



PERRITT MICROCAP OPPORTUNITIES FUND

Core Financial Statements
October 31, 2025

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PERRITT MICROCAP OPPORTUNITIES FUND

SCHEDULE OF INVESTMENTS

October 31, 2025

	Shares	Value		Shares	Value
COMMON STOCKS - 93.0%					
Aerospace & Defense - 0.6%					
VirTra, Inc. ^(a)	58,264	\$ 354,245	Distributors - 1.7%		
Air Freight & Logistics - 2.6%			Alliance Entertainment Holding Corp. ^(a) . . .	51,273	\$ 329,173
Radiant Logistics, Inc. ^(a)	260,000	1,573,000	A-Mark Precious Metals, Inc.	25,000	664,500
Automobile Components - 1.6%					993,673
Motorcar Parts of America, Inc. ^(a)	57,000	972,420	Diversified Consumer Services - 2.3%		
Banks - 1.1%			Carriage Services, Inc.	10,000	447,000
First Internet Bancorp	16,500	292,710	Lincoln Educational Services Corp. ^(a) . . .	25,000	485,500
Flushing Financial Corp.	25,000	341,750	Universal Technical Institute, Inc. ^(a) . . .	15,000	445,800
		634,460			1,378,300
Capital Markets - 4.8%			Diversified REITs - 0.6%		
Heritage Global, Inc. ^(a)	240,000	352,800	Modiv Industrial, Inc.	23,000	331,660
Silvercrest Asset Management Group, Inc. - Class A.	110,000	1,555,400	Electrical Equipment - 3.3%		
US Global Investors, Inc. - Class A	400,000	996,000	LSI Industries, Inc.	38,000	869,820
		2,904,200	Power Solutions International, Inc. ^(a) . . .	5,000	428,100
Chemicals - 4.3%			SKYX Platforms Corp. ^(a)	110,000	193,600
Arq, Inc. ^(a)	75,000	498,000	Ultralife Corp. ^(a)	65,000	456,950
Flexible Solutions International, Inc.	90,000	815,400			1,948,470
Greystone Logistics, Inc. ^(a)	125,000	102,500	Electronic Equipment, Instruments & Components - 5.5%		
Northern Technologies International Corp.	152,810	1,135,378	Bel Fuse, Inc. - Class B	12,000	1,847,880
		2,551,278	Coda Octopus Group, Inc. ^(a)	45,000	461,250
Commercial Services & Supplies - 4.7%			Powerfleet, Inc. ^(a)	190,000	969,000
CECO Environmental Corp. ^(a)	12,000	586,680			3,278,130
Perma-Fix Environmental Services, Inc. ^(a)	153,000	2,094,570	Energy Equipment & Services - 3.7%		
Quest Resource Holding Corp. ^(a)	90,000	136,800	Forum Energy Technologies, Inc. ^(a)	10,000	267,800
		2,818,050	Natural Gas Services Group, Inc.	17,000	473,280
Communications Equipment - 2.7%			NPK International, Inc. ^(a)	120,000	1,476,000
Aviat Networks, Inc. ^(a)	22,000	549,120			2,217,080
BK Technologies Corp. ^(a)	14,000	1,045,940	Financial Services - 1.1%		
		1,595,060	Paysign, Inc. ^(a)	30,000	154,950
Construction & Engineering - 4.4%			Usio, Inc. ^(a)	340,000	499,800
Bowman Consulting Group Ltd. ^(a)	15,000	649,350			654,750
Northwest Pipe Co. ^(a)	20,000	1,203,200	Food Products - 0.6%		
Orion Group Holdings, Inc. ^(a)	70,000	753,900	Alico, Inc.	11,000	387,310
		2,606,450	Health Care Equipment & Supplies - 0.7%		
Consumer Finance - 2.1%			Modular Medical, Inc. ^(a)	85,000	42,067
EZCORP, Inc. - Class A ^(a)	70,000	1,277,500	Sensus Healthcare, Inc. ^(a)	125,586	400,619
					442,686
Consumer Staples Distribution & Retail - 0.4%			Health Care Providers & Services - 2.7%		
HF Foods Group, Inc. ^(a)	120,000	259,200	InfuSystem Holdings, Inc. ^(a)	75,000	777,000
			Quipt Home Medical Corp. ^(a)	90,000	220,500
Hotels, Restaurants & Leisure - 0.3%			Viemed Healthcare, Inc. ^(a)	100,000	646,000
Century Casinos, Inc. ^(a)					1,643,500

The accompanying notes are an integral part of these financial statements.

