

# AFM Perseus Fund



## Monthly Performance Report – May 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.

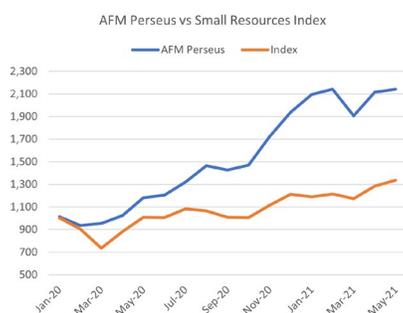
**AFM Perseus Fund** is a specialist high conviction investor in the small resources sector – those resources and mining services companies outside the S&P ASX 100 Index. The Fund “restarted” under a revised investment mandate on 1 January 2020. A Prospectus Offer is now available to existing and prospect 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
<b>AFM Perseus</b>	<b>2020</b>	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%
	<b>2021</b>	8.2%	2.2%	-11.0%	11.0%	1.2%	-	-	-	-	-	-	-	10.5%	114.1%
<b>S&amp;P ASX Small Resources</b>	<b>2020</b>	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%
	<b>2021</b>	-1.9%	2.2%	-3.4%	9.5%	4.1%	-	-	-	-	-	-	-	10.3%	33.7%
<b>Outperformance</b>	<b>2020</b>	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%
	<b>2021</b>	10.1%	0.0%	-7.6%	1.5%	-2.9%	-	-	-	-	-	-	-	0.1%	80.4%

### Portfolio Update

- The Fund share price as at 31 May 2021 was 23.38 cents, a gain of 1.2% over the month. The Fund's benchmark, ASX Small Resources Index, posted gains of 4.1% in May, driven by the strong price of gold.
- The Fund has \$777,616 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 9.61 cents per share.
- Over the past 12 months, the Fund has delivered a return of 81%, outperforming its benchmark by over 48%. Since its restart date (1 January 2020), the Fund has increased its value by 114% and outperformed its benchmark by over 80%.
- The Australian resources sector posted further gains in May, underpinned by a 7.6% rise in the price of gold and solid gains from copper, nickel and zinc. While the price of iron ore increased over the month (up 14.5%), iron ore stocks were flat due to concerns over the sustainability of the current price levels.
- During May, the Fund increased its exposure to Gold (from 19% to 23%) and Nickel (from 14% to 17%) whilst reducing its exposure to Copper (from 14% to 12%) and Battery Materials (from 18% to 14%). The Fund's exposure to Opportunities remained broadly unchanged at 23%, as did its cash weighting of 11%. At month-end, the Fund's top 5 stocks accounted for 37% of the portfolio.
- Over the month, the Fund took profits on its position in the copper producer Sandfire Resources, after it reached the Fund's price target, and the gold producer Ramelius Resources. We added new positions in the copper explorer, Xanadu, and three gold developers - Genesis, Apollo and Breaker. We exited our position in the Spanish lithium project developer, Infinity Lithium, after the cancellation of a key project permit. We also added to our existing position in Poseidon in advance of expected drill results in the coming months.
- The strongest contributors to the portfolio were gold stocks, Gold Road (up 21%), Capricorn Metals (up 14%) and Ramelius Resources (up 16%). Additional contributors were Cyprium Metals (up 18%), Poseidon (up 14%) and Cooper Energy (up 12%). The weakest performers were Infinity Lithium, which was impacted by the cancellation of one of its Spanish permits (down over 50%), and Xanadu which fell by 30% over the month as drill results failed to meet market expectations.



\*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 (1<sup>st</sup> January 2020).

### Market Overview

- During the month of May, markets remained supported by the continued rollout of the COVID vaccine and the massive stimulus packages rolling out globally. Economic data eased inflation concerns in the U.S. The S&P 500 Index (U.S.) edged higher by 0.55%, with the Dow Jones up 1.9%, reflecting the rotation from growth to value stocks.
- In Australia, the S&P ASX 300 Index was up 1.9% and the ASX 300 Resources Index rose by 1.4%. The Small Resources Index gained 4.3%, driven by a recovery in the gold sector, with the gold index up 10.5%. The Energy index was down 1.8%.

### Top Holdings (by company)

Company	Commodity	%
Gold Road	Gold	8.3%
Cyprium Metals	Copper	7.6%
Neometals Ltd	Battery	7.4%
Deterra Royalties	Opportunistic	6.9%
Galaxy	Battery	6.7%
<b>Total</b>		<b>36.9%</b>

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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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