



AFM PERSEUS
FUND LIMITED
ACN 087 023 612

Investor Update

Quarterly Update
for period ending 30 September 2014

Quarter Highlights

- Global commodity prices suffer leading to falls in Small Resources Index
- Fund outperforms Small Resources Index while performance still affected by major positions

Key Performance Statistics

	30 September 2014	30 June 2014	31 March 2014
NTA after tax	\$2,018,319	\$2,116,277	\$2,400,958
NTA after tax per Share	\$0.4192	\$0.4395	\$0.499
Percentage Gain/(Loss)	(4.2)%	(11.9)%	(0.6)%
Small Resources Index	(9.2)%	0.88%	(2.0)%

Portfolio Performance

AFM Perseus Fund Limited (“the Fund”) experienced a decline in NTA for the quarter following significant volatility in the markets and a large decline in the ASX Small Resources Index. The S&P ASX Small Resources Index fell by 9.2% while the Fund’s NTA declined by 4.2%, outperforming the index by 5.0%.

The broader market was also significantly down, with the S&P ASX 200 Index down 5% in September alone and the Australian dollar falling 6%, seeing one of the worst months on the ASX in US dollar terms in nearly 20 years.

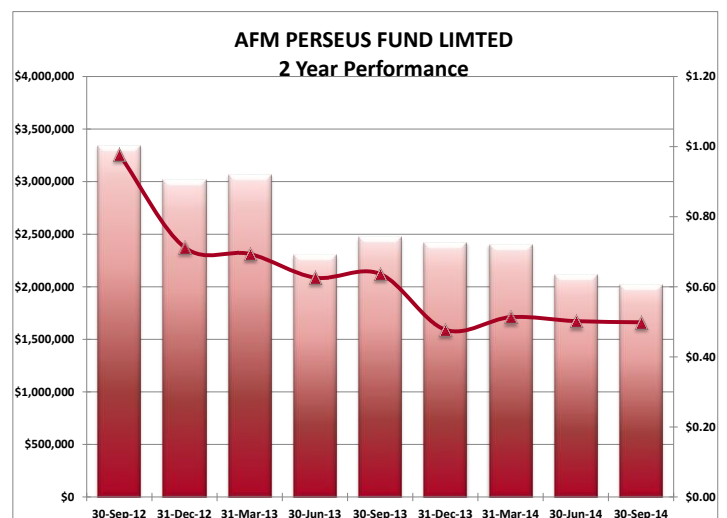
The US Federal Reserve continued to taper its bond purchases during the 2014 September quarter, amid greater-than-anticipated improvement in the US labour market. General concerns about the effect of the winding back of Quantitative Easing also affected sentiment.

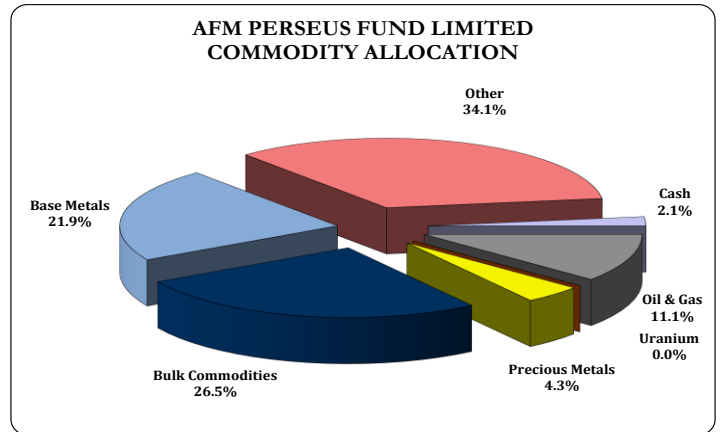
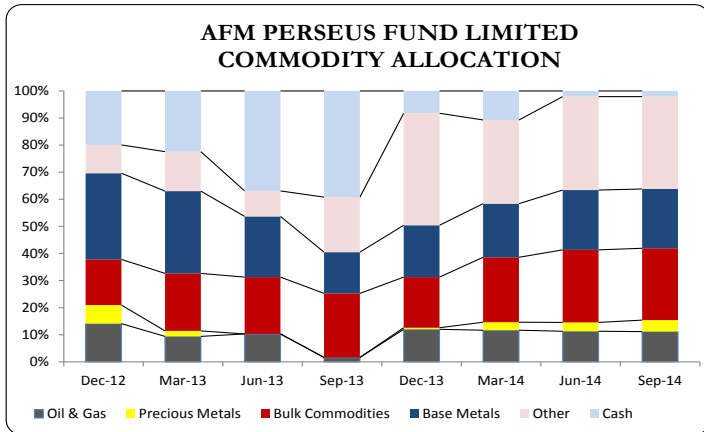
Commodities also continued to suffer with the iron ore price in particular continuing its significant decline to US\$82.38 (-11.2%) by the end of the quarter, following two previous quarterly falls of approximately -17% each. Other key commodities were also negative including Brent Crude Oil (-15.7%), Copper (-4.71%) and Gold (-8.35%).

The Australian Dollar decreased in USD terms to \$0.873, a fall of 7.4% and the Reserve Bank maintained the cash rate steady at a record low level of 2.5%, despite the headline price of Australian consumer goods and services being slightly above forecasts in the

September quarter. Inflation remained at the lower end of the Reserve Bank of Australia’s target band of 2 to 3 per cent, with an annualized rate of 2.3% being reported.

The Net Tangible Asset (“NTA”) value of the portfolio declined to \$2.02 million. The NTA value per share of the Fund was \$0.4192 per share after all allowances for fees, taxes and dividends.





The fund realised part of its investment in Gold Road Resources at an average price of \$0.37, having purchased the shares at \$0.17 - representing a 211% profit. The Fund also finalised its disposal of its stake in Sovereign Metals Limited, also realising significant gains and 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 \$61,839.72, 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% and considers this to be an appropriate weighting.

Commentary

Notwithstanding the considerable declines in commodity prices in USD terms, the significant fall in the Australian Dollar means that the impact of declining commodity prices was offset for a number of Fund investees. In fact, Australian Dollar gold and copper prices remained steady or actually increased during the quarter.

Concerns continue over the global economic recovery, with the rapid rate of credit expansion experienced by China in recent years and the government's continuing effort to address structural issues in the Chinese housing market adding to potential Chinese economic difficulties. However, a strengthening US economy and the normalization of global interest rates are positive signs for growth with US jobs, manufacturing and housing underpinning a wider US economic recovery.

The Fund experienced a decline in NTA during the quarter in large part due to the performance of its key legacy holdings. Despite this, the Fund outperformed its benchmark index. 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 maintains an active investment outlook and the Fund has realised significant profits in doing so during the quarter.

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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