

	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)	4.6	5.0	0.6	-31.2	-18.0	-3.4	3.9	10.4
S&P/ASX Small Ordinaries Accumulation Index	6.6	7.6	14.0	-4.4	1.0	2.4	4.4	7.2
<b>Value Added</b>	<b>-2.0</b>	<b>-2.6</b>	<b>-13.4</b>	<b>-26.8</b>	<b>-19.0</b>	<b>-5.8</b>	<b>-0.5</b>	<b>3.2</b>

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

### Overview

For the month of January, the Trust was up 4.6% (net of all fees), less than the Index which was up 6.6%. We were encouraged by several strong trading updates which attracted new investors back to the sub \$500m market cap segment, where the bulk of our positions are. Liquidity also improved noticeably allowing us to exit four positions where progress to improving cashflow was weakest and allocated this capital to higher conviction names and some new positions.

Our private holdings were a drag in January, given the strong market. In addition, we reduced the value of one position post de-merger to reflect lower trading volumes for that business, noting that given its cyclical nature this may prove conservative. There remains good value in these private names with some liquidity events looming over the next six months to unlock further value.

There were noticeably strong updates from De.Mem, MedAdvisor and SciDev as well as a sales update from Envirosuite. The market over-reacted to mixed quarterlies from Lark (better margins but lower sales as they cycle one-offs) as well as Cluey and Family Zone (where the cost of restructuring was in the quarter, but benefits are for future periods). All eyes are now on February reporting season where we expect the fundamentals of our positions to come through.

The average PE ratio of the portfolio is 11.6x, a sizeable discount to the Index which is 14.1x for FY24 given the superior growth on offer.

### 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 \$173 million

#### Distribution Frequency

Annual

#### Minimum Initial Investment

\$25,000

#### Trust Inception Date

February 2017

#### Fees

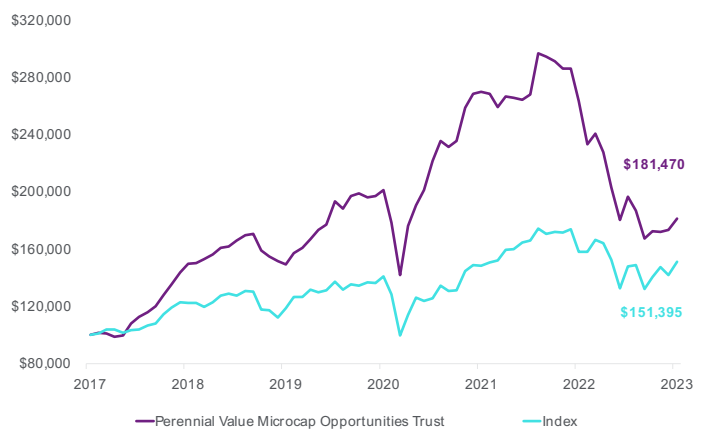
1.20% p.a. + Performance fee

#### APIR Code

WPC3982AU

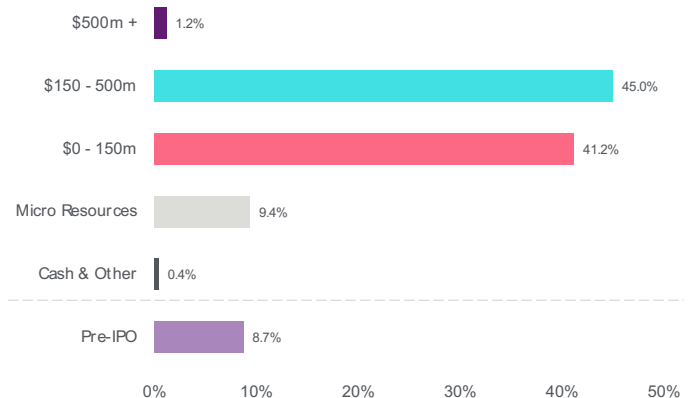
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	5.7	0.0
MEDADVISOR LTD	4.8	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	4.7	0.0
ENVIROSUITE LTD	4.1	0.0
SUPERLOOP LTD	4.1	0.0

