

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception [^]
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Microcap Opportunities Trust*	-2.2	-1.3	-	-	-	-	-1.3
S&P/ASX Small Ordinaries Accum. Index	-0.2	3.7	-	-	-	-	3.7
Value Added (Detracted)	-2.0	-5.0	-	-	-	-	-5.0

*Net performance (including performance fee). [^]Since inception: February 2017. Past performance is not a reliable indicator of future performance.

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, Sam Berridge, Damian Cottier

Risk profile

High

Trust FUM:

AUD \$1.7 million

Distribution frequency

Annually

Minimum initial investment

\$25,000

Trust inception date

February 2017

APIR code

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- ▶ We used April as a time to revisit (over 56 company meetings during the month) and continue to build knowledge regarding our key holdings as well as add some select new positions.
- ▶ The portfolio looks good value with a weighted average price to earnings (P/E) of 10.6 times (23.0% discount to the market) and a forecast 3 year earnings per share (EPS) growth of 39.0% per annum.

Trust Performance

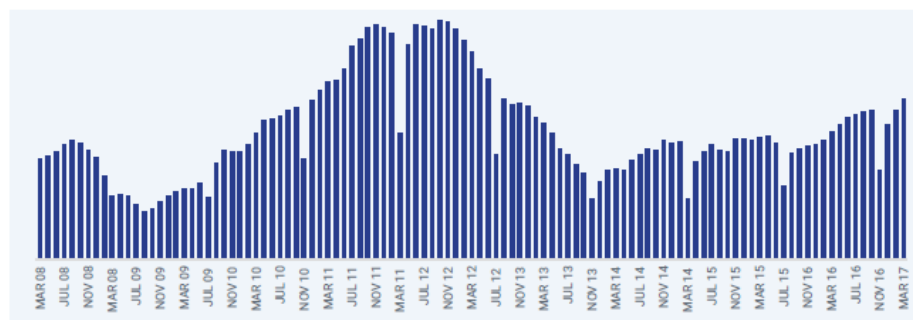
The Perennial Value Microcap Opportunities Trust (the Trust) declined 2.0% net of all fees.

There was little in the way of obvious negative newsflow to explain share price moves. In fact stocks such as Imdex provided a strong March quarter update but ended the month down 4.6% as it appeared to succumb to redemption related selling from other fund managers.

This selling pressure impacted several of our holdings but given it is short term in nature we used it as an opportunity to add to our positions on weakness.

The March quarter update from Imdex highlighted a pick-up in momentum with 3Q revenue growth of 39.0% compared to 2Q growth of 13.4% and 1Q growth of 6.0%. Indicators from March were also strong with a 44.0% lift in tools on hire (seen in the chart below) foreshadowing strong revenue growth in the coming quarter.

NUMBER OF REFLEX INSTRUMENTS ON HIRE - 31 MARCH 2017



Source: Imdex Shareholder Newsletter 3Q17

HFA Holdings Ltd was up 8.1% after mandate wins in Japan and the Middle East equating to US\$570 million, a 7.0% increase in their funds under management. We reacted to this news quickly after the announcement and moved this holding to be one of our top five positions given the earnings momentum which will follow.

We had begun building a position in Jumbo Interactive (up 21.2%) and thus benefitted (albeit in a relatively small way) from the share price run post the disclosure of Lottoland as a substantial shareholder.

Other stocks that performed well during the month were Codan Limited (up 9.8%) and National Veterinary (up 6.5%).

Trust Activity

The main addition to the Trust was Tinybeans (social media platform for new parents to share early memories) via the IPO which occurred during April. While the stock ended down 10.0% we remain positive given the update showing 24.0% growth in the active user base. Tinybeans remains off the radar for many investors given the small market cap (less than \$25 million) and low liquidity given approximately 46.0% of shares are held by management and the board.

This opportunity in Tinybeans is exactly what we are looking for in the Microcap Opportunities Trust and believe that overtime deals such as the one announced with Bugaboo in early May will generate the scale of earnings which will make investors take notice of this company.

Company Visit Highlights

The team continued a hectic company visit schedule in April with over 56 meetings.

A highlight was the half a day we spent in Brisbane with the product heads of RPM Global, who demonstrated the significant developments they have made in each of their key software products. This meeting gave us considerable conviction in RPM Global which is the largest holding in the Trust. While this stock was relatively flat through the month we expect strong customer take-up (as seen with the strong 1H17 software sales) will translate into continued earnings and share price growth going forward.

At month end the Trust held 42 stocks and cash of 3.5%.

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	7.1	5.9
Materials	18.2	17.1
Industrials	9.1	8.9
Consumer Discretionary	16.0	20.2
Consumer Staples	1.9	8.5
Health Care	5.9	7.4
Financials-x-Real Estate	10.3	8.9
Real Estate	0.0	14.5
Information Technology	25.9	6.0
Telecommunication Services	0.0	1.9
Utilities	2.1	0.7
Cash & Other	3.5	-

Rounding accounts for small +/- from 100%.

Prospective FY19	Price to Earnings (times)	Price to free cashflow (times)	Price to NTA (times)	Net Interest Cover (times)	3yr EPS growth (%p.a.)
Micro Cap Opportunities Trust**	10.6	10.5	1.8	76.2	39.0
Market Average Ex-100*	13.9	14.1	2.4	14.9	13.4
Premium/ (Discount) to Market	(24%)	(25%)	(25%)	large	191%

Source: *Macquarie Securities, Goldman Sachs and UBS forecast as at 15 May 2017. **Perennial forecast as at 15 May 2017

Signatory of:



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