



MicroCap
Opportunities
Fund

Emerging
Opportunities
Fund



Semi-Annual Reports
April 30, 2011
(Unaudited)



Perritt

The **PERRITT MICROCAP OPPORTUNITIES FUND** will, under normal circumstances, invest at least 80% of its assets in a diversified portfolio of common stocks of United States companies that at the time of initial purchase have a market capitalization (equity market value) that is below \$500 million. The Fund seeks to invest in microcap companies that have demonstrated above-average growth in revenues and/or earnings, possess relatively low levels of long-term debt, have a high percentage of their shares owned by company management, and possess modest price-to-sales ratios and price-to-earnings ratios that are below their long-term annual growth rate. At times, the Fund may also invest in “special situations” such as companies that possess valuable patents, companies undergoing restructuring, and companies involved in large share repurchase programs. Investors should expect the Fund to contain a mix of both value and growth stocks.

The **PERRITT EMERGING OPPORTUNITIES FUND** will, under normal circumstances, invest at least 80% of its assets in a diversified portfolio of common stocks of United States companies that at the time of initial purchase have a market capitalization (equity market value) that is below \$300 million (referred to as “micro-cap” companies). The Fund seeks to invest in microcap companies that have a high percentage of their shares owned by company management, possess relatively low levels of long-term debt, have a potential for above average growth in revenues and/or earnings, and possess reasonable valuations based on the ratios of price-to-sales, price-to-earnings, and price-to-book values. The micro-cap companies in which the Fund may invest include “early stage” companies, which are companies that are in a relatively early stage of development with market capitalizations that are below \$50 million. At times, the Fund may also invest in unseasoned companies, companies that are undergoing corporate restructuring, initial public offerings, and companies believed to possess undervalued assets.

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April 30, 2011 (Unaudited)

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From the Desk of Doctor Gerald W. Perritt A Tale of Four Decades

In Seattle, residents tell visitors, "If you don't like the weather, just wait a while and it will change." The same is usually true in the financial markets. Just when you have been conditioned to invest one way, the climate changes. On many occasions, what you have been conditioned to do based on recent history turns out to be exactly contrary to the strategy that ultimately could produce the best returns.

Take the decade of the 1970s for example. Hyperinflation, a falling dollar and economic stagnation wreaked havoc in the stock and bond markets. However, those who placed the bulk of their wealth in real assets, such as real estate, gold and silver bullion, and collectibles, among others, obtained handsome rewards. Although blue chip stock investors (measured as those who invested in stocks in the S&P 500 Index) earned about six percent per year throughout the decade, the average annual return fell 1.5 percent short of the rate of inflation. Those who invested in real assets earned a much greater return, for example, the price of gold bullion increased more than 31 percent a year during the decade.

Now jump a decade ahead. Interest rates plummeted, gold investors got burned when the inflation bubble burst, and the nation's hottest real estate markets suddenly turned frigid. On the other hand, common stock prices rocketed skyward. In fact, after 1981, they did not experience a losing year for the remainder of the decade. During the 1980s, the most rewarding investments were the least rewarding during the 1970s, while the most rewarding investments of the 1970s became the laggards of the 1980s.

During the decade of the 1990s, inflation continued to cool, gold bullion prices edged lower, and (except for a small loss in 1990) common stocks (both large and small) posted hefty double-digit average annual returns. By the end of the decade, a vast majority of investors were convinced that common stocks posed little risk and that hefty returns would continue into the foreseeable future.

Of course, we know now the folly of those notions. Two severe bear markets during the twenty-first century's first decade reclaimed most of the wealth accumulated by common stock investors during the previous two decades. Although small company stocks posted modest returns during the last decade, blue chip common stock investors' portfolios declined an average of about 1.0 percent a year. Furthermore, a 2.5 percent decade-long annual rate of inflation resulted in a 30 percent decline in blue chip

stock investor's real wealth. Fear of continued terrorist activity and the fear of a collapse of the banking system during the first 10 years of the twenty-first century sent investors clamoring for real assets. After two decades of decline, the prices of precious metals, such as gold, soared during the decade.

That brings us to the present. Today, stock market investors continue to lick the wounds suffered during the previous decade. Gold prices now reside at levels never seen before. A falling dollar and anemic economic growth in the U.S. have sent common stock investors into foreign markets in search of heftier equity returns. The U.S. housing market continues to suffer as waves of residential mortgage foreclosures bash the industry.

Recent historical investment returns suggest that a prudent course of action would be to invest in safe assets such as bonds and Treasury bills and couple those investments with hefty allocations to gold. However, like decades past, we believe that investors who fall into the trap of projecting the returns of the recent past into the future could get broadsided by the next shift in investment category returns.

If you can't rely on recent history to guide your investment decisions, what should you do? Before I answer this question, look at the category returns in the accompanying table. Note that despite the financial and economic turbulence experienced during the last four decades, each of the six asset categories not only produced positive returns over the entire period, all posted positive real (i.e., after-inflation) returns. Note also that while some asset categories experienced decade-long losses, at least one asset category

produced a double-digit 10-year average return. In other words, an allocation to all asset categories would have ensured that a portion of an investor's capital would have been invested in the decade's best performing asset category. In addition, it is interesting to note that small-cap stocks were never any of the decade's best performing asset, but they were the best performing asset over the entire forty-year period. Alternatively, Treasury bills were never a decade's worst performing asset, but they were the worst performer during the four-decade period. Finally, note that an equal allocation to all six asset categories would have produced a near double-digit 9.1 percent average annual rate of return during the forty-year period.



Dr. Gerald W. Perritt
*Founder and Vice President
Perritt Capital Management*

So where should you park your money today? If you haven't already guessed, allocating your investment capital across a multitude of asset categories may provide an opportunity for exposure to asset classes that could be performing well at any given time. Your specific allocation to each asset category should be based on your return expectations and ability to assume investment risk. However, when making allocations, don't ignore any asset category no matter how unappealing it might appear at the present time.

As you formulate your strategy, remember that while the winds of economic change can blow from a number of directions, we believe that the rules of successful investing remain unbent. Maintain a diversified portfolio, invest for the longer term, avoid the urge to trade frequently, don't let greed steer your portfolio in the direction of today's hottest investments, assess portfolio risk as well as potential return, maintain a level of risk no greater than you can tolerate, and rebalance your portfolio regularly. If followed unwaveringly, we believe that these easy-to-apply rules can provide an opportunity for investment success.



Gerald W. Perritt

Dr. Perritt received a doctorate in finance and economics from the University of Kentucky in 1974. He has taught courses in investments and finance at a number of colleges and universities and has authored several books on investing. Dr. Gerald W. Perritt is the Founder and Vice President of Perritt Capital Management.

**Four Decades of Returns
(in percentages)**

Period	Government Bonds	Treasury Bills	Large Cap Stocks	Small-Cap Stocks	Gold Bullion	International Stocks	Inflation (CPI)
1970s	5.5	6.3	5.9	11.5	31.3	8.9	7.4
1980s	12.7	8.8	17.5	15.8	13.0	22.7	5.0
1990s	8.8	4.9	18.2	15.1	(4.2)	7.3	2.9
2000s	7.7	2.8	(0.9)	6.3	14.5	1.6	2.5
All Periods	8.7	5.6	10.0	12.5	12.9	9.9	4.4

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Emerging Opportunities Fund may invest in early stage companies which tend to be more volatile and somewhat more speculative than investments in more established companies.

The information provided herein represents the opinion of Perritt Capital Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Past performance does not a guarantee of future results.

Small company stocks defined as the bottom quintile of securities ranked by market capitalization from 1926-2009. Large company stocks are represented by the S&P 500 index. Long-term Government Bonds are constructed with data from The Wall Street Journal. To the greatest extent possible, a one-bond portfolio with a term of approximately 20 years and a reasonable coupon was used each year. For the U.S. Treasury Bill index, data from The Wall Street Journal are used. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. Gold is measured by spot prices of Gold Bullion. The Consumer Price Index for All Urban Consumers is used to measure inflation. International equities are represented by the MSCI EAFE® Index. The MSCI EAFE® Index consists of 21 developed equity markets outside of North America. You cannot invest directly in an index.

The S&P 500 Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general.

Diversification does not assure a profit or protect against a loss in a declining market.



President's Message

The Perritt MicroCap Opportunities Fund posted a 19.66 percent gain during the past six months ended April 30, 2011, which compares to the 23.73 percent gain for the benchmark Russell 2000 Index. Our attribution analysis shows that the Fund lagged its benchmark largely due to stronger performance among the larger-sized companies within the Russell 2000 Index. The Russell 2000 Index's median market capitalization is \$600 million, which is nearly twice the median market capitalization of \$235 million for the MicroCap Opportunities Fund. Because the Russell 2000 Index is market-cap weighted, the stronger performance among larger companies had an even greater effect on the Index's overall return. We believe that the Fund's long-term performance is impressive. Performance results for the Perritt MicroCap Opportunities Fund, Russell 2000 Index and the Russell Microcap Index can be found on page six of this report.

During the past six months, we sold 13 names from the portfolio for various reasons. American Service Group (AMSWA), Fronteer Gold (FRG) and Novamed (NOVA) were sold due to buyout offers. Gulfport (GPOR), Questcor Pharmaceuticals (QCOR) and Middleby (MIDD) were sold because their market capitalizations became too large. Gulfport was held for five years and was a modest winner for us. Questcor was held for less than two years, and appreciated more than four-fold. Since it was in the portfolio for nearly eight years, Middleby was certainly one of our favorite companies. During those eight years, Middleby's stock appreciated by more than eight-fold. Vasco Data Security (VDSI), Omega Protein (OME) and Circus Logic (CRUS) were sold due to lofty valuations. Finally, we sold Anadigics (ANAD), The Management Network Group (TMNG) and Tejon Ranch (TRC) due to poor outlook for their businesses.

We also took some profits on several holdings and reinvested them in more attractively priced stock within the portfolio. The net result of these changes was to lower the overall portfolio's price-earnings ratio. While the Fund has appreciated by more than 19 percent during the past six months, the overall price-earnings ratio of the portfolio has actually declined modestly. We don't expect the Fund's turnover ratio to increase significantly in the near future, but the portfolio has been and will continue to be rotated into more attractively priced securities. For example, we sold Vasco Data Security, a company trading

at nearly 40X earnings, and purchased two companies, Global Cash Access (GCA) and Intersections (INTX), which are both trading close to 10X earnings.

As of April 30, 2011, the Fund's portfolio contained the common stocks of 135 companies, 18 of which were added during the past six months. The Fund's 10 largest holdings, including a brief description of these holdings, can be found on page seven of this report. Based on our earnings estimate, the Fund's portfolio is trading at approximately 17 times 2011 earnings and slightly less than 15 times 2012 earnings estimate. Stocks in the portfolio are priced at 0.9 times average revenue and the median market capitalization is approximately \$235 million. Finally, the average stock in the Fund is trading at slightly more than 1.4 times book value.

We are also very pleased to report that the Fund's expense ratio is on pace to be the lowest in the Fund's

history. For the first six months of fiscal 2011, the Fund's expense ratio declined to 1.21 percent, which is down from the 2010 fiscal year expense ratio of 1.27 percent. The decline in expense ratio is partly attributable to the increased assets under management and the lower fees we negotiated with vendors a few years ago. The Fund's directors and the management team of Perritt Capital Management are committed to keeping the Fund's expense ratio below the industry average.

As can be seen on page 10 of this report, the Fund has not paid out a capital gain or dividend distribution during the past two fiscal years. While the Fund will not be paying out any dividend distribution in fiscal 2011, we have currently used all of the Fund's tax-loss carry forwards, and expect a modest capital gain distribution in December 2011.



Michael Corbett
*President
Perritt MicroCap
Opportunities Fund*

I want to thank my fellow shareholders for their continued support and confidence in the Perritt Capital Management team. We remain dedicated to investing in quality micro-cap companies at attractive valuations. If you have any questions or comments about this report or your investment in the Perritt MicroCap Opportunities Fund, please call us toll-free at (800)331-8936 or visit our web site at www.perrittmutualfunds.com. Please refer to the prospectus for information about the Fund's investment objectives and strategies.



