



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

Investor Update

Quarterly Update
for period ending 30 September 2015

Quarter Highlights

- Fund outperformed Small Resources Index by 21.4% which fell significantly during the Quarter
- Cradle Resources investment increased in value by 30% during the Quarter

Key Performance Statistics

	30 September 2015	30 June 2015	31 March 2015
NTA after tax	\$1,874,830	\$1,955,235	\$1,932,125
NTA after tax per Share	\$0.3894	\$0.4061	\$0.4013
Percentage Gain/(Loss)	(4.1%)	1.2%	4.4%
Small Resources Index	(25.5%)	(0.3%)	6.0%

Portfolio Performance

AFM Perseus Fund Limited ("the Fund") experienced a 4.1% decline in NTA for the quarter, yet outperforming the S&P ASX Small Resources Index by 21.4%, which decreased by 25.5%. The Fund's 2015 Financial Year Annual Report was released 30 September 2015 as is available on the [Argonaut website](#).

The S&P/ASX 300 Index fell 6.5% in the quarter driven by market concerns over the falling Chinese economy, the US Federal Reserve's interest rate increase being put on hold and commodity company debt levels eroding investor confidence.

The decline in the Australian share market in the Quarter has the potential to create situations where companies trade well below their intrinsic value. We continue to monitor the market for opportunities. Strength in industrials offset weaknesses in the banking and mining sectors. Global equity markets started the recovery process as the Greek debt crisis stabilised around the middle of the Quarter.

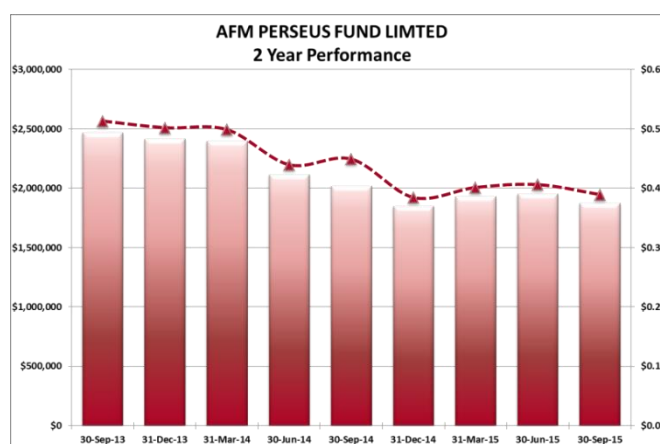
The copper price improved and gold continued to be subdued during the quarter. The Brent crude oil price had a minor decrease during the period.

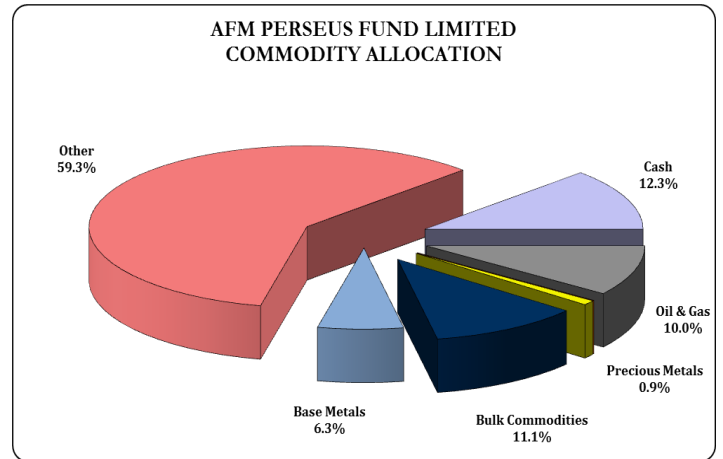
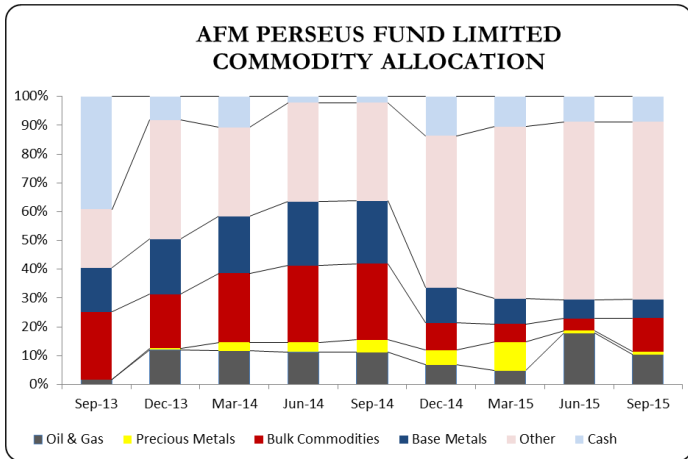
The Net Tangible Asset ("NTA") value of the portfolio decreased to \$1.874 million. The NTA value per share of the Fund at the end of the Quarter was \$0.3894 per share after all allowances for fees and taxes.

The top performing investment in the Fund's portfolio was the Cradle Resources investment which increased in value by 30% during the Quarter.

The fund exited from its investment in Transerv Energy Limited following the company's capital reduction and release of its drilling update to take advantage of the increase in share price.

The fund participated in the Metro Mining Limited placement in July but commenced a sell-down of the holding during the Quarter to avoid losses following the Company's unexpected decision to require a full blown Environmental Impact Statement.





At the end of the quarter, the Fund’s cash position stood at \$133,892 representing an increase in cash from the previous quarter. The Fund’s investments in the period continue to see the geographic spread of the Fund’s portfolio having its largest

concentration in Australia, which retains the heaviest weighting of 52% and the Fund considers this to be appropriate. The Fund held securities in 10 companies at Quarter end, with a market value of approximately \$950,000.

Commentary

The RBA official cash rate was maintained at 2% in the Quarter and the Australian economy is expected to remain subdued in the short term. Economic recovery of the Eurozone continued with consumer spending improving.

The Fund experienced a decrease in NTA during the quarter. 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 taken steps to realise smaller liquid positions in order to make prudent investments going forward.

Subsequent to Quarter end Mr Michael Price was appointed a Director and Ms Kyllie Whitehead was appointed Company Secretary of the Fund. Mr Adam Santa Maria retired as a Director and Company Secretary of the Fund.

Investor Information

The Manager continues to hold its belief that the downturn in commodity prices is at or near its historical lows and as such 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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