

	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)	-10.6	-7.2	-7.2	-43.2	-15.0	-5.4	6.8	9.5
S&P/ASX Small Ordinaries Accumulation Index	-11.2	-0.5	-0.5	-22.6	0.5	-0.8	4.1	5.0
Value Added	0.6	-6.7	-6.7	-20.6	-15.5	-4.6	2.7	4.5

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

Overview

For the month of September, the Trust was down 10.6% (net of all fees) outperforming the Index which was down 11.2%.

Markets sold off heavily during September, with global investor sentiment adversely influenced by a hawkish Fed committed to inflation curtailment. As a result, bond rates and the US dollar moved higher – both of which impacted equity valuations. To add to the turmoil, the UK announced tax cuts and energy subsidies with no clear plan on how these would be funded, sending the Sterling down to record lows.

We continue to focus on company fundamentals with a preference for companies with positive revenue tailwinds to offset the tough macro environment and that offer strategic value to other corporates – while such attributes are largely being ignored by the market at present, we believe they will drive value over the medium term.

A case in point during the month was Micro-X, which announced the A\$15m strategic investment (at a premium) and technology collaboration with Varex Imaging. This validates the core Micro-X technology, unlocks new verticals and provides significant cash runway.

The portfolio-average PE ratio of 11.2x remains at a sizeable discount to the index which is 13.7x 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 \$166 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

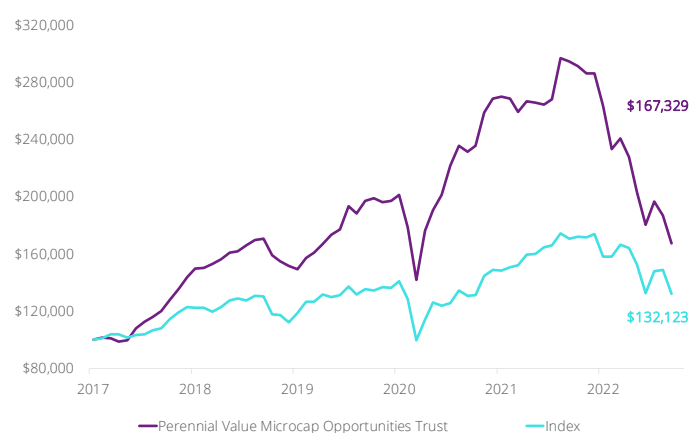
1.20% p.a. + Performance fee

APIR Code

WPC3982AU

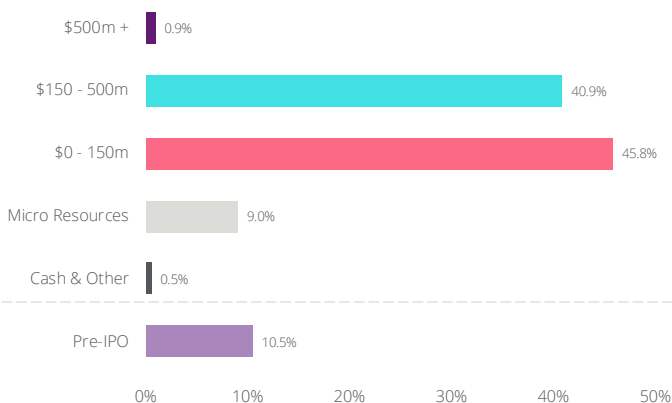
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	6.7	0.0
SUPERLOOP LTD	5.1	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	4.3	0.0
ENVIROSUITE LTD	4.2	0.0
LARK DISTILLING CO. LTD	4.1	0.0

Growth of \$100,000 Since Inception



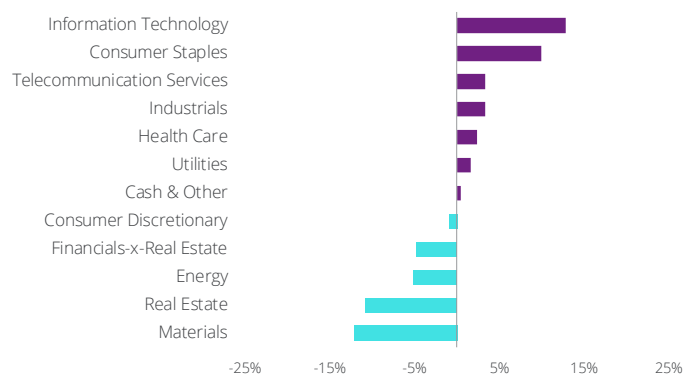
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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 **Micro-X** (+37.5%) secure A\$15m via a strategic collaboration with Varex Imaging. Varex is a manufacturer and distributor of x-ray technology components. Micro-X will also receive \$7.5m in milestone payments for the licencing of their multi-beam x-ray tubes over a 12-month period. Varex has also agreed to purchase \$7.5m worth of shares at a 10% premium to 15-day VWAP (12-month escrow).

