

AFM Perseus Fund



Monthly Performance Report – December 2022

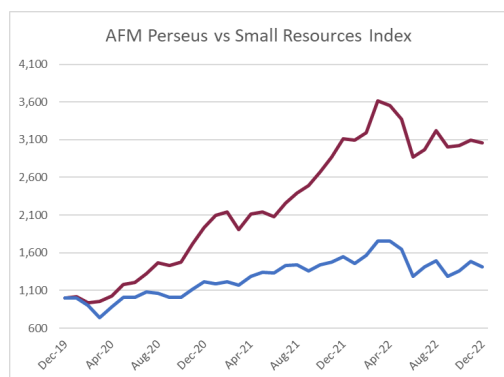
ASSET CLASS | RESOURCES SELECT

Fund Performance

	1 Month	3 Months	FYTD	12 Months	Restart
AFM Perseus	-1.3%	1.6%	6.4%	-1.7%	205.6%
S&P ASX Small Resources	-4.7%	9.8%	10.0%	-8.4%	41.5%
Outperformance	3.3%	-8.2%	-3.6%	6.7%	164.1%

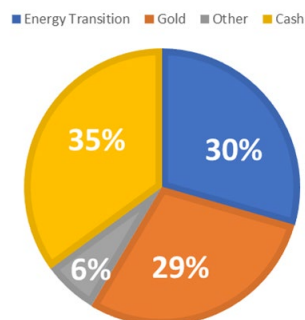
*In March 2021, AFM Perseus Fund completed a capital raise of \$655,634 at 20 cents / share (Feb 2021 price - 23.39 cents / share). This capital raise had a diluting impact on the share price, equating to approximately 7% of the Fund's performance.

- The AFM Perseus Fund was down 1.3% in December, but outperformed its benchmark, the S&P ASX Small Resources Index, which fell by 4.7% over the same period. The outperformance was driven by a large exposure to gold (33% portfolio weight), a low exposure to the weakening lithium sector (6% portfolio weight) and a high cash position (31% portfolio weight).
- Since its restart (1 January 2020), the Fund has delivered a cumulative return of 206%, an outperformance of 164% to its benchmark.
- The Fund's share price as at 31 December 2022 was 26.87 cents. The Fund has \$281,021 in deferred tax losses that are available to offset against future taxable profits. This equates to an additional 3.38 cents per share.



*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.

AFM Perseus Portfolio Exposure (by commodity)



Market Overview

- Major markets eased in December as the prospect of higher interest rates and slowing global growth weighed on investor sentiment. In the USA, the Dow Jones fell 4.2% and the S&P 500 fell by 5.9%. Australia fared better with the ASX 300 and All Ordinaries both down 3.5%. The 10-Year Treasury Yield jumped to 3.88% and the US/AUD exchange rate remained unchanged at 68c.
- In the resources market, the 300 Resources Index slipped by 1.5% whilst the Small Resource Index fell by almost 5%. There was continued strength in iron ore (+11%) which provided support for the major miners BHP (+5%), Rio (+8%) and Fortescue (+5.4%). Gold also continued to gain favour with the gold price lifting 4% and the gold index jumping by a similar amount. Momentum eased in the lithium sector as prices seem to have reached a peak, for now at least. Notwithstanding this, prices remain attractive and those lithium companies in production will generate strong margins and substantial free cashflow.
- China holds the key to a resurgence in commodity market demand for 2023. Coming off the property debacle, the tech entrepreneur crackdown, the zero covid "about face" and growing resentment of China's international relations approach, Xi can do with a win and the best way to do this is to crank up the economy, which in turn will drive demand for commodities. But, many things could also go wrong in 2023, including increasing interest rates, the prospect of recession in the EU and US, and Russia seeking to freeze out Ukraine by destroying critical infrastructure.

Portfolio Update

- During December, we added gold company Bellevue Gold and increased our uranium exposure by adding UK based investor Yellow Cake. Positive portfolio performers included Lunnon (+16%) and gold companies Westgold (+17%) and Bellevue Gold (+8%). Poorer performers were Global Lithium which was down 20% and New World Resources which fell 11%.
- As at 31 December 2022, 30% of the portfolio was invested in the Energy Transition thematic, 29% in Gold and 6% in other opportunities. The cash weighting was 35%. The top 5 positions at month end accounted for 37% of the portfolio which included De Grey Mining, NexGen, Silver Lake, Cooper Energy, and Lunnon.

AFM Perseus Top Holdings (by company)

Company	Commodity	%
De Grey Mining	Gold	12.1%
NexGen	Energy	8.6%
Silver Lake	Gold	6.2%
Cooper Energy	Energy	5.4%
Lunnon	Nickel	4.4%
Total		36.7%

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Important Disclosures

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