Michael Corbett
President

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Emerging Opportunities Fund may invest in early stage companies which tend to be more volatile and somewhat more speculative than investments in more established companies.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity market.

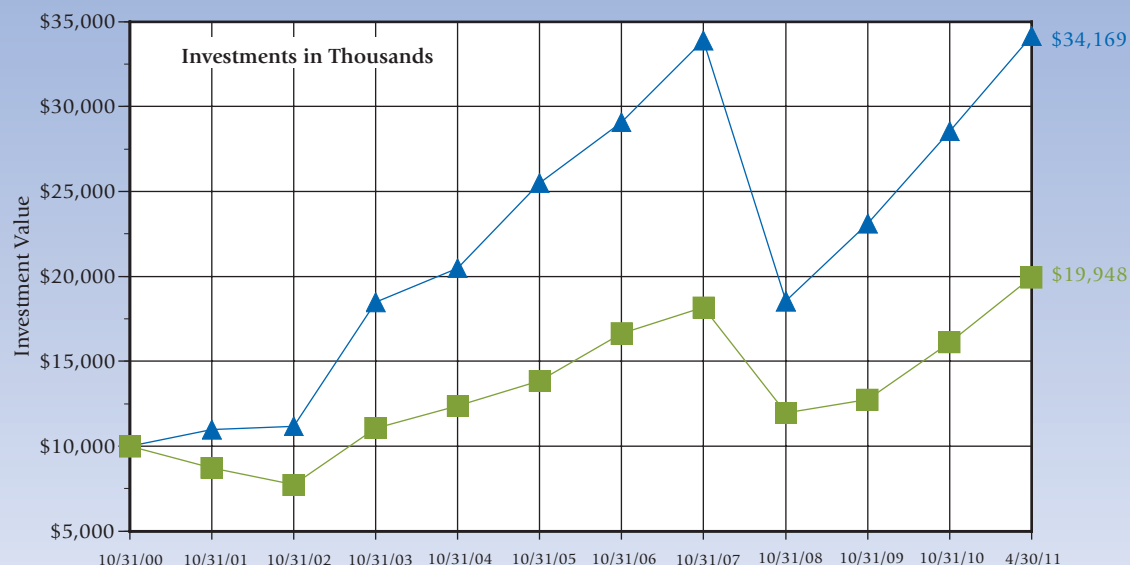
Price-to-Earnings: Current share price divided by trailing twelve-month earnings.

Book value is the value at which an asset is carried on a balance sheet.

Michael Corbett joined the firm in 1990 as a research analyst. He was appointed co-manager of the MicroCap Opportunities Fund in 1996 and President of the Fund in 1999. A graduate of DePaul University, Mr. Corbett has been President of the Emerging Opportunities Fund since its inception. He is responsible for the daily operations of both funds and assumed the lead portfolio management duties of both the MicroCap and Emerging Opportunities Funds in October 2010.

Perritt MicroCap Opportunities Fund versus Russell 2000® Index*

▲ Perritt MicroCap Opportunities Fund
■ Russell 2000® Index



There are several ways to evaluate a fund's historical performance. You can look at the total percentage change in value, the average annual percentage change, or the growth of a hypothetical \$10,000 investment. Each performance figure includes changes in a fund's share price, plus reinvestment of any dividends (or income) and capital gains (the profits the fund earns when it sells stocks that have grown in value).

Cumulative total returns reflect the Fund's actual performance over a set period. For example, if you invested \$1,000 in a fund that had a 5% return over one year, you would end up with \$1,050. You can compare the Fund's returns to the Russell 2000® Index, which reflects a popular measure of the stock performance of the small-cap segment of the U.S. equity market, and the Russell Microcap® Index, which measures the stock performance of the micro-cap segment of the U.S. equity market. The Russell Microcap® Index had an inception date of June 30, 2000.

Average annual total returns take the Fund's actual (or cumulative) return and show you what would have happened if the Fund had performed at a constant rate each year.

Cumulative Total Returns**

Periods ended April 30, 2011 (Unaudited)

	Past 6 Months	Past 1 Year	Past 5 Years	Past 10 Years	Past 15 Years	Past 20 Years
Perritt MicroCap Opportunities Fund	19.66%	18.59%	13.16%	218.50%	361.68%	717.44%
Russell 2000® Index	23.73%	22.20%	21.04%	103.07%	202.02%	569.94%
<i>(reflects no deduction for fees and expenses)</i>						
Russell Microcap® Index	22.56%	17.26%	1.34%	105.77%	N/A	N/A
<i>(reflects no deduction for fees and expenses)</i>						

Average Annual Total Returns**

Periods ended April 30, 2011 (Unaudited)

	Past 1 Year	Past 5 Years	Past 10 Years	Past 15 Years	Past 20 Years
Perritt MicroCap Opportunities Fund	18.59%	2.50%	12.28%	10.73%	11.07%
Russell 2000® Index	22.20%	3.89%	7.34%	7.65%	9.98%
<i>(reflects no deduction for fees and expenses)</i>					
Russell Microcap® Index	17.26%	0.27%	7.48%	N/A	N/A
<i>(reflects no deduction for fees and expenses)</i>					

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-331-8936.

* The graph illustrates the performance of a hypothetical \$10,000 investment made in the Fund 10 years ago. Assumes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales charge or redemption fees. The graph does not imply any future performance.

** The graph and tables do not reflect the deduction of taxes that a shareholder would pay on the Fund's distributions or the redemption of Fund shares.

Ten Largest Common Stock Holdings (Unaudited)

Five Star Quality Care, Inc. (FVE) operates senior living communities, including independent living or congregate care communities, assisted living communities, and skilled nursing facilities in the United States. The company provides independent living, assisted living, nursing and healthcare, physical therapy, occupational therapy, speech language pathology, onsite pharmacy, radiology, laboratory, telemetry, hemodialysis, and orthotics/prosthetics services.

GP Strategies Corporation (GPX) provides customized training solutions focused on performance improvement initiatives, as well as consulting, engineering, and technical services in the United States, the United Kingdom, and internationally.

Virtusa Corporation (VRTU) provides information technology (IT) services to clients across North America, Europe, the Middle East, and Asia including IT consulting, technology implementation, and application outsourcing for the communications and technology, banking, financial services, insurance, media, and information industries.

Newpark Resources, Inc. (NR) provides fluids management, environmental, and oilfield services to the oil and gas exploration and production industry. The company provides drilling fluids sales and engineering services, as well as onsite drilling fluids processing services. It also provides prefabricated interlocking mat systems for constructing drilling and work sites; onsite and offsite environmental services, including site assessment, pit design, construction, and drilling waste management; regulatory compliance services; and temporary work site services to the pipeline, electrical utility, and highway construction industries.

ClickSoftware Technologies Ltd. (CKSW) provides workforce and service management software products and solutions. It serves organizations in the utilities and

energy, telecommunications, retail, insurance, high-technology, computer and office equipment, industrial equipment, medical equipment, building automation, public security, and home services sectors.

Transcend Services, Inc. (TRCR) provides medical transcription services to the healthcare industry in the United States. It converts physicians' voice recordings into electronic medical record documents using its proprietary BeyondTXT workflow platform that provides workflow management and production control.

Mitcham Industries, Inc. (MIND) through its subsidiaries, engages in the lease, sale, and service of seismic equipment to the oil and gas industry worldwide. It also sells new and used seismic equipment, and is involved in the design, manufacture, and sale of marine seismic equipment.

TGC Industries, Inc. (TGE) provides geophysical services for clients in the oil and gas industry in the continental United States and Canada. The company conducts 3-D surveys and offers seismic data acquisition services primarily to domestic onshore oil and natural gas exploration and development companies for use in the onshore drilling and production of oil and natural gas.

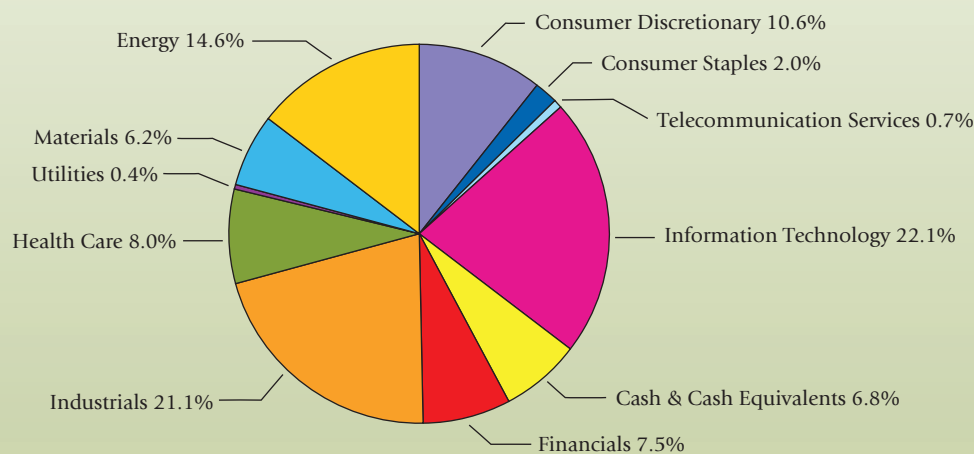
Ascent Media Corporation (ASCMA) through its subsidiary, Monitronics International, Inc., primarily engages in providing security alarm monitoring services in the United States. The company provides a range of residential security services, including hands-free two-way interactive voice communication with the monitoring center, cellular options, and an interactive service option, which allows the customer to control their security system remotely using a computer or smart phone.

Sanders Morris Harris Group, Inc. (SMHG) through its subsidiaries, provides wealth management and institutional services principally to individuals, corporations, and financial institutions.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Please refer to the Schedule of Investments in this report for a complete list of Fund holdings.

Allocation of Portfolio Investments (Unaudited)

April 30, 2011



Perritt MicroCap Opportunities Fund

Schedule of Investments

April 30, 2011 (Unaudited)