In addition, Micro-X was awarded an extension as part of the DHS Baggage Scanner Contract worth an additional US\$0.44m to accelerate testing (Total contract value: US\$2m). We remain comfortable with our holding as the company approaches the launch of their second commercial product and now with cash run-way well into 2024 (and potentially to profitability).

There were several strong fundamental updates that were ignored given the tough market backdrop:

- **Superloop** (down 10.8%) announced the acquisition of VostroNet, a network owner and provider of wholesale fibre-to-the-premise (FTTP) and student WiFi broadband services. The acquisition will provide Superloop with additional on-net broadband services and builds capability in the FTTP build-to-rent, multi-dwelling, and other closed network end markets.
- **Maggie Beer** (down 6.2%) entered into a binding sale agreement for one of its two non-core assets. We are encouraged by progress made in streamlining the business to date, with the focus now centered on divesting the last non-core asset and growing both the company's premium Maggie Beer brand and its direct-to-consumer hamper and gift businesses.
- **Viva Leisure** (down 7.4%) released their bi-monthly presentation, with annual revenue run rate now at \$130.2m. All metrics are tracking nicely, with average revenue per member per week sitting close to \$15 and utilisation improving to 70%.
- **Catapult** (down 17.8%) announced it expects to return to positive free cashflow in FY24, earlier than expected by the market. The company is reducing its rate of cost growth after a significant period of investment, which improved the product portfolio and accelerated revenue growth.

It has been a very quiet year for equity capital markets, but we have started to see attractive deals, namely:

- The IPO of **Adrad** (+3% from issue price) which listed at month-end. Adrad manufacture and distribute a range of engine cooling parts for the automotive aftermarket, and for Original Equipment (OE) customers in various industrial markets. The IPO provides capital to expand the number of branches for the automotive division and add additional manufacturing capacity in Thailand for the Industrial OE division, which will lower costs and allow the company to target international markets.
- We also increased our holding in **Synertec Corporation** via a placement (+6.3% from placement price but down 19.5% for the month). We had previously reduced our holding in Synertec given the very strong run in the share price but saw the capital raising as an attractive point to start increasing our position again. Synertec is an engineering-led company with a very promising product providing a 100% solar solution to displace diesel at remote oil and mining operations. They are most advanced with Santos, but we believe they could soon expand to other clients in the mining sector who face similar pressure to improve environmental outcomes.
- **Ive Group** (down 1.8%), who raised \$18m following the acquisition of Ovato last month. This is a new position for the Trust and the strengthened balance sheet allows Ive to pursue further growth initiatives and potential acquisitions.

Given the volatility in the markets, we are taking advantage of strong share price moves and trimmed VEEM, which was up 20.9% on no news.

Buyback activity remains strong with 3 active buybacks across the portfolio.

The Micro Resources Trust holding was down 10.0% in September, which was well ahead of the resources benchmark return of -13.8%.

At month end, the Trust finished with 50 positions and cash of 0.5%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-11.2
Energy	+0.3
Materials	-14.1
Industrials	-8.6
Consumer Discretionary	-11.1
Consumer Staples	-6.3
Health Care	-11.2
Financials	-10.5
Real Estate	-11.7
Information Technology	-12.1
Telecommunication Services	-12.4



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

[Invest Online Now](#)

Contact us

 Level 27, 88 Phillip Street
Sydney NSW 2000

 1300 730 032

 invest@perennial.net.au

 www.perennial.net.au

Signatory of:

 PRI Principles for Responsible Investment

 Significant Investor Visa (SIV) Compliant

Issued by: Perennial Partners Limited (ABN 90 612 829 160) (Perennial) as a Corporate Authorised Representative (No. 1293138) of the Investment Manager Perennial Value Management Limited (ABN 22 909 879 904, AFSL No. 247293). Responsible Entity: Perennial Investment Management Limited (ABN 13 108 747 637, AFSL No. 275101). This promotional statement is provided for information purposes only. Accordingly, reliance should not be placed on this promotional statement as the basis for making an investment, financial or other decision. This promotional statement does not take into account your investment objectives, particular needs or financial situation and is not intended to constitute advertising or advice of any kind and you should not construe the contents of promotional statement as legal, tax, investment or other advice. This promotional statement does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should read and consider any relevant offer documentation applicable to any investment product or service and consider obtaining professional investment advice tailored to your specific circumstances before making any investment decision. While every effort has been made to ensure the information in this promotional statement is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. Gross performance does not include any applicable management fees or expenses. Net performance is based on redemption price for the period and assumes that all distributions are reinvested. Fees indicated reflect the maximum applicable. Contractual arrangements, including any applicable management fee, may be negotiated with certain large investors. Investments in the Trusts must be accompanied by an application form. The current relevant product disclosure statements, additional information booklet, application forms and target market determination can be found on Perennial's website www.perennial.net.au. Use of the information on our website is governed by Australian law and is subject to the terms of use. No distribution of this material will be made in any jurisdiction where such distribution is not authorised or is unlawful.