

	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)	-5.2	-6.4	-10.0	-32.7	-20.9	4.6	1.1	8.2
S&P/ASX Small Ordinaries Accumulation Index	-0.7	1.9	9.0	-13.2	-2.4	13.1	3.9	6.2
<b>Value Added</b>	<b>-4.5</b>	<b>-8.3</b>	<b>-19.0</b>	<b>-19.5</b>	<b>-18.5</b>	<b>-8.5</b>	<b>-2.8</b>	<b>2.0</b>

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

### Overview

For the month of March, the Trust was down 5.2% (net of all fees), compared to the Index which was down 0.7%.

Relative performance was impacted by not holding takeover targets Liontown Resources (+89.7%, we had avoided given likely cost blowouts at the project) and United Malt (+33.0%, we avoided given very high debt levels).

We expect takeover activity to continue to be a feature this calendar year and believe several of our holdings are more logical targets given reliable and growing earnings streams as well as low debt (or in most cases no debt).

Sentiment remains poor amongst microcap companies – by contrast this is where we have high levels of conviction in earnings, compared to a trickier outlook at the Index level.

Our conviction in the portfolio increased further during March as we did follow up meetings with our key holdings. We expect other investors and corporates will also notice these improving fundamentals in coming months. At this stage only DUG has gained investor attention (+16.2% for the month) but this provides a good preview of what is possible as investors return to microcap names.

The average PE ratio of the portfolio is 9.6x, a sizeable discount to the Index which is 13.3x 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 \$156 million

#### Distribution Frequency

Annual

#### Minimum Initial Investment

\$25,000

#### Trust Inception Date

February 2017

#### Fees

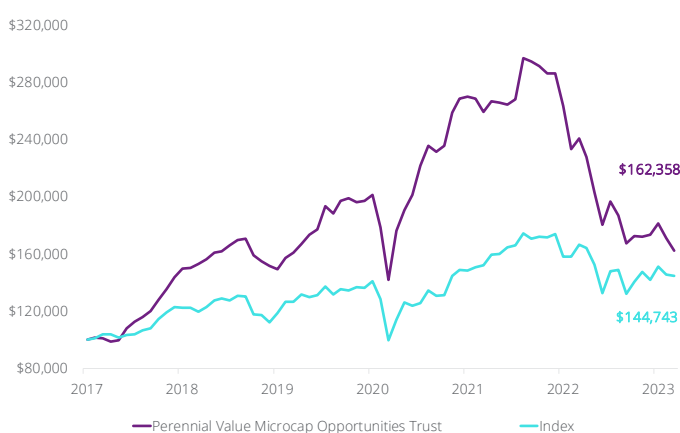
1.20% p.a. + Performance fee

#### APIR Code

WPC3982AU

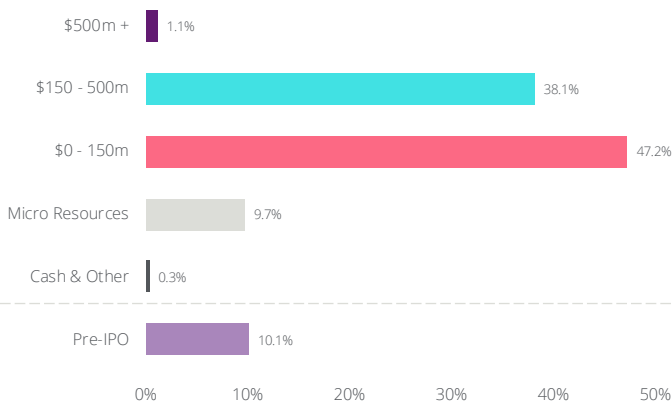
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	6.2	0.0
RPMGLOBAL HOLDINGS LTD	4.8	0.0
MEDADVISOR LTD	4.4	0.0
SUPERLOOP LTD	3.7	0.0
DUG TECHNOLOGY LTD	3.6	0.0

