

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since inception^ (% p.a.)	Since Inception^ Cumulative (%)
Perennial Microcap Resources Trust (Net)	-3.7	6.8	1.1	-6.7	-4.5	-8.7
S&P ASX Small Ordinaries Resources Index	-1.1	-2.2	-0.9	-11.6	-4.2	-8.2
<b>Value Added</b>	<b>-2.6</b>	<b>9.0</b>	<b>2.0</b>	<b>4.9</b>	<b>-0.3</b>	<b>-0.5</b>

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

## Overview

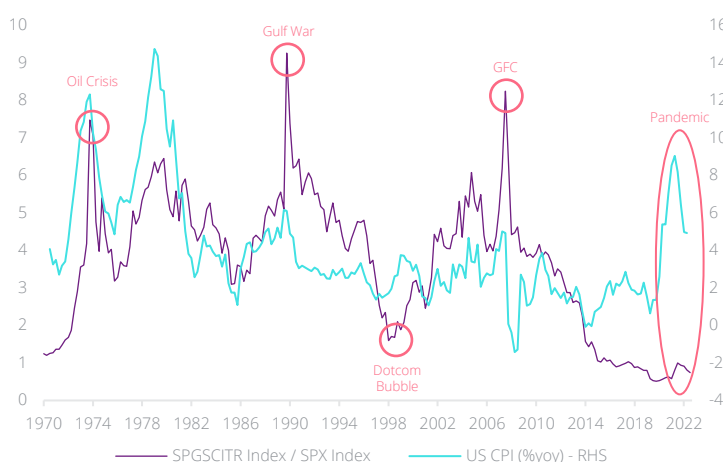
The Trust in August finished down 3.7% (net of all fees), underperforming the index, which finished down at -1.1%.

Commodity prices trended broadly lower in August, as the market grew impatient for further China stimulus. The exception was 'old energy' with oil (up 2.4%), thermal coal (up 13.6%) bucking the trend. Of note the AUD/USD, moved sharply lower in the month, down 3.9% and in doing so largely offset the lower base metal prices when viewed in AUD terms, a positive for Australia based operations.

Reporting season was mostly uneventful for the resources sector, with most key data points disclosed in quarterly reports. In the services and tech space DUG technology (top 5 holding) was a standout, disclosing forward orders above expectations.

Commodities and related equities started to recover towards month end post the announcement of an acceleration of Chinese special bond issuance to fund infrastructure investment. The implications are that special bond issuance needs to roughly double month on month between now and October. This will ultimately flow into increased commodity demand.

## 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 \$34.5 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

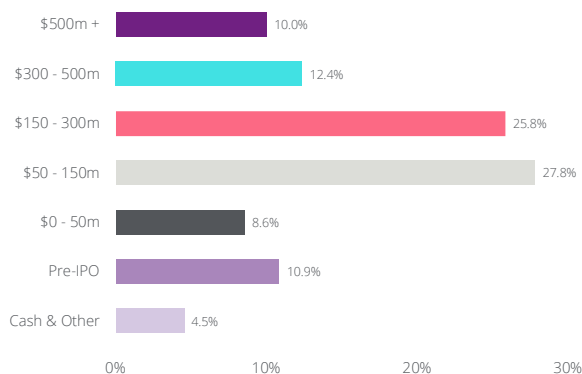
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<sup>1</sup> Perennial Microcap Resources Trust is open to wholesale investors only.

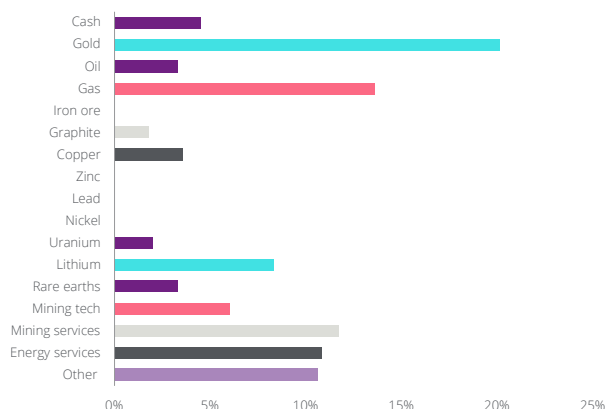
Top 5 Positions	Trust (%)
Genesis Minerals	5.1
DUG Technology	4.7
Talon Energy	3.9
Azure Minerals	3.8
GenusPlus	3.7

Source: Perennial Value Management. As at 31 August 2023

## Market Capitalisation Exposure



## Sector Exposure



## Trust Review

Positive contributions came from a wide variety of stock specific catalysts during the month. These included:

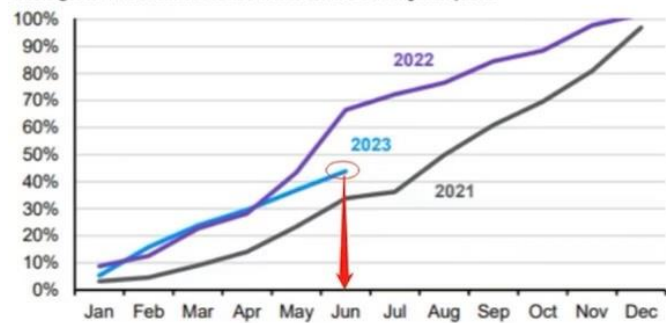
- **DUG Technology**, rallied 12.9% after reporting an inline FY23 financial result with a stronger than expected outlook.
- **Azure Minerals**, up a further 39.7% to finish August at \$2.57 per share after raising \$120m at \$2.40 during the month. Despite weakening lithium prices, we believe AZS will continue to outperform peer stocks on the back of continuing resource growth and M&A appeal.
- **Carnarvon Energy**, up 10.3% from depressed levels (CVN is cash backed at \$0.10 per share), on stronger oil prices helping the develop case for its Dorado oil project (CVN 20%).

Stocks which weighed on performance during the month included:

- **Ora Banda**, down 13.6% due to what we suspect to be a bit of investor impatience for signs of an operational turnaround. We added to our position on weakness.
- **Encounter Resources**, down 19.4% as investors wait for further news from its Aileron rare-earth niobium deposit.

Late in the month, the Chinese government announced that special bonds (used for local government financing) need to be issued by the end of September, which implies the money should be put to use by October. This indicates sharp inflection in bond issuance and infrastructure-driven commodity demand. It's perhaps not the 'stimulus bazooka' the market was hoping for, but we believe it's a step in the right direction and coupled with generally low inventory levels will help support commodity prices into year end.

### Local government bond issuance has been running below 2022 levels



Sources: Shanghai Metal Markets

The Trust finished the month with 39 positions and cash of 4.5%

## Global, Currency & Commodities (%)

S&P 500	-1.8
Nikkei 225	-1.7
FTSE 100	-3.4
Shanghai Composite	-5.2
RBA Cash Rate	4.10
AUD / USD	64.8c
Iron Ore	0.0
Oil	+2.4
Gold	-1.3
Copper	-3.2



Portfolio Manager: Sam Berridge

Invest Online Now

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Signatory of:

PRM Principles for Responsible Investment



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