

	Since inception^ (% p.a.)	7 Years (% p.a.)	5 Years (% p.a.)	3 Years (% p.a.)	1 Year (%)	FYTD (%)	Quarter (%)	Month (%)
Perennial Value Microcap Opportunities Trust (Net)	7.3	7.3	1.9	-15.3	-9.5	4.5	7.8	-0.4
S&P/ASX Small Ordinaries Accumulation Index	6.4	6.4	5.4	1.3	2.1	7.4	15.8	0.9
Value Added	0.9	0.9	-3.5	-16.6	-11.6	-2.9	-8.0	-1.3

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

Overview

The Trust was down versus the Index for the month. The positive move in the Index continues momentum seen since November. This continued recovery and improved risk appetite has seen increasing investor interest in lower market cap names outside the ASX300 (which is where the Small Ords Index cuts off). As a microcap fund this is where the bulk of the Trust's assets are.

Interest so far tends to be in names above \$150m market cap and we are beginning to see a meaningful response to positive news in these names, for example:

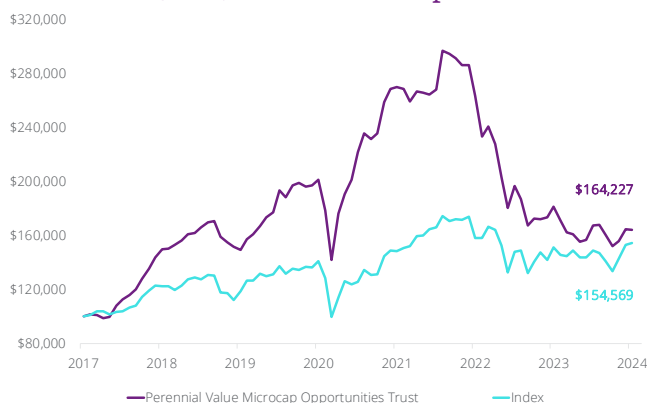
- MedAdvisor attracted new investors given an impressive quarterly which highlighted strong revenue growth and significant cashflow.
- Navigator Global Investments reported growth in assets under management and solid performance for the December quarter. The company also moved to full ownership of their strategic assets portfolio making it more appealing for new investors.

As the exposure slide shows, the Trust also has ~40% in assets below \$150m market cap where we believe the best value exists. On average, these holdings were a small drag on performance in the month. They are yet to be 'discovered' by potential investors despite some positive news (e.g. Aerometrex). More investor attention towards these stocks is likely as risk appetite improves which can lead to a considerable re-rating (e.g. Veem in 1HFY24) and takeover activity (e.g. Limeade in June 2023).

We look forward to further fundamental updates in the February reporting season. The Trust has superior growth forecast* when compared to the Index, with strong balance sheets (77% net cash) and a low earnings multiple (13.0x PE in FY25).

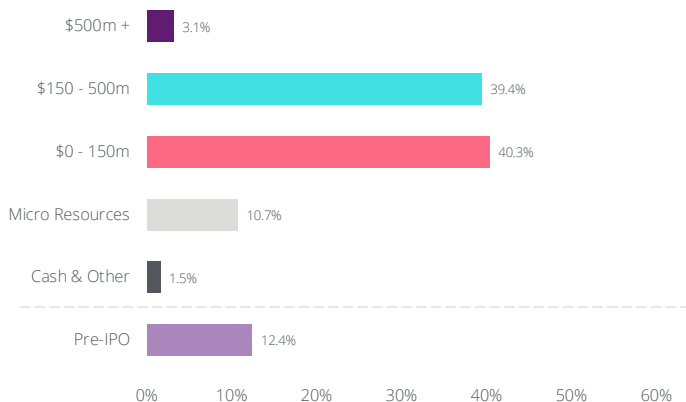
*Based on Perennial Value Management Forecasts. While due care has been used in the preparation of forecasts information, actual outcomes may vary in a materially positive or negative manner.

