

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since inception^ (% p.a.)	Since Inception^ Cumulative (%)
Perennial Microcap Resources Trust (Net)	5.5	7.6	5.1	10.1	-2.2	-5.1
S&P ASX Small Ordinaries Resources Index	3.7	5.4	2.8	-3.1	-2.1	-4.8
Value Added	1.8	2.2	2.3	13.2	-0.1	-0.3

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

Overview

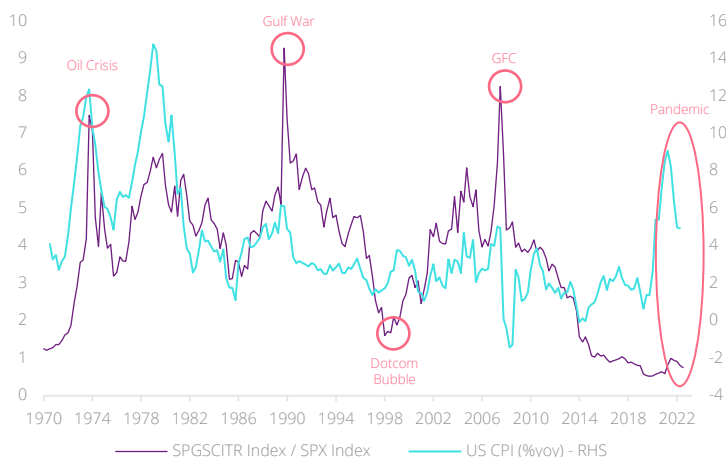
Gas, copper and rare earths exposures lifted the trust to a healthy return of 5.5% (net of all fees) for December, outperforming the benchmark return of 3.7%.

Increased conviction in a 'soft-landing' for the US, coupled with the continued decline in government bond rates buoyed equity markets around the world. The 10yr US bond rate finished exactly where it started the year at 3.88%, after touching a peak of 5.0% in mid-October.

Oil and gas prices eased 5.7% and 10.4% (Henry Hub) respectively in December as US production growth improved, while China and western world demand growth remained tepid. The silver lining to lower energy prices is lower inflation expectations, which is certainly welcome.

With this backdrop, the world feels more optimistic about growth in 2024 than this time last year. In that regard depleted base metal inventories will come into focus should China pull itself out of its post-covid slump. Xi Jinping promised as much in his Dec 31st address, but there's been a few false dawns on this front, so the market will need some hard data before pricing in a China recovery.

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 \$31.2 million

Distribution Frequency

Annual

Minimum Initial Investment¹

\$25,000

Trust Inception Date

August 2021

Fees

1.20% p.a. + Performance fee

APIR Code

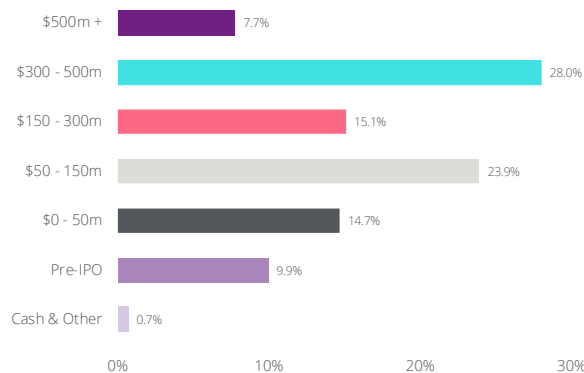
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¹ Perennial Microcap Resources Trust is open to wholesale investors only.

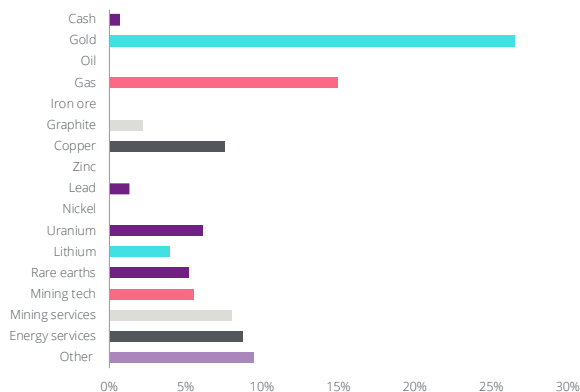
Top 5 Positions	Trust (%)
Ora Banda	10.7
Brazilian Rare Earths	5.1
Cooper Energy	4.5
Firefly Metals	4.1
Line Hydrogen	3.8

Source: Perennial Value Management. As at 31 December 2023

Market Capitalisation Exposure



Sector Exposure



Trust Review

Gas, copper and rare earths exposures were the key drivers of returns for the trust during the month;

- **Brazilian Rare Earths** made its ASX debut via IPO in December, finishing up 29.9% from its IPO price. We look forward to a substantial volume of drill results due to be released in the March quarter.
- **Cooper Energy**, up 23.8% in the month, rallied on steadily improving production from Orbost and news that Jemena has started pipeline construction to connect Squadron Energy's LNG import terminal at Port Kembla (NSW) to the gas network. The implication here is LNG imports will set the price for the marginal molecule of gas in NSW, Victoria and South Australia. Current LNG import parity prices sit roughly 50% above the Victorian spot gas price at the time of writing.
- **Firefly Metals**, finished up 21.2% after reporting excellent drill results from its Green Bay Copper-Gold project in Canada. Multiple +10m intercepts of ~5%Cu with gold and silver credits give us high conviction this former mine will comfortably clear the hurdles to economic viability.

Stocks which weighed on performance during the month included;

- **Conard Energy**, down 14.8%, on delays to a partial sell down of its Mako Gas field (Conrad 76.5%).
- **True North Copper**, ended down 16.0% after announcing its mine restart plan for its Cloncurry Copper mine.

As we look forward to 2024 we suspect commodities with strong supply-side support offer the best risk-reward appeal. In that regard we note another large downgrade in copper supply for 2024 from Anglo American [during the month](#). Combined with the shutdown of the Cobre Panama mine a month earlier, roughly 500kt pa or 2% of global supply has disappeared for 2024, effectively removing the forecast surplus.

We also have a positive view on domestic gas. In that regard we note with interest [Jemena commencing construction of the gas pipeline to Squadron Energy's LNG terminal in Port Kembla](#). This implies the marginal molecule of gas in NSW and Victoria is going to be set by LNG imports, which in turn suggests prices roughly 50% above current levels. This represents a structural change in the market and has positive implications for what's remaining of domestic gas production in Victoria.

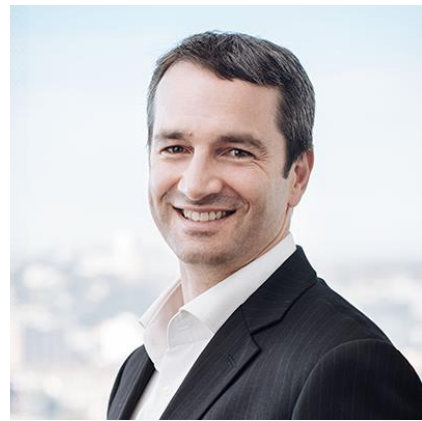


Source: Port Kembla LNG import terminal, Squadron Energy

The Trust finished the month with 39 stocks and 0.7% cash.

Global, Currency & Commodities (%)


S&P 500	+4.4
Nikkei 225	-0.1
FTSE 100	+3.7
Shanghai Composite	-1.8
RBA Cash Rate	4.35
AUD / USD	68.2c
Iron Ore	+4.5
Oil	-5.7
Gold	+1.2
Copper	+1.7



Portfolio Manager: Sam Berridge

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