

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since inception^ (% p.a.)	Since Inception^ Cumulative (%)
Perennial Microcap Resources Trust (Net)	4.9	-11.0	10.3	-2.2	-2.2	-2.2
S&P ASX Small Ordinaries Resources Index	5.6	-9.4	16.3	3.9	3.9	3.9
<b>Value Added</b>	<b>-0.7</b>	<b>-1.6</b>	<b>-6.0</b>	<b>-6.1</b>	<b>-6.1</b>	<b>-6.1</b>

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

## Overview

The trust returned 4.9% in August (net of all fees) as the market bounce continued, slightly underperforming the benchmark return of 5.6%.

Markets continued July's momentum into early August, before Powell's Hawkish tone at the Jackson Hole symposium snuffed out hopes of a "Fed-pivot," with markets rolling over into month end. In Europe, the power crisis ratcheted up another notch, with CY23 power prices touching €1,000 per MWhr. That's roughly 6x the equivalent price in NSW. As a result, the steady flow of metal refinery closures continued as power costs pushed margins into negative territory.

While it's difficult to predict metal price trajectory as both demand and supply tick down, it's more certain that demand will recover much faster than supply in due course. This is because refineries will not pre-empt a margin recovery, they will wait for prices to recover to such a point that margins are comfortably positive. This will result in supply lagging demand, and a spike higher in metal prices.

## 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 \$35.5 million

### Distribution Frequency

Annual

### Minimum Initial Investment<sup>1</sup>

\$25,000

### Trust Inception Date

August 2021

### Fees

1.20% p.a. + Performance fee

### APIR Code

WPC0911AU

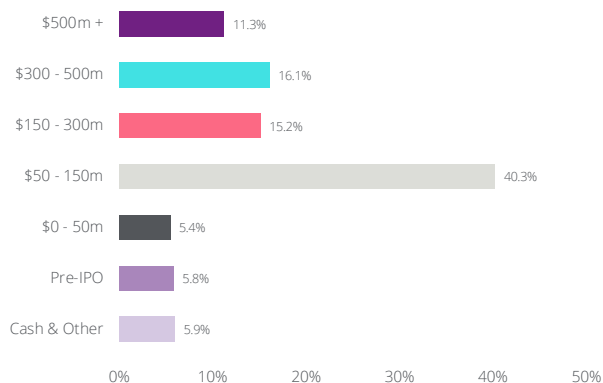
<sup>1</sup> Perennial Microcap Resources Trust is open to wholesale investors only.

Top 5 Positions	Trust (%)
GenusPlus	5.7
Green Technology Metals	4.8
Jindalee Resources	4.6
Metro Mining	3.4
DUG Technology	3.3

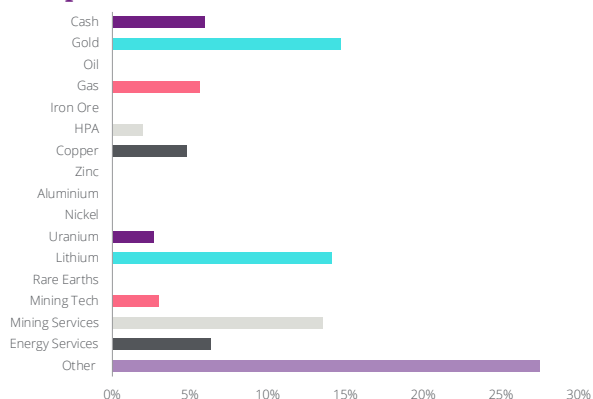
Source: Perennial Value Management. As at 31 August 2022

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

Gain were recorded across a diverse range of micro resources exposures in August, including:

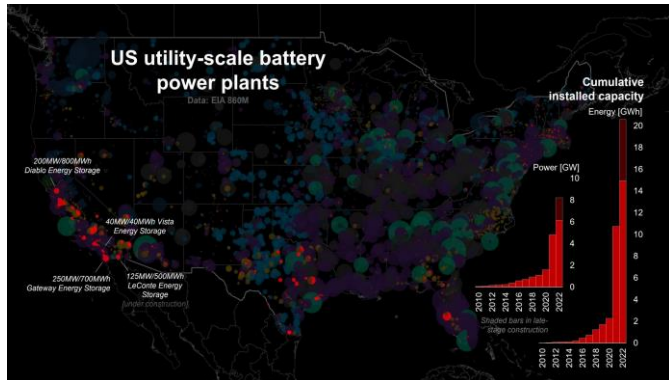
- **Cooper Energy** up 20.0% on an improving production outlook for its Sole gas development in Victoria, and the continuing increase in domestic gas prices
- **DUG Technology** up 30.1% on improved earnings and cash generation in the 2H of FY22
- **Dreadnaught Resources** up 133.3% from price of entry on a string of impressive drill results from its rare earths discovery in WA
- **Silex** up 25.1%, on more steady progress towards the commercialisation of its uranium laser enrichment technology

Stocks which weighed on performance during the month included:

- **Podium Minerals**, down 28.6% despite continued expansion of its platinumium group elements (PGE) resource in way. We look forward to a substantial increase in the December quarter
- **Calidus Resources**, down 14.7% on a weaker gold price

After two strong months of gains across the portfolio, we pivoted to a more defensive positioning in late August, increasing cash. As the power crisis in Europe starts to bite and covid related closures in China increase, the run into year end is likely to be volatile. We are looking for a change in covid policy in China, and perhaps a change in rhetoric from western central banks as the catalysts for an improving metal outlook.

In the context of that volatility, there are certain exposures which look quite robust. Those include energy exposures, particularly Australian domestic gas, and companies which benefit from increasing power prices.



Source: EIA

One beneficiary of increase power prices are companies involved in stationary storage. High power prices in the US (in particular California) are bringing forward demand for large scale power storage by roughly 10 years. The same is likely occurring in Europe. This tailwind to battery demand is being underestimated by markets in our view. In this regard we participated in the capital raising for **Redflow** in August, which manufactures zinc-bromine batteries for stationary storage applications.

## Global, Currency & Commodities (%)

S&P 500	-4.2
Nikkei 225	+1.0
FTSE 100	-1.9
Shanghai Composite	-1.6
RBA Cash Rate	1.85
AUD / USD	68.6c
Iron Ore	-16.2
Oil	-12.3
Gold	-3.1
Copper	-1.7

The portfolio finished the month with 37 positions and cash of 5.9%.



Portfolio Manager: Sam Berridge

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