

AFM Perseus Fund



Monthly Performance Report – July 2021

ASSET CLASS | RESOURCES SELECT

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.

Fund Performance

| | 1 Month | 3 Months | 6 Months | 12 Months | Restart |
|-------------------------|-------------|--------------|---------------|--------------|--------------|
| AFM Perseus | 9.0% | 6.2% | 7.2% | 70.2% | 124.8% |
| S&P ASX Small Resources | 7.4% | 11.3% | 20.3% | 31.9% | 43.0% |
| Outperformance | 1.6% | -5.1% | -13.1% | 38.3% | 81.8% |

*In March 2021, AFM Perseus Fund completed a capital raise of \$655,634 at 20 cents / share (Feb 2021 price - 23.39 cents / share). This capital raise had a diluting impact on the share price, equating to approximately 7% of the Fund's performance.

- The AFM Perseus Fund delivered a return of 9.0% over the month, outperforming its benchmark, the S&P ASX Small Resources Index, by 1.6%. The Fund has delivered a return of 70.2% over the past twelve months, outperforming its benchmark by 38.3%.
- The Fund's share price as at 31 July 2021 was 22.55 cents (subject to the final audit of EOFY 2021), which represents the closing price of 24.55 cents less the dividend amount of 2 cents per share referenced in our last monthly letter. The Fund also has \$754,487 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 9.32 cents per share.

AFM Perseus vs Small Resources Index



*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). In March 2021, AFM Perseus Fund completed a capital raise of \$655,634 at 20 cents / share (Feb 2021 price - 23.39 cents / share). This capital raise had a diluting impact on the share price, equating to approximately 7% of the Fund's performance.

Portfolio Update

- At month end, the portfolio was 90% invested with a 10% cash reserve. The majority of the Fund's exposure was to "Battery Metals", which included Copper, Nickel, Lithium and Rare Earths. Gold and Other Opportunities represented 21% and 19%, respectively, of the Fund's exposure. At month-end, the Fund's top 5 stocks accounted for 36% of the portfolio.
- Over the month, we increased our overall position in Battery Metals by adding new copper producer Aeris Resources, lithium explorer Global Lithium, nickel producer Lunnon Metals, and rare earths explorer Arafura. We topped up our holding in 29 Metals, reduced our holding in Neometals and exited our position in Southern Cross Electrical Engineering.
- The strongest contributors to the portfolio were lithium developer Galaxy Resources (+27%), Centaurus Metals (+23%), copper producer 29 Metals (+14%), and nickel developer Mincor (+14%). The weakest contributors were Cooper Energy (-12%) and Cyprium Metals (-8%). The gold explorer Orecrop was also down 6%.

Market Overview

- July was a strong month for the Australian resources sector. The S&P ASX 300 Resources Index increased by 6.5% and the Small Resources Index was up by 7.4%. Both were largely driven by further gains in the underlying commodity prices - nickel up 7.8%, copper increasing by 3.9% and gold rising 2.4%. Iron Ore was the laggard, declining by 1.2%. The broader market reported more moderate gains with the US S&P 500 Index up 2.3% and the ASX 300 up 1.1%. The Australian dollar eased against USD, down almost 2% to 73.5 cents.
- The U.S. 10 Year Treasury Yield Index declined further in July to 1.23%, down from its March peak of 1.73%, implying that global growth may not be as strong as previously expected and may support the argument that inflation is more transitory than structural. U.S. economic data and earnings result releases from both the U.S. and Australian companies will be important factors in the short-term direction of markets.

Business Update

- Last month, the Directors of AFM Perseus approved the payment of a 2 cents per share dividend to shareholders registered as at 30 June 2021. Shareholders can elect to reinvest all or a portion of their dividend back into the Fund through the Dividend Reinvestment Plan ("DRP") at a price of 22.53 cents per share. An electronic copy of the DRP is available on our [website](#).
- Shareholders must complete and return the DRP election forms to Advanced Share Registry by 5:00pm WST Friday, 13 August 2021. Additional communication regarding the distribution was sent via post to shareholders. If you have not yet received any communication, please reach out to [Jenna Converse](#).
- Since 1 October 2019, all management fees, performance fees and Directors' fees of the Fund have been suspended. In December 2020, the Directors of the Fund resolved to forego these fees for a further period to 30 June 2021 to the benefit of Shareholders. As of 30 June 2021, Shareholders will be charged a reduced management fee of 1.75%. The Investment Manager will also be eligible for a performance fee of 20% of the outperformance of the Fund's benchmark, once the Fund has hit its high-watermark of 40 cents per share.
- Additionally, we are pleased to report that the Fund was recently featured in Business News as the top performing Perth-based equity fund. A copy of the publication can be found [here](#).

Top Holdings (by company)

| Company | Commodity | % |
|-------------------|-----------|--------------|
| Galaxy Resources | Lithium | 7.8% |
| 29 Metals | Copper | 7.5% |
| Deterra Royalties | Other | 7.2% |
| Mincor | Nickel | 7.1% |
| Mader Group | Other | 6.8% |
| Total | | 36.4% |

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 – July 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.