Perennial Global Resources Trust

MONTHLY REPORT FEBRUARY 2021

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception^ (%)	Since Inception^ Cumulative (%)
Perennial Global Resources Trust (net)	0.3	6.3	32.1	-	97.7	97.7
Benchmark (Absolute return of +6.50% p.a.)	0.5	1.6	4.3	-	5.9	5.9
Value added	**-0.2**	**4.7**	**27.8**		**91.8**	**91.8**
S&P ASX200 Resources Total Return Index[1]	7.5	15.8	25.7	-	60.3	60.3

S&P ASX200 Resources Total Return Index is used for reference purposes only. [1]
^Since Inception: April 2020. Past performance is not a reliable indicator of future performance.

Overview

The Trust returned +0.3% net of all fees in February, lifting performance over the 11 months since inception to +97.7%. Positive momentum for commodity prices continued during the month. For the mining and energy services sectors, 1H financial reports weren't so buoyant, with the sector dragging on performance during the period.

Copper exposures were the lead performers for the Trust, with **New World Resources** (+22.0%), **Hillgrove Resources** (+40.0%) and new addition **KGL Resources** (+27.4%) all performing well.

Frustratingly, this performance was largely offset by falls in mining services stocks including **MacMahon** (down 17.0%), **Southern Cross Electrical** (down 13.3%), and **Austin Engineering** (down 11.4%). A common theme encountered in explanations for softer results were COVID related delays to projects and associated margin pressure. With the COVID vaccine rollout exceeding expectations, and the largely synchronous opening up on global economies close at hand, we are of the view margins will improve in the second half, and concerns regarding wage pressure are overblown.

The new energy metals thematic continued to build momentum in February and we expect it will prove resilient as the world economy transitions to a more neutral monetary policy environment.

Perennial Global Resources Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of listed and unlisted companies exposed to commodity production.

Portfolio Manager
Sam Berridge

Trust FUM
AUD $18 million

Distribution Frequency
Yearly

Minimum Initial Investment[3]
$25,000

Trust Inception Date
April 2020

Fees
1.20% p.a. + Performance fee

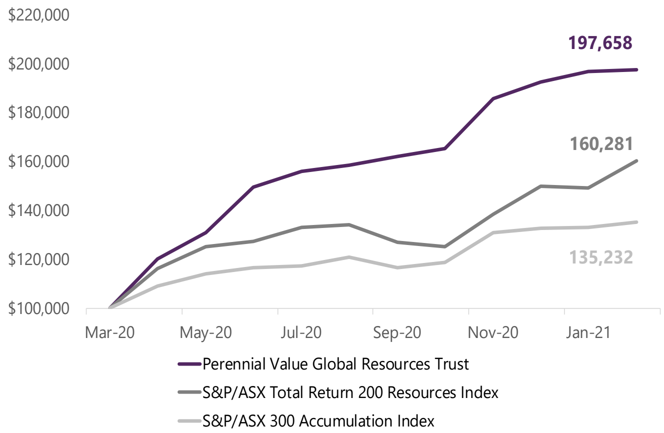
APIR Code
WPC3240AU

[3] Perennial Global Resources Trust is open to wholesale investors only.

Top 5 Positions

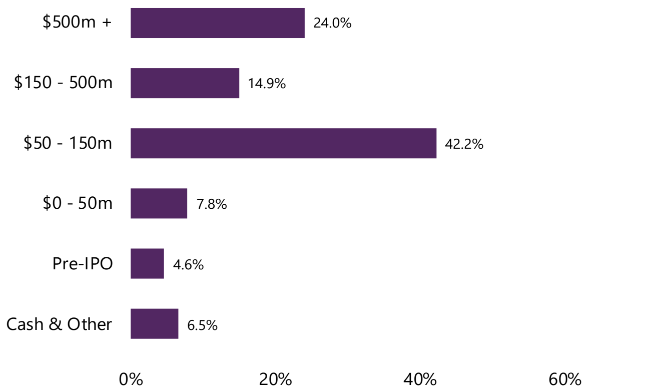
Top 5 Positions	Trust (%)
Mayfield Group Holdings	4.4
Austin Engineering	3.6
KGL Resources	3.4
Jindalee Resources	3.1
ClearSky Limited	3.1