Growth of \$100,000 Since Inception



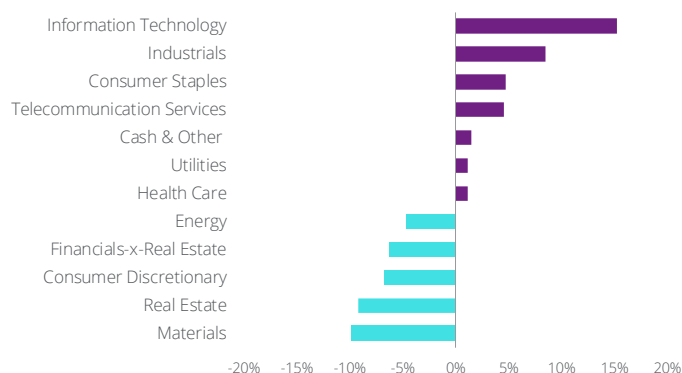
Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

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	APIR Code
Andrew Smith and Sam Berridge	WPC3982AU
Distribution Frequency	Minimum Initial Investment
Annual	\$25,000
Trust Inception Date	Fees
February 2017	1.20% p.a. + Performance fee

Top 5 Positions	Trust (%)	Index (%)
SUPERLOOP LTD	5.7	0.0
QORIA LTD	4.4	0.0
GOOD DRINKS AUSTRALIA LTD	4.3	0.0
VEEM LTD	4.2	0.0
ENVIROSUITE LTD	3.5	0.0

Trust Review

Several companies provided quarterly updates in January, such as:

- **MedAdvisor** (+30.2%) which attracted new investors given an impressive quarterly highlighting strong revenue growth (+18%) and significant cashflow (+\$15.2m). While this was alluded to in the December update, the market only responded once the formal numbers were announced.
- **Felix Group** (+25.0%) with the quarterly report showing continued adoption of its software products and the first contract with a global contractor, as well as several expansion deals in Australia.
- **Micro-X** (+14.3%) announced record sales for the Mobile DR product, generating cash given existing inventory levels. The company also commenced field trials with customers for the Argus X-ray bomb detection product and delivered a prototype for the baggage CT scanner to the US Department of Homeland Security.
- **Envirosuite** (+15.4%) announced \$3.1m new sales for the December quarter. The company's annual recurring revenue is up 5.6% over the prior year to \$60.1m. EVS re-affirmed it would be cashflow positive on a run-rate basis during FY24.
- **Navigator Global Investments** (+8.7%) reported growth in assets under management and solid performance for the December quarter. The company also moved to full ownership of their strategic assets portfolio and in doing so simplified the earnings picture for investors.
- **DUG Technology** (+6.8%) announced its expansion in compute capacity is now fully deployed and operating. More importantly the company also announced a further \$18m investment in computing capacity. This is a very positive lead indicator for future growth.

Qoria (down 14.3%) announced continued solid recurring revenue growth for the December quarter with ARR up \$3.7m (pre-forex) to \$106m. While the stock was down, this likely reflects profit taking given several strong months prior to this. We remain patient given the strong trends which we should see in the March quarter (key UK sales period) and the June quarter (key US sales period).

The best illustration of limited investor interest in the sub \$150m space to date was the muted response to materially positive updates on two key positions:

- **Scidev** (+5.8%) announced record quarterly revenue of \$28.5m. The company's 1H24 underlying EBITDA of \$3.2m resulted in upgrades to market estimates for FY24 earnings of over 40% suggesting the share price has further to recover.
- **Aerometrex** (+5.7%) announced a strong 1H24 trading update with record revenue (+18-22%) and doubling of EBITDA from the prior year. The company also announced a deal with Aero Logistics which will considerably reduce capture costs for the MetroMap product going forward. The significantly improved cash profile post is underappreciated by the market.

Given the strong market position and earnings profile for these companies, a strong re-rating is likely this year.

More patience is also required in some names where updates were mixed, but in each case we see enough progress to maintain our position:

- **EcoFibre** (down 31.3%) announced they received \$5.0m cash post quarter end selling down EOF-bio. This and further asset sales will materially reduce debt and allow the new management team to focus on Hemp Black where strong demand is coming from many industrial, medical and apparel customers.
- **Synertec** (down 26.7%) as investors lost patience waiting for additional orders beyond those already announced for Santos. We know long sales cycles are typical in the oil, gas and mining services sector for many years – however once installed, the products become entrenched. A key catalyst for the stock this year will be further contract awards and a debt package to support this growth; the latter leveraging the recurring rental nature of the units. Given the very large addressable market and unique IP, we remain very positive on the stock and believe better investor relations will make a big difference in managing expectations.

The Trust finished with 47 positions and cash of 1.5%.

Market Review – Australia (%)


S&P/ASX Small Ordinaries Index	0.9
Energy	8.2
Materials	-6.5
Industrials	-0.3
Consumer Discretionary	0.8
Consumer Staples	5.9
Health Care	-1.4
Financials	2.9
Real Estate	-2.1
Information Technology	2.8
Telecommunication Services	-1.4



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

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