

	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)	-5.9	-9.0	-3.0	-11.9	-27.7	-13.6	-0.9	6.4
S&P/ASX Small Ordinaries Accumulation Index	-5.5	-10.5	-7.3	-5.1	-12.0	0.5	2.5	4.4
Value Added	-0.4	1.5	4.3	-6.8	-15.7	-14.1	-3.4	2.0

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

Overview

The Trust was down 5.9% compared to the Index which was down 5.5%. For reference, the Small Industrial benchmark was down 7.0% for the month.

Financials markets were clearly in a risk-off mode again with long term bond rates moving higher and geopolitical tension increasing. Market sentiment shifted materially with less liquid names sold off despite solid fundamentals.

A case in point was the sell-off in names such as MedAdvisor, Qoria and Navigator despite quarterly updates that were well ahead of market expectations. In the months ahead, we expect investors to revisit these names and begin to re-rate them inline with the significant improvement in the businesses which has occurred this year.

Engagement with our portfolio companies was elevated again in October with AGM season providing us an opportunity to discuss strategic matters with directors and get another lens into the prospects for the company. This level of engagement can add significant value and we were able to influence positive changes at the board and strategically for several companies.

The value in the portfolio looks the most appealing it has in many years. The average PE ratio of the portfolio is 13.1x, a sizeable discount to the Index which is 16.4 for FY24. 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 \$132 million

Distribution Frequency

Annual

Minimum Initial Investment

\$25,000

Trust Inception Date

February 2017

Fees

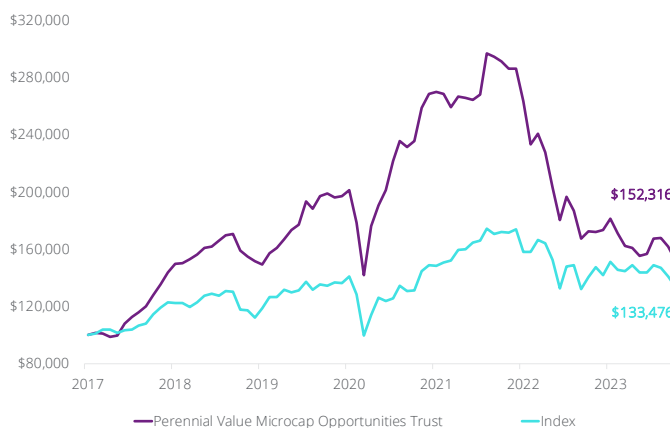
1.20% p.a. + Performance fee

APIR Code

WPC3982AU

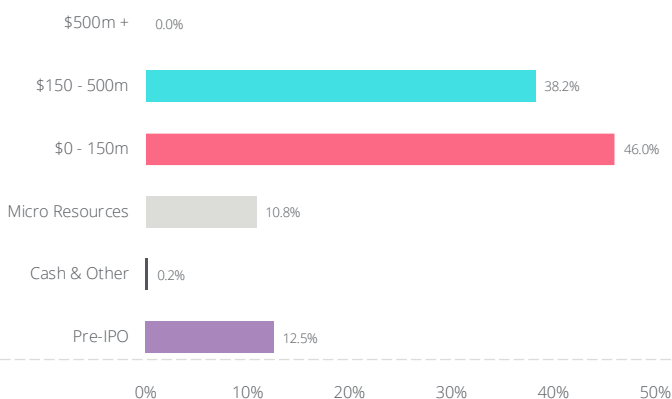
Top 5 Positions	Trust (%)	Index (%)
SUPERLOOP LTD	5.2	0.0
RPMGLOBAL HOLDINGS LTD	5.1	0.0
GOOD DRINKS AUSTRALIA LTD	5.0	0.0
DUG TECHNOLOGY LTD	4.1	0.0
FIRSTWAVE CLOUD TECHNOLOGY	3.8	0.0

