



Paragon Australian Long Short Fund

MAY 2024

www.paragonfunds.com.au

*Since inception - 1 March 2013

PERFORMANCE DATA <i>(after fees)</i>	1 month	3 months	6 months	Financial YTD	1 year	2 year p.a.	3 year p.a.	5 year p.a.	Net Return p.a.	Total Net Return*
Paragon Aust. Long Short Fund	+8.4%	+13.0%	-2.9%	-4.5%	0%	-8.4%	-11.6%	+4.7%	+7.3%	+120.6%
ASX All Ordinaries Accum. Index	+0.9%	+1.2%	+11.2%	+11.7%	+13.9%	+7.8%	+6.8%	+8.2%	+8.3%	+145.6%
ASX Small Ords. Accum. Index	0%	+1.5%	+11.7%	+10.9%	+10.9%	+2.2%	-0.1%	+4.2%	+5.2%	+76.5%

OVERVIEW

The Fund returned +8.4% after fees in May. Global Indices were up: Nasdaq +6.3%, Russell +4.9%, Copper +5.8% and Gold +6.6%. Local Indices were slightly up: All Ords AI +0.9%, Small Ords AI 0%, Resources +0.5%. Spartan, Mitre and Aya (both Silver), and Bravo performed well for the Fund, partially offset by falls in Firefly and Nexgen.

After inflation crept higher earlier in the year, US CPI lowered in April. 1.5 US rate cuts are expected this year commencing from November. The Fed is also slowing QT – in effect providing more liquidity to markets. The US\$ fell -1.5% and US 10yr bonds fell 18bps. Gold was up +1.8% and Silver broke 11-year highs up +15.7%. Falls occurred in Oil -7.1%, Uranium -1.3% and Lithium -5.5%. Lastly, Copper hit all-time highs intra-month before finishing unchanged.

With Copper, Gold and Silver prices breaking out, high-cost leverage and exploration equities continue to outperform. Resources equities are responding well cum-raise, post-raise and post-IPO – confirming inflows into the sector.

Portfolio insights: Bravo makes exciting Copper discovery; Silver starting to shine

Bravo's flagship asset is the Luanga palladium-platinum (PGM) project located in the Carajas Mineral Province of Brazil. It was one of the several projects we visited in Brazil last year. Bravo has already delineated a tier-1, open-pitabile, 10moz PGM resource at Luanga and it is well placed to grow by 50-100%. Palladium and Platinum prices were under pressure over the last year, on surplus markets and pure EV's likely dominance narrative, implying reduced PGM demand. PGM-related equities came under further pressure following Chalice's woeful feasibility study, seeing the stock crushed and taking peers including Bravo down with it. (We managed to hedge about half of Bravo's downside with our Chalice short but unfortunately covered too early). Bravo's PGM asset is materially better than Chalice's (current market cap of \$650m), with better orebody attributes and favourable mineralogy. Firstly, Luanga is all open-pitabile, with a lower strip ratio and lower pre-strip as it starts from surface. Secondly, it will have only 1 concentrate stream and likely to have a local downstream refining solution. Palladium prices have bottomed, and we expect a solid recovery driven by strong Hybrid EV growth – which are outpacing pure EV sales. (Palladium is mainly used in catalytic converters for Hybrid EV and petrol car exhaust systems). Bravo has also made an exceptionally high-grade Copper discovery at its T5 electromagnetic (EM) target adjacent to Luanga. Whilst its early days with only a few confirmed massive sulphide drill intercepts, T5 is one of 11 EM targets. Scale potential is there. Copper mineralisation at T5 is interpreted to be unrelated to the Luanga PGM deposit. The Carajas in Brazil hosts several world-class Copper deposits in a similar geological setting, and so we are optimistic of ongoing exploration results. We believe Luanga is worth more than Bravo's current \$550m market cap, and furthermore, we are getting its exciting Copper discovery for free.

Silver, whilst more volatile than Gold, boasts strengthening fundamentals becoming increasingly obvious to the masses. Silver is a 1.2 billion ounce (boz) p.a. market, with solid industrials-applications demand growth (mainly from solar). Demand is materially outpacing primary silver production (which has been flat for ~10 years), resulting in three consecutive years of deficits at ~200moz p.a., which are starting to matter. We expect ongoing growing annual deficits over the long-term, which will unwind the rapidly falling inventory position (secondary supply held in vaults across the globe). Given such strong tailwinds, we expect to do very well in our Silver stock picks.

FUND POSITIONING & RISK METRICS

Fund Size	\$42.9m
Longs	33
Shorts	5
Net exposure	144%
Beta-adj net exposure/ Average (rolling 12mths)	94%/92%
Gross exposure	193%
Cash	-44%
Index Futures	0%
Global (as % FUM)	35%
Unlisted (as % FUM)	12%
Correlation	0.52
% Positive Months	59%
Up/Down Capture	96%/88%
Liquidity (% saleable inside 10BD)	80%

UNIT PRICING

NAV (Mid-Price)	\$1.6411
Entry Price	\$1.6436
Exit Price	\$1.6387

FUND FACTS

APIR Code	PGF0001AU
Responsible Entity & Investment Manager	Paragon Funds Management Ltd
Strategy	Aust Equities L/S (long-bias), Fundamental, Concentrated. Global and unlisted permitted.
Objective	>10% p.a. over 5yrs
Structure	Unit trust
Domicile	Australia
Pricing/Applications/ Redemptions	Monthly
Min. Investment	\$25,000
Min. Additions	\$5,000
Min. Redemptions	\$10,000
Administrator	Link Fund Solutions
Prime Broker/Custodian	UBS