



**AFM PERSEUS**  
FUND LIMITED  
ACN 087 023 612

# Investor Update

Quarterly Update  
for period ending 30 June 2014

## Quarter Highlights

- Small Resources Sector continues to experience difficulties
- Fund performance impaired by decline in major positions

## Key Performance Statistics

	30 June 2014	31 March 2014	31 December 2013
NTA after tax	\$2,116,277	\$2,400,958	\$2,416,552
NTA after tax per Share	\$0.4395	\$0.499	\$0.5019
Percentage Gain/(Loss)	(11.9)%	(0.6)%	(2.2)%
Small Resources Index	0.88%	(2.0)%	(9.9)%

## Portfolio Performance

AFM Perseus Fund Limited (“the Fund”) experienced a decline in NTA for the quarter following significant decreases in certain of its key positions, led by Acacia Coal Limited (-55%). The fund actively deployed cash reserves during the quarter in accordance with its strategy for selectively identifying value opportunities, which assisted in offsetting the decline with realised gains of the deployment exceeding 50%.

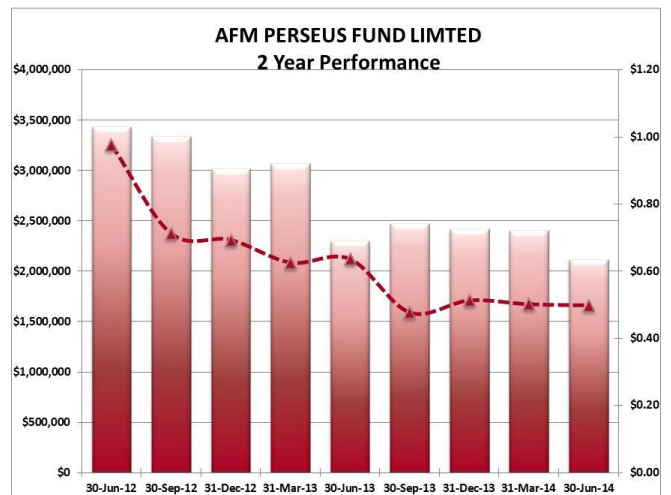
Whilst Australian stocks edged higher during the period, the Small Resources Index was broadly steady as falling iron ore and coal prices and tensions in the Middle East and Russia affected investment sentiment. Other key commodities were generally positive during the period including Brent Crude Oil (4.3%), Copper (5.6%) and Gold (2.9%). Iron Ore was down 17% following a similar decline in the previous quarter.

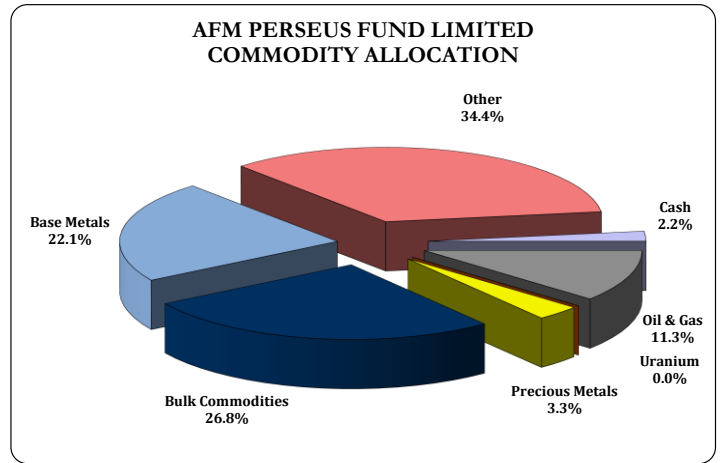
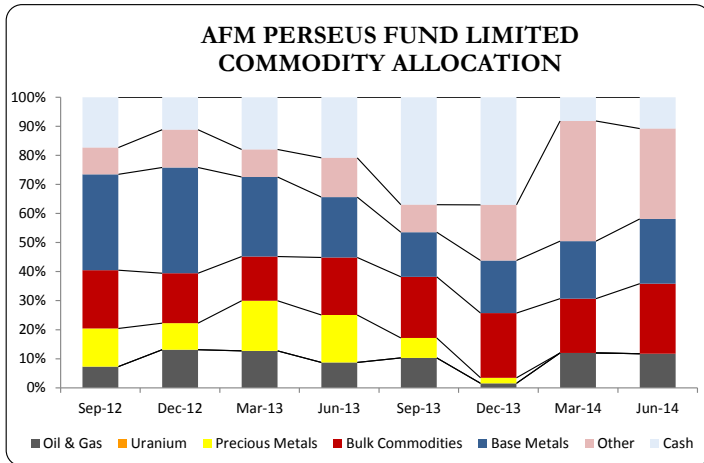
The Australian Dollar increased slightly during the period (2.0%), continuing its rise after sharp falls towards the end of 2013, but despite the continued strength, the Reserve Bank maintained the cash rate steady at a record low level of 2.5%

