

	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)	-3.6	-9.2	-13.8	-23.5	-23.6	-6.6	-0.7	7.2
S&P/ASX Small Ordinaries Accumulation Index	-3.3	-1.3	8.4	-5.8	-5.2	4.5	2.5	5.9
Value Added	-0.3	-7.9	-22.2	-17.7	-18.4	-11.1	-3.2	1.3

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

Overview

For the month of May, the Trust was down 3.6% (net of all fees), compared to the Index which was down 3.3%.

Markets were dominated by weaker China data and concerns over negotiations in the US to lift the debt ceiling. Share prices were also impacted by pockets of 'tax loss' selling, further separating share prices of some stocks from fundamentals.

This sidelined (for now) early signs of positive momentum returning to the smaller end of the market. Encouragingly, there has been more commentators noting the large underperformance and contrarian opportunity within Small and Microcap stocks. This, combined with the natural end to tax loss selling by the end of June, sets up the potential for a strong recovery in the sector in FY24.

Early signs of renewed investor interest in microcap names remained isolated but the strong moves in names such as DUG Technology (+16.1%) and Micro-X (+27.6%) were encouraging, as was those of slightly larger names on the edge of small cap consideration – such as RPM Global (+7.5%) and Superloop (+7.3%). All are good case studies of how sharp the share price response can be as investors return to microcap names.

The average PE ratio of the portfolio is 9.8x, a sizeable discount to the Index which is 16.4x for FY24. This is despite a higher portion of our holdings with low balance sheet risk (80% have net cash) and a superior growth profile to 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 \$148 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

APIR Code

WPC3982AU

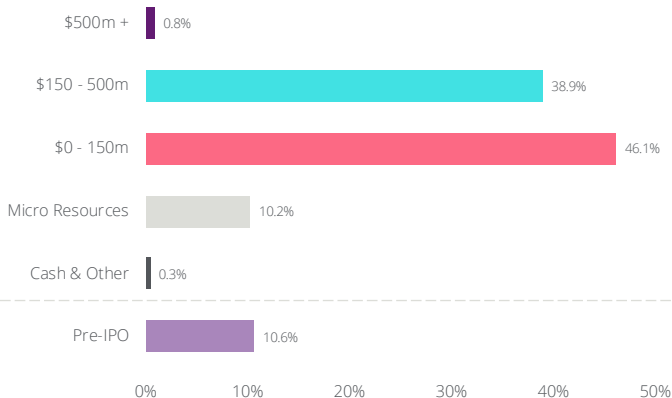
Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	6.0	0.0
RPMGLOBAL HOLDINGS LTD	5.1	0.0
MEDADVISOR LTD	4.4	0.0
SUPERLOOP LTD	4.4	0.0
DUG TECHNOLOGY LTD	4.2	0.0

Growth of \$100,000 Since Inception



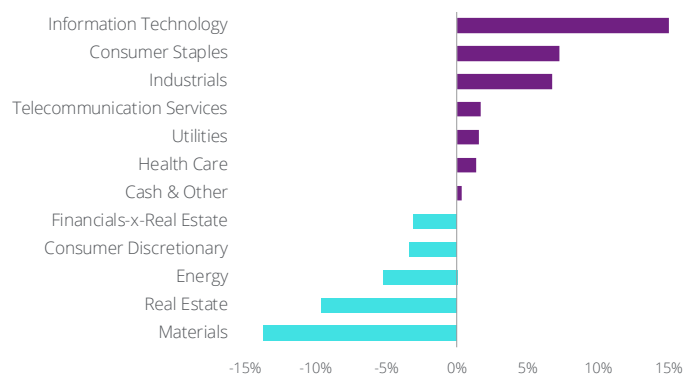
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Please note, the above table may add to more than 100% as Pre-IPO equity positions will be double counted in the market cap breakdown

Sector Active Exposure vs Index



Trust Review

During the month, there were pockets of renewed investor interest in some microcap names. This translated into outsized share price moves despite the weak macro backdrop, as examples:

