selloff, based on size rather than company fundamentals, creates an attractive starting point for seeking out value in the microcap end of the market.

As evidenced by the takeover bid for **HRL Holdings** (at close to a 100% premium) it may be corporates who end up proving the fundamental value we see in some of our names. We are supportive of M&A activity with the view that it can bring forward value and provide further cash for the portfolio to recycle into other attractive investment opportunities (of which there are many at the moment).

Our holding in the Micro Resources Trust was weaker than the industrial portion of the market during the month (down 19.4%), albeit this outperformed the resources sector (which was down 22.1%).

At month end, the Trust finished with 48 positions and cash of 2.0%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-13.1
Energy	-7.7
Materials	-20.7
Industrials	-10.7
Consumer Discretionary	-11.0
Consumer Staples	-5.3
Health Care	-12.4
Financials	-9.4
Real Estate	-6.8
Information Technology	-10.7
Telecommunication Services	-9.2



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

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 Significant Investor Visa (SIV) Compliant

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