Growth of $100,000 Since Inception

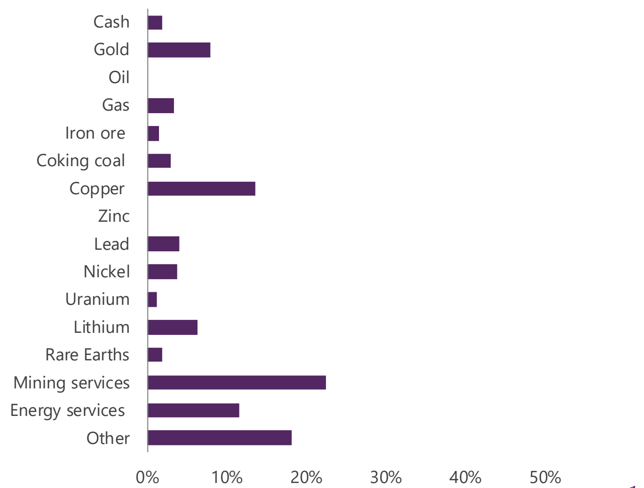


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Market Capitalisation Exposure



Sector Exposures



Trust Review

Copper stocks were the dominant performers in February, in line with a +15.1% bounce in the copper price. Copper is likely to remain one of our preferred metal exposures over the medium term.

Copper stocks which performed well in the period included:

- New addition **KGL Resources** (+27.4%) completed a pre-feasibility study into the development of the Jervois Copper Project in November 2020. The project looks viable as is, but due to tight control of expenditure over recent years, a number of possible extensions to mineralisation haven't been tested, which we see as a free option on future upside.

- Other copper exposures which performed well included **New World Resources** (+22.0%) which is drilling out the Antler Copper deposit in Arizona, **RedBank Copper** (+75.0%) which is in the process of recalculating a resource for the Redbank Copper deposit in the Northern Territory, and **Hillgrove Resources** (+40.0%) which is drilling out an underground resource with the aim of restarting the Kanmantoo copper mine, supported by an existing processing plant and infrastructure.

Despite heightened levels of activity across the mining space, investors were largely underwhelmed by 1H results from the services sector.

- The vibe was set by **Emeco** (down 7.6%), which reported in line earnings, but a miscommunicated outlook weighed on the share price.
- **NRW Holdings** (down 29.7% in the month, but down 13.0% from entry price) reported a weaker than expected result due to COVID related delays in its civil and mining division, which in turn, impacted margins. COVID impacts are expected to materially fade in 2H.
- COVID related factors also deferred revenue and earnings for **Southern Cross Electrical** (down 13.3%) and **Austin Engineering** (down 14.3%) into the second half. Full year guidance was maintained for both companies, which look exceedingly cheap on that basis.

In other portfolio moves, Nickel developer **Centaurus Metals** (+11.2%) rallied with the nickel price (+5.0%) allowing us to take some profits. We exited **Coronado Global Resources** at $1.22 vs $1.08 at month end, upon signs of some softening in metallurgical coal markets and trading close to our valuation.

Rising bond yields sent ripples through global equity markets towards the end of February, as investors grapple with the ramifications of a change in trend vs the last +10 years. Should inflation normalise, we would expect the commodities sector to do well due to its exposure to hard assets. Further, we see the need for a global restock of durable goods, reversing the de-stock which occurred as COVID infections spiked last year. This represents an additional jump in demand over and above already strong demand

Source: Bloomberg, Perennial. Consumer inventories are depleted post COVID destocking. Re-stocking demand will create an additional draw on raw commodity stocks, which are already depleted in many cases.

Global, Currency & Commodities (%)

S&P500	+2.6
Nikkei225	+4.7
FTSE100	+1.2
Shanghai Composite	+0.7
RBA Cash Rate	0.10
AUD / USD	77.1c
Iron Ore	+9.1
Oil	+17.4
Gold	-6.9
Copper	+14.1

Portfolio Manager, Sam Berridge

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