

AFM Perseus Fund



Monthly Performance Report – March 2021

ASSET CLASS | RESOURCES SELECT

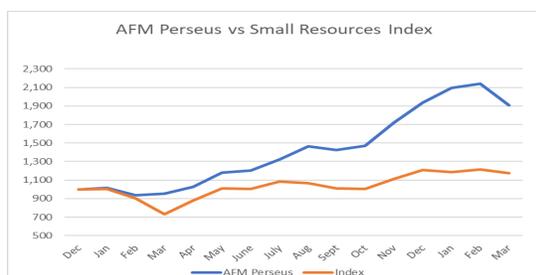
Argonaut Funds Management (“AFM”) was established in January 2020 as a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates 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%	-11.0%	-	-	-	-	-	-	-	-	-	-1.6%	90.7%
S&P ASX Small Resourc	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%	-3.4%	-	-	-	-	-	-	-	-	-	-3.2%	17.3%
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%	-7.6%	-	-	-	-	-	-	-	-	-	1.6%	73.4%

- The Fund share price as at 31 March 2021 was 20.83 cents. The Fund has \$831,876 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 10.28 cents per share. Over the preceding 12 months, the Fund increased its value by 100%, outperforming its benchmark (S&P ASX Small Resources Index) by 40%.
- The Fund successfully concluded its prospectus capital raising in March, with \$655,634 in new funds secured via the issue of 3.28 million new shares at 20 cents per share. The majority of the funds will be used to expand the investment portfolio. The weighted average net asset value per share was adjusted from 23.39 cents to 21.65 cents, reflecting the dilutionary impact of the capital raise (down 7.4%).
- On the investment side, we saw a selloff in March in the resources sector driven by a decline in key commodity prices - the ASX 300 Resources Index fell by 6% and the ASX Small Resources Index declined by 3.4%. The Fund declined by 3.6% for the month, in line with the ASX Small Resources Index. Overall, the net asset value at the end of March was 20.83 cents, down 11% from February with this comprising a 7.4% dilution impact from the capital raise and a 3.6% negative investment contribution.



*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).

Top Holdings (by company)

Company	Commodity	%
Mincor	Nickel	6.4%
Cyprium Metals	Copper	6.2%
Centaurus Metals Ltd	Nickel	6.1%
Neometals Ltd	Battery	5.8%
Cooper Energy	Opportunistic	5.4%
Total		29.9%

Market Overview

- The resources market retreated in March, with the ASX 300 Resources Index declining by 6% and the Small Resources Index falling by 3.4%. The broader markets were positive, with the ASX 300 Index rising by 1.6%, following the lead of the US market where the S&P 500 rose by 3.9%.
- The key commodity move was a 12% fall in the price of nickel as the major Chinese steel producer, Tsingshan Holdings Group, unveiled plans to convert Indonesian produced nickel pig iron into battery grade nickel. While the market response may have been exaggerated given the cost and environmental issues surrounding this process, it provided an opportunity for markets to reassess the outlook of nickel after a period of sustained optimism – the price of nickel has risen approximately 45% over the past year. On top of this, copper prices fell by 4.2% after a stellar run over the past year (up over 80%) and gold remained unloved, falling a further 2.6%.
- From a macro perspective, the two big issues are the COVID vaccine and inflation expectations. The vaccine rollout is going strongly in the US and UK, slower in the EU and only just starting in Australia. The expectation is that the rollout will curtail the spread of the virus, allowing global economies to open in the second half of calendar 2021. This, combined with pent-up consumer demand fuelled by increased savings rates and massive global government stimulus packages, will most likely see global economic growth exceed expectations in the medium term – hence concerns over rising inflation and the uptick in the US Treasury note yield from 1.09% in January to 1.73% in March.

Portfolio Update

- The strongest contributors to the portfolio for the month were Pelegrine Gold (+23%), Ramelius Resources (+16%), and Infinity Lithium (+12%). The weaker performers were Antipa Minerals (-20%) and Centaurus Metals (-20%).
- At month-end, the Fund's top 5 stocks accounted for 30% of the portfolio and the cash weighting was approximately 25%. Commodity exposure was Gold (18%), Nickel (13%), Copper (10%), Battery Materials (15%), Mining Services (9%) and Opportunistic (10%).

Key Contacts

General Contact:

Ph: +61 8 9224 6888

E: argonautfundsmanagement@argonaut.com

Fund Manager Contact:

David Franklyn

Ph: 0402 447 839

E: dfranklyn@argonaut.com

Marketing Manager / Fund Administration Contact:

Jenna Converse

Ph: 0402 447 822

E: jconverse@argonaut.com

AFM Perseus Fund



Monthly Performance Report – March 2021

ASSET CLASS | RESOURCES SELECT

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.

This Performance Report has been prepared on behalf of and issued by Argonaut Funds Management Pty Ltd (ACN 101 152 863), AFSL No. 224815

Argonaut Funds Management Pty Ltd (Argonaut), does not accept any liability for loss or damage suffered or incurred by any person however caused (including negligence) relating in any way to this Performance Report including, without limitation, the information contained in it, any errors or omissions however caused or any person placing any reliance on this presentation, its accuracy, completeness or reliability. Argonaut and its affiliates or any of its directors, agents, officers or employees do not make any representation or warranty, express or implied, as to or endorsement of, the accuracy or completeness of any information, statements, representations or forecasts contained in this Performance Report, and they do not accept any liability for any statement made in, or omitted from, this Performance Report. Argonaut accepts no obligation to correct or update the information in this Performance Report.

This Performance Report is intended to provide a summary and general overview. The Performance Report is not financial product advice, either personal or general, for the purposes of Section 766B of the Corporations Act. The Performance Report does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold a financial product. The information in this Performance Report does not take into account the objectives, financial situation or needs of any person. You should not act on or rely on the contents of this Performance Report before first obtaining professional financial advice specific to your circumstances.