**PERRITT MICROCAP OPPORTUNITIES FUND
SCHEDULE OF INVESTMENTS
October 31, 2025 (Continued)**

	Shares	Value	Shares	Value
COMMON STOCKS - (Continued)				
Household Durables - 2.5%				
Legacy Housing Corp. ^(a)	68,000	\$ 1,526,940	High Tide, Inc. ^(a)	100,000 \$ 311,000
Interactive Media & Services - 0.7%			Medexus Pharmaceuticals, Inc. ^(a)	125,000 244,762
DHI Group, Inc. ^(a)	225,000	436,500		1,044,486
IT Services - 3.1%				
Data Storage Corp. ^(a)	40,000	167,600	Professional Services - 4.0%	
Information Services Group, Inc.	123,883	682,596	Asure Software, Inc. ^(a)	40,000 354,000
Research Solutions, Inc. ^(a)	305,518	989,878	DLH Holdings Corp. ^(a)	140,000 870,800
		1,840,074	Hudson Global, Inc. ^(a)	55,000 606,100
Machinery - 5.6%			IBEX Holdings Ltd. ^(a)	10,000 373,700
Aebi Schmidt Holding AG	30,004	334,545	Where Food Comes From, Inc. ^(a)	13,000 163,670
Gencor Industries, Inc. ^(a)	37,367	507,817		2,368,270
Mayville Engineering Co., Inc. ^(a)	30,000	534,600		
Miller Industries, Inc.	26,000	1,043,640	Semiconductors & Semiconductor Equipment - 1.2%	
Taylor Devices, Inc. ^(a)	7,000	320,390	Photronics, Inc. ^(a)	30,000 717,000
TechPrecision Corp. ^(a)	50,000	246,500		
Twin Disc, Inc.	25,000	391,500	Software - 3.0%	
		3,378,992	Consensus Cloud Solutions, Inc. ^(a)	12,000 351,840
Media - 1.6%			Mitek Systems, Inc. ^(a)	60,000 552,600
Creative Realities, Inc. ^(a)	160,000	468,800	NetSol Technologies, Inc. ^(a)	100,000 439,000
Perion Network Ltd. ^(a)	50,000	465,000	Ooma, Inc. ^(a)	40,000 449,200
		933,800		1,792,640
Metals & Mining - 9.5%			Specialty Retail - 0.5%	
Ascent Industries Co. ^(a)	24,000	291,840	Build-A-Bear Workshop, Inc.	5,000 271,100
Atlas Lithium Corp. ^(a)	45,000	240,750		
Avino Silver & Gold Mines Ltd. ^(a)	465,000	2,162,250	Technology Hardware, Storage & Peripherals - 0.7%	
Endeavour Silver Corp. ^(a)	150,000	1,230,000	Immersion Corp.	62,000 414,780
McEwen Mining, Inc. ^(a)	68,000	1,246,440	Textiles, Apparel & Luxury Goods - 1.9%	
United States Antimony Corp. ^(a)	30,000	242,100	Lakeland Industries, Inc.	44,000 724,240
Vox Royalty Corp.	70,000	298,900	Superior Group of Cos., Inc.	45,000 420,300
		5,712,280		1,144,540
Mortgage Real Estate Investment Trusts (REITs) - 0.4%			Trading Companies & Distributors - 0.9%	
Chicago Atlantic Real Estate Finance, Inc.	20,000	257,200	BlueLinx Holdings, Inc. ^(a)	5,000 327,200
Oil, Gas & Consumable Fuels - 2.1%			Karat Packaging, Inc.	10,000 240,200
Evolution Petroleum Corp.	150,000	657,000		567,400
Vaalco Energy, Inc.	65,000	255,450		
Vitesse Energy, Inc.	15,000	326,250	Water Utilities - 1.2%	
		1,238,700	Global Water Resources, Inc.	35,000 347,200
Personal Care Products - 0.6%			Pure Cycle Corp. ^(a)	35,000 385,350
Nature's Sunshine Products, Inc. ^(a)	25,000	337,000		732,550
Pharmaceuticals - 1.7%			TOTAL COMMON STOCKS	
Assertio Holdings, Inc. ^(a)	210,000	156,324	(Cost \$32,413,908)	55,735,354
Aytu BioPharma, Inc. ^(a)	20,000	45,400		
Biote Corp. ^(a)	100,000	287,000	TOTAL INVESTMENTS - 93.0%	
			(Cost \$32,413,908)	55,735,354
			Money Market Deposit Account - 7.3% ^(b)	4,385,454
			Liabilities in Excess of Other Assets - (0.3)%	(161,576)
			TOTAL NET ASSETS - 100.0%	\$59,959,232

The accompanying notes are an integral part of these financial statements.