Growth of \$100,000 Since Inception



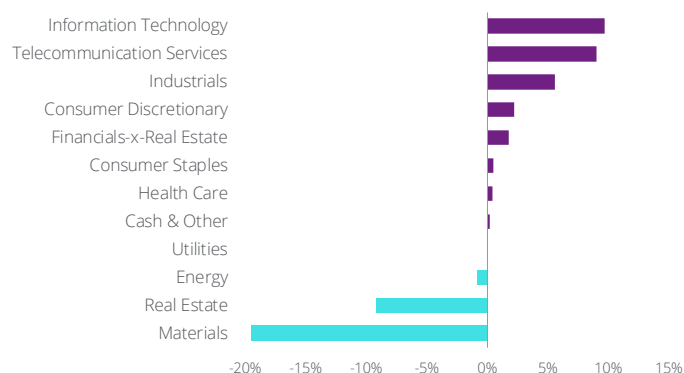
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



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

Sector Active Exposure vs Index



Trust Review

Immutep (+12.5%) announced positive data from the company's Phase II trial in patients with non-small cell lung cancer. We used the strength in the share price to reduce our position.

Good Drinks (+4.9%) provided a better-than-expected quarterly with volume growth of 9.0%, significantly ahead of the overall market which declined 8.2%.

Micro-X (+12.0%) with the Rover product reviewing CE Mark certification and a quarterly report highlighting sales to the Australian government as part of a Ukraine support package and a large cash inflow in October.

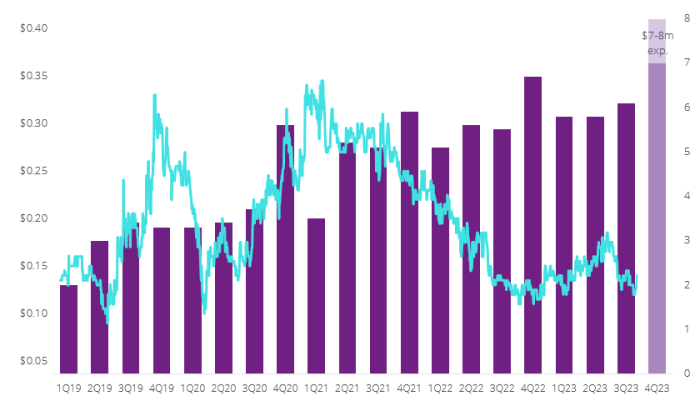
Negative reactions to updates which we viewed as positive are discussed below. In all cases we added to our holding on weakness with the moves more reflective of poor sentiment towards smaller names than fundamentals:

- **Superloop** (down 8.3%) traded lower as the good underlying business momentum continues to be overshadowed by the recent M&A uncertainty. With the competing bid being confirmed at month end, we suspect this distraction will now be removed.
- **Navigator** (down 12.3%) despite positive FUM growth and a new Australian based CEO being announced
- **MedAdvisor** (down 17.4%) reported 27.0% organic revenue growth and a 30.8% increase in gross profit as well as high visibility for US revenues for the remainder of the year (>79% contracted)
- **Qoria** (down 22.4%) reported 27% growth in recurring revenues, positive cashflow and reiterated EBITDA profitability over the next 12mths

We continue to build conviction in our portfolio through extensive site and customer visits. A case in point was our visit to the UK during the month to assess prospects for the growth in the UK-based divisions of **Envirosuite**, **Qoria** and **DUG**. In all cases, the UK/European based sales are the largest for the group and yet investor interactions are limited. Through meeting the local management and some key customers we learnt of recent regulations driving demand for both **Qoria** (increased obligations of monitoring students while online in UK schools) and **Envirosuite** (a new five-year noise monitoring program for UK's largest airports). We also met with the UK acquisition target of **Microba**. The stock was sold off heavily (down 38.2%) given a poorly handled capital raise to fund the acquisition. However, looking through this noise the acquisition seems logical and provides a good niche in the large UK market.

At month end, the Trust finished with 48 positions and cash of 0.2%.

The chart below is a good case study in the dislocation of share prices from fundamentals at the microcap end of the market. Below is the growth in cash receipts for water technology business De.Mem, as compared to the share price movement.



Source: FactSet, Company reports

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	-5.5
Energy	-7.3
Materials	-3.4
Industrials	-5.5
Consumer Discretionary	-8.6
Consumer Staples	-1.4
Health Care	-10.5
Financials	-12.4
Real Estate	-6.5
Information Technology	-7.0
Telecommunication Services	-9.0



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

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