

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since inception [^] (% p.a.)	Since Inception [^] Cumulative (%)
Perennial Microcap Resources Trust (Net)	4.9	12.2			12.1	12.1
S&P ASX Small Ordinaries Resources Index	3.5	14.0			7.3	7.3
Value Added	1.4	-1.8			4.8	4.8

[^] Since inception: August 2021. Past performance is not a reliable indicator of future performance.

Overview

The trust was up 4.9% (net of all fees) in December, outperforming the Index by 1.4%.

Commodities continued higher in December as Omicron fears eased, the power crisis in Europe returned with gas prices hitting fresh all-time highs, and incremental stimulus measures in China continued to be announced.

Australia is certainly not immune from the acute energy challenges being faced elsewhere around the globe. In this regard AEMO laid out the scale of the challenge in its draft 2022 [integrated Systems plan](#) as reported by the AFR. The requirement for a 9x increase in renewable generation in Australia, plus the storage and transmission infrastructure required to support it, is a microcosm of the global decarbonisation challenge. All of which is very metals intensive.

Looking forward, energy shortages and elevated metals demand from decarbonisation initiatives look like being enduring themes for 2022.

Commodities



Source: Bloomberg. The history of inflation has coincided with periods of outperformance, which in turn have coincided with an energy crisis of one sort or another (oil prices hit \$140/bbl pre GFC).

Perennial Microcap 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 Australian small and microcap listed and unlisted companies operating in the business of commodity production, commodity investment or as a service provider to the industry of commodity production

Portfolio Manager

Sam Berridge

Trust FUM

AUD \$39.7 million

Distribution Frequency

Annual

Minimum Initial Investment¹

\$25,000

Trust Inception Date

August 2021

Fees

1.20% p.a. + Performance fee

APIR Code

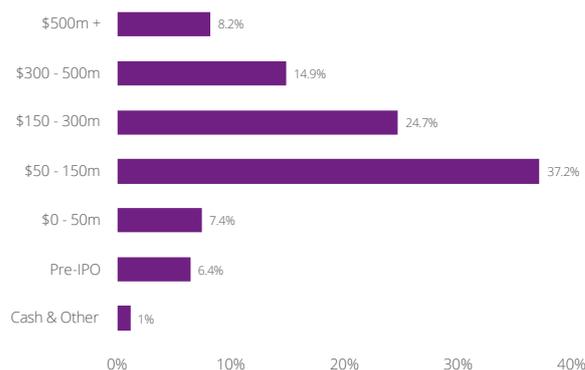
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¹ Perennial Microcap Resources Trust is open to wholesale investors only.

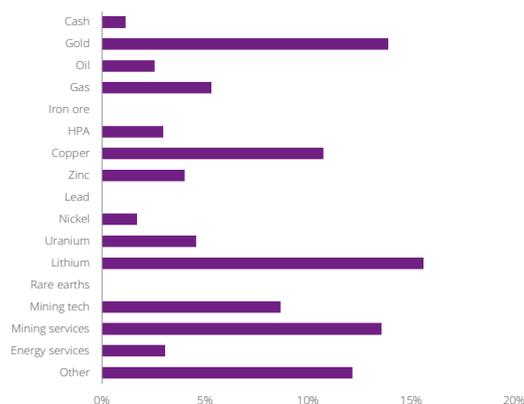
Top 5 Positions	Trust (%)
Green Technology Metals	9.9
GenusPlus	4.7
Jindalee Resources	4.1
NeoMetals	4.0
Cooper Energy	3.7

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Market Capitalisation Exposure



Sector Exposure



Trust Review

Lithium, Mining tech and mineral sands exposures all performed well in December, including:

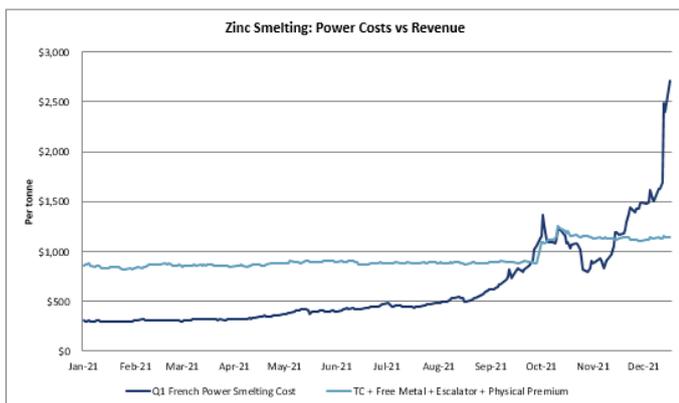
- For the second month in a row, **Green Technology Metals**, performed well, up 33.3% in the month as post IPO selling dried up and lithium prices continued to climb higher.
- **Neometals**, up 27.2% bounced after announcing the transition to commercial production of its lithium battery recycling plant in Germany.
- **Cooper Energy**, up 14.3% on stronger domestic gas prices and an operational update showing continued incremental progress on production levels from Sole.
- **Strandline Resources**, up 9.8%, announced the signing of a framework agreement with the government of Tanzania. A key step towards crystallising some value for those projects, which we believe the market is ignoring.

Stocks which weighed on performance during the month included:

- **GenusPlus**, down 7.0%, despite announcing a \$30m contract award from Fortescue Metals. GenusPlus is heavily exposed to the power infrastructure roll out (link on page 1). We added to our position on weakness.
- **Queensland Pacific Metals**, down 17.5% after raising equity to further its TECH carbon-negative nickel sulphate project.
- **Jindalee Resources**, down 5.2%, on no news.
- **Dacian Gold**, down 7.3% after raising working capital to ensure a comfortable cash balance while opening up higher margin zones to be mined in the second half of FY22.

Looking forward into 2022, our view is that inflation is likely to remain stubbornly high, driven by enduring energy shortages, restrictions of the free movement of labour, and production bottlenecks due to a mixture of COVID lockdowns in China and negative margins.

A type example of these thematic in actions is the zinc price, which has continued to trend higher due to strong demand and ongoing production cuts in Europe. The chart below shows zinc smelting costs (dark blue) vs zinc smelt revenue (light blue). Negative margins due to spiking power prices has resulted in several smelters shuttering production. A similar scenario can be found in pockets of the Aluminium industry. Both these metals are necessary for the decarbonisation process.



Source: Bloomberg, Morgan Stanley, Perennial

Global, Currency & Commodities (%)

S&P 500	+4.4
Nikkei 225	+3.5
FTSE 100	+4.6
Shanghai Composite	+2.1
RBA Cash Rate	0.10
AUD / USD	72.7c
Iron Ore	+13.9
Oil	+8.2
Gold	+1.2
Copper	+2.3

The portfolio finished the month with 38 positions and cash of 1.1%.



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