PERRITT MICROCAP OPPORTUNITIES FUND

SCHEDULE OF INVESTMENTS

October 31, 2025 (Continued)

Par amount is in USD unless otherwise indicated.

Percentages are stated as a percent of net assets.

The Global Industry Classification Standard (“GICS®”) was developed by and/or is the exclusive property of MSCI, Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”). GICS® is a service mark of MSCI and S&P and has been licensed for use by U.S. Bank Global Fund Services.

REIT - Real Estate Investment Trust

(a) Non-income producing security.

(b) The U.S. Bank Money Market Deposit Account (the “MMDA”) is a short-term vehicle in which the Fund holds cash balances. The MMDA will bear interest at a variable rate that is determined based on market conditions and is subject to change daily. The rate as of October 31, 2025 was 3.61%.

The accompanying notes are an integral part of these financial statements.

PERRITT MICROCAP OPPORTUNITIES FUND**STATEMENT OF ASSETS AND LIABILITIES**

October 31, 2025

ASSETS:

Investments, at value	\$55,735,354
Cash - interest bearing deposit account	4,385,454
Interest receivable	14,939
Dividends receivable	3,771
Dividend tax claims receivable	1,100
Receivable for fund shares sold	30
Prepaid expenses and other assets	16,623
Total assets	60,157,271

Total assets

LIABILITIES:	
Payable to adviser	51,690
Payable for capital shares redeemed	36,513
Payable for audit fees	32,000
Payable for transfer agent fees and expenses	18,853
Payable for fund administration and accounting fees	15,809
Payable for printing and mailing	12,400
Payable to directors	12,000
Payable for chief compliance officer fees	11,625
Payable for expenses and other liabilities	7,149
Total liabilities	198,039

NET ASSETS	\$59,959,232
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Net Assets Consists of:

Capital stock (\$0.0001 per share)	\$ 225
Additional paid-in capital	31,983,335
Total distributable earnings	<u>27,975,672</u>
Total net assets	\$59,959,232

Net assets	\$59,959,232
Capital shares issued and outstanding (100,000,000 shares authorized, 0.0001 par value)	2,250,042
Net asset value per share	\$ 26.65

Cost:

Investments, at cost	\$32,413,908
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The accompanying notes are an integral part of these financial statements.

PERRITT MICROCAP OPPORTUNITIES FUND**STATEMENT OF OPERATIONS**

For the Year Ended October 31, 2025

INVESTMENT INCOME:

Dividend income	\$ 849,028
Less: Dividend withholding taxes	(1,781)
Interest income	<u>108,207</u>
Total investment income	<u>955,454</u>

EXPENSES:

Investment advisory fee	584,613
Transfer agent fees	127,820
Fund administration and accounting fees	109,778
Legal fees	66,304
Directors' fees	50,708
Chief compliance officer fees	46,695
Audit fees	34,030
Federal and state registration fees	30,164
Reports to shareholders	20,379
Custodian fees	8,897
Compliance fees	5,431
Other expenses and fees	<u>9,924</u>
Total expenses	<u>1,094,743</u>
Net investment loss	<u>(139,289)</u>

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:

Investments	<u>5,374,409</u>
Net realized gain (loss)	<u>5,374,409</u>

Net change in unrealized appreciation (depreciation) on:

Investments	<u>1,112,826</u>
Net change in unrealized appreciation (depreciation)	<u>1,112,826</u>
Net realized and unrealized gain (loss)	<u>6,487,235</u>

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS**\$6,347,946***The accompanying notes are an integral part of these financial statements.*

PERRITT MICROCAP OPPORTUNITIES FUND
STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended October 31,	
	2025	2024
OPERATIONS:		
Net investment income (loss).....	\$ (139,289)	\$ (216,777)
Net realized gain (loss).....	5,374,409	4,229,023
Net change in unrealized appreciation (depreciation)	<u>1,112,826</u>	<u>4,448,659</u>
Net increase (decrease) in net assets from operations.....	<u>6,347,946</u>	<u>8,460,905</u>
DISTRIBUTIONS TO SHAREHOLDERS:		
From earnings.....	—	(8,059,299)
Total distributions to shareholders.....	—	(8,059,299)
CAPITAL TRANSACTIONS:		
Shares sold	1,837,600	1,998,681
Shares issued in reinvestment of distributions.....	—	7,851,878
Shares issued in the reorganization (Note 8)	—	9,217,519
Shares redeemed.....	(10,319,817)	(8,275,555)
Redemption fees.....	480	174
Net increase (decrease) in net assets from capital transactions.....	(8,481,737)	10,792,697
Net increase (decrease) in net assets.....	(2,133,791)	11,194,303
NET ASSETS:		
Beginning of the year.....	<u>62,093,023</u>	<u>50,898,720</u>
End of the year.....	<u>\$ 59,959,232</u>	<u>\$62,093,023</u>
SHARES TRANSACTIONS		
Shares sold	77,665	81,416
Shares issued in reinvestment of distributions.....	—	336,145
Shares issued in the reorganization (Note 8)	—	385,389
Shares redeemed.....	(448,993)	(340,128)
Total increase (decrease) in shares outstanding.....	(371,328)	462,822

The accompanying notes are an integral part of these financial statements.

