



AFM PERSEUS
FUND LIMITED
ACN 087 023 612

Investor Update

Quarterly Update
for period ending 31 December 2012

Quarter Highlights

- US election and fiscal cliff behind us
- NTA down 12.2% for the quarter

Key Performance Statistics

	30 June 2012	30 September 2012	31 December 2012
NTA after tax	\$3,432,076 ⁽¹⁾	\$3,339,853 ⁽¹⁾	\$3,014,634 ⁽¹⁾
NTA after tax per Share	\$0.7128	\$0.6937	\$0.6261
Percentage Gain/(Loss)	(27.1%) ⁽²⁾	(2.7%) ⁽²⁾	(12.2%) ⁽²⁾
Small Resources Index	(27.0%)	(4.3%)	3.5%

(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 decline in investment performance for the December quarter. More stable international markets, a strengthening All Ordinaries index and softening European concerns lifted market sentiment for smaller resource stocks in the latter part of the quarter.

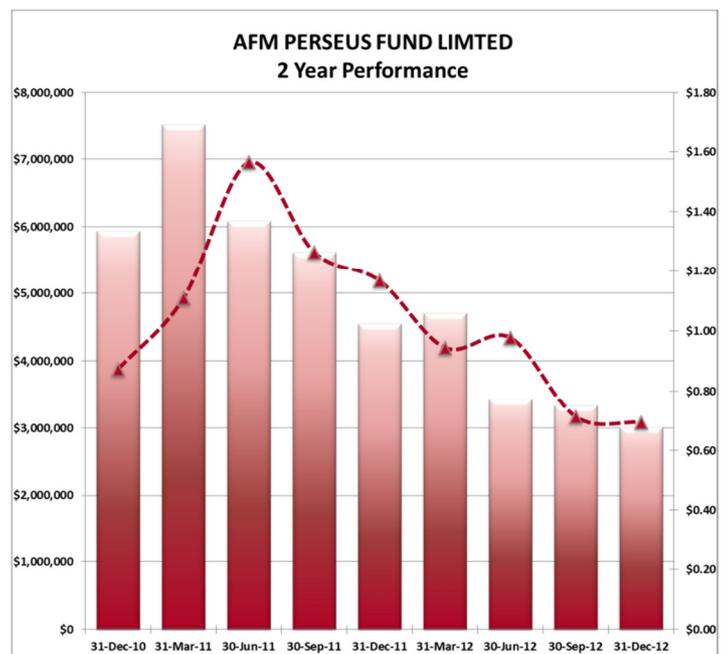
The US was the dominant driver of market sentiment for the period. During October, the question of Romney vs Obama was the major market driver until Obama’s November win. This was followed immediately by acceleration in concerns over the looming fiscal cliff which was thankfully resolved in early January.

Global commodity prices were generally lower during the period. Copper (-2%), Gold (-5%) and Brent Crude Oil (-1%) were slightly lower while the Iron Ore (+29%) price recovered significant ground. Locally, the official cash rate was cut twice to 3.0%, as a lower inflation outlook and worsening local business conditions allowed the Reserve Bank to loosen policy.

The Net Tangible Asset (“NTA”) value of the portfolio decreased during the quarter from \$3.34 million to \$3.01 million.

The NTA value per share of the Fund decreased over the quarter by 12.2% to \$0.6261 per share after all allowances for fees, tax and dividends. By comparison, the ASX Small Resources Index increased 3.5% and ASX 300 Mining & Materials Index increased

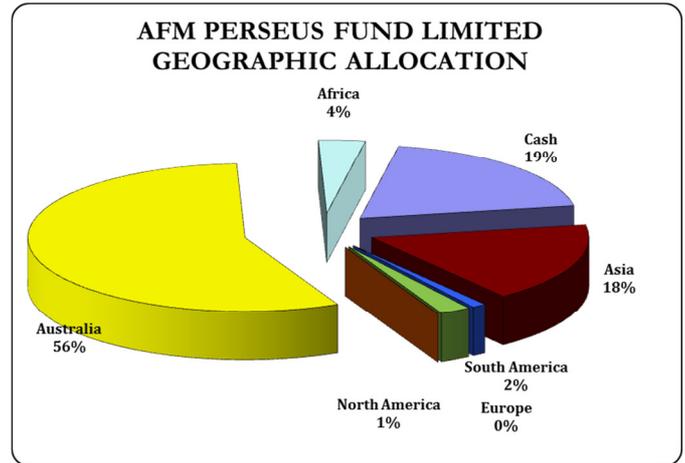
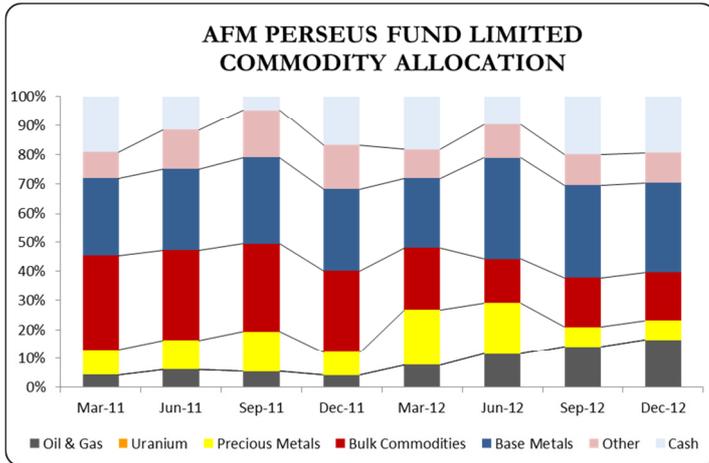
by 6% respectively over the same period.



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The diversity of commodity exposure remained relative steady this quarter. 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 56% of the Fund's investee companies owning Australian projects.

Africa and Asia comprise a further 22%, with cash representing 19% of the portfolio value at the end of the quarter.

Commentary

As forecast in our previous quarterly report, this quarter we saw signs of confidence returning in the ASX and junior resource companies in particular. While trading conditions for resource companies on the ASX have improved significantly since mid-2012, the market for junior explorers and developers remains challenging.

While the reelection of Obama and avoidance of a US fiscal cliff disaster were generally positive outcomes for markets, budgetary concerns in most OECD nations remain acute. Despite a more desirable debt to GDP ratio, Australia is not immune to budgetary concerns with continued political rhetoric destabilising consumer and investor sentiment. As 2013 begins, this year we expect global governments to continue with more of the same muddle-through style of economic management. Nevertheless, we remain commodity bulls for the same simple reason as ever - Asian industrialisation and demographic change is not going away. In the context of an unsteady global economy, capable management is more important than ever and the Fund will continue to place added weight on companies with quality boards and executive teams.

Fund rationalised its portfolio during the period and at present hold 19% of its net asset value in cash. The first company the Fund has invested in since the rationalisation was Redstone Resources (ASX:RDS). RDS is a junior copper explorer in the Musgrave district of Western Australia. To date, RDS have demonstrated widespread copper mineralisation at surface and at depth and 2013 will be a pivotal year for the delineation of a resource target which we anticipate will be substantial.

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

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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