Perennial Value Microcap Opportunities Trust

Monthly Report November 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)	2.3	-7.3	-0.7	-9.5	-26.2	-15.6	0.1	6.7
S&P/ASX Small Ordinaries Accumulation Index	7.0	-2.9	-0.8	-3.2	-8.8	-0.5	4.0	5.4
Value Added	**-4.7**	**-4.4**	**0.1**	**-6.3**	**-17.4**	**-15.1**	**-3.9**	**1.3**

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

Overview

The Trust was up 2.3% compared to the Index which was up 7.0%.

The strong bounce in markets was driven by a fall in bond rates and signs of moderating inflation. The Trust kept pace for much of the month but then fell away in the last few days, in contrast to the sharp move higher in REITs and expensive health/tech names.

We continue to avoid REITs given high debt levels and early signs of vacancies (which we expect to increase) as well as expensive growth names.

We see much higher potential for upside in our portfolio given high growth but at a low valuation (14.1x PE) and with lower balance sheet risk (77% of the portfolio have net cash).

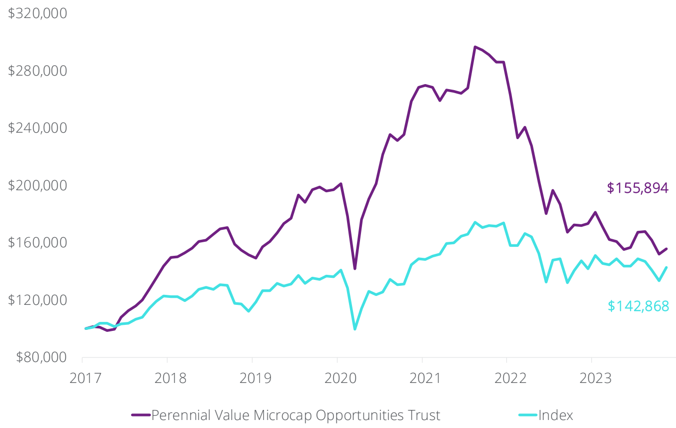
AGM season concluded at the end of the month with many encouraging updates from the portfolio. Some were reflected in higher share prices (e.g. GTN Limited, Qoria and MedAdvisor) while others were ignored (e.g. Experience Co and Alliance Aviation).

We believe as improving risk appetite spreads investors will return to the lower market cap names where the bulk of our portfolio is positioned.

The portfolio offers considerable upside in just reaching the average market multiple. A premium multiple for some names can also be justified – given they are exceeding low consensus expectations and offer superior growth.

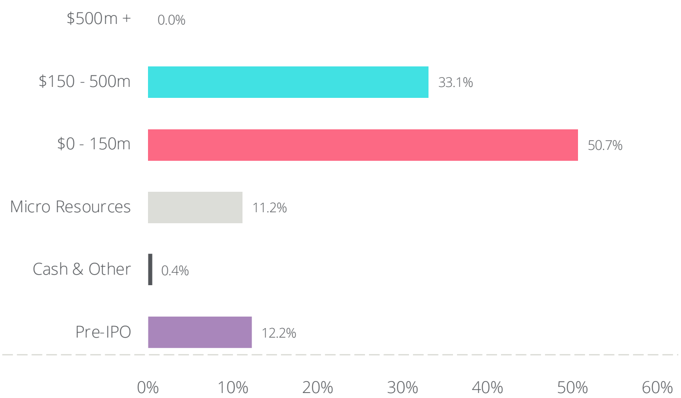
We expect this and an increase in takeover activity to be the driver for our portfolio over CY24.

