

	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)	5.8	2.7	5.0	-4.9	-24.1	-15.0	1.7	7.5
S&P/ASX Small Ordinaries Accumulation Index	7.2	8.5	6.4	7.8	-6.2	0.9	6.4	6.4
Value Added	-1.4	-5.8	-1.4	-12.7	-17.9	-15.9	-4.7	1.1

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

Overview

The Trust was up 5.8% compared to the Index which was up 7.2%.

The move in markets continued to reflect the fall in bond rates and signs of moderating inflation. The encouraging performance of the Trust during the month was a combination of positive earnings updates and contract wins (e.g. GTN, AMX) and broadening investor interest in lower market cap names, where the bulk of our portfolio is positioned. We believe this process is in its infancy and it is not limited to domestic investors, as shown by a new substantial shareholder in RUL from the US.

M&A activity was unusually high in December with six small cap takeover bids in one week alone. We continue to believe CY24 will see a sustained pick up in takeover activity and believe the portfolio is attractively priced, thus likely to be a beneficiary should this recent trend continue.

Many of our holdings trade at significant discounts to global corporate peers. The attractiveness to offshore buyers is further enhanced by the low AUD/USD, providing another source of potential buying as they look for ways to boost their growth via acquisitions. This is in addition to potential buying interest from private equity which are sitting on a lot of cash after several years of large raisings.

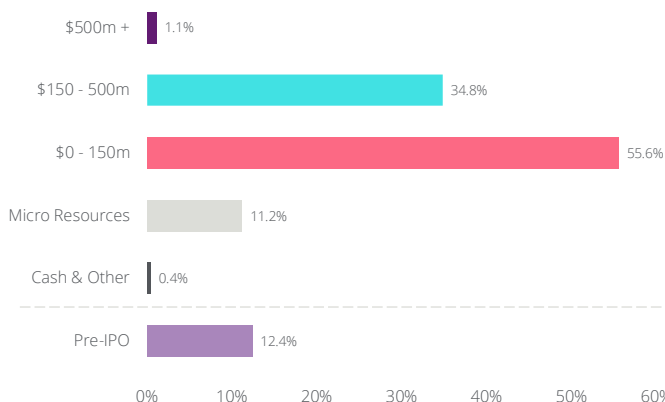
We continue to see strong potential for upside in our portfolio given the companies have high earnings growth but trade at a low valuation (12.7x PE) and with low balance sheet risk (80% of the portfolio holdings have net cash on their balance sheet).

Growth of \$100,000 Since Inception



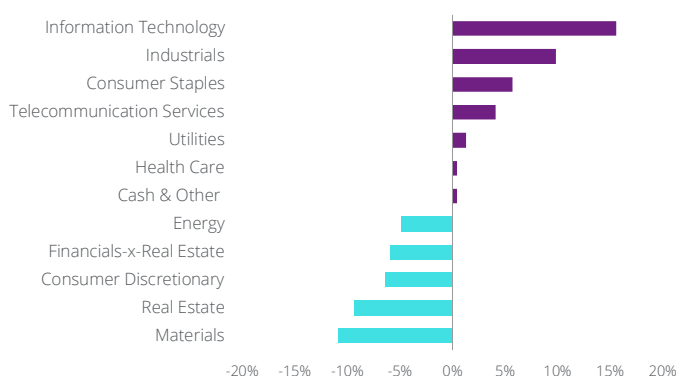
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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



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 (%)
SUPERLOOP LTD	5.4	0.0
VEEM LTD	5.1	0.0
GOOD DRINKS AUSTRALIA LTD	5.0	0.0
QORIA LTD	4.3	0.0
DUG TECHNOLOGY LTD	3.9	0.0

Trust Review

There were several updates during December, despite it usually being a subdued month for newsflow. These included:

