

	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)	6.6	3.8	6.6	-14.8	-21.0	-8.9	0.2	8.3
S&P/ASX Small Ordinaries Accumulation Index	3.5	0.2	3.5	0.8	-5.3	5.9	3.2	6.3
Value Added	3.1	3.6	3.1	-15.6	-15.7	-14.8	-3.0	2.0

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

Overview

The Trust was up strongly in July +6.6% (net of all fees) outperforming the Index which was up 3.5%.

As mentioned in recent newsletters, there are signs of renewed interest in the sub \$500m market cap space and it was pleasing to see the beginning of a broad recovery in the fund (13 stocks were up 15% or more in the month).

Most encouraging however was the improved earnings updates as well as strategic outcomes from several companies in the portfolio.

Companies confirming a transition to positive cashflow were embraced by a broader investor base. One example was Catapult which we added to the portfolio in June. It was up 18.6% in July after confirming their positive cashflow projection and 1Q revenue growth of >20%.

Earnings guidance from Alliance Aviation, RPM Global, Viva Leisure and Navigator also led to a lift in broker forecasts.

There were also strong strategic updates at Lumos Diagnostic (FDA approval), EcoFibre (Under Armour contract) and DUG Technology (a government grant for a new renewable powered data center).

The average PE ratio of the portfolio is 9.5x, a sizeable discount to the Index which is 15.0x for FY25. A high portion of our holdings have 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 \$152 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

1.20% p.a. + Performance fee

APIR Code

WPC3982AU

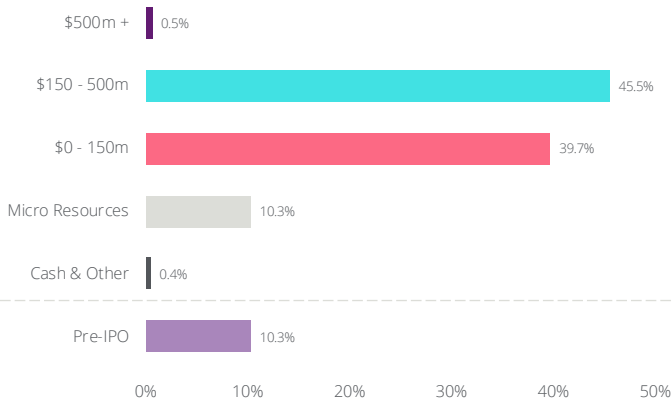
Top 5 Positions	Trust (%)	Index (%)
DUG TECHNOLOGY LTD	5.5	0.0
RPMGLOBAL HOLDINGS LTD	5.0	0.0
SUPERLOOP LTD	5.0	0.0
GOOD DRINKS AUSTRALIA LTD	4.8	0.0
NAVIGATOR GLOBAL INVESTMENTS LTD	3.7	0.0

Growth of \$100,000 Since Inception



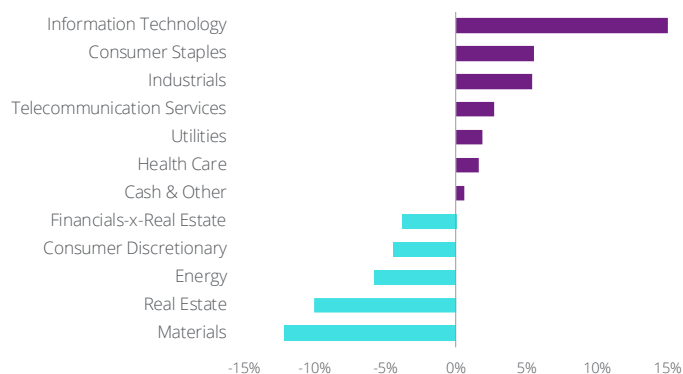
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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

While the recovery in July was relatively broad based (12 stocks up 15% or more) there is ample room for further recovery in share prices given the attractive valuations and improving earnings outlook for many holdings (despite a patchy economy). This is against the backdrop of microcap sentiment which is only just beginning to recover from a very bearish setting.

This improving sentiment enabled share prices to respond during the month to positive news. This was a pleasant contrast to prior months when good news seemed to be ignored. Examples of profit or sales upgrades that were rewarded during the month were:

- **Alliance Aviation** (up 13.9%) with earnings guidance ahead of the previously provided range indicating strong momentum from the recent fleet expansion and boding well for further growth in FY24
- **RPM Global** (up 10.5%) after announcing record software sales of \$65.8m and increased EBITDA guidance of \$15m (before sales incentives)
- **Navigator Global Investments** (up 9.0%) after strong flows into both their lighthouse funds and strategic investments

We have mentioned in the past the potential benefit from recycling out of takeovers (which bring forward value) into new ideas. We have already seen returns from one name which was added using cash from the Limeade takeover in June. This was **Catapult** which responded well to confirmation of cashflow guidance in July and a strong 1Q sales update (stock was up 18.6%).

Outside of this several stocks began to finally respond as investors sifted through recent positive news from sub \$500m names. As examples **Veem** and **Aerometrex** were both up 15.0% in a delayed response to the positive update already given in June.

A similar delayed outcome is possible in August for names such as **Envirosuite** (up only 2.2% after a strong 4Q sales update in July) and **Qoria** (up only 2.0% despite strong ARR growth) with both confirming positive cashflow trends. This was also the case with **Viva Leisure** which was down 1.6% despite confirming EBITDA at the top end of guidance range.

Several stocks had meaningful strategic updates which will drive value in future periods:

- **Lumos Diagnostics** (up materially) after the long-awaited FDA approval for FebriDx, which, judging by the share price response, had been given a very low probability by the market. The company also raised capital (which we participated in) to simplify the balance sheet and remove convertible debt
- **DUG Technology** (up 36.9%) with a government grant to fund half of their renewably powered data centre planned for Geraldton
- **Microba** (up 16.7%) with 21% quarterly revenue growth and significant expansion of their partner agreements with several new regions added
- **EcoFibre** (up 2.4%) after announcing a sizeable contract with Under Armour for their textile business

Lark Distilling (up 12.1%) gave more detail in their quarterly update but given recent guidance we suspect the move was more reflective of a recovery from tax loss selling. This may also explain the partial recovery in **Maggie Beer** and **Enero** (both up 20%). In all cases there is still significant upside if management can deliver on respective strategies to restore shareholder value.

The **Microcap Resource** exposure added value, up 5.0% mainly driven by stock picking in the gold space, despite a flat resources Index.

At month end, the Trust finished with 48 positions and cash of 0.4%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	3.5
Energy	5.0
Materials	0.1
Industrials	2.9
Consumer Discretionary	9.0
Consumer Staples	5.7
Health Care	-2.7
Financials	3.5
Real Estate	2.7
Information Technology	6.6
Telecommunication Services	7.3



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

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