



Paragon Australian Long Short Fund

APRIL 2022

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	-3.3%	+2.8%	-9.4%	+6.2%	-1.7%	+40.0%	+25.2%	+14.5%	+13.2%	+212.6%
ASX All Ordinaries Accum. Index	-0.8%	+7.9%	+3.1%	+5.4%	+10.2%	+21.5%	+10.3%	+9.5%	+8.9%	+118.1%
ASX Small Ords. Accum. Index	-1.5%	+3.7%	-4.6%	-0.4%	+2.9%	+20.0%	+7.7%	+9.6%	+6.7%	+81.6%

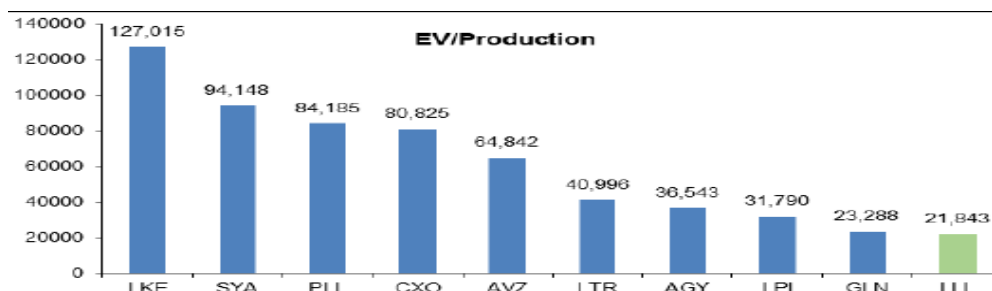
OVERVIEW

The Fund returned -3.3% after fees in April. Global Indices experienced large declines: -13.3% (Nasdaq), -8.8% (S&P500) and -10.0% (Russell2000); Local Indices only modest declines: -1.5% (Small Ords AI) and -0.8% (All Ords AI). Global markets encountered extreme volatility arising from the Fed's increasingly aggressive tightening rhetoric in response to high inflation, fears around China's 'covid-zero' policy and risk of further lockdowns, and the ongoing sell-off in technology stocks. Stanmore, Lithium Power and Firefinch performed well for the Fund, however were more than offset by declines across our precious and base metals holdings. Whilst markets fret over US cash rate rises, the real Fed funds rate (cash rate less US CPI - below) is in record negative territory, a tailwind for resources and precious metals – as it was in the 1970's.



Portfolio insights: Firefinch well placed to continue re-rating

Firefinch has been an excellent performer for the Fund, having risen >7x since our entry in mid-2020. At that time we viewed Firefinch as a deep value play, boasting its >100mt high grade Goulamina Lithium hard-rock asset, closely followed by its very cheap acquisition of Morila (US\$25m), a brownfield-expansion gold production asset. Firefinch's pro-forma fully diluted (fd) market cap was ~\$100m and has since re-rated to boast a \$1.25b fd market cap with \$100m in cash and no debt. With its assets Mali-based, Firefinch has not been for the faint-hearted. There has been high volatility to contend with over the last 22 months (5x 28%-45% corrections) – having been impacted by several macro 'risk-off' periods, gold price corrections, a Malian military coup, delays on setting a democratic election date and in turn sanctions imposed by its neighbours. Far from dismissive of these issues, we remained convicted due to its high-quality assets, strong management team and their ability to unlock value. Management's execution warrants a 10/10. Firefinch is now set to demerge its Goulamina Lithium asset in June, Leo Lithium (LLL), which should continue re-rating towards its peer average (see chart below), given the project is fully funded and being developed with its world-class Lithium partner Ganfeng (discussed [November 2021](#)). Firefinch should also continue to perform well, retaining a 20% share in LLL and is fully funded to ramp up Morila gold from ~40koz to 150koz+ pa in the near term.



Note: EV/Production (\$/t Lithium Carbonate Equiv.) on an attributable (project % equity) basis. **Source:** Petra Capital

DISCLAIMER: This report has been prepared without taking account of your personal objectives, financial situation or needs and should not be relied upon as the basis of an investment decision. You should seek independent professional advice before making any decisions regarding the content of this report, including a decision to invest. The Product Disclosure Statement for the Paragon Australian Long Short Fund is available from our website. There is no guarantee against loss resulting from an investment in the Fund and past performance is not a reliable indicator of future performance.

FUND POSITIONING & RISK METRICS

Fund Size	\$60m
Longs	23
Shorts	3
Net exposure	107%
Beta-adj net exposure/ Average (rolling 12mths)	84%/86%
Gross exposure	115%
Cash	-7%
Index Futures	0%
Correlation	0.52
% Positive Months	60%
Up/Down Capture	113%/74%
Liquidity (% saleable inside 10BD)	80%

UNIT PRICING

NAV (Mid-Price)	\$2.5498
Entry Price	\$2.5536
Exit Price	\$2.5460

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