Shares	COMMON STOCKS – 91.11%	Value	Shares	Value
Aerospace & Defense – 1.44%			Consumer Services (Continued)	
252,800	CPI Aerostructures, Inc. ^(a)	\$ 3,516,448	595,900	Noah Education Holdings Ltd. – ADR ^(a) ...
140,000	Ducommun, Inc.	3,185,000	550,000	Stewart Enterprises, Inc. – Class A
		<u>6,701,448</u>		<u>12,956,619</u>
Auto Parts & Equipment – 1.07%			Electronic Equipment & Instruments – 1.00%	
381,648	Midas, Inc. ^(a)	2,774,581	200,000	Methode Electronics, Inc.
427,281	SORL Auto Parts, Inc. ^(a)	2,200,497	353,000	NAM TAI Electronics, Inc.
		<u>4,975,078</u>		<u>4,639,420</u>
Building Materials – 0.79%			Energy & Related Services – 9.71%	
245,500	Insteel Industries, Inc.	3,665,315	550,000	Cal Dive International, Inc. ^(a)
Business Services – 7.92%			425,500	CE Franklin Ltd. ^(a)
261,000	Barrett Business Services, Inc.	4,207,320	342,911	Matrix Service Co. ^(a)
40,000	Exponent, Inc. ^(a)	1,716,400	110,000	Michael Baker Corp. ^(a)
489,600	GP Strategies Corp. ^(a)	6,408,864	354,545	Mitcham Industries, Inc. ^(a)
810,000	Innodata Isogen, Inc. ^(a)	2,097,900	650,000	Newpark Resources, Inc. ^(a)
600,000	PRGX Global, Inc. ^(a)	4,704,000	173,299	PHI, Inc. ^(a)
402,230	RCM Technologies, Inc. ^(a)	2,272,599	305,000	Sino Clean Energy, Inc. ^(a)
196,000	Rentrak Corporation ^(a)	4,496,240	656,565	TGC Industries, Inc. ^(a)
230,000	The Dolan Media Co. ^(a)	2,707,100	250,000	Union Drilling, Inc. ^(a)
400,000	Tier Technologies, Inc. ^(a)	2,236,000	653,100	Uranium Energy Corp. ^(a)
325,521	Virtusa Corp. ^(a)	6,074,222	1,080,000	Ur-Energy, Inc. ^(a)
		<u>36,920,645</u>		<u>45,254,617</u>
Chemical & Related Products – 3.08%			Environmental Services – 0.60%	
590,000	Aceto Corporation	4,725,900	2,000,000	Perma-Fix Environmental Services (a)
225,000	KMG Chemicals, Inc.	4,632,750	Financial Services – 6.26%	
364,707	Omnova Solutions, Inc. ^(a)	3,100,010	244,600	B of I Holding, Inc. ^(a)
340,584	Penford Corp. ^(a)	1,910,676	1,000,000	Global Cash Access Holdings, Inc. ^(a)
		<u>14,369,336</u>	325,000	Imperial Holdings, Inc. ^(a)
Computers & Electronics – 2.63%			257,525	Nicholas Financial, Inc. ^(a)
252,400	Astro-Med, Inc.	1,966,196	586,652	Sanders Morris Harris Group, Inc.
296,044	Cyberoptics Corp. ^(a)	2,945,638	465,000	SWS Group, Inc.
580,000	PC-Tel, Inc. ^(a)	4,234,000	511,982	U.S. Global Investors, Inc. – Class A
209,350	Rimage Corporation	3,131,876	44,500	Virtus Investment Partners, Inc. ^(a)
		<u>12,277,710</u>		<u>29,176,970</u>
Construction & Engineering – 3.30%			Food – 2.11%	
327,700	Comfort Systems USA, Inc.	4,001,217	100,000	Cal-Maine Foods, Inc.
395,000	Furmanite Corp. ^(a)	3,310,100	316,600	John B. Sanfilippo & Son, Inc. ^(a)
655,600	Hill International, Inc. ^(a)	3,323,892	536,800	Landec Corp. ^(a)
240,000	MFRI, Inc. ^(a)	2,484,000		<u>9,850,064</u>
150,981	Sterling Construction Company, Inc. ^(a) ..	2,263,205	Health Care Providers & Services – 0.20%	
		<u>15,382,414</u>	175,000	Continucare Corp. ^(a)
Consumer Products – Manufacturing – 5.27%			Insurance – 0.57%	
255,308	Flexsteel Industries	3,648,351	260,960	SeaBright Holdings, Inc.
500,000	Furniture Brands International, Inc. ^(a) ...	2,420,000	Leisure – 1.79%	
700,000	Heelys, Inc. (Acquired 5/5/10, Cost \$1,603,000) ^{(a)(b)}	1,533,000	110,000	Ascent Media Corp. ^(a)
616,281	Kimball International, Inc.	4,609,782	1,020,000	Century Casinos, Inc. ^(a)
98,300	Motorcar Parts of America, Inc. ^(a)	1,368,336		<u>8,353,500</u>
256,403	Orchids Paper Products Co.	3,002,479	Medical Supplies & Services – 7.75%	
155,742	Steinway Musical Instruments, Inc. ^(a)	3,893,550	410,000	Albany Molecular Research, Inc. ^(a)
148,250	Universal Electronics, Inc. ^(a)	4,105,043	300,000	Allied Healthcare Products ^(a)
		<u>24,580,541</u>	850,000	BioScrip, Inc. ^(a)
Consumer Services – 2.78%			400,000	Cornerstone Therapeutics, Inc. ^(a)
150,000	CPI Corp.	2,695,500	800,000	Five Star Quality Care, Inc. ^(a)
290,000	Intersections, Inc.	4,364,500	2,064,000	Hooper Holmes, Inc. ^(a)
			325,000	Integramed America, Inc. ^(a)
			275,000	Medical Action Industries, Inc. ^(a)
				<u>2,392,500</u>

The accompanying notes to financial statements are an integral part of this schedule.

Statement of Operations

For the Six Months Ended April 30, 2011 (Unaudited)

Investment Income:

Dividend income	
Unaffiliated issuers	\$ 1,501,227
Affiliated issuers	114,000
Interest income	21,848
Total investment income	<u>1,637,075</u>

Expenses:

Investment advisory fee	2,159,582
Shareholder servicing	192,624
Administration fee	81,623
Fund accounting expenses	40,354
Printing & Mailing fees	37,467
Directors' fees and expenses	23,349
Federal & state registration fees	22,064
Legal fees	15,023
Custodian fees	11,403
Payroll expense **	9,955
Other expense	8,407
Audit fees	8,326
Total expenses	<u>2,610,177</u>
Net investment loss	<u>(973,102)</u>

Realized and Unrealized Gain on Investments:

Realized gain on investments	
Unaffiliated issuers	31,376,989
Affiliated issuers	—
Change in unrealized appreciation on investments	<u>45,387,306</u>
Net realized and unrealized gain on investments	<u>76,764,295</u>

Net Increase in Net Assets Resulting from Operations \$75,791,193

** Chief Compliance Officer compensation

The accompanying notes to financial statements are an integral part of this statement.

Financial Highlights

For a Fund share outstanding throughout the period

	For the Six Months Ended April 30, 2011 (Unaudited)		For the Years Ended October 31,			
	2010	2009	2008	2007	2006	
Net asset value, beginning of period	\$24.52	\$19.83	\$15.92	\$34.24	\$32.32	\$29.75
Income (loss) from investment operations:						
Net investment income/(loss) ²	(0.06)	(0.15)	(0.03)	(0.13)	(0.10)	(0.03)
Net realized and unrealized gain/(loss) on investments	4.88	4.84	3.94	(13.43)	5.06	4.05
Total from investment operations	<u>4.82</u>	<u>4.69</u>	<u>3.91</u>	<u>(13.56)</u>	<u>4.96</u>	<u>4.02</u>
Less dividends and distributions:						
Distributions from net realized gains	—	—	—	(4.77)	(3.05)	(1.46)
Total dividends and distributions	<u>—</u>	<u>—</u>	<u>(4.77)</u>	<u>(3.05)</u>	<u>(1.46)</u>	<u>—</u>
Redemption fees ²	<u>—</u> ⁵	<u>—</u> ⁵	<u>—</u> ⁵	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Net asset value, end of period	<u>\$29.34</u>	<u>\$24.52</u>	<u>\$19.83</u>	<u>\$15.92</u>	<u>\$34.24</u>	<u>\$32.32</u>
Total return ¹	19.66% ⁴	23.59%	24.56%	(45.32%)	16.64%	14.04%
Supplemental data and ratios:						
Net assets, end of period (in thousands)	\$465,999	\$371,998	\$315,865	\$234,350	\$569,856	\$492,582
Ratio of net expenses to average net assets	1.21% ³	1.27%	1.42%	1.37%	1.27%	1.29%
Ratio of net investment loss to average net assets	(0.45)% ³	(0.67%)	(0.18%)	(0.56%)	(0.30%)	(0.11%)
Portfolio turnover rate	15.7% ⁴	41.5%	25.4%	26.7%	28.5%	26.1%

¹ Total return reflects reinvested dividends but does not reflect the impact of taxes.

² Net Investment income (loss) and redemption fees per share has been calculated based on average shares outstanding during the period.

³ Annualized.

⁴ Not Annualized.

⁵ Amount is less than \$0.01 per share.

The accompanying notes to financial statements are an integral part of this schedule.

Statements of Changes in Net Assets

	<i>For the Six Months Ended April 30, 2011 (Unaudited)</i>	<i>For the Year Ended October 31, 2010</i>
Operations:		
Net investment loss	\$ (973,102)	\$ (2,371,036)
Net realized gain on investments	31,376,989	14,324,411
Net increase in unrealized appreciation on investments	45,387,306	62,424,077
Net increase in net assets resulting from operations	<u>75,791,193</u>	<u>74,377,452</u>
Dividends and Distributions to Shareholders:		
Net investment income	—	—
Net realized gains	—	—
Total dividends and distributions	<u>—</u>	<u>—</u>
Capital Share Transactions:		
Proceeds from shares issued (2,475,544 and 3,594,806 shares, respectively)	66,982,123	80,162,882
Cost of shares redeemed (1,766,166 and 4,357,517 shares, respectively)	(48,785,155)	(98,426,406)
Reinvestment of distributions (0 and 0 shares, respectively)	—	—
Redemption fees	12,970	19,470
Net increase (decrease) in net assets from capital share transactions	<u>18,209,938</u>	<u>(18,244,054)</u>
Total Increase in Net Assets	94,001,131	56,133,398
Net Assets		
Beginning of the Period	<u>371,998,010</u>	<u>315,864,612</u>
End of the Period (including undistributed net investment loss of \$1,207,761 and \$234,659, respectively)	<u>\$465,999,141</u>	<u>\$371,998,010</u>

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

Statement of Assets and Liabilities

	<i>April 30, 2011 (Unaudited)</i>
Assets:	
Investments at fair value (cost: \$408,021,823)	\$462,141,264
Dividends and interest receivable	77,065
Receivable for investments sold	6,017,675
Receivable for fund shares issued	366,836
Prepaid expenses	34,091
Total Assets	<u>468,636,931</u>
Liabilities:	
Payable for investments purchased	1,747,860
Payable for fund shares purchased	364,884
Payable to Advisor	384,422
Payable to Directors	10,834
Payable to Chief Compliance Officer	4,964
Accrued expenses and other liabilities	124,826
Total Liabilities	<u>2,637,790</u>
Net Assets	<u>\$465,999,141</u>
Net Assets Consist of:	
Capital stock	\$395,519,870
Accumulated net investment loss	(1,207,761)
Accumulated undistributed net realized gain on investments sold	17,567,591
Net unrealized appreciation on investments	54,119,441
Total Net Assets	<u>\$465,999,141</u>
Capital shares issued and outstanding, \$0.01 par value, 40,000,000 shares authorized	15,881,919
Net asset value price per share	<u>\$ 29.34</u>

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

April 30, 2011 (Unaudited)

Perritt MicroCap Opportunities Fund, Inc., which consists solely of the Perritt MicroCap Opportunities Fund (the "Fund"), was formed under the laws of the state of Maryland, and is registered under the Investment Company Act of 1940 as an open-end diversified management investment company.

1. Summary of Significant Accounting Policies

- a. Exchange-listed securities are generally valued at the last sales price reported by the principal security exchange on which the issue 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 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. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the Fund's advisor under procedures established by and under the supervision of the Board of Directors of the Fund. The Fund's fair value procedures allow for the use of certain methods performed by the Fund's advisor to value those securities for which market quotations are not readily available, at a price that the Fund might reasonably expect to receive upon a sale of such securities. These methods may be based on a multiple of earnings, or a discount from market of a similarly freely traded security, or a yield to maturity with respect to debt issues, or a combination of these and other methods.
- b. Net realized gains and losses on securities are computed using the first-in, first-out method.
- c. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Investment and shareholder transactions are recorded on the trade date. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable, and have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and regulations.
- d. Provision has not been made for federal income tax since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies.
- e. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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.

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. Management determined there were no events that impacted the Fund's financial statements.

- f. 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 periodically make reclassifications among certain of its capital accounts as a result of the timing and characterization of certain income and realized gain distributions determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. The Fund has reclassified its investment loss for the year ended October 31, 2010 by increasing accumulated net investment income by \$1,871,732, decreasing accumulated net realized losses by \$2,026 and decreasing capital stock by \$1,869,706.
- g. As of and during the year ended October 31, 2010, 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 Statement of Operations. During the year, the Fund did not incur any interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities for any tax years before 2006.

Notes to Financial Statements Continued

2. 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.
- Level 2 – Other significant observable inputs (including quoted prices for similar securities or the identical security on an active 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 net assets as of April 30, 2011:

Description	Level 1	Level 2	Level 3	Total
Investments in Securities				
<i>Common Stocks</i>				
Consumer Discretionary	\$ 48,913,293	\$ —	\$ —	\$ 48,913,293
Consumer Staples	9,374,079	—	—	9,374,079
Energy	67,469,637	—	—	67,469,637
Financial	28,543,981	—	—	28,543,981
Health Care	35,758,186	1,302,000	—	37,060,186
Industrials	97,327,261	—	—	97,327,261
Information Technology	102,362,340	—	—	102,362,340
Materials	28,430,288	—	—	28,430,288
Telecommunication Services	3,381,750	—	—	3,381,750
Utilities	1,733,711	—	—	1,733,711
Total Common Stocks	423,294,526	1,302,000	—	424,596,526
<i>Fixed Income</i>				
Real Estate Investment Trusts	6,040,400	—	—	6,040,400
Total Fixed Income	6,040,400	—	—	6,040,400
<i>Cash and Cash Equivalents</i>	31,504,338	—	—	31,504,338
Total Investments in Securities	\$460,839,264	\$1,302,000	\$ —	\$462,141,264

There were no significant transfers between Levels 1 and 2 during the six months ended April 30, 2011.

