Perennial Value Microcap Opportunities Trust

Monthly Report April 2023

	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)	-0.7	-11.2	-10.6	-29.2	-22.3	-3.0	0.6	8.0
S&P/ASX Small Ordinaries Accumulation Index	2.8	-1.7	12.1	-9.4	-3.5	9.2	3.9	6.6
Value Added	**-3.5**	**-9.5**	**-22.7**	**-19.8**	**-18.8**	**-12.2**	**-3.3**	**1.4**

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

Overview

For the month of April, the Trust was down 0.7% (net of all fees), compared to the Index which was up 2.8%.

Fundamental newsflow was more limited in April and trading volumes were down given the holiday period.

Sentiment towards the micro end of the market remains poor with size remaining the dominant driver of performance instead of fundamentals – the latter being the true driver of shareholder value over the long term.

Sentiment (and therefore share prices) can change quickly and there may already be a shift underway with several encouraging articles about the attractiveness of small and microcaps in Australia from prominent investors during the month. If this smaller end of the market is 're-discovered' by both institutional investors and mainstream funds, then share price moves can be dramatic. The Trust is fully invested and provides a large exposure to stocks below $500m and also below $150m, and thus is well positioned should this shift occur in coming months.

Early signs of renewed investor interest was seen in Superloop, Lark and Acrow during the month but is not yet widespread across the portfolio. We suspect corporate activity is the likely catalyst to realise value in other names. The average PE ratio of the portfolio is 10.2x, a sizeable discount to the Index which is 16.6x for FY24, despite having a superior growth profile vs the Index.

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 $154 million

Distribution Frequency
Annual

Minimum Initial Investment
$25,000

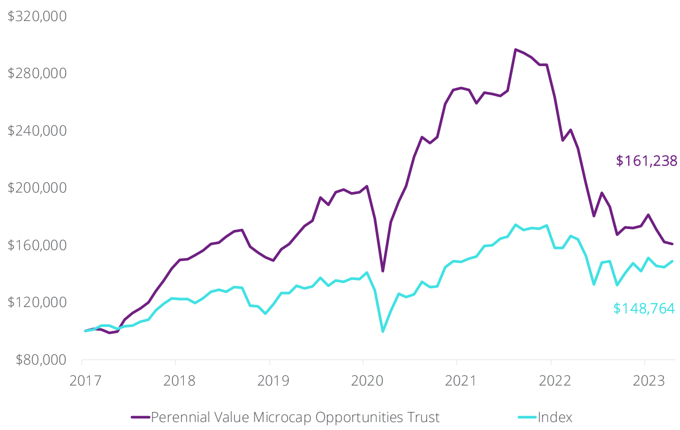
Trust Inception Date
February 2017

Fees
1.20% p.a. + Performance fee

APIR Code
WPC3982AU

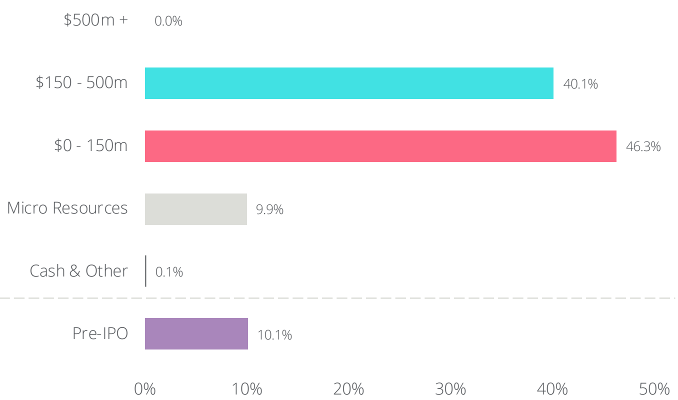
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	5.5	0.0
RPMGLOBAL HOLDINGS LTD	4.5	0.0
SUPERLOOP LTD	4.1	0.0
MEDADVISOR LTD	4.1	0.0
DUG TECHNOLOGY LTD	3.8	0.0