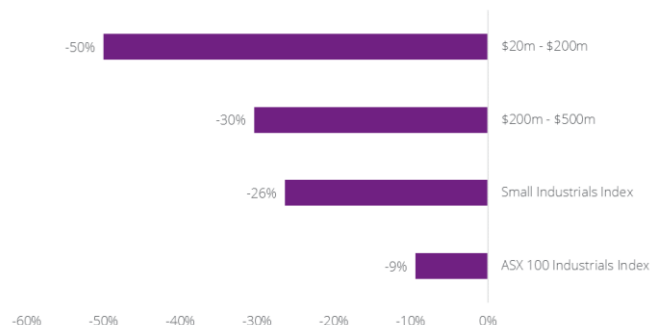
- **Micro-X** (+27.6%) following the much-anticipated launch of the Argus bomb detection technology which pushes the company further into defence and security markets. The CEO has also stepped down in favour of the CFO providing a more commercial focus as the company pushes towards profitability.
- **DUG Technology** (+16.1%) continued to attract investor interest after a strong quarterly report late in the prior month. They also announced that the ASX no longer requires them to lodge quarterly Appendix 4C cash statements – a great sign that it has firmly moved from cash negative to a cash generative business.
- **Hancock & Gore** (+10.7%) with 55% growth in funds under management as the company continues to evolve from the old conglomerate structure to a niche asset manager.
- **Viva Leisure** (+2.0%) announced a share buy-back after confirming guidance in the prior month.

Those stocks that are closer to the consideration of mainstream small cap managers (given their size) also benefitted from renewed investor interest, as examples:

- **RPM Global** (+7.5%) extended their share buy-back for another year and keen investors would have noticed the disclosure in the announcement of a cash balance of \$35.3m as at 30 April 2023, up from \$22.3m at 31 Dec 2022
- **Superloop** (+7.3%) after a positive investor day which clearly demonstrated significant strategic progress in recent years and an enhanced earnings and cash flow generation ability

The reaction to **Maggie Beer** (down 31.6%) was less encouraging and seems a large over-reaction given sales held up reasonably (guidance is for flat sales on pcp in a tough environment). Margins were hit by the pressure on costs from an elevated media spend and freight costs - both of which are beginning to normalise as we exit FY23. This sets up for a strong recovery in earnings in FY24 given continued interest in the brand and an excellent new CEO.

Industrials Universe Performance



Source: FactSet, median performance shown from 31 December 2021 to 31 May 2023

The above graphic gives a stark reminder that size, not fundamentals, has driven performance since 1 January 2022. As a result, we see the most value in stocks below \$200m market cap level and currently have 57.4% of the fund in this category.

Many share price responses to fundamental updates have been more reflective of the share register composition – namely the presence, or not, of motivated sellers for tax loss or liquidity reasons. We expect that as we pass tax loss selling season and enter FY24 more fundamental investors will begin to return to the microcap space and share prices will revert towards fair value which we see as materially higher for companies in our portfolio.

Those stocks which clearly showed improving fundamentals in the month but are yet to be recognized include:

- **Aerometrex** (down 24.4%) despite signing an agreement with Landchecker for MetroMap which at a minimum adds \$2.65m in revenue
- **Acrow Formwork** (down 12.0%) as the acquisition of Heinrich Plant Hire and a 7% earnings upgrade was overshadowed by a poorly handled sell-down by a large shareholder
- **SciDev** (down 3.1%) despite announcing a \$9.5m contract with First Quantum Minerals group

At month end, the Trust finished with 44 positions and cash of 0.3%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-3.3
Energy	-5.6
Materials	-5.1
Industrials	1.8
Consumer Discretionary	-5.3
Consumer Staples	-1.7
Health Care	-0.9
Financials	-0.1
Real Estate	-0.4
Information Technology	3.6
Telecommunication Services	-7.6



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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