PERRITT MICROCAP OPPORTUNITIES FUND
FINANCIAL HIGHLIGHTS

	Year Ended October 31,				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PER SHARE DATA:					
Net asset value, beginning of year	\$ 23.69	\$ 23.58	\$ 23.68	\$ 32.02	\$ 19.51
INVESTMENT OPERATIONS:					
Net investment income (loss) ^(a)	(0.06)	(0.10)	0.10	(0.11)	(0.15)
Net realized and unrealized gain (loss) on investments ^(b)	3.02	4.01	0.56	(3.95)	12.66
Total from investment operations	<u>2.96</u>	<u>3.91</u>	<u>0.66</u>	<u>(4.06)</u>	<u>12.51</u>
Net realized gains	—	(3.80)	(0.76)	(4.28)	—
Total distributions	<u>—</u>	<u>(3.80)</u>	<u>(0.76)</u>	<u>(4.28)</u>	<u>—</u>
Redemption fee per share	0.00 ^(c)	0.00 ^(c)	0.00 ^(c)	0.00 ^(c)	0.00 ^(c)
Net asset value, end of year	<u>\$ 26.65</u>	<u>\$ 23.69</u>	<u>\$ 23.58</u>	<u>\$ 23.68</u>	<u>\$ 32.02</u>
Total return	12.49%	17.56%	2.76%	−14.95%	64.12%
SUPPLEMENTAL DATA AND RATIOS:					
Net assets, end of year (in thousands)	\$59,959	\$62,093	\$50,899	\$54,739	\$72,496
Ratio of expenses to average net assets	1.87%	1.73%	1.65%	1.56%	1.56%
Ratio of net investment income (loss) to average net assets	(0.24)%	(0.41)%	0.39%	(0.43)%	(0.53)%
Portfolio turnover rate	17%	14%	21%	23%	24%

^(a) Net investment income per share has been calculated based on average shares outstanding during the years.

^(b) Realized and unrealized gains and losses per share in the caption are balancing amounts necessary to reconcile the change in net asset value per share for the years, and may not reconcile with the aggregate gains and losses in the Statement of Operations due to share transactions for the years.

^(c) Amount represents less than \$0.005 per share.

The accompanying notes are an integral part of these financial statements.

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025

1. ORGANIZATION

Perritt Funds, Inc. (the “Corporation”) was organized on March 19, 2004 as a Maryland corporation and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end investment company, with each the series below being a diversified fund. The Corporation currently consists of the Perritt MicroCap Opportunities Fund (“MicroCap Fund” or the “Fund”). Perritt MicroCap Opportunities Fund, Inc., the predecessor to the MicroCap Fund, commenced operations on April 11, 1988. As part of a plan of reorganization, on February 28, 2013, Perritt MicroCap Opportunities Fund, Inc. merged into the MicroCap Fund, a series within the Corporation. The MicroCap Fund’s investment objective is to invest in mainly common stocks of companies with market capitalizations that are below \$500 million at the time of the initial purchase. The Fund is an investment company and accordingly follow the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 “Financial Services – Investment Companies.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Cash and cash equivalents include cash and overnight investments in interest-bearing demand deposits with a financial institution with maturities of three months or less. The Fund maintains deposits with a high quality financial institution in an amount that is in excess of federally insured limits. [REDACTED]
- B. Exchange-listed securities are generally valued at the last sales price reported by the principal security exchange on which the security is traded, or if no sale is reported, the mean between the latest bid and ask price unless the Fund’s investment advisor believes that the mean does not represent a fair value, in which case the securities are fair valued as set forth below. Securities listed on NASDAQ are valued at the NASDAQ Official Closing Price. Demand notes, commercial paper, U.S. Treasury Bills and warrants are stated at fair value using market prices if available, or a pricing service when such prices are believed to reflect fair value. The money market deposit account is valued at amortized cost. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the Fund’s investment advisor. The Fund’s fair value procedures allow for the use of certain methods performed by the Fund’s investment advisor to value those securities for which market quotations are not readily available, at a price that a Fund might reasonably expect to receive upon a sale of such securities. For example, these methods may be based on a multiple of earnings, or a discount from market of a similar freely traded security, or a yield to maturity with respect to debt issues, or a combination of these and other methods [REDACTED]
- C. Net realized gains and losses on securities are computed using the first in first out method.
- D. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Withholding taxes on foreign dividends and capital gains, which are included as a component of net investment income and realized gain (loss) on investments, respectively, have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates. Discounts and premiums on securities purchased are amortized over the life of the respective securities using the interest method. Distributions received from real estate investment trusts (“REITs”) are classified as investment income or realized gains based on the U.S. income tax characteristics of the distribution. Return of capital distributions received from REIT securities and partnerships are recorded as an adjustment to the cost of the security and thus may impact unrealized or realized gains or losses on the security. [REDACTED]
- E. Investment and shareholder transactions are recorded on the trade date.
- F. Provision has not been made for federal income tax since the Fund has elected to be taxed as a “regulated investment company” and intend to distribute substantially all income to their shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies.
- F. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025 (Continued)

