



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

Investor Update

Quarterly Update
for period ending 30 June 2013

Quarter Highlights

- ASX Small Resources at lowest level since 2004
- NTA down 25% for the quarter

Key Performance Statistics

	30 June 2013	31 March 2013	31 December 2012
NTA after tax	\$2,298,367	\$3,065,195	\$3,014,634
NTA after tax per Share	\$0.4774	\$0.6366	\$0.6261
Percentage Gain/(Loss)	(25%)	1.7%	(9.7%)
Small Resources Index	(38.8)%	(16.6)%	8.1%

Portfolio Performance

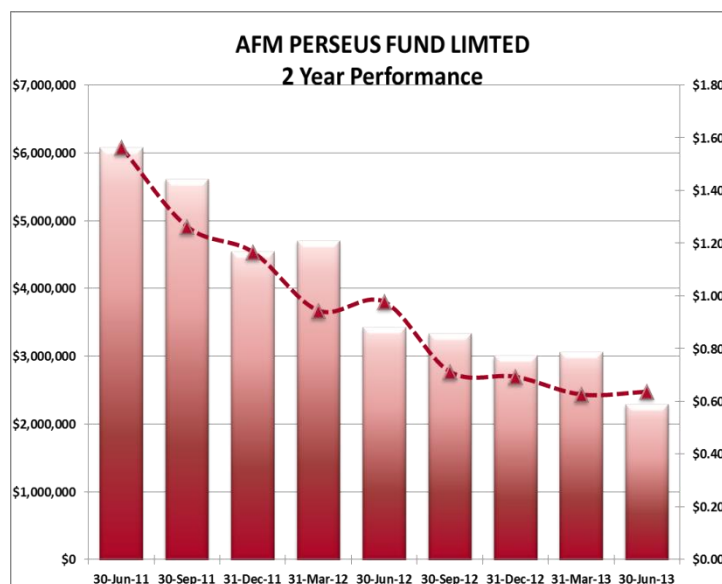
AFM Perseus Fund Limited (“the Fund”) recorded a loss for the June quarter. The period saw the All Ordinaries continue to strengthen, reaching its highest post-GFC level in May. In June, the Small Resources Index illustrated the extremely bearish nature of small resources sector by reaching its lowest level since 2004.

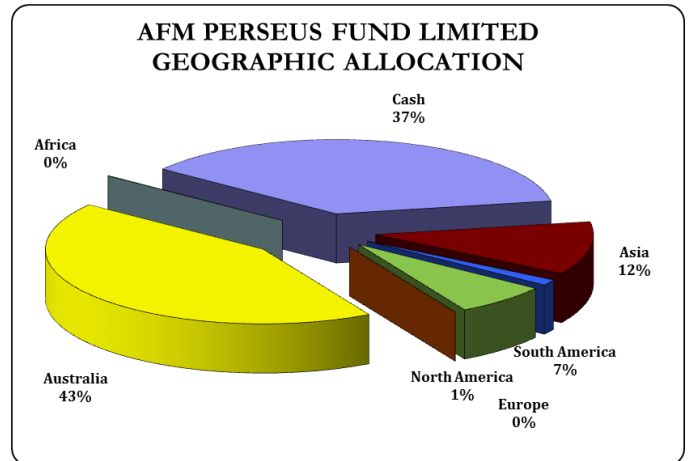
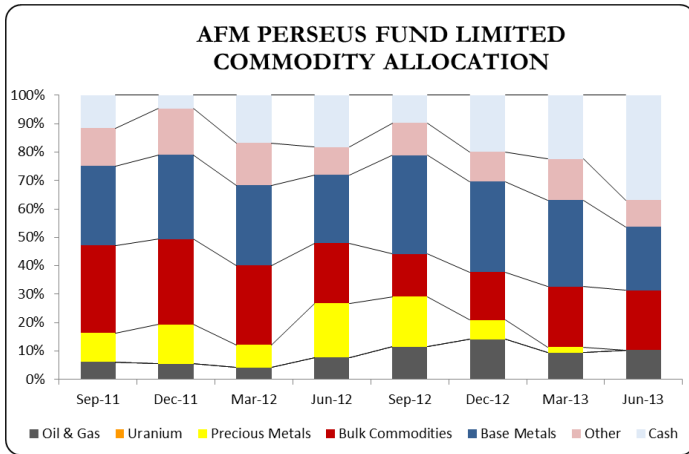
The unemployment rate in the US has been flat over the year to date, while jobs growth has remained strong. In Australia, most media attention has been on comments from the US Federal Reserve Governor regarding the intention to wind back its current quantitative easing program. The effect of this change in policy, along with continued easing bias from the Australian Reserve Bank has been a lowering of the AUD/USD exchange rate by 12.5% over the past 2 months.

