

AFM Perseus Fund



Monthly Performance Report – February 2021

ASSET CLASS | RESOURCES SELECT

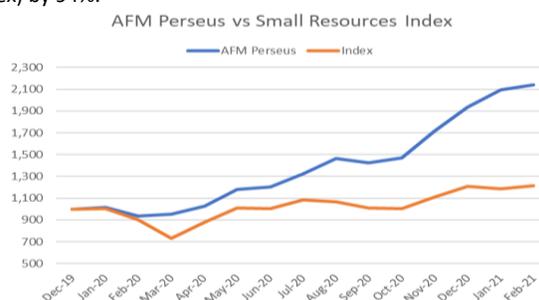
Argonaut Funds Management (“AFM”) was established in January 2020 as a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates independently from the broader Argonaut Group with strong governance and compliance structures in place.

AFM Perseus Fund is a specialist high conviction investor in the small resources sector – those resources and mining services companies outside the S&P ASX 100 Index. The Fund “restarted” under a revised investment mandate on 1 January 2020. A Prospectus Offer is now available to existing and prospect investors. Please refer to the website for additional information.

Fund Performance

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
AFM Perseus	2020	1.4%	-7.5%	1.7%	7.5%	15.3%	2.0%	9.6%	10.9%	-2.6%	3.1%	16.9%	12.7%	93.8%	93.8%
	2021	8.2%	2.2%	-	-	-	-	-	-	-	-	-	-	10.5%	114.2%
S&P ASX Small Resources	2020	0.3%	-9.9%	-18.8%	20.1%	14.2%	-0.1%	7.6%	-1.8%	-5.3%	-0.3%	10.9%	8.7%	21.2%	21.2%
	2021	-1.9%	2.2%	-	-	-	-	-	-	-	-	-	-	0.2%	21.4%
Outperformance	2020	1.1%	2.4%	20.4%	-12.6%	1.0%	2.1%	2.0%	12.7%	2.7%	3.4%	6.0%	3.9%	72.6%	72.6%
	2021	10.1%	0.0%	-	-	-	-	-	-	-	-	-	-	10.3%	92.8%

- The Fund share price as at 28 February 2021 was 23.39 cents, a gain of 2.2% over the month.
- The Fund has \$814,461 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 16.92 cents per share.
- Over the preceding 12 months, the Fund increased its value by 128%, outperforming its benchmark (S&P ASX Small Resources Index) by 94%.



*Illustrates the relative performance of a \$1,000 investment in AFM Perseus and S&P ASX Small Resources at the restart date of the Fund (1st January 2020).

Portfolio Update

- The strongest contributors to the portfolio for the month were copper producer and developer Sandfire Resources (+28%), gold junior Odyssey Gold (+27%), and base metals explorer Corazon Mining (+24%). The weaker performers were Southern Cross Electrical (-13%) and gold developer Capricorn Metals (-12%), which declined on further falls in the price of gold.
- At month-end, the Fund's top 5 stocks accounted for 34% of the portfolio and the cash weighting was approximately 27%. Commodity exposure was Gold (21%), Nickel (18%), Copper (7%), Battery Materials (13%), Mining Services (+9%) and Opportunistic (5%).

Top Holdings (by company)

Company	Commodity	%
Neometals Ltd	Battery	7.5%
Centaurus Metals Ltd	Nickel	6.7%
Mincor	Nickel	6.5%
Gold Road	Gold	6.5%
Southern Cross Electrical Ltd	Services	6.4%
Total		33.7%

Market Overview

- The recent trend of larger resource stocks outperforming small resource stocks continued throughout the month of February, with the S&P ASX Resources 300 Index rising by 7% and the S&P ASX Small Resources Index gaining only 2.2%. This was a reflection of the strong buying power in the iron ore and oil and gas majors, as investors warmed to the commodities thematic and increased portfolio allocations to larger resource names like BHP (+13%), Rio Tinto (+15%) and Santos (+11%).
- Oil prices continued to rally, with the Brent Crude price lifting 18.3% for the month, matched by Copper which rose by 18.2%. These gains and the maintenance of iron ore at high levels (US\$166t) continued to support the premise that the massive coordinated economic stimulus will likely drive a rapid recovery in economic growth. Other industrial metals also posted solid gains with Zinc up 10% and Nickel up 5%.
- February also saw an increase in lithium prices due to the strong demand from China for lithium carbonate. Globally, the transition from internal combustion engines to battery powered options is accelerating. Automotive manufacturers are setting dates between 2025 and 2030 to have the bulk of their fleets battery powered, whilst governments are committing to the required infrastructure spending to help facilitate this evolution - except in Australia where little action is evident.
- With the positive economic momentum and the rollout of the COVID vaccines in major economies, investors are moving out of gold, which is typically held as a store of value in uncertain times. The gold price has fallen 6% for the month and 12% since early January. The lower gold price has driven Gold ETF selling which has increased the pressure on major gold producer share prices.
- Inflation risk and the resultant increase in longer term interest rates has emerged as the major short-term risk to markets. So far, the rotation from higher valued technology companies to value stocks and resources has been orderly - the question remains as to whether it continues to be so.

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Important Disclosures

AFM Zeus Pty Ltd is the Investment Manager of AFM Perseus Ltd, and Corporate Authorised Representative (No. 295119) of Argonaut Funds Management Pty Ltd (ACN 101 152 863), AFSL No. 224815.

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