3. Investment Advisory Agreement

The Fund has an investment advisory agreement with Perritt Capital Management, Inc. (“PCM”), with whom certain officers and directors of the Fund are affiliated. Under the terms of the agreement, the Fund pays PCM a monthly investment advisory fee at the annual rate of 1% of the daily average net assets of the Fund. At April 30, 2011, the Fund had fees due to PCM of \$384,422. For the six months ended April 30, 2011, the Fund incurred advisory fees of \$2,159,582 pursuant to the investment advisory agreement.

PCM manages the Fund’s investments subject to the supervision of the Fund’s Board of Directors. PCM is responsible for investment decisions and supplies investment research and portfolio management. Under the investment advisory agreement, PCM, 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 its 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.

Notes to Financial Statements Continued

4. Investment Transactions

Purchases and sales of securities, excluding short-term investments, for the six months ended April 30, 2011 were as follows:

Purchases		Sales	
U.S. Government	Other	U.S. Government	Other
\$—	\$69,419,726	\$—	\$63,790,852

5. Federal Income Tax Matters

As of October 31, 2010, the components of distributable earnings on a tax basis were as follows:

Cost of investments for tax purposes	\$340,125,582
Gross tax unrealized appreciation	\$ 71,132,427
Gross tax unrealized depreciation	(62,665,542)
Net tax unrealized appreciation on investment	8,466,885
Distributable ordinary income	—
Distributable long-term capital gains	—
Total distributable earnings	—
Other accumulated losses	(13,778,807)
Total accumulated losses	\$ (5,311,922)

The differences between book and tax basis distributable earnings are primarily related to the classification of distributions from real estate investment trusts ("REITs") and master limited partnerships ("MLPs"), the recognition of income from passive foreign investment companies ("PFICs"), and the deferral of losses on wash sales.

The tax composition of distributions paid during the years ended October 31, 2010 and 2009 were as follows:

	Year Ended October 31, 2010	Year Ended October 31, 2009
Ordinary Income	\$—	\$—
Long Term Capital Gain	—	—

As of October 31, 2010, the Fund had capital losses expiring as indicated below:

Date of Expiration	Amount
October 31, 2016	\$ 244,940
October 31, 2017	13,533,867

6. Restricted Securities

The Fund owns 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 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 unregistered securities. At April 30, 2011, the Fund held restricted securities with an aggregate market value of \$2,624,250 or 0.56% of the Fund's net assets.

7. Guarantees and Indemnifications

Under the Fund's organizational documents, its 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 enters 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.

Notes to Financial Statements Continued

8. Line of Credit Arrangement

The Perritt MicroCap Opportunities Fund is party to an uncommitted line of credit agreement with U.S. Bank, N.A., expiring December 15, 2011, under which the Fund may borrow up to the lesser of \$15,000,000, 5% of the net assets of the Fund, 5% of the market value of the assets of the Fund, or 33.33% of the sum of the market value of the certain assets of the Fund. Interest is charged on borrowings at the prevailing Prime Rate. The Fund borrows under these agreements from time to time to increase the efficiency of cash flow management. For the period from November 1, 2010 to April 30, 2011, the Fund did not have any borrowings. At April 30, 2011, the Fund had no outstanding borrowings on the line of credit.

9. Redemption Fee

The Fund charges a 2% 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 Statement of Changes in Net Assets.

10. Transactions with Affiliates

The following issuer is affiliated with the Perritt MicroCap Opportunities Fund; that is, the Perritt MicroCap Opportunities Fund held 5% or more of the outstanding voting securities during the period from October 31, 2010 through April 30, 2011. As defined in Section (2)(a)(3) of the 1940 Act, such issuer is:

Issuer Name	Share Balance at October 31, 2010	Additions	Reductions	Share Balance at April 30, 2011	Dividend Income	Value at April 30, 2011
Whitestone Real Estate Investment Trust	200,000	—	—	200,000	\$114,000	\$2,780,000

11. New Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update "Improving Disclosures about Fair Value Measurements" that requires additional disclosures regarding fair value measurements. Certain required disclosures are effective for interim and annual disclosures for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact the update will have on its financial statement disclosures.

Expense Example (Unaudited)

April 30, 2011

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees (the Fund imposes a 2.00% redemption fee on shares held 90 calendar days or less after purchase); and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (November 1, 2010 – April 30, 2011).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees (other than a 2.00% redemption fee for shares held 90 calendar days or less after purchase), you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. You will be charged a transaction fee equal to 2.00% of the net amount of the redemption if you redeem your shares within 90 days of purchase. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds.

These expenses are not included in the example below. The example below includes, but is not limited to, management fees, shareholder servicing fees, fund accounting, custody and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, interest expense and other extraordinary expenses as determined under accounting principles generally accepted in the United States of America. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 11/1/10	Ending Account Value 4/30/11	Expenses Paid During Period 11/1/10 – 4/30/11 ¹
Actual	\$1,000.00	\$1,196.60	\$6.59
Hypothetical (5% return before expenses)	1,000.00	1,018.79	6.06

¹ Expenses are equal to the Fund's annualized expense ratio of 1.21%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

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Advisory Agreements

April 30, 2011

Approval of renewal of investment advisory agreements

On December 3, 2010 the Directors of the Perritt MicroCap Opportunities Fund and the Perritt Emerging Opportunities Fund (collectively, the "Funds") approved the renewal of the Funds' Investment Advisory Agreements (the "Agreements") with Perritt Capital Management, Inc. ("PCM"). The information and factors considered in approving the Agreement, along with the related conclusions, are described below. There was no single factor that brought about the recommendation to renew the Agreements but rather consideration of overall service, performance and costs associated with retaining PCM as advisor to the Funds.

1. Information Received

During the year, the Directors receive a substantial amount of information and material pertinent to services rendered to the Funds by PCM as well as general information regarding the mutual fund industry. The Funds' specific information includes, but is not limited to, the Funds' performance, portfolio holdings, purchases and sales, brokerage fees, expenses, redemption fees and portfolio trading practices. This information is provided to the Directors at the regularly scheduled quarterly board meetings. The board meeting books also contain a detailed description of mutual fund legal and industry updates. On a weekly basis, the Directors receive reports showing inflows/outflows and the net asset value for each of the Funds. As warranted, the Board of Directors receives articles of interest that are published by independent newsletters and mutual fund trade association web sites. The articles relate to regulatory and compliance issues and industry trends. The Fund's custodian, U. S. Bank, also provided the directors with a detailed report pursuant to Section 15(c) of the Investment Company Act of 1940 (the "15(c) Report"). The report includes an in-depth analysis of the Funds' performance, fees and expenses as compared to other funds in the Funds' peer group, a group of similar funds as to investment classification, asset size and load types. The Funds compared favorably to their peer group. In addition to data from the peer group, the Funds compared favorably with the Lipper Small-Cap Core Fund Index over the longer term, as well as with the Russell 2000 Index, the MSCI U.S. MicroCap Index, and the Russell MicroCap Index. Additional information provided to the board included a discussion of PCM's personnel committed to investment management, administration and compliance.

2. Nature, extent and quality of service

PCM continues to add staff, as appropriate, and purchase software enhancements. Marketing efforts have increased with additional contact with existing shareholders and potential new sources of Fund ownership. This effort includes, but is not limited to, quarterly updates and more frequent web site updating. This is being accomplished through a contact management software program. PCM also subscribes to an additional data service provided by Capital IQ. This service provides critical information in assisting the securities analysts. All costs of personnel, system upgrades, marketing and monitoring of third party service providers are borne by PCM.

3. Investment Performance

The Funds have continued to operate within their stated investment philosophy and objectives and have been compliant with their investment restrictions. As noted in the 15(c) Report, the Perritt MicroCap Opportunities Fund's performance was below the peer group median but still within range of the three month figure. The MicroCap Fund compares less favorably over the one year and three year periods but more favorably over the ten year period. The Microcap Fund's performance is above the Lipper Category average for the 1 Month period, but trails on the Year-to-Date and 1 Year periods. The Board of Directors noted that over the past year comparisons of performance numbers have been similar to that of the market. It was also noted that market volatility has picked up and the markets have been flat and range bound, but within historical expectations. The directors indicated that they will monitor the performance and will be looking for improvement as the market volatility slows. The Perritt Emerging Opportunities Fund's performance is above its Lipper Category average for the 1 Month, Year to Date and 1 Year periods.

In the portfolio managers report, it was pointed out that both the Perritt MicroCap Opportunities Fund and the Perritt Emerging Opportunities Fund performances were better than most of their peers. It was noted that Funds have performed quite well against their benchmarks during market declines this year. When Morningstar's performance figures are reviewed, the MicroCap ranks in the top 7% of its category for 10 Year performance.

The directors determined that PCM's performance in managing the Funds would indicate that continued management of the Funds' assets, by PCM, would be in the best interest of shareholders.

Advisory Agreements Continued

4. Advisory fees and expenses

The Directors were provided with a comparative table of advisory fees and other expenses for the Funds as well as those of the peer group funds. The Perritt MicroCap Opportunities Fund's advisory fees were equal to the median fees of the peer group while total expenses were almost identical to the median fees of the peer group. The Perritt Emerging Opportunities Fund's advisory fees and total expenses were higher than the peer group median but lower than the highest expense percentage within the peer group. The Directors were reminded that some expenses have been reduced through re-negotiated service contracts with U.S. Bank for transfer agent and custodial services. As net assets have improved, so have the expense ratio numbers. The Adviser will, however, to continue to monitor and make expense reductions where feasible and without sacrificing service levels provided to Fund shareholders. The Board of Directors concluded that the advisory and total expense categories were fair and reasonable.

Advisory fees charged to privately managed accounts are, in some cases, lower than those charged to the Funds, but the differences are justified due to the greater amount of resources devoted to managing the Funds.

5. Adviser costs and level of profit

In reviewing the non-advisory fee cost, the Directors determined that the Perritt MicroCap Opportunities Fund was in line with the non-advisory fees of its peer group while the non-advisory fees in the Perritt Emerging Opportunities Fund were in line with the non-advisory fees of its peer group. Due to PCM's staffing of an appropriate level of personnel, system enhancements and a more aggressive marketing effort, the Directors believe that the level of profit is reasonable. The expense ratios will be monitored and periodic reports will be made to the Board of Directors. The Board of Directors determined that the level of profit to the Adviser was fair and reasonable.

6. Additional benefits

PCM has developed a strong network of broker-dealers who are able to effectively and efficiently execute transactions for the Funds. In addition, a number of these broker-dealers provide PCM with research and follow-up on companies that are held by the Funds.

7. Conclusions

The Directors concluded that based on performance, nature, extent and quality of services provided and the cost of those services were fair and reasonable. The Directors further determined that the Funds and their shareholders had received reasonable value from PCM's services. The Directors after considering all of the matters above unanimously approved the renewal of the Agreements between PCM and the Funds.



President's Message

By Michael Corbett, President

The Perritt Emerging Opportunities Fund posted a 20.45 percent return during the first six months of fiscal 2011, which compares to the 22.56 percent return for the Russell Microcap Index. While the Fund lagged its benchmark during the past six months, the longer term performance results can be viewed on page 22. We have included both the Russell Microcap Index and the Russell 2000 Index to compare performance of the Fund to the micro-cap and small-cap segment of the marketplace.