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

- G. Dividends from net investment income and net realized capital gains, if any, are declared and paid annually. Distributions to shareholders are recorded on the ex-dividend date. The Fund may utilize earnings and profit distributed to shareholders on redemption of shares as part of the dividends paid deduction. The Fund may periodically make reclassifications among certain of their capital accounts as a result of the timing and characterization of certain income and realized gain distributions, including reclassifying net operating loss, as determined annually in accordance with federal tax regulations which may differ from GAAP. The MicroCap Fund has reclassified the components of its capital accounts for the year ended October 31, 2025 by increasing paid-in capital by \$132,934 and decreasing distributable earnings/(losses) by \$132,934. These adjustments were primarily due to the utilization of earnings and profits distributed to shareholders on redemptions of shares.
- H. As of and during the year ended October 31, 2025, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense on the Statements of Operations. During the year ended October 31, 2025, the Fund had no interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities for any tax years before 2022.
- I. The Fund operates as a single segment entity. The Fund's income, expenses, assets, and performance are regularly monitored and assessed by Michael Corbett, who serves as the chief operating decision maker, using the information presented in the financial statements and financial highlights.

3. SECURITY VALUATION

GAAP establishes an authoritative definition of fair value and sets out a hierarchy for measuring fair value. GAAP also requires additional disclosures about the various inputs used to develop the measurements of fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical securities that the Fund has the ability to access.
- Level 2 – Other significant observable inputs (including quoted prices for similar securities or the identical security on an inactive market, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of October 31, 2025:

Perritt MicroCap Opportunities Fund

Description	Level 1	Level 2	Level 3	Total
Investments in Securities				
Common Stocks				
Communication Services	\$ 1,370,300	\$ —	\$ —	\$ 1,370,300
Consumer Discretionary.....	6,486,653	—	—	6,486,653
Consumer Staples.....	983,510	—	—	983,510
Energy	1,979,780	—	—	1,979,780
Financial.....	5,728,110	—	—	5,728,110
Health Care.....	3,130,672	—	—	3,130,672
Industrials.....	\$17,090,877	\$ —	—	\$17,090,877
Information Technology.....	9,637,684	—	—	9,637,684
Materials.....	8,263,558	—	—	8,263,558
Real Estate	311,660	—	—	311,660

Align \$ with longest
value

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025 (Continued)

Description	Level 1	Level 2	Level 3	Total
Utilities.....	732,550	—	—	732,550
Total Common Stocks	55,735,354			55,735,354
Total Investments in Securities	\$55,735,354	\$—	\$—	\$55,735,354

Please refer to the Schedule of Investments for additional information regarding the composition of the amounts listed above.

Rule 2a-5 under the 1940 Act permits fund boards to designate a fund's investment advisor to perform fair value determinations, subject to board oversight and certain other conditions. The rule also defines when market quotations are "readily available" for purposes of the 1940 Act and requires a fund to fair value a portfolio investment when a market quotation is not readily available. The Board of Directors has designated the Funds' investment advisor as its valuation designee to perform fair value determinations.

4. INVESTMENT ADVISORY AGREEMENT

For the Fund, the Corporation entered into an investment advisory agreement (collectively, the "Agreements") with Perritt Capital Management, Inc. (the "Advisor"), with whom certain officers and directors of the Corporation are affiliated, to furnish investment advisory services to the Fund. Under the terms of the Agreements, the MicroCap Fund pays the Advisor a monthly fee at the annual rate of 1.00% of the Fund's daily average net assets. At October 31, 2025, the MicroCap Fund had fees due to the Advisor of \$51,690. For the year ended October 31, 2025, the MicroCap Fund had incurred advisory fees of \$584,613.