In May the Federal Government introduced a budget that included spending cuts, tax increases and higher charges for services, as a measure to turn a forecast budget deficit of \$29.8 billion for 2014-15 into a surplus in later years. The tough budget was related to a decline in consumer confidence and a spate of profit downgrades by consumer-related stocks.

The US economy showed continuing signs of strength even as the Federal Reserve reduced its quantitative easing programme, with consumer spending growing by 2.5% in the quarter and strong growth recorded in manufacturing and housing.

The Net Tangible Asset (“NTA”) value of the portfolio declined to \$2.1 million. The NTA value per share of the Fund was \$0.4395 per share after all allowances for fees, taxes and dividends. By comparison, the ASX Small Resources Index increased marginally by 0.9% and the ASX 300 Mining & Materials Index decreased by 5.3% over the same period.





The fund invested in Sovereign Metals Limited as part of the Company's placement to raise \$3.35m and subsequently realised that position, achieving profits in the order of 50%. The Company also realised its position in Tangiers Petroleum Limited for a profit of approximately 95%. The Fund will continue to seek opportunities to realise existing portfolio positions and re-invest in new opportunities.

At the end of the quarter, the Fund's cash position stood at \$30,972.23, reflecting the Fund's fully invested status and belief that the small resources sector is nearing or past the lower end of the cycle. The Fund's investments in the period continue to see the geographic spread of the Fund's portfolio remain concentrated in Australia, which retains the heaviest weighting of 58%. The Fund considers this to be an appropriate weighting.

## Commentary

The Fund experienced a decline in NTA during the quarter in large part due to the decline in its key position in Acacia Coal Limited. Despite this, the Fund's view with respect to the small resources sector remains unchanged and it will continue to look for selective opportunities that represent exceptional prospects for value and growth. In accordance with that view, the Fund deployed its cash to enable it to maintain an active investment outlook and the Fund has realised profits in doing so during the quarter.

One of the significant new investments for the Fund during the quarter is Cradle Resources Limited. Cradle Resources is a Perth based Tanzanian Niobium developer. Its flagship Panda Hill niobium project is a high-grade open pit resource. Panda Hill was acquired by Cradle Resources in 2012 and is one of the highest grade Niobium deposits in the world, which potentially allows a low cost start up from a simple open pit operation, self-funding to a larger scale. Niobium is a steel feedstock with a US\$2.2bn market annually. The market has a sale benchmark of 66% FeNB into a liquid off-take market with both the price and world production controlled by Brazilian producers CBMM and Anglo, which hold over 87% of global supply.

## Investor Information

The Fund continues to receive a number of enquiries with respect to the Fund's end date. The Manager's view remains, particularly with regard to the near 10 year lows being experienced in the sector, that it would not be in shareholders' interests to realise the Fund's positions across the portfolio. Further, the Manager is of the view that patient investors will be rewarded in an expected market upturn. By focusing on select investment opportunities, the Fund will be well placed to take advantage of that occurrence. We will endeavor to facilitate a liquidity event when circumstances allow provided it does not disadvantage shareholders who remain within the Fund.

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. 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

- Please note that past performance is not necessarily a guide to future performance.
- 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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