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



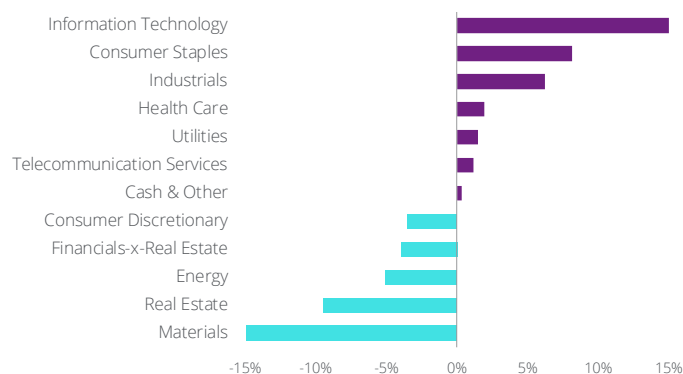
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

### 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

March was another busy month for the team with follow-up meetings with key management teams as well as discussions with board members for further insights post results. Pleasingly, these meetings improved our conviction in our key holdings, which stand in stark contrast to the weaker share prices of stocks below \$500m in market capitalisation.

Sentiment towards this part of the market feels worse than the GFC despite much lower corporate debt levels (75% of the portfolio is net cash) and many stocks with an improving earnings outlook.

**DUG Technology** (+16.2%) is a good test case in how sentiment can shift following solid earnings and an investor roadshow. The leading indicators for DUG were there for all to see for most of last year with disclosure of forward sales and improving cash flow in each quarter. However, it wasn't until this was delivered in actual earnings, and then fully explained with a roadshow in March, that the market began to respond.

We believe there are many other obvious examples of value hidden in 'plain sight' which is being overshadowed by poor sentiment. We expect many of the following companies could become of interest to corporates via a takeover if they are not re-rated by the market, for example:

- **Good Drinks** (+2.4%) now has a more focused approach around the core brands and venues which should lift earnings in the medium term. There have been several examples of acquisitions in the space at +14x EBITDA as compared to the current multiple of ~9x FY23 EBITDA
- **Navigator Global** (down 4.5%) could easily double in value to match peer multiples. A likely catalyst is simplifying the existing capital structure to allow investors to better value the strong USD earnings stream and flows into low beta investment products
- **Lark Distilling** (down 13.2%) continues to win Whisky awards and gain traction in export markets as well as mainstream domestic retailers. The new high calibre CEO starts 1 May and should be a good catalyst for renewed interest
- **Alliance Aviation** (down 1.7%) is already under takeover from Qantas and awaiting ACCC approval while **People Infrastructure** (down 7.9%) has announced a strategic review

In addition to these names, there were many stocks that sold off on low volume and no newsflow during March. For each we see positive catalysts emerging in the coming months which could easily see them 'gap up' given the absence of genuine selling volume. As examples:

- **Enero Group** (down 10.7%) continued to drift after a mixed half year result. Interest may begin to improve as post month end a buyback was announced as well as deep dive presentation on their higher growth business OB Media.
- **Envirosuite** (down 12.4%) despite broker upgrades in February given lower costs and increased confidence in the near-term transition to positive cashflow
- **FirstWave Cloud Technology** (down 13.6%) despite a very encouraging 1H result and disclosing the possibility of a material contract with a North American customer
- **Superloop** (down 14.5%) despite delivering the most confident and clean result under the current management team, providing investors with a rare 'defensive growth' exposure
- **Aerometrex** (down 23.3%) despite an increased prospect of corporate activity now that their main competitor is owned by private equity
- **Limeade** (down 25.8%) which was in contrast to the offshore rally in technology and despite a material cost out program reducing expenses by US\$7m which pushes them back to profitability

As highlighted last month, we had reduced our exposure to companies transitioning to positive free cashflow with a smaller but higher conviction allocation to such names. Included in the remaining allocation are **Cluey** and **Family Zone Cyber Safety**. We participated in capital raises for both during the month to ensure an appropriate buffer as they continue to transition to positive cash flow.

Resources were up during the month, with our Microcap Resources sleeve was up 0.9% assisted by Westgold Resources (up 37.9%).

At month end, the Trust finished with 45 positions and cash of 0.3%.

## Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-0.7
Energy	-3.0
Materials	2.8
Industrials	-0.1
Consumer Discretionary	-1.4
Consumer Staples	-3.1
Health Care	-0.7
Financials	-6.8
Real Estate	-6.6
Information Technology	-6.3
Telecommunication Services	1.5



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

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Signatory of:

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 Significant Investor Visa (SIV) Compliant

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