### Growth of \$100,000 Since Inception



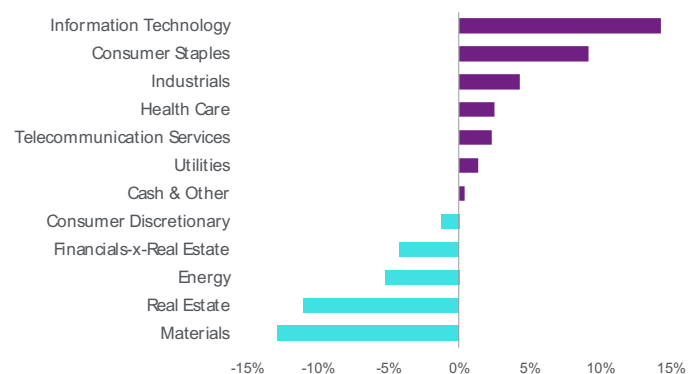
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

### 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

**Experience Co.** (+21.7%) gained investor interest given their tourism assets look well placed to benefit from the return of international tourists (with a full recovery now likely earlier given the return of Chinese tourists). We also think the market has missed the benefit to Experience Co from International students which have already arrived in large numbers. They have historically been a large portion of demand for the adventure activities of Experience Co. – such as Skydiving.

There were several companies that were rewarded during the month following positive updates, including:

- **Aerometrex** (+64.3%) announced a large contract with the Australian Government for their LiDAR technology. This was in addition to sales in December of their off-the-shelf 3D City models to Google.
- **DUG Technology** (+23.8%) announced strong quarterly numbers with revenue growth of 67% on the same time last year, but more importantly strong operating cashflow of US\$2.1m for the quarter, reducing net debt to just US\$2m.
- **De.Mem** (+21.7%), a water treatment technology business, reported a 41% increase in recurring revenues for CY22 but most importantly, positive operating cash which sets the business up for sustainable growth without the need for further equity.
- **SciDev** (+9.3%) continued the strong momentum from December with further contracts announced and strong quarterly revenue of +74% on the prior period and operating cash of over \$2m for the quarter.
- **MedAdvisor** (+9.6%) had already guided to revenue growth of 50-60% in December but actually delivered +65.8% pcp and \$21.4m in operating cash. This has become a high conviction position for the Trust with positive board renewal, the acquisition of GuildLink and a new high quality CEO and CFO.

Our exposure to the Micro Resources Trust was a positive contributor with gross performance of 9.0% ahead of the Small Resources Index of 7.3%. The strong performance was driven by a common holding in **DUG Technology** and **Synertec** (+14.0%) as well as gold exposures (particularly **Westgold** +38.9%) and copper (e.g. **Aeris** +13.3%).

Companies providing mixed quarterlies where we think some of longer-term positives were missed included:

- **Cluey** (down 17.4%) provided a quarterly which required further interrogation to unpick the improvements, particularly initiatives to deliver \$3.3m in annual savings with most of the costs to execute this taken in the Dec quarter, which impacted cash. There was also a 19% improvement in gross profits.
- **Lark Distilling** (down 13.9%) announced a mixed quarterly with net sales down slightly as they cycle one-off Gin sales in the prior period. More encouraging was the gross margin improvement (to 68.6%) and the growth in the core Whisky range at retail outlets (+38% for the half).
- **Family Zone Cyber Safety** (down 5.4%) delivered strong growth in recurring revenues albeit cashflow was negative (from positive in the prior quarter) given the seasonal low-point in collections and the negative drag from a stronger AUD on conversion. The indicators of long-term value were strong with growing gross margins, low churn and the early signs of a stable fixed cost base. Given this, the company confirmed expectations of transitioning through cash breakeven in the next six months.

Progress on our basket of companies moving towards cash positive was encouraging – as an example for the remaining 15 names in this bucket, growth in cash receipts for the quarter was 67.2% on average. While these positions tend to be smaller, the returns can be outsized once positive cash is delivered. As an example, four such positions moved to cash positive during the quarter for an average return of +16.1% in the month. We also used the stronger liquidity to sell out of four positions which bounced on reasonable headline numbers but had less progress on cash than we forecast.

At month end, the Trust finished with 49 positions and cash of 0.4%.

## Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	+6.6
Energy	+7.1
Materials	+11.1
Industrials	+3.5
Consumer Discretionary	+12.6
Consumer Staples	+3.6
Health Care	+5.9
Financials	+5.0
Real Estate	+4.1
Information Technology	+9.7
Telecommunication Services	+11.5



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

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