The Advisor manages the Fund's investments subject to the supervision of the Fund's Board of Directors. The Advisor is responsible for investment decisions and supplies investment research and portfolio management. Under the Agreements, the Advisor, at its own expense and without reimbursement from the Fund, will furnish office space and all necessary office facilities, equipment and personnel for making the investment decisions necessary for managing the Fund and maintaining their organization, will pay the salaries and fees of all officers and directors of the Fund (except the Chief Compliance Officer's salary and the fees paid to disinterested directors) and will bear all sales and promotional expenses of the Fund.

The officers of the Fund are affiliated with the Advisor. Such officers, with the exception of the Chief Compliance Officer, receive no compensation from the Fund or the Advisor for serving their respective roles. The Fund pays the salary associated with the office of the Chief Compliance Officer. Such fees are included on the Statements of Operations within chief compliance officer fees.

The Fund reimbursed the Advisor for fees paid to financial intermediaries such as banks, broker-dealers, financial advisors or other financial institutions for sub-transfer agency, sub-administration and other services that the financial intermediaries provided to their clients, who are beneficial owners of shares of the Fund. The financial intermediaries are the record owners of the Fund on the Fund's records through omnibus accounts, other group accounts, retirement plans or accounts traded through registered securities clearing agents. These fees are fees that the Fund are obligated to pay to such intermediaries, and the fees may vary based on, for example, the nature of services provided. The fees paid to such intermediaries by the Fund are only a portion of the full fee that is paid to the intermediaries, and the Advisor is obligated to pay the remaining amount. In determining the portion of the fees paid to the intermediaries that the Fund is obligated to pay, the Fund has used the "avoided cost" method, which is one of several permissible methods to determine the fees are reasonable. Based on this method, the Fund's Board of Directors determines a fee per sub-account that it believes approximates the transfer agency fee that would otherwise have been payable by the Fund if such intermediaries did not maintain the sub-account. These amounts are included within transfer agent fees on the Statement of Operations.

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025 (Continued)

5. INVESTMENT TRANSACTIONS

Purchases and sales of securities, excluding short-term investments, for the year ended October 31, 2025, were as follows:

	Purchases		Sales	
	U.S. Governments	Other	U.S. Governments	Other
MicroCap Fund	\$ —	\$9,344,415	\$ —	\$20,850,571

6. FEDERAL INCOME TAX MATTERS

As of October 31, 2025, the components of distributable earnings on a tax basis were as follows:

	MicroCap Fund
Cost of investments for tax purposes	<u>\$32,437,074</u>
Gross tax unrealized appreciation	25,231,621
Gross tax unrealized depreciation	<u>(1,933,341)</u>
Net unrealized appreciation on investments	<u>23,298,280</u>
Distributable ordinary income	356,958
Distributable long-term capital gains	<u>4,423,796</u>
Other accumulated losses	<u>(103,362)</u>
Total Distributable Earnings/(Losses)	<u>\$27,975,672</u>

The difference between book and tax basis distributable earnings is primarily related to the deferral of losses on wash sales, REIT adjustments, and tax adjustments on Passive Foreign Investments Companies ("PFICs").

A regulated investment company may elect for any taxable year to treat any portion of any qualified late year loss as arising on the first day of the next taxable year. Qualified late year losses are ordinary losses which occur during the portion of the Fund's taxable year subsequent to December 31.

At October 31, 2025, the MicroCap Fund deferred, on a tax basis, late year ordinary losses of \$103,362. During the year ended October 31, 2025, the MicroCap Fund did not utilize capital loss carryforwards. The Fund had no capital loss carryforward for the year ended October 31, 2025.

The tax composition of distributions paid during the years ended October 31, 2025 and 2024 were as follows:

	Ordinary Income		Long-term Capital Gains	
	2025	2024	2025	2024
MicroCap Fund	\$ —	\$539,629	\$ —	\$7,519,670

On November 21, 2025, the Fund paid the following Long-Term capital gains distributions:

Fund	Long-Term
Perritt MicroCap Opportunities Fund	\$1.97924

The Fund designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Fund related to net capital gain to zero for the tax year ended October 31, 2025.

7. RESTRICTED SECURITIES

The Fund may own investment securities which are unregistered and thus restricted as to resale. These securities are valued by the Fund after giving due consideration to pertinent factors including recent private sales, market conditions and the issuer's financial performance. Where future disposition of these securities requires registration

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025 (Continued)

under the Securities Act of 1933, the Fund has the right to include these securities in such registration, generally without cost to the Fund. The Fund has no right to require registration of the unregistered securities they hold. As of October 31, 2025, the Fund did not hold any restricted securities.

