

	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)	3.3	-12.1	-4.2	-40.7	-14.4	-4.6	6.2	10.0
S&P/ASX Small Ordinaries Accumulation Index	6.5	-4.9	6.0	-18.3	3.5	1.5	4.2	6.1
Value Added	-3.2	-7.2	-10.2	-22.4	-17.9	-6.1	2.0	3.9

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

Overview

For the month of October, the Trust was up 3.3% (net of all fees) underperforming the Index which was up 6.5%. The ASX followed global markets which traded higher during the month, with a better-than-feared US reporting season and investor hope that the peak in interest rates is nearing.

The underperformance of the Trust in a strong market was despite many clearly positive updates from the portfolio. There were 21 companies providing clear evidence on which the market upgraded expectations. Investors are still gravitating to the more liquid end of the Small Cap Index and thus share price responses were largely muted. Despite this, we are encouraged as these fundamental improvements continue to build the value in the portfolio which will benefit patient investors or attract strategic interest given increasing M&A activity.

While the bulk of the remaining portfolio provided AGM updates reconfirming guidance, there were four which were negative (all less than 1% positions). We expect further company updates as AGM season stretches into November.

The portfolio-average PE ratio of 11.2x remains at a sizeable discount to the index which is 13.4x for FY24 given the superior growth on offer in the portfolio.

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 \$168 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

APIR Code

WPC3982AU

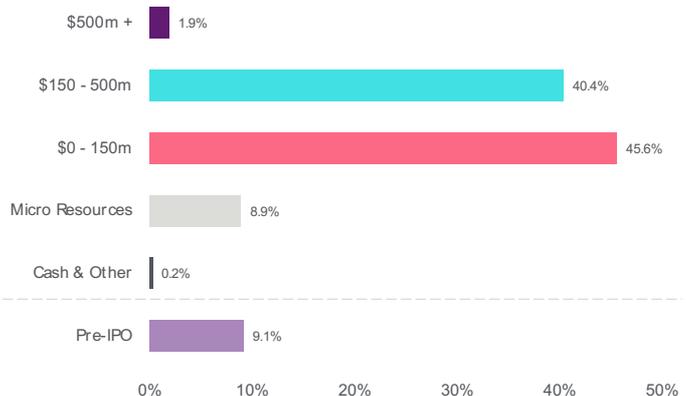
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	6.1	0.0
SUPERLOOP LTD	5.7	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	4.3	0.0
ENVIROSUITE LTD	4.3	0.0
LARK DISTILLING CO. LTD	4.0	0.0

Growth of \$100,000 Since Inception



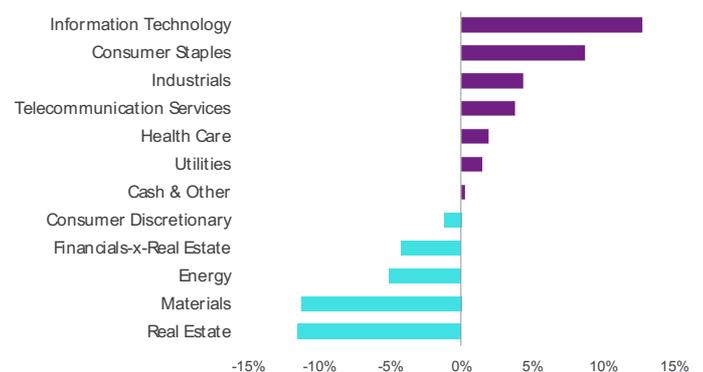
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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

Highlights from the 21 companies providing positive updates during the month were:

- **MedAdvisor** (+32.1%) with quarterly revenue up 29.5% with strong organic growth in the US and the benefit of the Guild acquisition in Australia
- **RPMGlobal** (+25.0%) after positive AGM commentary showing subscription revenue growth passing 80% of that required to hit full year guidance (after only one quarter)
- **Marley Spoon** (+15.8%) delivered 26% growth in revenues but most importantly positive cashflow and reconfirmed profitability for the 4Q which the market was previously skeptical about
- **Experience Co** (+15.0%) with a first quarter update showing a strong recovery in their tourism assets despite the wet weather
- **Superloop** (+13.6%) upgraded earnings guidance with strong subscriber growth and a strategic deal with Uniti Group
- **SciDev** (+12.3%) delivered a strong quarter (revenue +40% and increasing EBITDA), leading to significant broker earnings upgrades. It is reflective of the value on offer in the market that the share price remains half the level of when the CEO change was announced earlier in the year (despite earnings expectations now being materially higher).
- **PeopleIN** (+7.2%) after reiterating guidance of robust earnings growth in FY23. Their exposure to more defensive and well-funded labour markets builds our confidence in the company's ability to grow in potentially more adverse future economic conditions. In addition, the recent reduction in the visa backlog and increased immigration will benefit PPE's ability to source and place nurses and other in-demand talent.
- **Envirosuite** (+4.2%) increased annual recurring revenues with the uplift in 1Q sales 23.5% stronger than the same time last year
- **Navigator** (down 0.9%) reported strong absolute fund performance and funds inflows – a rare feat in this market

Several companies provided mixed quarterlies but with some encouraging insights for future periods:

- **FirstWave** (+62.5%) continued to shed unprofitable and high maintenance revenue but was able to grow gross profits 6% despite this headwind. Investors focused on the prospects of large cross-selling deals post merger and the increased interest in cyber security.
- **Lark** (down 1.9%) was able to offset the drop in ecommerce sales as they cycle COVID lockdowns to deliver 3% total sales growth (with the core range in retailers +39%). They also announced progress in the global search for a new CEO (with the successful candidate announced post month end)
- **DUG** (down 20.2%) delivered impressive revenue growth of 33% and doubling of EBITDA (both in USD) on the prior quarter. Investors instead focused on the balance sheet given lower cashflow with working capital requirements of new contracts – this concern looks unwarranted given the net debt balance of just US\$2.8m looks very manageable given US\$3.0m EBITDA in the 1Q alone
- **Micro-X** (down 21.2%) gave up some gains from the prior month with a soft quarter reflecting the lumpy nature of sales. This should improve next year as new products and distribution partners come on stream.

Several stocks were down despite positive newsflow, given the lack of liquidity and market attention at this time:

- **Enero Group** (down 3.4%) despite 1Q sales growing 19.1% on a like for like basis – well ahead of consensus expectations
- **Genetic Signatures** (down 21.0%) despite growing sales 16% compared to the previous quarter more than offsetting the sharp drop in COVID related revenues

There were four negative updates from the portfolio albeit these were all sub 1% positions, and the share price responses were muted given the already low expectations.

At month end, the Trust finished with 49 positions and cash of 0.2%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+6.5
Energy	+4.5
Materials	+2.2
Industrials	-1.5
Consumer Discretionary	+5.2
Consumer Staples	+2.5
Health Care	+8.9
Financials	+3.4
Real Estate	+9.3
Information Technology	+2.8
Telecommunication Services	+6.8



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

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