



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

Investor Update

Quarterly Update
for period ending 30 September 2012

Quarter Highlights

- Europe and US expand stimulus programs encouraging the “risk on” trade
- NTA down 2.1% for the quarter in line with ASX Small Resources Index

Key Performance Statistics

	31 March 2012	30 June 2012	30 September 2012
NTA after tax	\$4,707,997 ⁽¹⁾	\$3,432,076 ⁽¹⁾	\$3,339,853 ⁽¹⁾
NTA after tax per Share	\$0.9778	\$0.7128	\$0.6937
Percentage Gain/(Loss)	3.5% ⁽²⁾	(27.1%) ⁽²⁾	(2.7%) ⁽²⁾
Small Resources Index	8.7%	(27.0%)	(4.3%)

(1) NTA data is after \$0.09 cash dividend payment made in Oct 2011

(2) Adjusted for dividend payment

Portfolio Performance

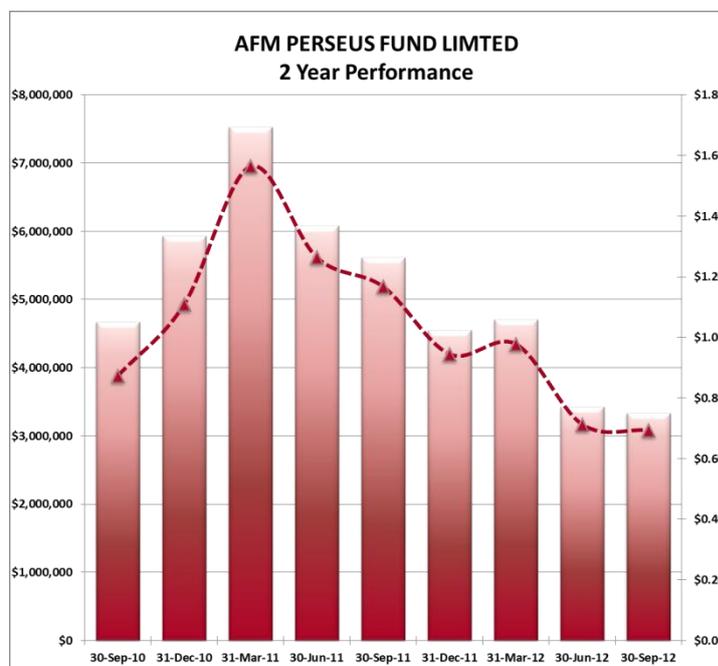
AFM Perseus Fund Limited (“the Fund”) recorded a small decline in investment performance for the September quarter. More stable international markets, a rising All Ordinaries index and some exciting exploration results lifted market sentiment for smaller resource stocks in the latter part of the quarter.

