



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

Investor Update

Quarterly Update
for period ending 31 March 2013

Quarter Highlights

- ASX Small Resources and ASX 300 Mining & Materials Indices at lowest levels since GFC
- NTA up 1.7% for the quarter

Key Performance Statistics

	30 September 2012	31 December 2012	31 March 2013
NTA after tax	\$3,339,853 ⁽¹⁾	\$3,014,634 ⁽¹⁾	\$3,065,195 ⁽¹⁾
NTA after tax per Share	\$0.6937	\$0.6261	\$0.6366
Percentage Gain/(Loss)	(2.7%) ⁽²⁾	(9.7%) ⁽²⁾	1.7% ⁽²⁾
Small Resources Index	(4.3%)	8.1%	(16.6)%

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

(2) Adjusted for dividend payment

Portfolio Performance

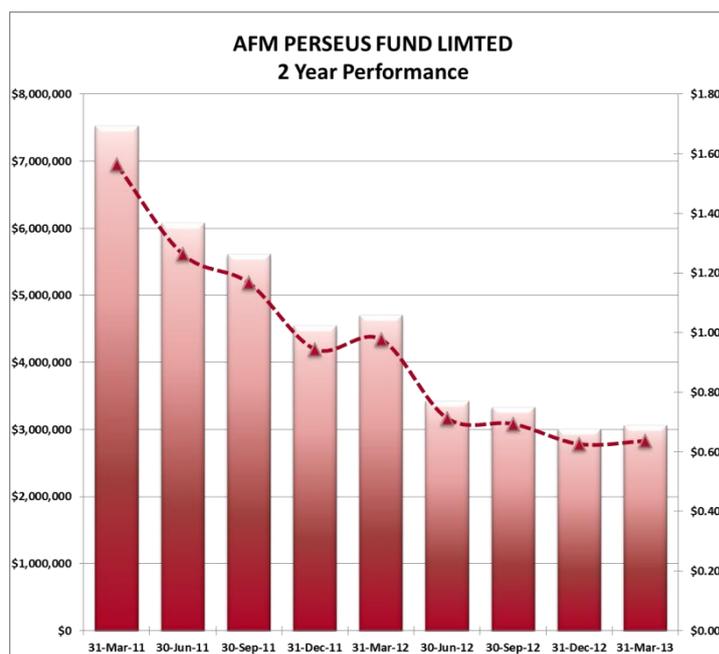
AFM Perseus Fund Limited (“the Fund”) recorded a gain in investment performance for the March quarter. The period saw the All Ordinaries continue to strengthen, reaching the psychological 5000 point level for the first time since April 2011.

While the unemployment rate in the US remains high, stronger employment growth has been evident in recent months. US inventories fell to a level which lowered the GDP by an annualised 1.55%. Housing inventories are at their lowest level in seven years. China is slowly strengthening and Europe appears to be stabilising. These factors support the case for stronger world growth, however significant short term risk to the equities generally has arisen due to the worsening conditions in Cyprus and North Korea.

Global commodity prices were generally lower during the period. Copper (-8%), Gold (-5%) and Brent Crude Oil (-1%) were slightly lower while the Iron Ore (+7%) price recovered significant ground before retracing. Locally, the official cash rate remained at 3.0%, with the Reserve Bank citing stabilising global markets and local growth close to trend. A stable inflation outlook leaves room to loosen policy further in the future if necessary.

The Net Tangible Asset (“NTA”) value of the portfolio increased during the quarter from \$3.01 million to \$3.06 million. The NTA value per share of the Fund increased over the quarter by 1.7% to \$0.6366 per share after all allowances for fees, tax and dividends.