During the past six months, we liquidated our investment in 23 companies. Novamed (NOVA), Spectrum Controls (SPEC), TGC Industries (TGE) and Xeta Technologies (XETA) were each bought out during the past six months. Since market capitalization grew above our threshold, we sold City Telecom (CTEL) and Magnum Hunter Resources (MHR). Six other companies were sold due to lofty valuations: 8X8(EGHT), Charles & Colvard (CTHR), LMI Aerospace (LMIA), Igo (IGOI), Motorcar Parts of America (MPAA) and Telular (WRLS). Finally, the remaining 11 companies were sold from the portfolio because business conditions and company management did not meet our expectations.

As of April 30, 2011, the Fund's portfolio contained the common stocks of 147 companies, 12 of which were added during the past six months. The Fund's ten largest holdings, including a brief description of these holdings, can be found on page 23 of this report. Based on our earnings estimate, the Fund's portfolio is trading at slightly less than 17 times 2011 earnings and less than 15 times 2012 earnings. The average stock in the portfolio is priced at 0.8 times revenue and the median market capitalization is approximately \$67 million. Finally, the average stock in the portfolio is priced at 1.2 times book value.

Our approach to investing in the bottom decile of the micro-cap universe for the Emerging Opportunities Fund remains steadfast. We seek quality companies with market capitalizations between \$10 million and \$300 million. There are a variety of ways to judge a company's level of quality. While we use several different instruments to judge quality, our investment team evaluates three criteria. First, we look at the quality of management and the businesses. Second, we evaluate the potential returns on capital and equity. Lastly, we use a strict nine factor evaluation to judge the quality of the company's financial statements. We believe that our judgment on a company's financial statements helps ensure that the majority of the companies in the Fund have clean balance sheets. As an example, the average company in the Emerging Opportunities Fund has less than 2 percent of its assets in debt. We believe that the Fund's median market capital of \$67 million is a

testament to our strategy of investing in true emerging companies. The Fund has the lowest average market capitalization out of all 9,521 funds listed by Morningstar, as of May 25, 2011.

As can be seen on page 27, the Emerging Opportunities Fund has not paid out a capital gain or dividend distribution in each of the past two fiscal years. Given the current level of tax-loss carry forwards, we do not expect the Fund to pay a distribution in December 2011. Depending on the trading activity during the next several months, it is possible that the Fund will have some tax-loss carry forward left for fiscal 2012.

I am pleased to report that the Fund's expense ratio declined from 1.72 percent in fiscal 2010 to 1.58 for the first six month of fiscal 2011. If the expense ratio remains at current levels, it would represent a record low for the Fund. The decline in expense ratio is partly attributable to the lower fees we negotiated with the Fund's vendors as well as the increase in assets under management. The Fund's directors and the management team at Perritt Capital Management are committed to keep the Fund's expense ratio at a reasonable level.

Michael Corbett joined the firm in 1990 as a research analyst. He was appointed co-manager of the MicroCap Opportunities Fund in 1996 and President of the Fund in 1999. A graduate of DePaul University, Mr. Corbett has been President of the Emerging Opportunities Fund since its inception. He is responsible for the daily operations of both funds and assumed the lead portfolio management duties of both the MicroCap and Emerging Opportunities Funds in October 2010.

I want to thank my fellow shareholders for their continued support and confidence in the Perritt Capital Management team. I was one of the first three investors in the Emerging Opportunities Fund at its inception in 2004. My initial investment remains in the Fund today and I continue to add to my investment on a regular basis. If you have any questions or comments about this report or your investment in the Perritt Emerging Opportunities Fund, please call us toll-free at (800)331-8936 or visit our web site at www.perrittmutualfunds.com. Please refer to the prospectus for information about the Fund's investment objective and strategies.



Michael J. Corbett
President

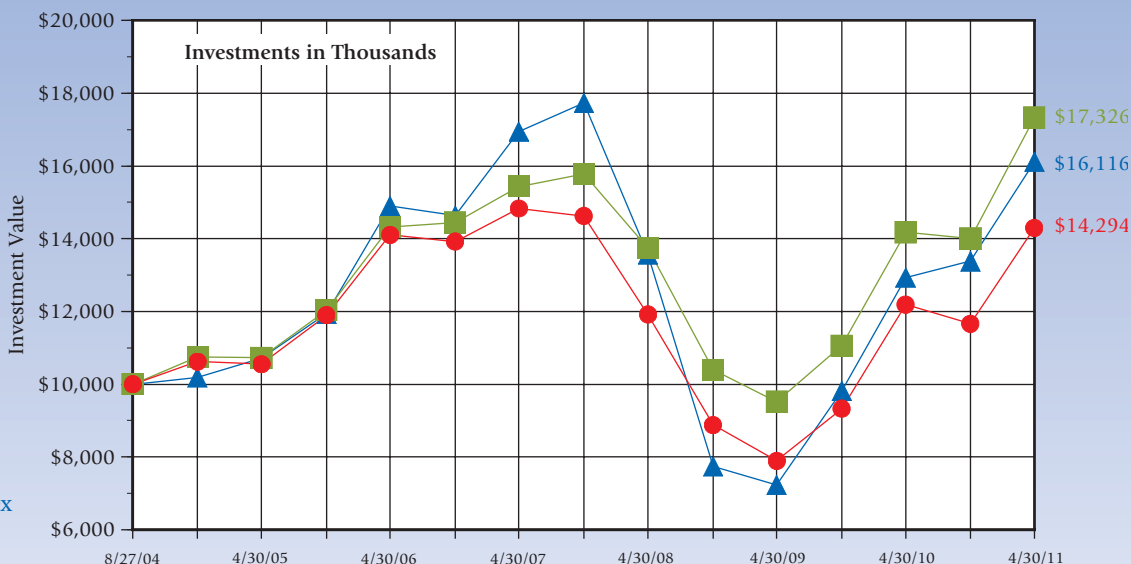
Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Emerging Opportunities Fund may invest in early stage companies which tend to be more volatile and somewhat more speculative than investments in more established companies.

The Russell Microcap® Index measures the micro-cap segment of the U.S. equity market.

You cannot invest directly in an index.

Perritt Emerging Opportunities Fund versus Russell 2000® Index and Russell MicroCap® Index*

- ▲ Perritt Emerging Opportunities Fund
- Russell 2000® Index
- Russell MicroCap® Index



There are several ways to evaluate a fund's historical performance. You can look at the total percentage change in value, the average annual percentage change, or the growth of a hypothetical \$10,000 investment. Each performance figure includes changes in a fund's share price, plus reinvestment of any dividends (or income) and capital gains (the profits the fund earns when it sells stocks that have grown in value).

Cumulative total returns reflect the Fund's actual performance over a set period. For example, if you invested \$1,000 in a fund that had a 5% return over one year, you would end up with \$1,050. You can compare the Fund's returns to the Russell Microcap® Index, which measures the stock performance of the micro-cap segment of the U.S. equity market, and the Russell 2000® Index, which reflects a popular measure of the stock performance of the small cap segment of the U.S. equity market.

Average annual total returns take the Fund's actual (or cumulative) return and show you what would have happened if the Fund had performed at a constant rate each year.

Cumulative Total Returns**

Periods ended April 30, 2011 (Unaudited)

	Past 6 Months	Past 1 Year	Past 5 Years	Since Inception
Perritt Emerging Opportunities Fund	20.45%	24.60%	8.20%	61.15%
Russell 2000® Index (reflects no deduction for fees and expenses)	23.73%	22.22%	21.04%	73.27%
Russell Microcap® Index (reflects no deduction for fees and expenses)	22.56%	17.26%	1.34%	42.96%

Average Annual Total Returns**

Periods ended April 30, 2011 (Unaudited)

	Past 1 Year	Past 5 Years	Since Inception
Perritt Emerging Opportunities Fund	24.60%	1.59%	7.42%
Russell 2000® Index (reflects no deduction for fees and expenses)	22.20%	3.89%	8.60%
Russell Microcap® Index (reflects no deduction for fees and expenses)	17.26%	0.27%	5.51%

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 800-331-8936.

* The graph illustrates the performance of a hypothetical \$10,000 investment made in the Fund at inception (August 30, 2004) through April 30, 2011. Assumes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales charge or redemption fees. The graph does not imply any future performance.

** The chart and tables do not reflect the deduction of taxes that a shareholder would pay on the Fund's distributions or the redemption of Fund shares.

Ten Largest Common Stock Holdings (Unaudited)

GBS Enterprises Incorporated (GBSX) is the leading provider of IBM Lotus based solutions and services in the fields of Cloud computing, E-mail management and archiving, instant messaging, CRM banking and risk and compliance. Customers include well-know companies from all over the world, such as Allianz, BASF, Bayer, Deutsche Bank, Depont, Honda, Michelin and Volksbank.

Virtus Investment Partners, Inc. (VRTS) provides investment management products and services to individuals and institutions in the United States. The company operates a multi-manager asset management business, comprised of various individual affiliated managers, each with its own investment style, autonomous investment process, and individual brand.

Pacific Premier Bancorp, Inc. (PPBI) operates as the holding company for Pacific Premier Bank that provides banking services to businesses, including the owners and employees of those businesses, professionals, entrepreneurs, and non-profit organizations, as well as, consumers in Southern California. As of March 31, 2010, the company operated nine depository branches located in the cities of Costa Mesa, Huntington Beach, Los Alamitos, Newport Beach, Palm Desert, Palm Springs, San Bernardino, and Seal Beach.

PHC, Inc. (PHC) provides behavioral health services through inpatient and outpatient facilities in the United States. It offers psychiatric services to individuals, who have behavioral health disorders, including alcohol and drug dependency, as well as to individuals in the gaming and transportation industries.

Addus HomeCare Corporation (ADUS) provides a range of social and medical services to individuals in the home. The company serves individuals with special needs who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill, and disabled. It offers various health services that include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care.

AXT, Inc. (AXTI) manufactures semiconductor substrates for wireless communications, lighting display applications, and fiber optic communications applications. The company offers semi-insulating substrates made from gallium arsenide, which are used in power amplifiers and radio frequency integrated circuits of wireless handsets; direct broadcast televisions; high-performance transistors; and satellite communications applications.

Allied Motion Technologies, Inc. (AMOT) offers brushless and brush direct current (DC) motors, drives, and control electronics, such as servo motors, frameless motors, torque motors, and high speed brushless DC motors for Commercial, Industrial, and Aerospace and Defense markets. The company also provides high resolution encoders, precision high resolution servo motors, and integrated motor/encoder assemblies for missile seeker heads, flight surface controls, tunable lasers, spectrum analyzers, programmable attenuators, and 3D scanner applications to the aerospace and defense, telecommunications, semiconductor, and scanning equipment manufacturing industries.

AdCare Health Systems, Inc. (ADK) engages in the development, ownership, and management of retirement communities, assisted living facilities, and skilled nursing facilities, as well as provides home health care services in the state of Ohio. It operates in two segments: Management and Facility-Based Care, and Home-Based Care.

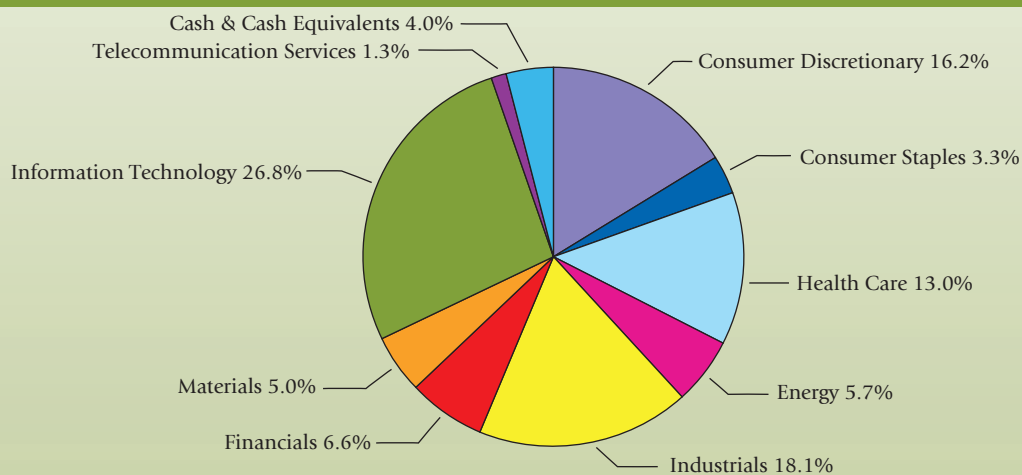
Sparton Corporation (SPA) offers electronic manufacturing services worldwide. The company provides design and electronic manufacturing services, which include a range of engineering, pre-manufacturing, and post-manufacturing services on a contract basis.