- **Lumos Diagnostics** (+21.7%) provided an update on the commercialisation of its FebriDX test following FDA approval. LDX have established commercial production, a US sales team and appointed over ten regional distributors. LDX are on track for sales to commence by year-end with pre-orders for FebriDX already received.
- **Qoria** (+24.4%) announced a cost out program to accelerate the company's path to profitability.
- **RPMGlobal Holdings** (+14.8%) performed well after a high conviction US investor, Long Path Partners, disclosed a substantial shareholding in the business.
- **Hancock & Gore** (+11.7%) completed the move to full ownership of Mountcastle.
- **Navigator Global Investments** (+10.1%) completed a placement and rights issue. The transaction brings forward significant additional earnings into the current financial year and removes an earnout liability which was to be paid in 2026.
- **GTN** (+8.9%) announced a positive trading update. The company expects EBITDA to be in the range of \$12.5m to \$13.5m, up from \$12m in the previous corresponding period. This underlying increase is even higher when adjusted for restructuring costs.
- **Experience Co** (+5.4%) secured a new \$42.7m debt facility with the Commonwealth Bank – the new structure is a strong vindication, suggesting the debt markets' view of their earnings capacity and asset value is higher than equity investors. Hence this should remove any concerns around a potential capital raise.
- **Firstwave Cloud Technology** (flat) announced a major sale of its technology to Telmex, Mexico's largest telecommunications group. The reseller agreement is worth \$1m over 3 years.

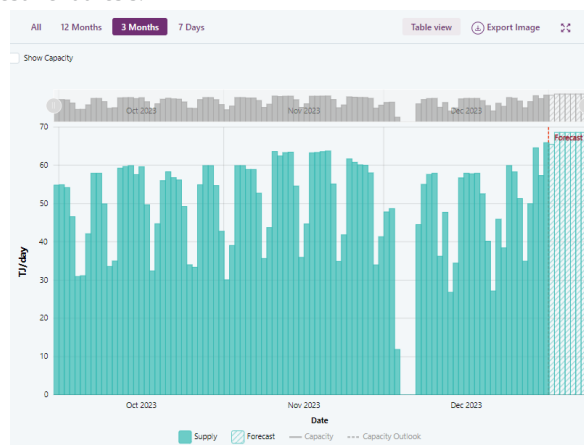
It was encouraging to see director buying in **Ecofibre** (+39.1%), **Alliance Aviation** (+11.0%), **Viva Leisure** (+8.2%) and **PeopleIN** (-0.4%).

The Trust finished with 47 positions and cash of 0.4%.

We noticed large moves on no newsflow in several names as investors begin to look at smaller market cap opportunities where companies may have been oversold. For example, there were big moves during the month in; **Felix** (+68.4%), **Envirosuite** (+27.9%) and **Veem** (+27.2%).

On the negative, **Microba** (down 14.3%) and **Genetic Signatures** (down 10.9%) were weaker as they digested the respective rights issues and the selling from short-term traders this tends to attract. **Good Drinks Australia** was down 16.2% despite successfully opening a new venue on the Sunshine Coast suggesting it is still off investor radars.

Our position in Microcap Resources added value, up 5.5%, which was ahead of the Small Resources Index up 3.7%. We also added a direct position in **Cooper Energy** (+23.8%) in recent months. In December they announced progress with their well decommissioning project, and public data (shown below) also pointed to an improvement at the Orbus Plant, several months since acquiring full control and a recent shutdown. The below shows an encouraging trend into year-end with daily throughput above 42TJ/d sold into the spot market. Our analyst also visited the site during the month to further test our investment thesis.



Source: <https://aemo.com.au/energy-systems/gas/gas-bulletin-board-gbb/data-gbb/data-dashboard>

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	7.2
Energy	6.1
Materials	5.5
Industrials	6.4
Consumer Discretionary	10.3
Consumer Staples	1.5
Health Care	6.9
Financials	7.1
Real Estate	10.2
Information Technology	3.2
Telecommunication Services	5.7



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

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