

	Month	Quarter	FYTD	1 year	3 years	5 years	Since Inception <sup>^</sup>
	%	%	%	%	% p.a.	% p.a.	% p.a.
Perennial Value Microcap Opportunities Trust*	8.2	7.0	-	-	-	-	7.9
S&P/ASX Small Ordinaries Accum. Index	2.0	-0.3	-	-	-	-	3.6
<b>Value Added (Detracted)</b>	<b>6.2</b>	<b>7.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.3</b>

\*Net performance (including performance fee). <sup>^</sup>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 \$4.0 million

#### Distribution frequency

Annually

#### Minimum initial investment

\$25,000

#### Trust inception date

February 2017

#### APIR code

WPC3982AU

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- ▶ **The Perennial Value Microcap Opportunities Trust (the Trust) was up 8.2% net of all fees for the month of June.**
- ▶ **The focus remains on companies with good balance sheets (52.0% of stocks have no debt), good growth prospects and attractive valuations (EV/EBIT in FY19 is 6.9 times a 41.0% discount to the market).**

### Trust Performance

The Trust was up 8.2% net of all fees for the month of June.

The best performing stock was **Catapult Group** (up 44.7%) as it recovered from an oversold position. We began buying Catapult several months ago and have had a number of follow-up meetings with management since which increased our buy conviction. As a result we were buying more in early in June at the peak of the tax-loss induced selling. While there was little newsflow on the stock, Rugby League fans got first hand insights into the capability of Catapult with their equipment powering the 'Telstra Tracker' which was seen during the State of Origin series— as shown below.



Source: nrl.com

Performance was also assisted by several strong Initial Public Offerings:

**Kelly Partners** listed during the month at an attractive price to earnings multiple of 10.9 times FY18 and performed very strongly (up 41.5% for the month). We were attracted to this business given the stable revenue stream based on tax accounting as well as the ability to rapidly expand the network under the energetic and motivated leadership of founder Brett Kelly (who still owns 51%).

**MSL Solutions** (up 30.0%) floated several months ago and began to get some traction with the market as they announced several contracts wins for their CRM and point of sale software in stadiums throughout Europe.

Strong gains also came from **Austin Engineering** (up 37.5%) with investors increasingly confident in the earnings turnaround first seen at the 1H17 result in February. Data from industry leader Caterpillar gave further support showing the strong recovery in equipment demand across the Asia Pacific has continued.

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**Veris** (up 25.0%) bounced during the month on a broker initiation report and news of the acquisition of LANDdata surveys which increases their exposure to the east coast infrastructure spend. The deal was struck at an attractive multiple and 100% cash consideration which removed some fears of a dilutive script issue to the vendor. We expect to see a solid half on half improvement from Veris in the August financial results, reflective of elevated east coast demand for survey and geospatial services.

Other strong performers included:

- **Prime TV** (up 20.6%) after confirming underlying guidance and benefitting from reduced licence fees.
- **Imdex** (up 18.0%) after a positive update on its rental fleet and FY18 earnings guidance.
- **Integrated Diagnostics** (up 16.1%) after a positive update from a competitor.
- **Pacific Current Group** (up 9.0%) after a positive trading update and raising capital to reduce debt and fund acquisition obligations.

The main detractor from performance was **Metals X** (down 13.5%). This move was at odds with their main commodity exposure of copper which was up 4.6% in USD. Our conviction in this name remains high post a recent site tour, hence we added to the position on weakness.

### Trust Activity

Several stocks such as **Cogstate** and **Appen** were exited as valuations moved beyond our comfort levels.

Given the high degree of tax loss selling we used the weakness in June to add several new deeper value positions to the Trust.

### Company Visit Highlights

Our company visit program (78 in total) took us to Melbourne, Perth, Sydney and New Zealand with several new research ideas generated as a result

At month end the Trust held 50 stocks and cash of 7.0%.

Asset Allocation		
Sector	Trust weight %	Index weight %
Energy	3.2	5.6
Materials	18.8	16.3
Industrials	22.2	9.6
Consumer Discretionary	15.9	21.4
Consumer Staples	0.7	9.3
Health Care	6.3	6.8
Financials-x-Real Estate	7.2	7.5
Real Estate	0.0	14.4
Information Technology	18.6	6.5
Telecommunication Services	0.0	2.0
Utilities	0.0	0.6
Cash & Other	7.0	-

Rounding accounts for small +/- from 100%.

Signatory of:



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