A.T. Cross Company (ATX) engages in the design and marketing of personal and business accessories. The CAD segment manufactures and markets writing instruments under the Cross brand. ATX also provides various personal and business accessories, including leather goods, reading glasses, watches, desk sets, cufflinks, and stationery.

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Please refer to the Schedule of Investments in this report for a complete list of Fund holdings.

Allocation of Portfolio Investments (Unaudited)

April 30, 2011



Perritt Emerging Opportunities Fund

Schedule of Investments

April 30, 2011 (Unaudited)

Shares	COMMON STOCKS – 98.32%	Value	Shares	Value	
Aerospace & Defense – 1.75%			Consumer Products – Manufacturing – 4.47%		
75,000	CPI Aerostructures, Inc. ^(a)	\$ 1,043,250	101,940	AT Cross Co. ^(a)	\$ 1,140,709
50,000	Kratos Defense & Security Solutions, Inc. ^(a)	683,500	294,300	China Intelligent Lighting and Electronics, Inc. ^{(a)(c)}	147,150
470,000	OSI Geospatial, Inc. ^(a)	61,100	333,947	Emerson Radio Corp. ^(a)	808,152
		<u>1,787,850</u>	55,000	Flexsteel Industries	785,950
Air Transport – 0.45%			200,000	Heelys, Inc. (Acquired 5/5/10, cost \$458,000) ^{(a)(b)}	438,000
38,500	AeroCentury Corp. ^(a)	465,080	435,000	SinoHub, Inc. ^(a)	739,500
Auto Parts & Equipment – 0.54%			203,800	Tandy Brands Accessories, Inc. ^(a)	513,576
108,000	SORL Auto Parts, Inc. ^(a)	556,200			<u>4,573,037</u>
Biotechnology – 2.28%			Consumer Services – 0.30%		
210,000	BioClinica, Inc. ^(a)	1,106,700	126,700	Noah Education Holdings Ltd. – ADR ^(a)	305,347
209,000	IsoRay, Inc. ^(a)	223,630	Electronic Equipment & Instruments – 6.12%		
110,906	Trinity Biotech PLC – ADR ^(a)	1,005,917	174,000	Allied Motion Technologies, Inc. ^(a)	1,223,220
		<u>2,336,247</u>	32,000	Espec Manufacturing & Electronics Corp.	870,400
Building Materials – 0.95%			46,900	Frequency Electronics, Inc. ^(a)	482,132
190,000	U.S. Home Systems, Inc. ^(a)	978,500	373,700	Iteris, Inc. ^(a)	515,706
Business Services – 11.47%			42,000	LGL Group, Inc. ^(a)	579,600
102,500	Datalink Corp. ^(a)	816,925	370,000	Magnetek, Inc. ^(a)	784,400
366,085	Fortune Industries, Inc. ^(a)	237,955	72,500	Schmitt Industries, Inc. ^(a)	250,125
600,000	GBS Enterprises, Inc. (Acquired 2/24/11, cost \$750,000) ^{(a)(b)}	2,700,000	237,116	Universal Power Group, Inc. ^(a)	955,578
73,381	GP Strategies Corporation ^(a)	960,557	301,000	Wells-Gardner Electronics Corp. ^(a)	598,990
250,000	Innodata Isogen, Inc. ^(a)	647,500			<u>6,260,151</u>
735,000	Newtek Business Services, Inc. ^(a)	1,065,750	Energy & Related Services – 2.36%		
170,500	Onvia, Inc. ^(a)	712,690	132,500	Acorn Energy, Inc. ^(a)	536,625
100,000	Perceptron, Inc. ^(a)	626,000	85,500	CE Franklin Ltd. ^(a)	837,045
173,330	RCM Technologies, Inc. ^(a)	979,314	65,000	Mitcham Industries, Inc. ^(a)	1,038,700
31,400	Rentrak Corporation ^(a)	720,316			<u>2,412,370</u>
206,766	SmartPros Ltd.	453,851	Energy Equipment & Services – 0.54%		
775,000	WidePoint Corp. ^(a)	829,250	150,000	Orion Energy Systems, Inc. ^(a)	550,500
1,666,667	Zolon Corp. (Acquired 1/19/11, cost \$500,000) ^{(a)(b)(d)}	666,667	Environmental Services – 1.79%		
833,333	Zolon Corp. ^{(a)(d)}	333,333	450,000	Perma-Fix Environmental Services ^(a)	625,500
		<u>11,750,108</u>	1,110,000	TurboSonic Technologies, Inc. ^{(a)(d)}	442,890
Chemical & Related Products – 1.96%			250,000	Versar, Inc. ^(a)	762,500
220,000	Flexible Solutions International, Inc. ^(a)	382,800			<u>1,830,890</u>
40,000	KMG Chemicals, Inc.	823,600	Financial Services – 7.35%		
43,000	TOR Minerals International, Inc. ^(a)	795,500	55,500	B of I Holding, Inc. ^(a)	932,400
		<u>2,001,900</u>	142,000	Bank of Commerce Holdings	616,280
Computers & Electronics – 6.93%			106,500	Hennessy Advisors, Inc.	306,188
303,500	ADDvantage Technologies Group, Inc. ^(a)	943,885	107,800	HopFed Bancorp, Inc.	965,888
95,000	Astro-Med, Inc.	740,050	203,023	MicroFinancial, Inc.	1,013,085
125,000	Concurrent Computer Corporation ^(a)	741,250	185,779	Pacific Premier Bancorp ^(a)	1,300,453
70,000	Cyberoptics Corp. ^(a)	696,500	301,100	Riverview Bancorp, Inc. ^(a)	945,454
200,000	Dot Hill Systems Corp. ^(a)	590,000	27,441	Virtus Investment Partners, Inc. ^(a)	1,449,159
335,000	LRAD Corp. ^(a)	901,150			<u>7,528,907</u>
380,000	NAPCO Security Technologies, Inc. ^(a)	836,000	Food – 3.61%		
35,000	Rimage Corp.	523,600	322,000	Armano Foods of Distinction, Inc.	286,580
148,340	Socket Mobile, Inc. ^(a)	317,448	133,000	G. Willi-Food International Ltd. ^(a)	996,170
64,800	Williams Controls, Inc.	808,056	150,000	HQ Sustainable Maritime Industries, Inc. ^{(a)(c)}	417,000
		<u>7,097,939</u>	81,228	John B. Sanfilippo & Son, Inc. ^(a)	893,508
Construction & Engineering – 1.54%			100,000	Overhill Farms, Inc. ^(a)	616,000
235,000	KSW, Inc.	855,400	149,000	Willamette Valley Vineyards, Inc. ^(a)	482,760
70,000	MFRI, Inc. ^(a)	724,500			<u>3,692,018</u>
		<u>1,579,900</u>	Health Care Providers & Services – 1.18%		
Consumer Products – Distributing – 0.24%			241,500	Adcare Health Systems, Inc. ^(a)	1,207,500
2,042,500	China 3C Group ^(a)	244,692			

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments Continued

April 30, 2011 (Unaudited)

Shares		Value	Shares		Value
Leisure – 2.21%			Software – 4.63%		
215,000	Century Casinos, Inc. ^(a)	\$ 647,150	112,500	American Software, Inc. – Class A	\$ 875,250
178,666	Full House Resorts, Inc. ^(a)	714,664	360,000	ARI Network Services, Inc. ^(a)	198,000
185,500	Reading International, Inc. ^(a)	899,675	100,000	Bsquare Corp. ^(a)	711,000
		<u>2,261,489</u>	110,000	Clicksoftware Technologies Ltd ^(a)	1,072,500
			130,000	Evolving Systems, Inc.	1,023,100
Medical Supplies & Services – 10.91%			245,000	Navarre Corp. ^(a)	470,400
213,000	Addus Homecare Corp. ^(a)	1,275,870	30,000	Versant Corp. ^(a)	<u>388,200</u>
1,032,500	AdvanSource Biomaterials Corporation ^(a)	118,737			<u>4,738,450</u>
325,000	Allied Healthcare International, Inc. ^(a)	848,250	Specialty Manufacturing – 6.95%		
109,000	Allied Healthcare Products ^(a)	473,060	21,500	Alamo Group, Inc.	615,115
578,000	American BIO Medica Corp. ^(a)	63,002	250,000	Baldwin Technology Company, Inc. – Class A ^(a)	430,000
299,404	American Caresource Holdings, Inc. ^(a)	550,903	131,046	China Solar & Clean Energy Solutions, Inc. (Acquired 3/15/05, 10/31/05 and 3/5/08, cost \$441,000) ^{(a)(b)(c)}	24,899
60,365	American Medical Alert Corporation	333,818	123,565	Core Molding Technologies, Inc. ^(a)	1,037,946
42,900	Birner Dental Management Services, Inc.	854,139	136,500	CTI Industries Corp.	708,435
138,000	Carriage Services, Inc. ^(a)	883,200	516,190	Digital Ally, Inc. ^(a)	722,666
60,000	Flamel Technologies S.A. – ADR ^(a)	387,000	33,200	Friedman Industries	351,920
515,292	HearUSA, Inc. ^(a)	164,842	85,900	Manitex International, Inc. ^(a)	507,669
799,200	Hooper Holmes, Inc. ^(a)	639,360	38,850	Nobility Homes, Inc. ^(a)	351,204
300,000	iCAD, Inc. ^(a)	366,000	60,000	Northern Technologies International Corp. ^(a)	931,200
100,000	Lakeland Industries, Inc. ^(a)	870,000	246,500	RF Monolithics, Inc. ^(a)	310,590
670,000	Ophthalmic Imaging Systems ^(a)	502,500	20,000	Universal Stainless & Alloy Products, Inc. ^(a)	725,000
533,700	PHC, Inc. ^(a)	1,291,554	166,667	Worldwide Energy & Manufacturing USA, Inc. (Acquired 1/26/10, cost \$749,997) ^{(a)(b)}	308,333
150,000	Synergetics USA, Inc. ^(a)	817,500	46,183	Worldwide Energy & Manufacturing USA, Inc. ^(a)	85,439
30,000	Transcend Services, Inc. ^(a)	723,900			<u>7,110,416</u>
		<u>11,163,635</u>	Telecommunications – 3.16%		
Minerals & Resources – 0.94%			350,000	Alvarion Ltd. ^(a)	605,500
1,100,000	Deer Horn Metals, Inc. ^(a)	186,017	174,900	CalAmp Corp. ^(a)	557,931
236,000	Vista Gold Corp. ^(a)	774,080	47,000	Globecom Systems, Inc. ^(a)	673,040
		<u>960,097</u>	325,440	Management Network Group, Inc. ^(a)	732,240
Motion Pictures – 0.46%			157,058	Micronetics, Inc. ^(a)	669,067
69,900	Ballantyne Strong, Inc. ^(a)	471,825			<u>3,237,778</u>
Oil & Gas – 3.04%			Transportation – 0.33%		
124,500	American Standard Energy Corp. (Acquired 2/2/11, Cost \$435,750) ^{(a)(b)}	927,525	60,000	Freeseas, Inc. ^(a)	156,000
18,000	American Standard Energy Corp. ^(a)	134,100	350,000	Seanergy Maritime Holdings Corp. ^(a)	189,000
300,000	Far East Energy Corp. (Acquired 12/31/04 and 10/31/05, Cost \$275,000) ^{(a)(b)}	120,000			<u>345,000</u>
149,479	Far East Energy Corp. ^(a)	59,792	Waste Management – 0.02%		
1,200,000	Gasco Energy, Inc. ^(a)	492,000	305,000	Pure Earth, Inc. ^(a)	24,400
62,000	Hallador Energy Co.	695,640	TOTAL COMMON STOCKS		
290,000	Magellan Petroleum Corp. ^(a)	687,300		(Cost \$93,738,455)	\$100,655,259
		<u>3,116,357</u>	PREFERRED STOCKS – 0.20%		
Retail – 3.50%			20,000	Pure Earth, Inc. Preferred Shares (Acquired 11/30/09, Cost \$200,000) ^{(a)(b)(c)}	\$ 200,000
340,000	1-800-Flowers.com, Inc. ^(a)	1,139,000	TOTAL PREFERRED STOCKS		
300,018	AC Moore Arts & Crafts, Inc. ^(a)	816,049		(Cost \$200,000)	\$ 200,000
104,745	Hastings Entertainment, Inc. ^(a)	525,820	Semiconductor Related Products – 6.34%		
112,275	PC Mall, Inc. ^(a)	1,096,927	45,000	Amtech Systems, Inc. ^(a)	1,029,600
		<u>3,577,796</u>	175,000	AXT, Inc. ^(a)	1,223,250
			125,000	FSI International, Inc. ^(a)	575,000
			185,000	inTEST Corp. ^(a)	734,450
			300,000	On Track Innovations Ltd. ^(a)	786,000
			295,000	Ramtron International Corp. ^(a)	944,000
			147,000	Sparton Corporation ^(a)	1,196,580
		<u>6,488,880</u>			

The accompanying notes to financial statements are an integral part of this schedule.

