

# AFM Perseus Fund



## Monthly Performance Report – August 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	6.1%	11.4%	11.3%	62.9%	138.5%
S&P ASX Small Resource:	0.7%	7.7%	18.6%	35.2%	43.9%
<b>Outperformance</b>	<b>5.4%</b>	<b>3.7%</b>	<b>-7.2%</b>	<b>27.6%</b>	<b>94.6%</b>

\*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 6.1% over the month, outperforming its benchmark, the S&P ASX Small Resources Index, by 5.4%. The Fund has delivered a return of 62.9% over the past twelve months, outperforming its benchmark by 27.6%.
- The Fund's share price as at 30 August 2021 was 24.04 cents, which represents the closing price of 26.04 cents less the dividend amount of 2 cents per share referenced in our last monthly letter. The Fund also has \$669,691 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 8.28 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 (1<sup>st</sup> 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.

### Business Update

- As mentioned in our last newsletter, the Directors of AFM Perseus approved the payment of a 2 cents per share dividend to shareholders registered as at 30 June 2021. Shareholders who elected to receive their dividend in cash, should have received their dividend payment. If you have not yet received any payment, please reach out to Jenna Converse immediately. Shareholders who elected to reinvest their dividend back into the Fund through the Dividend Reinvestment Plan ("DRP") can expect to receive a statement outlining their reinvest of shares in due course.
- As a reminder, Shareholders will be charged a reduced management fee of 1.75% as of 30 June 2021. 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-water-mark of 40 cents per share.

### Market Overview

- August was a weak month for the Australian resource sector. The S&P ASX 300 Resources Index fell by 9.1% on the back of a 25% plunge in the price of iron ore, a 4.4% fall in the price of oil, a 3% decline in the price of copper, and a 2% easing in the price of nickel. While gold remained flat, the gold index fell almost 6%. The big resource companies fell heavily, with Rio Tinto and Fortescue down 16%, BHP down 15%, and Mineral Resources and Woodside down 13% and 11%, respectively. The Small Resources Index performed better than the broader market, posting a gain of almost 1% which was buoyed by strong lithium stocks and benefiting from a lower exposure to the industry majors.
- The lithium stocks remained strong on the back of firmer lithium prices - Pilbara Minerals jumped 26% and Galaxy increased 13% before completion of the merger with Orocobre. The coal sector also saw a recovery with Sol Paterson and Whitehaven Coal up 10% and 13%, respectively. The WA based nickel producer Western Areas also rose by 18% over the month on the back of speculation that they were in discussions with IGO on a possible merger. With nickel a core commodity in the green energy transition, we expect to see greater corporate activity focused on the WA based nickel companies.

### Portfolio Update

- At month end, the portfolio was 70% invested with a 30% cash reserve. The majority of the Fund's exposure was to "Energy Transition", which included Copper, Nickel, Lithium and Rare Earths. Gold and Other Opportunities represented 21% and 12%, respectively, of the Fund's exposure. At month-end, the Fund's top 5 stocks accounted for 39% of the portfolio.
- Over the month of August, we remained fully invested before adopting a more cautious approach. At mid-month, we began exiting a number of our smaller company holdings such as Deterra, Aeris, Lunnon, Neometals, Global Lithium, Arafura and Orecorp. By month end, we had a more condensed portfolio orientated towards larger, more liquid companies, and a larger cash weighting of 30%.
- The largest contributors to the Fund's performance were Breaker Resources (+31%), Mader Group (+16%), Capricorn Metals (+13%), Centaurus Metals (+11%) and Apollo Gold (+10%). The weakest contributors were Gold Road Resources (-3%) and Cooper Energy (-2%).

### 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%
<b>Total</b>		<b>36.4%</b>

### 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 – August 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.