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

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

APIR Code
WPC3982AU

Distribution Frequency
Annual

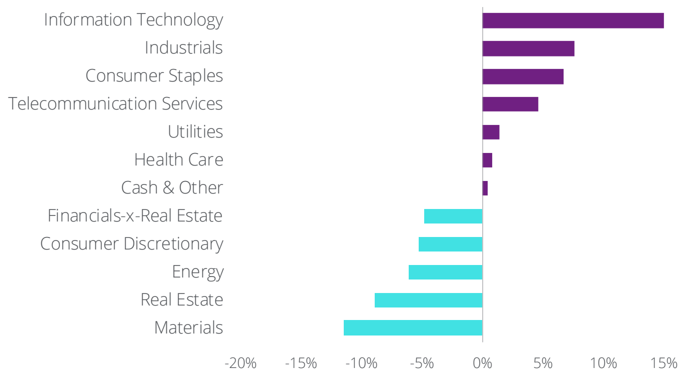
Minimum Initial Investment
$25,000

Trust Inception Date
February 2017

Fees
1.20% p.a. + Performance fee

Top 5 Positions	Trust (%)	Index (%)
GOOD DRINKS AUSTRALIA LTD	6.2	0.0
SUPERLOOP LTD	5.8	0.0
VEEM LTD	4.5	0.0
DUG TECHNOLOGY LTD	4.1	0.0
ACROW FORMWORK & CONS	3.4	0.0

Sector Active Exposure vs Index



Trust Review

AGM season concluded and there were many strong updates across the portfolio despite the challenges in the domestic economy.

Those positions with positive updates and which are beginning to be noticed by the broader market include:

- VEEM (+53.1%) provided a very strong trading update with a ~50% increase in earnings versus the prior period - well ahead of consensus expectations. This is also before any impact from the strategic deal with Sharrow on their propeller technology and also the expanded Strategic Marine sales agreement – both of which impact the 2H of FY24 and into FY25
- GTN Limited (+34.3%) provided a strong update in the context of a weak media market with cost cutting post the CEO exit lifting EBITDA by 39% in 1Q despite slower revenue in Australia and the UK but growth in Canada and Brazil. A net cash position also helps fund the ongoing share buyback.
- GDA (+22.1%) provided positive AGM commentary and more detail around the strong 1Q trading update provided in the prior month
- Qoria (+18.4%) disclosed they had hit the first target of >$100m recurring revenues and cash breakeven as well as providing medium term targets for higher profitability
- MedAdvisor (+15.8%) delivered +27% revenue growth in 1Q and guidance for growth in the 1H24 despite a COVID boosted prior period – addressing a key concern of the market. Investors were also given a glimpse into the improving profitability with expected cash of $20m at the end of December, despite UK restructuring costs, as compared to $9.8m at the end of September.
- Superloop (+7.4%) provided a solid trading update on the 1Q and a new hosted backhaul agreement for >$30m revenue
- RPM Global (+5.9%) increased EBITDA guidance from $18.5-20.5m to $21.5-23.5m

Hancock & Gore (+8.5%) reported a 46% increase in net earnings but more importantly a move to full ownership of Mountcastle and a placement to fund further acquisitions.

Other positive updates were ignored by the market, but these companies may come onto more investor radars in the months ahead, for example:

- Alliance Aviation (down 3.7%) announced the re-signing and expansion of several FIFO contracts and confirmed they are comfortable with consensus forecasts
- DUG (down 6.4%) with the market focused on the first sale by the founder since IPO (only ~10% of his holding) rather than the very strong demand conditions discussed at the AGM and the arrival of the new compute to help work through the large backlog in demand. We added to our position on weakness
- Experience Co (down 14.0%) despite a 25% increase in revenue as international tourists continued to return

Acrow Formwork and Construction Services (+9.8%) was up after a successful capital raise for the accretive acquisition of MI Scaffold

People Infrastructure (down 16.3%) provided a 1Q update at its AGM. While this highlighted weakness in the cyclical part of the business, cash flow remains solid and there is structural growth in areas such as health as well as significant strategic value in the business.

EcoFibre (down 25.8%) was weaker with the CEO leaving as part of the continued turnaround process. We have had good engagement with the board and believe a strategy to unlock the considerable discount on a sum of parts basis makes the most sense – especially given the considerable property holdings in the US.

Performance the Micro Resources Trust was solid at +4.7% versus the Resources Index +3.0%. This was driven by gold names such as Ora Banda and Genesis Minerals.

The Trust finished with 48 positions and cash of 0.4%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	7.0
Energy	-1.5
Materials	3.6
Industrials	3.3
Consumer Discretionary	5.1
Consumer Staples	4.3
Health Care	9.4
Financials	6.9
Real Estate	8.8
Information Technology	10.7
Telecommunication Services	4.0

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

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