



Paragon Australian Long Short Fund

NOVEMBER 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	+3.1%	-2.3%	-15.7%	+0.8%	-36.2%	-0.1%	+5.2%	-1.3%	+8.5%	+121.4%
ASX All Ordinaries Accum. Index	+6.4%	+5.3%	+2.8%	+13.4%	+3.0%	+9.7%	+6.3%	+8.4%	+8.3%	+117.2%
ASX Small Ords. Accum. Index	+4.9%	-0.8%	-3.4%	+11.2%	-14.0%	+0.9%	+2.6%	+4.4%	+5.2%	+63.2%

OVERVIEW

The Fund returned +3.1% after fees in November. Global Indices were up: Nasdaq +4.4% and S&P500 +5.4%. Local Indices were also up: All Ords AI +6.4% and Small Ords AI +4.9%. Patriot Battery Metals, Adriatic and Winsome performed well for the Fund, partially offset by declines in our Lithium developers.

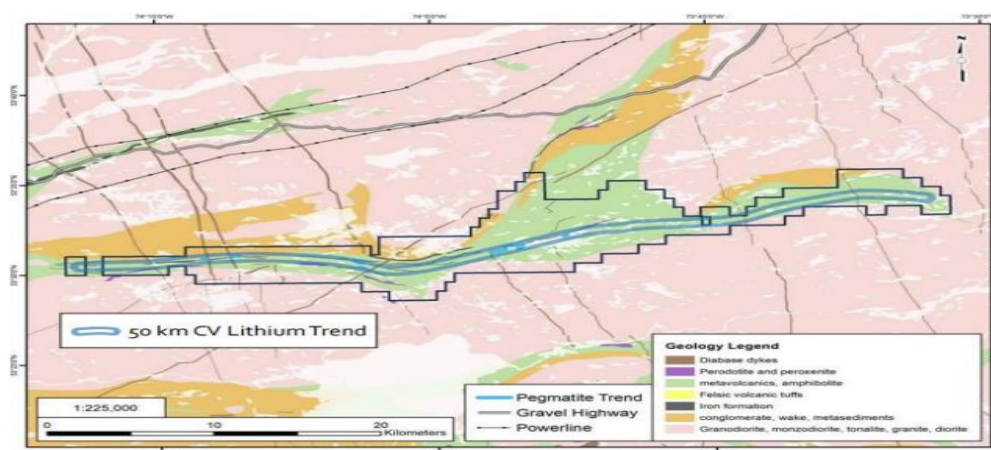
Market optimism continued to build around inflation peaking after the release of a softer US CPI for October. The Fed is also likely to slow the level of rate hikes in its December meeting to 50bps, with Chairman Powell recently providing a more dovish stance. Markets and Resources were also buoyed by expectations of China gradually re-opening from COVID-driven lockdowns. After months of drifting lower, Iron Ore and base metals had solid bounces off their lows. Gold was up on a dovish Fed and a falling US\$. Lithium futures prices corrected from highs whilst spot prices were marginally up, causing volatility across the Lithium equities.

Market Insights: Patriot Battery Metals (Patriot) update

Ken Brisden (Chairman) gave an excellent presentation on Patriot's Lithium discovery at the recent [Resources Rising Stars](#) conference (see 38min 18sec mark), explaining why he believes in Patriot and providing a great comparison to Pilbara Minerals - where he took Pilbara from a small cap developer to today a producer with a \$14b market cap and annualised free cashflows of ~\$3b.

Patriot's world class discovery at its Corvette prospect in Quebec is over 2.1kms, where the Lithium trend potentially extends over 50kms. Although the entire belt won't be mineralised, it offers excellent scope for a genuine generational mine life asset, integrated with downstream operations to produce final battery-grade Lithium chemicals.

Chart 1: Patriot's project geology map – Lithium trend potentially extends 50kms



Source: Patriot Battery Metals Inc.

By way of comparison, Sigma Lithium, also listed in Canada but its project based in Brazil, now boasts a \$4b market cap, 4x that of Patriot's. Sigma is approaching producer status and has just released its latest feasibility study based on an 89mt resource with a huge NPV of US\$14b. As we discussed in [August](#), Patriot's project will prove to be bigger (likely 2x the resource) and better (favourable metallurgy, infrastructure and proximity to key end markets). As such, we see multiples of upside in our Patriot investment.

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	\$42.8m
Longs	24
Shorts	0
Net exposure	79%
Beta-adj net exposure/ Average (rolling 12mths)	83%/66%
Gross exposure	79%
Cash	21%
Index Futures	0%
Correlation	0.54
% Positive Months	58%
Up/Down Capture	105%/90%
Liquidity (% saleable inside 10BD)	89%

UNIT PRICING

NAV (Mid-Price)	\$1.6708
Entry Price	\$1.6733
Exit Price	\$1.6683

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