

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since inception^ (% p.a.)	Since Inception^ Cumulative (%)
Perennial Microcap Resources Trust (Net)	-9.9	-0.7	-0.7	-11.9	-11.1	-11.9
S&P ASX Small Ordinaries Resources Index	-13.8	0.2	0.2	-4.9	-9.7	-10.5
<b>Value Added</b>	<b>3.9</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-7.0</b>	<b>-1.4</b>	<b>-1.4</b>

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

## Overview

In a brutal month for small resources, the Trust returned -9.9% in September (net of all fees), outperforming the benchmark by 3.9%.

The positive sentiment from July and August evaporated in September, as speculation of a Fed policy pivot proved premature. Fed commentary continued to push the USD higher, which is starting to cause broader issues, particularly in countries which are net energy importers.

Amongst the gloom there is some reason for optimism, in October China holds its National Party Congress. It has been speculated that this may mark the end of China's covid-zero policy which has been hampering efforts to stimulate its economy. This could be characterized by saying the Chinese government has had one foot on the brake and one foot on the accelerator. Should the covid zero policy be removed, it would be a material positive for commodity 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 \$32.0 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

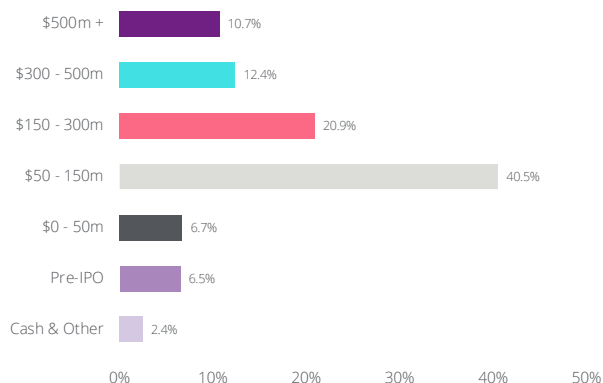
<sup>1</sup> Perennial Microcap Resources Trust is open to wholesale investors only.

Top 5 Positions	Trust (%)
GenusPlus	6.3
Jindalee Resources	4.8
Green Technology Metals	3.8
DUG Technology	3.5
Emesent	3.3

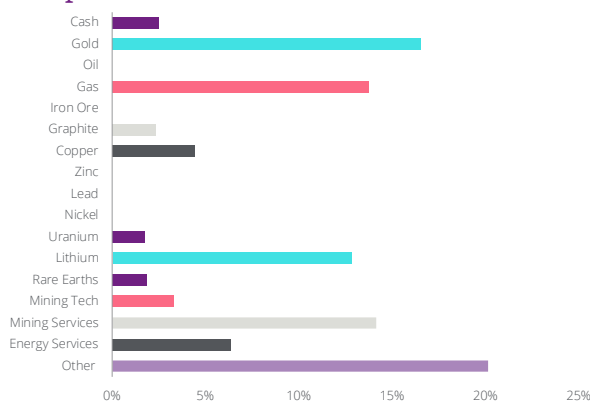
Source: Perennial Value Management. As at 30 September 2022

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

Despite being reasonably defensively positioned going into September, the macro volatility did result in some large moves across the portfolio. That said, we believe the underlying earnings drivers for these companies remain solid:

- **GenusPlus**, down 15.8% on outlook commentary of a “period of consolidation in FY23”. The market has misinterpreted this as meaning flat earnings, it doesn’t. It refers to consolidation of recently acquired businesses. We anticipate guidance of FY23 earnings growth at the AGM in November. In addition, we note recent sizable buying by directors
- **Genesis Minerals** and **Pantoro** down 17.0% and 13.2% respectively on a weaker US\$ gold price (down 2.9%), despite the A\$ gold price rising 3.8% during the month due to a weaker AUD:USD exchange rate. We added to our positions on weakness
- **Metro Mining**, down 15.8% after guiding to lower production for the September quarter

Brighter spots in the portfolio were dominated by the lithium names, as once again the spodumene and lithium hydroxide prices proved immune to macro volatility.

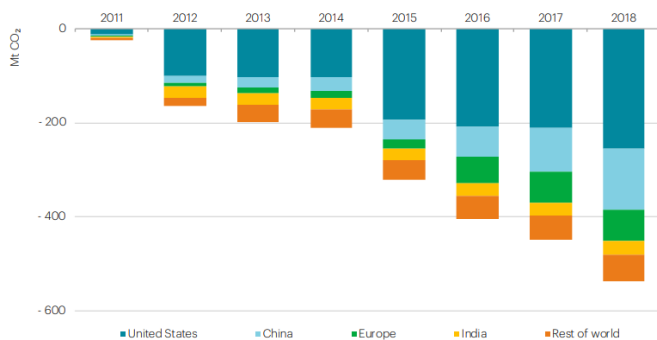
- **Green Technology Metals**, up 4.9%, as the spodumene price continued to march higher during the month
- While other lithium exposures like **Galan** (down 7.7%), and **Jindalee** (down 6.8%) traded lower, they performed materially better than the index

## Global, Currency & Commodities (%)

S&P 500	-9.3
Nikkei 225	-7.7
FTSE 100	-5.4
Shanghai Composite	-5.6
RBA Cash Rate	2.35
AUD / USD	64.3c
Iron Ore	+2.0
Oil	-8.8
Gold	-2.9
Copper	-3.0

The portfolio finished the month with 40 positions and cash of 2.4%.

CO<sub>2</sub> savings from coal-to-gas switching by region compared with 2010



Source: IEA, IPCC

We gave an update on the commodity outlook earlier in the month, focusing on the many moving parts of the decarbonisation challenge. The chart above highlights the role gas will play in transitioning to cleaner energy. To date coal-to-gas switching has been the largest net contributor to carbon reduction.



Portfolio Manager: Sam Berridge

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