Under the Fund's organizational documents, their officers and directors are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

8. REORGANIZATION

Effective October 25, 2024, the Perritt Ultra MicroCap Fund reorganized into the Perritt MicroCap Fund, respectively (the "October Reorganization"). The MicroCap Fund was deemed to be the accounting survivor for financial reporting purposes, and as a result, the financial statements and financial highlights of the MicroCap Fund reflect the operations of the MicroCap Fund for the periods prior to the October Reorganization.

As a tax-free reorganization, any unrealized appreciation or depreciation on the securities on the date of reorganization was treated as a non-taxable event, thus the cost basis of the securities held reflect their historical cost basis as of the date of the reorganization. Immediately prior to the October Reorganization, the net assets, fair value of investments, net unrealized appreciation/(depreciation) and fund shares outstanding of the MicroCap Fund and the Ultra MicroCap Fund were as follows:

Fund	Net Assets	Fair Value of Investments	Net Unrealized Appreciation/Depreciation	Shares Outstanding
Perritt MicroCap Fund	\$53,665,023	\$52,819,635	\$19,869,469	2,244,261
Perritt Ultra MicroCap Fund	\$ 9,217,519	\$ 8,490,667	\$ 2,899,050	589,854

In connection with the October Reorganization, the net assets of the Ultra MicroCap Fund were acquired by the MicroCap Fund on October 25, 2024. The acquisition was accomplished by a tax-free exchange of all shares of the Ultra MicroCap Fund for shares of the MicroCap Fund as described in the prior table. For financial reporting purposes, the MicroCap Fund is deemed to be the accounting survivor. The assets received and shares issued by the MicroCap Fund were recorded at market value and, where not available, fair value; and, the cost basis of the investments received from the Ultra MicroCap Fund were carried forward to align ongoing reporting of the MicroCap Funds' realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Information with respect to the net assets and other relevant operating data for the MicroCap Fund and the Ultra MicroCap Fund on the merger date are included below:

Before October Reorganization	Perritt Ultra MicroCap Fund	Perritt MicroCap Opportunities Fund
Total Fund		
Shares.....	589,854	2,243,756
Net Assets.....	\$9,217,519	\$53,665,023
Net Asset Value	\$ 15.63	\$ 23.94
After October Reorganization	Perritt Ultra MicroCap Fund	Perritt MicroCap Opportunities Fund
Total Fund		
Shares.....	0	2,629,145
Net Assets.....	\$ 0	\$62,882,543
Net Asset Value	\$ 0	\$ 23.92
Exchange Ratio	0.65336260	—

PERRITT FUNDS, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2025 (Continued)

Assuming the acquisition had been completed on November 1, 2023, the beginning of the annual reporting period of the MicroCap Fund, the unaudited financial results of operation for the period ended October 31, 2024 are as follows:

Net Investment Income	<u>(322,329)</u>
Net Realized Gains on Investments.....	\$ 4,696,065
Net Unrealized Appreciation on Investments	\$ 5,739,413
Net Increase in Net Assets Resulting from Operations	\$10,113,149

* This information is unaudited

9. LINE OF CREDIT ARRANGEMENT

The MicroCap Fund is a party to an uncommitted line of credit arrangement with U.S. Bank, N.A. with an expiration date of December 1, 2025, under which the MicroCap Fund may borrow up to \$2,500,000, subject to certain restrictions and covenants. Interest is charged on borrowings at the prevailing Prime Rate which was 7.00% as of October 31, 2025. The Fund has borrowed under these arrangements from time to time to increase the efficiency of cash flow management. For the year ended October 31, 2025, the MicroCap Fund did not borrow on the line of credit. As of October 31, 2025, the MicroCap Fund had no outstanding borrowings on the line of credit. Interest charged on the borrowings is recorded as other expense in the Statement of Operations.

10. REDEMPTION FEE

The Fund charges a 2.00% redemption fee to those who buy and sell shares within 90 calendar days or less. The redemption fee is retained for the benefit of long-term shareholders, and recorded as additional capital in the Statements of Changes in Net Assets.

11. TRANSACTIONS WITH AFFILIATES

During the year ended October 31, 2025, MicroCap Fund did not hold any securities that were considered affiliated.

The Fund is permitted to purchase or sell securities to another Fund under specified conditions outlined in procedures adopted by the Board of Directors. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another Fund complies with Rule 17a-7 of the 1940 Act. For the year ended October 31, 2025, the MicroCap Fund did not engage in securities transactions pursuant to Rule 17a-7 of the 1940 Act.

12. SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year the fund announced a planned merger with the North Star Micro Cap Fund, Inc. The transaction was publicly announced November 28, 2025 and is expected to close on February 27th, 2026. The transaction is subject to shareholder approval in a vote for shareholders of record as of December 1, 2025. Following the merger, the North Star Micro Cap Fund, Inc. will be the surviving entity.

PERRITT FUNDS, INC.
ADDITIONAL INFORMATION

Qualified Dividend Income/Dividends Received Deductions (Unaudited)

For the fiscal year ended October 31, 2025, certain dividends paid by the Fund may be subject to a maximum tax rate of 23.8%, as provided for by the Jobs and Growth Tax Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated as qualified dividend income was as follows:

Fund Name	Qualified Dividend Income
Perritt MicroCap Opportunities Fund	0.00%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended October 31, 2025 was as follows:

Fund Name	Dividends Received Deductions
Perritt MicroCap Opportunities Fund	0.00%

The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C) for the Fund were as follows:

Fund Name	Short-Term Capital Gains
Perritt MicroCap Opportunities Fund	0.00%

The Statement of Additional Information (SAI) includes additional information about the Fund's directors and is available, without charge, upon request, by calling 1-800-331-8936.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The Funds' Form N-PORT reports are available on the Commission's website at <http://www.sec.gov>.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling the Advisor at 1-800-331-8936 and on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 1-800-331-8936 and on the Securities and Exchange Commission's website at <http://www.sec.gov>.

Household Delivery of Shareholder Documents: To reduce expenses, the Fund may mail only one copy of the Fund's prospectus, SAI and each annual and semi-annual report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call the Funds at 1-800-331-8936 or contact your financial institution. You will begin receiving individual copies thirty days after receiving your request.

Electronic Delivery of Shareholder Documents: You may choose to receive the Fund's prospectus and annual and semi-annual reports electronically. To sign up for electronic delivery, visit www.icsdelivery.com and select the first letter of your brokerage firm's name. Then, select your brokerage institution from the list that follows, fill out the appropriate information and provide an e-mail address where you would like your information sent. If your brokerage firm is not listed, electronic delivery may not be available. Please contact your brokerage firm or financial advisor.

PERRITT FUNDS, INC.
PRIVACY POLICY

We collect the following nonpublic personal information about you:

- Information we receive from you on or in applications or other forms, including but not limited to, your name, address, phone number, and social security number; and
- Information about your transactions with us, our affiliates or others, including but not limited to, your account number and balance, parties to transactions, cost basis information and other financial information.

We do not disclose any nonpublic personal information about our current or former shareholders to nonaffiliated third parties, except as permitted by law. For example, we are permitted by law to disclose all the information we collect to our transfer agent to process your transactions. Furthermore, we restrict access to your nonpublic personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic, and procedural safeguards through our transfer agent, U.S. Bank Global Fund Services, that comply with federal standards to guard your nonpublic personal information.

In the event that you hold shares of the Funds through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with nonaffiliated third parties.

Perritt Funds

Investment Advisor

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800-331-8936

Independent Registered

Public Accounting Firm
Cohen & Company, Ltd.
1350 Euclid Avenue
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Legal Counsel

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777 East Wisconsin Avenue
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Custodian

U.S. Bank, NA
1555 North River Center Drive, Suite 302
Milwaukee, WI 53212

Transfer Agent

and Dividend Disbursing Agent
U.S. Bancorp Fund Services, LLC,
doing business as U.S. Bank Global Fund Services
P.O. Box 701
Milwaukee, WI 53201-0701

Distributor

Quasar Distributors, LLC
111 East Kilbourn Avenue, Suite 2200
Milwaukee, WI 53202

For assistance with your existing account, call our Shareholder Service Center at 1-800-332-3133.

The Funds' Statements of Additional Information contain information about the Funds' directors and are available without charge upon request by calling 1-800-332-3133.

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Perritt Funds

MicroCap Opportunities Fund – PRCGX

Minimum Initial Investment \$1,000

IRA Minimum Initial Investment \$250

Dividend Reinvestment Plan

Systematic Withdrawal Plan

Automatic Investment Plan

Retirement Plans Including:

- IRA
- Roth IRA
- SEP-IRA
- Coverdell Education Savings Account
- Simple IRA

2% redemption fee imposed for shares held ninety (90) calendar days or less.

This report is authorized for distribution only to shareholders and others who have received a copy of the prospectus of the Perritt MicroCap Opportunities Fund.

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