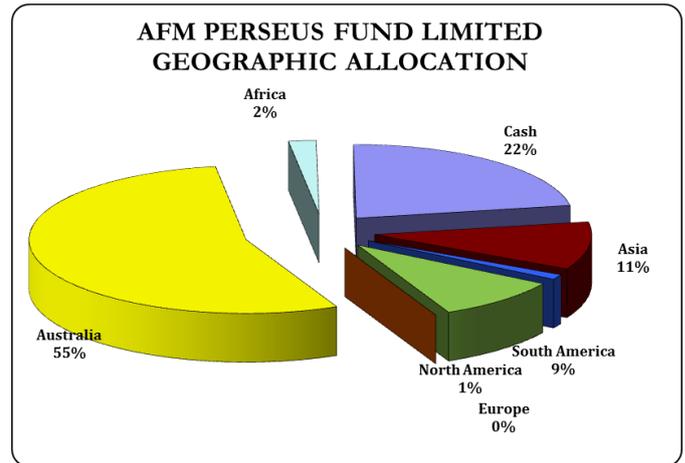
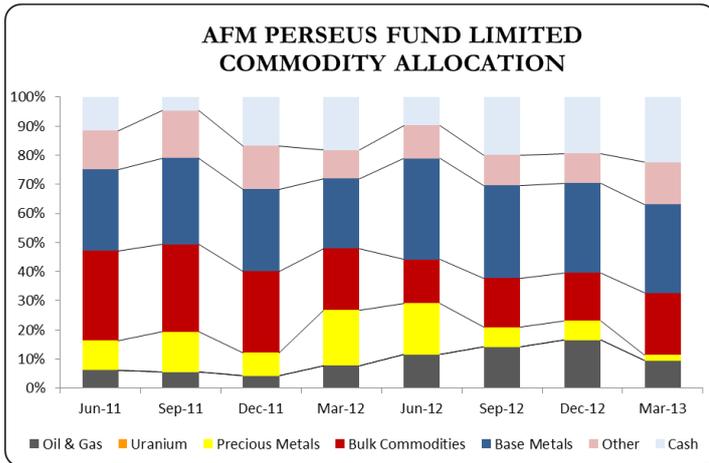
By comparison, the ASX Small Resources Index decreased 16.6% and ASX 300 Mining & Materials Index decreased by 12.1% respectively over the same period.



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The fund has been fortunate to have reduced its exposure to gold equities recently. Gold stocks have been broadly sold down. To illustrate this, the ASX All Ordinaries Gold Index (ASX:XGD) was down 14.5% for the quarter and 30% below its recent October high. At present the Fund is increasingly bullish on coking coal, unconventional gas and uranium.

The geographic spread of the Fund's portfolio remains positively weighted to Australia, with 56% of the Fund's investee companies owning Australian projects. With the current "risk-off" nature of global investment, the Fund is geographically comfortable at this level. South America and Asia comprise a further 20%, with cash representing 22% of the portfolio value at the end of the quarter.

Commentary

The performances of the ASX Small Resources Index and the larger ASX 300 Mining & Materials Index illustrate the difficult realities that the junior resources sector is facing. It is disappointing that while during quarter, most of the major ASX indices reached post-GFC highs, we're seeing both of the Fund's key benchmark indices approach the lows of late 2008. Capital markets are chasing earnings certainty and dividends that the junior miners can't deliver at present. At some point, investors will begin to look for equity returns from our sector and we will be well placed to profit from this. In the meantime, we continue to invest in the best possible management teams and in companies that we believe will be at the forefront of the junior resources recovery.

The Fund continued to rationalise its portfolio during the period and at present holds 22% of its net asset value in cash. The Fund exited the underperforming stocks of Resource and Investment NL and Mod Resources. Additionally, after holding Sino Gas & Energy for six months, half of the Fund's stake was divested for a 100% profit. During the quarter, an opportunistic investment in South American Ferrous Metals (ASX:SFZ) was made at a 23% discount to market.

At the start of the quarter, over 37% of the Fund was exposed to Venturix (ASX:VXR) and Acacia Coal (ASX:AJC) and until recently the Fund has had restrictions on its ability to sell. This was discussed in more detail in the 2012 Annual Report. Steps are being taken to rectify this situation. In the meantime the Fund is overly exposed to movements on these two equities. During the March quarter VXR was flat (-61% for CY2012) and AJC was down 18% (-66% for CY2012).

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.

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