Perritt Emerging Opportunities Fund

Schedule of Investments Continued

April 30, 2011 (Unaudited)

Contracts	WARRANTS – 1.88%	Value	Shares	SHORT TERM INVESTMENTS – 0.00%	Value
166,667	Worldwide Energy & Manufacturing USA, Inc. Warrant (Acquired 1/26/10, Cost \$0) Expiration: 01/26/2015, Exercise Price \$5.65 ^{(b)(c)}	\$ —	964	Fidelity Institutional Money Market Fund 0.130%	\$ 964
52,500	SinoHub, Inc. Warrant (Acquired 3/21/11, Cost \$0) Expiration: 01/18/2016, Exercise Price \$0.60 ^{(b)(c)}	—		TOTAL SHORT TERM INVESTMENTS (Cost \$964)	\$ 964
35,625	American Standard Energy Corp. Warrant A (Acquired 2/24/11, Cost \$0) Expiration: 12/31/2012, Exercise Price \$5.00 ^(c)	87,281		Total Investments (Cost \$94,189,419) – 100.64%	\$103,027,348
35,625	American Standard Energy Corp. Warrant B (Acquired 2/24/11, Cost \$0) Expiration: 12/31/2012, Exercise Price \$6.50 ^(c)	33,844		Liabilities in Excess of Other Assets – (0.64)%	(659,020)
600,000	GBS Enterprises, Inc. Warrant (Acquired 2/24/11, Cost \$0) Expiration: 2/22/14, Exercise Price \$1.50 ^{(b)(c)}	1,800,000		TOTAL NET ASSETS – 100.00%	<u>\$102,368,328</u>
	TOTAL WARRANTS (Cost \$0)	\$ 1,921,125			

Percentages are stated as a percent of net assets.

^{ADR} American Depository Receipt.

^(a) Non-income producing security.

^(b) Resale of these securities is restricted under the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. See Note 6 of the Notes to Financial Statements.

^(c) The prices for these securities were derived from an estimate of fair market value using methods approved by the Fund's Board of Directors. These securities represent \$2,960,174 or 2.89% of the Fund's net assets.

^(d) Affiliated issuer. See Note 10 of the Notes to Financial Statements.

The industry classifications listed above are in accordance with Global Industry Classification Standard (GICS[®]), which was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poor Financial Services LLC ("S&P").

Principal

Amount **FIXED INCOME – 0.24%**

Real Estate Investment Trust – 0.24%

\$ 250,000	Monmouth Capital Corporation (Acquired 3/30/05, Cost \$250,000) 8.000%, 03/30/2015 ^{(b)(c)}	\$ 250,000
	TOTAL FIXED INCOME (Cost \$250,000)	\$ 250,000

The accompanying notes to financial statements are an integral part of this schedule.

Statement of Operations

For the Six Months Ended April 30, 2011 (Unaudited)

Investment Income:

Dividend income	
Unaffiliated issuers	\$ 261,639
Affiliated issuers	—
Interest income	15,280
Total investment income	<u>276,919</u>

Expenses:

Investment advisory fee	652,511
Shareholder servicing	44,323
Directors' fees and expenses	23,349
Fund accounting expenses	21,956
Administration fee	20,980
Federal & state registration fees	18,643
Legal fees	13,937
Printing and mailing expenses	12,851
Payroll expense**	9,955
Audit fees	8,326
Custodian fees	7,421
Other expense	3,683
Total expenses	<u>837,935</u>
Net investment loss	<u>(561,016)</u>

Realized and Unrealized Gain on Investments:

Realized gain on investments	
Unaffiliated issuers	5,634,270
Affiliated issuers	—
Change in unrealized appreciation on investments	<u>14,245,974</u>
Net realized and unrealized gain on investments	<u>19,880,244</u>

Net Increase in Net Assets Resulting from Operations \$19,319,228

** Chief Compliance Officer compensation

The accompanying notes to financial statements are an integral part of this statement.

Financial Highlights

For a Fund share outstanding throughout the period

	For the Six Months Ended April 30, 2011 (Unaudited)		For the Years Ended October 31,			
	2010	2009	2008	2007	2006	
Net asset value, beginning of period	\$ 11.10	\$ 8.14	\$ 6.42	\$ 16.45	\$ 14.35	\$ 11.93
Income (loss) from investment operations:						
Net investment loss ¹	(0.07)	(0.06)	(0.03)	(0.16)	(0.06)	(0.08)
Net realized and unrealized gain (loss) on investments	2.34	3.02	1.75	(8.28)	2.90	2.73
Total from investment operations	2.27	2.96	1.72	(8.44)	2.84	2.65
Less dividends and distributions:						
Distributions from net realized gains	—	—	—	(1.59)	(0.76)	(0.24)
Total dividends and distributions	—	—	—	(1.59)	(0.76)	(0.24)
Redemption fees ¹	— ⁵	— ⁵	— ⁵	— ⁵	0.02	0.01
Net asset value, end of period	<u>\$13.37</u>	<u>\$11.10</u>	<u>\$ 8.14</u>	<u>\$ 6.42</u>	<u>\$16.45</u>	<u>\$14.35</u>
Total return ²	20.45% ³	36.36%	26.79%	(56.37%)	21.13%	22.65%
Supplemental data and ratios:						
Net assets, end of period (in thousands)	\$102,368	\$96,532	\$64,002	\$40,794	\$119,323	\$72,822
Ratio of net expenses to average net assets	1.58% ⁴	1.72%	2.12%	1.87%	1.59%	1.67%
Ratio of net investment loss to average net assets	(1.06)% ⁴	(0.57%)	(0.07%)	(1.42%)	(0.41%)	(0.55%)
Portfolio turnover rate	14.9% ³	29.0%	19.6%	13.2%	34.4%	26.7%

¹ Net investment income (loss) and redemption fees per share has been calculated based on average shares outstanding during the period.

² Total return reflects reinvested dividends but does not reflect the impact of taxes.

³ Not annualized

⁴ Annualized.

⁵ Amount is less than \$0.01 per share.

The accompanying notes to financial statements are an integral part of this schedule.

Perritt Emerging Opportunities Fund

Statements of Changes in Net Assets

	<i>For the Six Months Ended April 30, 2011 (Unaudited)</i>	<i>For the Year Ended October 31, 2010</i>
Operations:		
Net investment loss	\$ (561,016)	\$ (443,082)
Net realized gain on investments	5,634,270	4,020,190
Net increase in unrealized appreciation on investments	14,245,974	20,067,182
Net increase in net assets resulting from operations	<u>19,319,228</u>	<u>23,644,290</u>
Dividends and Distributions to Shareholders:		
Net realized gains	<u>—</u>	<u>—</u>
Total dividends and distributions	<u>—</u>	<u>—</u>
Capital Share Transactions:		
Proceeds from shares issued (2,794,413 and 3,805,676 shares, respectively)	35,007,351	35,363,720
Cost of shares redeemed (3,835,312 and 2,296,329 shares, respectively)	(48,523,820)	(26,489,193)
Reinvestment of distributions (0 and 0 shares, respectively)	—	—
Redemption fees	33,188	11,713
Net increase (decrease) in net assets from capital share transactions	<u>(13,483,281)</u>	<u>8,886,240</u>
Total Increase in Net Assets	5,835,947	32,530,530
Net Assets		
<i>Beginning of the Period</i>	<u>96,532,381</u>	<u>64,001,851</u>
<i>End of the Period</i> (including undistributed net investment loss of \$561,057 and \$41, respectively)	<u>\$102,368,328</u>	<u>\$96,532,381</u>

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

Statement of Assets and Liabilities

	<i>April 30, 2011 (Unaudited)</i>
Assets:	
Investments at fair value (cost \$94,189,419)	\$103,027,348
Receivable for investments sold	2,930,356
Receivable for fund shares issued	339,016
Dividends and interest receivable	31,997
Prepaid expenses	26,992
Total Assets	<u>106,355,709</u>
Liabilities:	
Payable for fund shares purchased	2,591,879
Payable to Advisor	110,769
Loans payable	1,215,000
Payable to Directors	10,835
Payable to Chief Compliance Officer	4,964
Accrued expenses and other liabilities	53,934
Total Liabilities	<u>3,987,381</u>
Net Assets	<u>\$102,368,328</u>
Net Assets Consist of:	
Capital stock	\$ 95,319,532
Accumulated net investment loss	(561,057)
Accumulated undistributed net realized loss on investments sold	(1,228,076)
Net unrealized appreciation on investments	8,837,929
Total Net Assets	<u>\$102,368,328</u>
Capital shares issued and outstanding, \$0.00001 par value; 100,000,000 shares authorized	7,654,960
Net asset value price per share	<u>\$ 13.37</u>

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

April 30, 2011 (Unaudited)

Perritt Funds, Inc., which consists solely of the Perritt Emerging Opportunities Fund (the "Fund"), was formed under the laws of the state of Maryland, and is registered under the Investment Company Act of 1940 as an open-end diversified management investment company.

1. Summary of Significant Accounting Policies

- a. Exchange-listed securities are generally valued at the last sales price reported by the principal security exchange on which the issue 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 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. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the Fund's advisor under procedures established by and under the supervision of the Board of Directors of the Fund. The Fund's fair value procedures allow for the use of certain methods performed by the Fund's advisor to value those securities for which market quotations are not readily available, at a price that the Fund might reasonably expect to receive upon a sale of such securities. These methods may be based on a multiple of earnings, or a discount from market of a similarly freely traded security, or a yield to maturity with respect to debt issues, or a combination of these and other methods.
- b. Net realized gains and losses on securities are computed using the first-in, first-out method.
- c. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Investment and shareholder transactions are recorded on the trade date. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable, and have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and regulations.
- d. Provision has not been made for federal income tax since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies.
- e. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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.

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. Management determined there were no events that impacted the Fund's financial statements.

- f. 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 periodically make reclassifications among certain of its capital accounts as a result of the timing and characterization of certain income and realized gain distributions determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States of America. The Fund has reclassified its net investment loss for the year ended October 31, 2010 by increasing accumulated net investment income by \$443,042 and decreasing capital stock by \$443,042.
- g. As of and during the year ended October 31, 2010, 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 Statement of Operations. During the year, the Fund did not incur any interest or penalties. The Fund is not subject to examination by U.S. federal tax authorities for any tax years before 2006.

