



Paragon Australian Long Short Fund

AUGUST 2020

www.paragonfunds.com.au

*Since inception - 1 March 2013

PERFORMANCE DATA (after fees)

	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	+9.9%	+31.7%	+54.0%	+24.4%	+28.2%	+18.6%	+13.8%	+11.2%	+13.3%	+155.1%
ASX All Ordinaries Accum. Index	+3.7%	+7.2%	-2.5%	+4.7%	-3.5%	+2.3%	+6.7%	+7.9%	+7.0%	+66.3%
ASX Small Ords. Accum. Index	+7.1%	+6.6%	+4.6%	+8.7%	+2.2%	+1.5%	+8.1%	+10.5%	+5.5%	+48.9%

OVERVIEW

The Fund delivered another strong performance in August, returning +9.9% after fees and +33.8% CY20td (+40.0% ahead of the market). Global Indices were up, +5.5% (Russell 2000) to +11% (Nasdaq), and locally +3.7% (All Ords AI) to +7.1% (Small Ords AI). Positive contributors for the Fund were PointsBet, Sezzle, BigTincan and our gold and silver holdings, offset by declines in Oceana and Stockland (short). Pleasingly, the Fund is now back at new highs and we remain excited about our outlook. As highlighted in the table below, the Fund is outperforming all relevant benchmarks:

CY	Paragon	All Ordinaries Accum.	ASX300 Resources	ASX300 Industrials	Small Ordinaries Accum.	Small Resources	Small Industrials	RBA Cash Rate	Eureka Hedge Au/NZ HedgeFunds
2013*	18.7%	8.3%	-3.8%	12.0%	-5.6%	-43.1%	5.0%	2.3%	15.0%
2014	15.9%	5.0%	-16.6%	11.0%	-3.8%	-29.1%	1.2%	2.5%	8.2%
2015	16.8%	3.8%	-24.9%	8.3%	10.2%	-14.3%	9.3%	2.0%	15.4%
2016	6.8%	11.6%	42.9%	7.4%	13.2%	53.3%	2.4%	1.5%	-0.2%
2017	44.1%	12.4%	25.8%	9.2%	20.0%	38.7%	11.8%	1.5%	11.0%
2018	-38.1%	-3.5%	2.3%	-4.4%	-8.7%	-16.0%	-6.5%	1.5%	-7.0%
2019	24.8%	24.0%	26.1%	23.1%	21.5%	10.0%	24.5%	1.3%	16.6%
2020TD	33.8%	-6.2%	-1.3%	-8.3%	-2.9%	-3.3%	7.5%	-0.4%	0.8%
Cumulative	155.1%	66.3%	35.5%	70.6%	48.9%	-16.6%	74.3%	21.2%	54.6%
CAGR since Inception	13.3%	7.0%	4.1%	7.4%	5.5%	-2.4%	7.7%	2.6%	6.0%

Source: Paragon, Bloomberg; Paragon net returns after fees

We have been saying for some time that inflation is coming. August saw the Fed confirm this, announcing its intention to allow inflation to run above its 2% target. This is very supportive of an ongoing US\$ down-cycle, and bullish for precious metals and resources. The US\$ index fell to 92.17c, new 2-yr lows, on increasing US\$ debasement fears. US\$ gold held record levels, closing the month unchanged at US\$1,968/oz. **Silver broke 7-yr highs, up +15.4% to US\$28.14/oz.** US 10-yr (nominal) bond rates rose to 0.70%, however with inflation expectations rising, US real rates closed at cycle lows of -1.08%.

PORTFOLIO INSIGHTS: PointsBet – bingo!

PointsBet has entered into a transformational 5-year deal with US media giant NBC which sees them become the official sports betting partner of the network. The deal catapults PointsBet to the big league with NBC taking a 4.9% equity stake and 66m options, which if converted would represent a ~25% holding. The leverage is clearly in the equity for NBC, as they have committed to building the PointsBet brand, developing them into an industry leader.

NBC boasts the largest sports audience of any US media company and will provide PointsBet exposure across NBC and Telemundo (Hispanic) national networks, 8 Regional Sports channels, as well as other channels spanning local, cable and digital networks. NBC will be committing to a total PointsBet marketing spend of US\$393m across NBC's platforms.

With funding and a media partner in-place, PointsBet are well positioned to deliver on their target of \$US1b revenue by 2025 and reaching 10%+ market share, maintaining our view as discussed in [May](#) that the stock is one of the most exciting growth stories on the ASX.

FUND POSITIONING & RISK METRICS

Fund Size	\$39.0m
Longs	29
Shorts	5
Net exposure	125%
Beta-adj net exposure/ Average since inception	76%/71%
Gross exposure	153%
Cash	-25%
Index Futures	0%
Correlation	0.57
% Positive Months	62%
Up/Down Capture	105%/60%

UNIT PRICING

NAV (Mid-Price)	\$2.2306
Entry Price	\$2.2340
Exit Price	\$2.2273

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
* Changed from 1 July 2020	

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