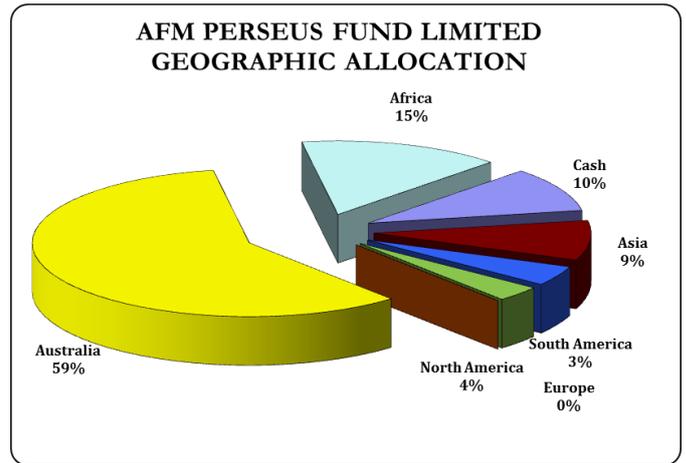
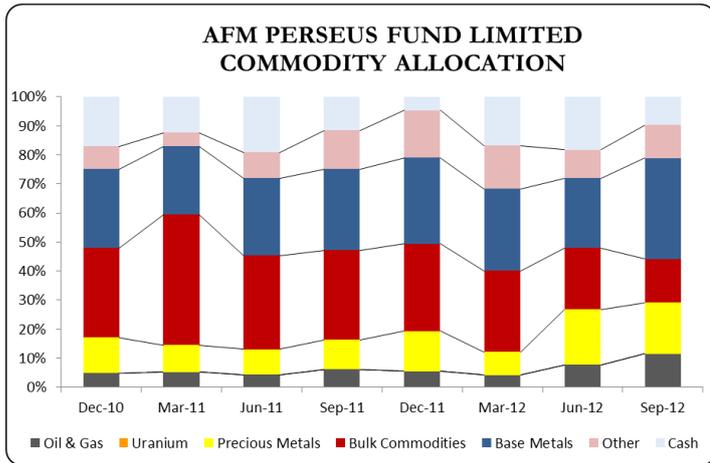
The US Federal Reserve announced the latest stage of quantitative easing (QE3) during September. Both Spain and Greece continue to work through the austerity demands of the broader European Union and their competing interests at home.

Global commodity prices were generally lower during the period. Whilst Copper (+7%) and Gold (+11%) were relatively robust, Iron Ore (-22%) was significantly lower. The Brent Crude Oil (+17%) price was also stronger. Locally, the official cash rate was steady at 3.50%, as the Reserve Bank preferred not to take action.

The Net Tangible Asset (“NTA”) value of the portfolio decreased during the quarter from \$3.43 million to \$3.34 million.

The NTA value per share of the Fund decreased over the quarter by 2.7% to \$0.6937 per share after all allowances for fees, tax and dividends. By comparison, the ASX Small Resources Index decreased 4.3% and ASX 300 Mining & Materials Index increased by 5% respectively over the same period.





Dramatic falls in both iron ore and coal affected the weighting of the Fund's commodity allocation away from bulk commodities. Looking forward, unwinding of bearishness in gold equities and the strong fundamentals of copper in particular will continue to encourage a focus on precious and base metals. The Fund will endeavour to diversify its portfolio as and when opportunities arise.

The geographic spread of the Fund's investee portfolio remains positively weighted to Australia, with 59% of the Fund's investee companies owning Australian projects.

Africa and Asia comprise a further 15%, with cash representing 10% of the portfolio value at the end of the quarter.

Commentary

Despite bearish media commentary of world economic issues, we see tentative signs of confidence returning in the ASX and junior resource companies in particular. Turnover on the ASX during the previous June quarter was some of the lowest seen in recent years but trading has noticeably increased. During the quarter we've seen encouraging moves by the central banks of the US and Eurozone to stabilise their economies and the ASX has seen some very encouraging exploration results that have driven up their company share prices by significant multiples. The Australian Reserve Bank has embraced an expansionary stance in recent months and markets are pricing in more interest rate cuts in the next 12 months and this should put downward pressure on the Australian dollar. Risk is on for the right stories.

The Fund has invested in Sino Gas and Energy (ASX:SEH). SEH is the only Coal Bed Methane (CBM) play listed on ASX with a pure focus on developing unconventional gas assets in China's highly prospective Ordos Basin. The Ordos Basin produces 30% of the country's gas requirements and SHE's landholding is extensive. We anticipate strong growth from this investment.

Prior to the end of the period, the Directors performed a full review of the portfolio and undertook to sell a number of equity investment stakes in order to reinvest the funds in companies better placed to ride the market recovery that we anticipate will come in the December quarter. We will report on the progress in the next quarterly report.

Investor Information

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

- 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.

For further information on
AFM Perseus Fund Limited
please contact
Eddie Rigg
or
Adam Santa Maria

Managed by

ARGONAUT
The Natural Choice in Resources
AFSL: 224815