Notes to Financial Statements Continued

2. 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.
- 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 net assets as of April 30, 2011:

Description	Level 1	Level 2	Level 3	Total
Investments in Securities				
<i>Common Stocks</i>				
Consumer Discretionary	\$ 16,380,805	\$2,298,354	\$ —	\$ 18,679,159
Consumer Staples	3,275,018	417,000	—	3,692,018
Energy	3,810,477	120,000	—	3,930,477
Financial	7,222,719	306,188	—	7,528,907
Health Care	11,626,985	1,327,199	—	12,954,184
Industrials	18,525,242	599,874	—	19,125,116
Information Technology	29,658,460	1,000,000	—	30,658,460
Materials	6,008,063	—	—	6,008,063
Telecommunication Services	—	—	—	—
Total Common Stocks	96,507,769	6,068,615	—	102,576,384
<i>Preferred Stock</i>				
Industrials	—	—	200,000	200,000
Total Preferred Stock	—	—	200,000	200,000
<i>Fixed Income</i>				
Real Estate Investment Trusts	—	—	250,000	250,000
Total Fixed Income	—	—	250,000	250,000
<i>Cash and Cash Equivalents</i>	964	—	—	964
Total Investments in Securities	\$96,508,733	\$ 6,068,615	\$450,000	\$ 103,027,348

Transfers into Level 1	\$ 259,100	Transfers into Level 2	\$3,027,491
Transfers out of Level 1	(3,027,491)	Transfers out of Level 2	(259,100)
Net transfers in (out of) Level 1	\$(2,768,391)	Net transfers in (out of) Level 2	\$2,768,391

The securities transferred from Level 1 to Level 2 due to the securities not trading on the last day of the fiscal year end.

The security transferred from Level 2 to Level 1 due to an increase of observable market data from an increase in market activity.

Transfers between levels are recognized at the end of the reporting period.

Below is a reconciliation that details the activity of the securities in Level 3 since the adoption of the pronouncement on November 1, 2010 to April 30, 2011:

Beginning Balance – November 1, 2010	\$450,000
Net purchase/(sales)	—
Transfer in/(out) of level 3	—
Total realized and unrealized gains/(losses)	—
Accrued accretion/(amortization)	—
Ending Balance – April 30, 2011	<u>\$450,000</u>

Notes to Financial Statements Continued

3. Investment Advisory Agreement

The Fund has an investment advisory agreement with Perritt Capital Management, Inc. ("PCM"), with whom certain officers and directors of the Fund are affiliated. Under the terms of this agreement, the Fund pays an annual investment advisory fee equal to 1.25% of its average net assets less than or equal to \$100 million; 1.00% with respect to average net assets in excess of \$100 million and less than or equal to \$200 million; and 0.50% with respect to average net assets in excess of \$200 million. At April 30, 2011, the Fund had fees due to PCM of \$110,769. For the six months ended April 30, 2011, the Fund incurred advisory fees of \$652,511 pursuant to the investment advisory agreement.

PCM manages the Fund's investments subject to the supervision of the Fund's Board of Directors. PCM is responsible for investment decisions and supplies investment research and portfolio management. Under the investment advisory agreement, PCM, 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 its 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.

4. Investment Transactions

Purchases and sales of securities, excluding short-term investments, for the six-months ended April 30, 2011 were as follows:

Purchases		Sales	
U.S. Government	Other	U.S. Government	Other
\$—	\$14,856,676	\$—	\$24,434,456

5. Federal Income Tax Matters

As of October 31, 2010, the components of distributable earnings on a tax basis were as follows:

Cost of investments for tax purposes	\$101,875,819
Gross tax unrealized appreciation	\$ 20,174,233
Gross tax unrealized depreciation	(25,591,526)
Net tax unrealized appreciation on investment	(5,417,293)
Distributable ordinary income	—
Distributable long-term capital gains	—
Total distributable earnings	—
Other accumulated losses	(6,853,139)
Total accumulated losses	<u><u>\$(12,270,432)</u></u>

The differences between book and tax basis distributable earnings are primarily related to the deferral of losses on wash sales.

The tax composition of distributions paid during the years ended October 31, 2010 and 2009 were as follows:

	Year Ended October 31, 2010	Year Ended October 31, 2009
Ordinary Income	\$—	\$—
Long Term Capital Gain	—	—

As of October 31, 2010, the Fund had capital losses expiring as indicated below:

Date of Expiration	Amount
October 31, 2017	\$6,853,139

Notes to Financial Statements Continued

6. Restricted Securities

The Fund owns 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 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 unregistered securities. At April 30, 2011, the Fund held restricted securities with an aggregate market value of \$7,435,424 or 7.26% of the Fund's net assets.

7. Guarantees and Indemnifications

Under the Fund's organizational documents, its 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 enters 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. Line of Credit Arrangement

The Fund is party to an uncommitted line of credit agreement with U.S. Bank, N.A., expiring December 15, 2011, under which the Fund may borrow up to the lesser of \$4,500,000, 5% of the net assets of the Fund, 5% of the market value of the assets, or 33.33% of the sum of the market value of the certain assets of the Fund. Interest is charged on borrowings at the prevailing Prime Rate. The Fund has borrowed under these agreements from time to time to increase the efficiency of cash flow management. For the period from November 1, 2010 to April 30, 2011, the Fund had average borrowings of \$715,333 and the weighted average interest rate on the line of credit borrowings was 3.25%. At April 30, 2011, the Fund had outstanding borrowings of \$1,215,000.

9. Redemption Fee

The Fund charges a 2% 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 Statement of Changes in Net Assets.

10. Transactions with Affiliates

The following issuers are affiliated with the Perritt Emerging Opportunities Fund; that is, the Perritt Emerging Opportunities Fund held 5% or more of the outstanding voting securities during the period from October 31, 2010 through April 30, 2011. As defined in Section (2)(a)(3) of the 1940 Act, such issuers are:

Issuer Name	Share Balance at October 31, 2010	Additions	Reductions	Share Balance at April 30, 2011	Dividend Income	Value at April 30, 2011
TurboSonic Technologies, Inc.	578,000	532,000	—	1,110,000	—	\$ 442,890
Zolon Corp.	—	2,500,000	—	2,500,000	—	\$1,000,000

11. New Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update "Improving Disclosures about Fair Value Measurements" that requires additional disclosures regarding fair value measurements. Certain required disclosures are effective for interim and annual disclosures for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact the update will have on its financial statement disclosures.

Expense Example (Unaudited)

April 30, 2011

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees (the Fund imposes a 2.00% redemption fee on shares held 90 calendar days or less after purchase); and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (November 1, 2010 – April 30, 2011).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transaction fees (other than a 2.00% redemption fee for shares held 90 calendar days or less after purchase), you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. You will be charged a transaction fee equal to 2.00% of the net amount of the redemption if you redeem your shares within 90 days of purchase. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds.

These expenses are not included in the example below. The example below includes, but is not limited to, management fees, shareholder servicing fees, fund accounting, custody and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, interest expense and other extraordinary expenses as determined under accounting principles generally accepted in the United States of America. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 11/1/10	Ending Account Value 4/30/11	Expenses Paid During Period 11/1/10 – 4/30/11 ¹
Actual	\$1,000.00	\$1,204.50	\$8.64
Hypothetical (5% return before expenses)	1,000.00	1,016.96	7.90

¹ Expenses are equal to the Fund's annualized expense ratio of 1.58% for the six-month period, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

Directors and Officers (Unaudited)

Perritt MicroCap Opportunities Fund & Perritt Emerging Opportunities Fund

The Funds are governed by a Board of Directors that meets regularly to review investments, performance, expenses, and other business matters, and is responsible for protecting the interests of shareholders. The majority of the Funds' directors are independent of Perritt Capital Management, Inc. The inside director is an officer of Perritt Capital Management. The Board of Directors elects the Funds' officers. The business address of each director and officer is 300 South Wacker Drive, Suite 2880, Chicago, IL 60606.

Name, Address, and Age	Position(s) Held with Fund and Number of Portfolios in Fund Complex Overseen by Director	Term of Office and Length of Time Served	Principal Occupation(s) during Past 5 Years	Other Directorships Held by Director during the Past 5 Years
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Independent Directors of the Fund

Dianne C. Click Age: 48	Director Portfolios in Fund Complex Overseen: 2	Indefinite, until successor elected 15 years Perritt MicroCap Opportunities Fund 6 years Perritt Emerging Opportunities Fund	Ms. Click is a licensed Real Estate Broker in the State of Montana. She has been a partner and a principal owner of a real estate sales company, Bozeman Broker Group, since April 2004. She has been licensed in the state of Montana since 1995.	None
David S. Maglich Age: 54	Director Portfolios in Fund Complex Overseen: 2	Indefinite, until successor elected 22 years Perritt MicroCap Opportunities Fund 6 years Perritt Emerging Opportunities Fund	Mr. Maglich is a Shareholder with the law firm of Ferguson, Skipper, et. al. in Sarasota, Florida and has been employed with such firm since April 1989.	None

Inside Director of the Fund

Michael J. Corbett ⁽¹⁾ Age: 45	President Portfolios in Fund Complex Overseen: 2	One-year term as President As Director, indefinite until successor elected Director since October 5, 2010 11 years as President of Perritt MicroCap Opportunities Fund 6 years as President of Perritt Emerging Opportunities Fund	Mr. Corbett has been President of the Perritt MicroCap Opportunities Fund since November 1999 and President of the Perritt Emerging Opportunities Fund since August 2004. He has served as President of the Adviser since October 5, 2010, and previously served as Vice President of the Adviser from February 1997 until October 5, 2010. Mr. Corbett began his tenure with Perritt Capital Management in 1990 as a research analyst. He assumed portfolio management responsibilities in 1996 and now serves as portfolio manager for both funds.	None
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⁽¹⁾ Mr. Corbett is an interested person of the Funds based upon his position with the Adviser.

Directors and Officers Continued (Unaudited)

Name, Address, and Age	Position(s) Held with Fund and Number of Portfolios in Fund Complex Overseen by Director	Term of Office and Length of Time Served	Principal Occupation(s) during Past 5 Years	Other Directorships Held by Director during the Past 5 Years
Officers of the Fund other than Mr. Corbett				
Gerald W. Perritt Age: 68	Vice President	One-year term 11 years as Vice President of Perritt MicroCap Opportunities Fund 6 years as Vice President of Perritt Emerging Opportunities Fund	Dr. Perritt was a director of the Perritt MicroCap Opportunities Fund and the Perritt Emerging Opportunities Fund from their inception until October 5, 2010. He has been Vice President of the Perritt MicroCap Opportunities Fund since November 1999 and Vice President of the Perritt Emerging Opportunities Fund since August 2004. He served as President of the Adviser from its inception in 1987 until October 5, 2010.	N/A
Samuel J. Schulz Age: 69	Vice President and Treasurer	One-year term 5 years	Mr. Schulz has been the Vice President and Treasurer of the Funds since March 2006. He has served as Chief Financial Officer of the Adviser since January 2005. From January 2004 to January 2005, Mr. Schulz was a securities analyst for the Adviser.	N/A
Allison B. Hearst Age: 48	Secretary	One-year term Since 2010	Mrs. Hearst has 13 years of experience in the mutual fund industry, including a previous tenure at the Adviser beginning in 1990. Mrs. Hearst returned to the Adviser in 2007.	N/A
Lynn E. Burmeister Age: 52	Vice President and Chief Compliance Officer	One-year term Since 2010	Mrs. Burmeister has been the Chief Compliance Officer since May 1, 2010, and oversees all compliance matters for the funds and the advisor. She also coordinates the administration of the Funds and is a liaison with the firm's corporate counsel. Mrs. Burmeister has worked in the financial industry since 1980. Her previous experience includes work at Harris Associates, Gofen & Glossberg and Optimum Investments.	N/A

MicroCap Opportunities Fund Emerging Opportunities Fund

The Funds file their complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the Securities and Exchange Commission's website at <http://www.sec.gov> and may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Funds' latest Forms N-Q are also available without charge upon request by calling 1-800-331-8936.

A description of the policies and procedures that the Funds use 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 Funds 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>.



Investment Advisor

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Transfer Agent and Dividend Disbursing Agent

U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701

Distributor

Quasar Distributors, LLC
615 East Michigan Street
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.



MicroCap Opportunities Fund Emerging Opportunities Fund

Minimum Initial Investment \$1,000
IRA Minimum Initial Investment \$250
Dividend Reinvestment Plan
Systematic Withdrawal Plan
Automatic Investment Plan
Retirement Plans Including:

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

2% redemption fee imposed for shares held ninety (90) 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 and/or the Perritt Emerging Opportunities Fund.

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