Global commodity prices were generally lower during the period. Copper (-9%), Gold (-23%) and Brent Crude Oil (-8%) were slightly lower while the Iron Ore (-18%) price recovered significant ground before retracing. Locally, the official cash rate was lowered to 2.75%, with the Reserve Bank signaling concern with the overpriced Australian dollar.

The Net Tangible Asset (“NTA”) value of the portfolio increased during the quarter from \$3.06 million to \$2.3 million. The NTA value per share of the Fund decreased over the quarter by 25% to \$0.4774 per share after all allowances for fees, tax and dividends. By comparison, the ASX Small Resources Index decreased 38.8% and ASX 300 Mining & Materials Index decreased by 14.2%

respectively over the same period.





The fund has further benefitted from its decision to exit gold stocks. The ASX All Ordinaries Gold Index (ASX:XGD) was down 50% for the quarter and 66% below its recent October high. The Fund remains positive on coking coal, unconventional gas and uranium. We continue to look quality companies that we view as oversold. Cash has remained a dominant part of the portfolio and the company is poised to take advantage of the opportunities.

The geographic spread of the Fund’s portfolio remains positively weighted to Australia. With the current “risk-off” nature of global investment, the Fund is geographically comfortable at this level. South America and Asia comprise only 19%.

Commentary

As with most investors in this sector, the Fund continues to be impacted by the ferocity of the sell down in the resources industry, especially in the small and microcap sector. Capital markets continue to chase earnings certainty and dividends that the junior miners can’t deliver. Commodity prices across the board have decreased and new developments are finding the path to development more difficult to justify and finance. There are still quality, early stage opportunities for patient investors and the key is to continue to use strong due diligence processes and market knowledge. As we said last quarter, we will continue to invest in the best possible management teams and in companies that we believe will be at the forefront of the junior resources recovery.

The Fund subscribed for shares in Cradle Resources as part of their capital raise at the end of the period. Cradle Resources has the right to acquire 100% of the Panda Hill Project in Tanzania. Panda Hill is an early stage niobium development company with an inferred JORC resource of 56Mt at 0.5% Nb₂O₅. Niobium is a metal used in the production of high strength, low alloy steel products.

Investor Information

Subsequent to the Fund passing its fifth year, we have received a number of enquiries with respect to the Fund’s end date. It is the Manager’s view that these are the times when it is not prudent to sell and that opportunities can present themselves to patient investors. With our strong cash position, we stand poised to take advantage. We will endeavour to facilitate a liquidity event when circumstances allow it and it doesn’t disadvantage those shareholders who remain within the Fund.

In response to a number of shareholder enquiries, the Board reiterates that the AFM Perseus Fund is an *unlisted* fund and as such, there is no market in which to buy or sell shares in the Fund. As such, an investment in the Fund is an illiquid investment and should be considered long term in nature. Any enquiries from investors wishing to buy or sell shares in the Fund should be directed to the Manager.

NOTES

1. Please note that past performance is not necessarily a guide to future performance.
2. The financial product advice contained in this quarterly update document is general advice only. This report has been prepared without any consideration of any specific investment objectives, financial situation or needs. Before acting on any advice provided in this document, you should carefully consider the appropriateness of this general advice in light of your financial circumstances and speak with your advisor before making a decision. AFM Zeus Pty Ltd is a corporate representative of Argonaut Funds Management Pty Ltd, who is the holder of Australian Financial Services License 224815.

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