



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

Investor Update

Quarterly Update
for period ending 31 December 2013

Quarter Highlights

- Small cap resource equities tracked weaker commodity prices, falling AUD provided a buffer
- NTA 2.2% lower for the quarter

Key Performance Statistics

	31 December 2013	30 September 2013	30 June 2013
NTA after tax	\$2,416,552	\$2,470,986	\$2,298,367
NTA after tax per Share	\$0.5019	\$0.5132	\$0.4774
Percentage Gain/(Loss)	(2.2)%	7.5%	(25%)
Small Resources Index	(9.9)%	22.1%	(38.8)%

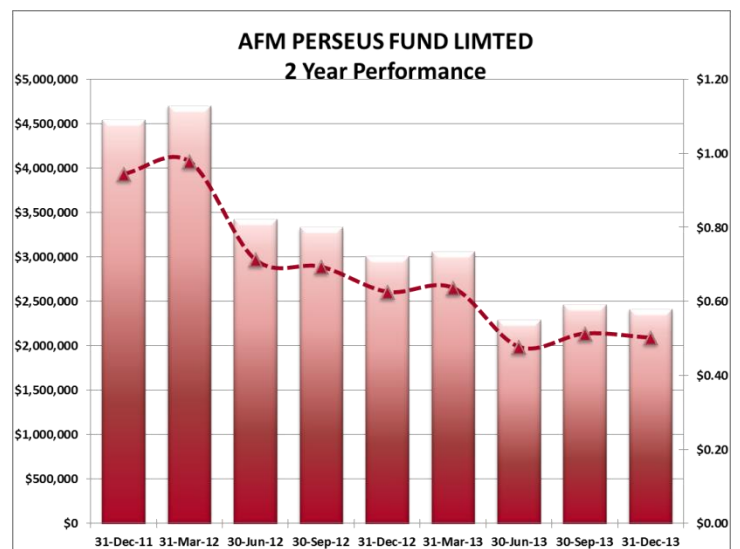
Portfolio Performance

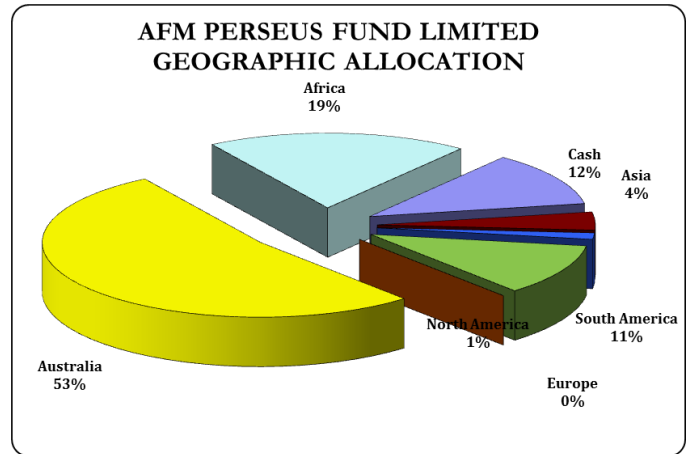
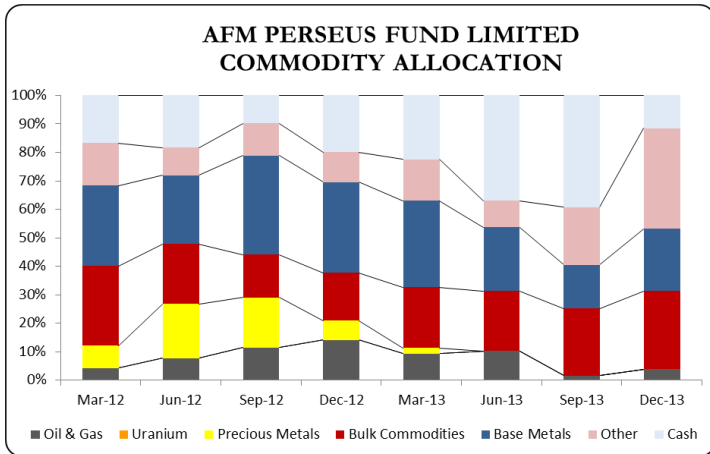
AFM Perseus Fund Limited ("the Fund") recorded a small loss for the December quarter. Australian equities were broadly stronger and the performance of resource stocks was skewed towards larger market capitalisation companies which bucked the junior tend. This is a key leading indicator of improving resource sentiment for 2014.

Commodity prices were generally flat during the period with the exception of gold which is continuing to be affected by the strengthening US economy and continued strengthening of the US dollar. Copper (+2%), Gold (-9%), Iron Ore (+1%) and Brent Crude Oil (+2%) were all higher with price volatility lower across the board.

Like gold, the Australian Dollar has decreased in value during the period (-5%). Rumours, and the eventual introduction, of the tapering of the quantitative easing program in the US has helped to achieve the goals the Australian Reserve Bank to lower the exchange rate.

The Net Tangible Asset ("NTA") value of the portfolio decreased during the quarter to \$2.4 million. The NTA value per share of the Fund was lower by 2.2% to \$0.5019 per share after all allowances for fees, tax and dividends. By comparison, the ASX Small Resources Index decreased 9.9% and ASX 300 Mining & Materials Index increased by 1.4% over the same period.





Following the divestment of Sino Gas & Energy (ASX:SEH) in the September quarter, the fund increased its portfolio into four new companies; MZI Resources (ASX:MZI), Kinetiko Energy (ASX:KKO), Cradle Resources (ASX:CXX) and Tangiers Petroleum (ASX:TPT). The cash position stood at \$170,000 at 31st December 2013.

The new investments widened the geographic spread of the Fund's portfolio, however Australia retains the heaviest weighting of 53% which we remain comfortable with. The introduction of MZI Resources further diversified the Fund's commodity exposure to mineral sands, which we maintain a very positive outlook on into the New Year.

Commentary

This was an active period of opportunistic investment into quality under-valued developers of minerals, oil and gas companies. The fund reallocated profits from the divestment of Sino Gas & Energy (130% total profit) and existing cash into these new investments.

MZI Resources is a mineral sands developer with its Keysbrook asset located 70km from Perth. A project financing syndicate is near complete, led by Resource Capital Funds and NedBank with production targeted within 18 months. The operation is technically simple and is forecast to generate strong cash margins, therefore we see significant upside in this stock.

Kinetiko Energy is an oil and gas exploration company focused on sub-saharan Africa. We find the stock attractive as it provides exposure to South Africa's growing demand for gas, with a large exploration footprint highly prospective for Coal Bed Methane and shallow gas, ideally located close to existing infrastructure and offtake customers.

Tangiers Petroleum announced a friendly off-market takeover offer for Jacka Resources (JKA) in December 2013. This will create a premier small to mid-cap African focused upstream oil and gas company with a pro forma market cap of \$80m and portfolio of prospective exploration, appraisal and development assets across Africa including two high impact wells planned for 2014.

Investor Information

Subsequent to the Fund passing its fifth year, we have received a number of enquiries with respect to the Fund's end date. It is the Manager's view that these are the times when it is not prudent to sell and that opportunities can present themselves to patient investors. With our rejuvenated portfolio, we stand poised to take advantage. We will endeavor to facilitate a liquidity event when circumstances allow provided it does not disadvantage those shareholders who remain within the Fund.

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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