Growth of $100,000 Since Inception



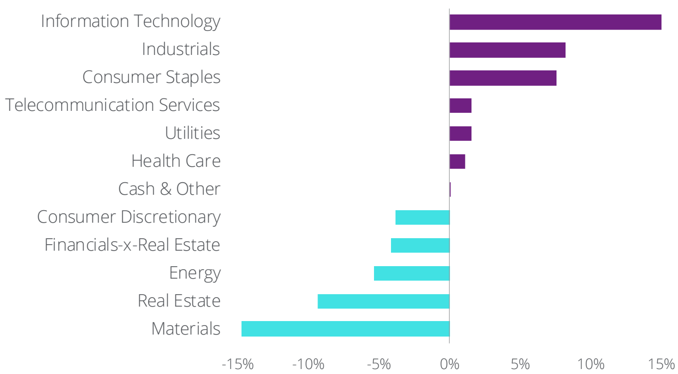
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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

Fundamental newsflow was more limited in April and trading volumes were down given the holiday period. Many stocks that had large moves just reflected low liquidity rather than fundamental newsflow e.g. Aerometrex (+24.2%) and Superloop (+9.8%) contrasted with RPMGlobal (down 4.4%), Maggie Beer (down 9.5%) and Good Drinks (down 11.0%) while stronger industry data benefited Experience Co (+5.5%).

Those companies that did have fundamental updates are discussed below.

Lark (+8.1%) provided an encouraging quarterly with 3Q growth of +9% despite tougher domestic conditions. More detail was also provided on the ageing profile for the large Whisky bank which, along with the brand and property, provides strong asset support for the investment. The new CEO and CFO will start in May and June respectively – both bring the strong international Whisky experience which is needed to drive the export led growth path for Lark.

Acrow (+12.2%) upgraded profit guidance driven by growth in hire contracts (now +34% for the 9 mths compared to +28.0% at the six-month mark). They also announced the opportunistic acquisition of Heinrich Plant Hire.

Several other companies provided solid quarterly updates:

- De.mem Ltd (+20.0%) is a water treatment solution provider that continues to deliver – the 1Q23 result was the 16th quarter of growth on the prior period and the second successive quarter of positive operating cash. We expect the business will soon garner increased investor interest given the focus on the environmental sector, recurring revenues of over 90% and the recent shift to positive cashflow.
- DUG Technology (+5.7%) continued recent strong momentum with revenue growth of 55% on the same time last year. Most impressive was the growth in new projects awarded of 108%. This suggests continued revenue growth in future periods. As an example, the new project wins were US$18.5m in the quarter, ahead of actual revenue of US$12.7m. Given strong cashflows to date, the business is also now in a net cash position – a far cry from when investors were concerned about the balance sheet last year.

Positive newsflow that seemed to be ignored by the market included:

- SciDev (+1.6%) after another strong quarter with 60% revenue growth versus the prior corresponding quarter as well as positive cashflow. During the month they also announced a 2nd contract with Cleanaway for the construction of a treatment plant for PFAS wastewater – an environmental problem that is gaining the attention of regulators worldwide, as well as top 100 companies such as ALS (as detailed in their presentation at the recent Macquarie conference).
- Viva Leisure (+0.8%) reported record March revenues and reaffirmed guidance for both revenue and EBITDA in FY23. Annualising the March result would imply revenues of $152.5m as compared to FY23 guidance of $137-$140m – suggesting strong growth prospects for FY24.
- Navigator (+1.0%) reported strong FUM growth of US$0.4bn with positive inflows – something that is rare in funds management at the moment.

Negative newsflow impacted Limeade (down 10.9%) after the company highlighted the potential for a meaningful client to switch to a competitor (who is currently the preferred bidder in the tender process). However, the potential scale of this lost contract is smaller than Limeade's contract wins within the December quarter alone and thus, whilst still negative, does not offset recent client wins.

Cluey (down 15.6%) and Genetic Signatures (down 1.3%) delivered softer quarters but also provided a roadmap for value creation over the balance of the year. MedAdvisor (down 7.8%) provided strong revenue growth but seasonally weak cashflow that was well flagged.

At month end, the Trust finished with 44 positions and cash of 0.1%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	2.8
Energy	3.3
Materials	0.9
Industrials	3.1
Consumer Discretionary	3.9
Consumer Staples	0.9
Health Care	4.6
Financials	3.4
Real Estate	3.4
Information Technology	2.5
Telecommunication Services	1.1

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

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