



Paragon Australian Long Short Fund

AUGUST 2023

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	-1.1%	-0.4%	+8.8%	-4.9%	-3.1%	-21.6%	-4.9%	+3.9%	+7.8%	+119.6%
ASX All Ordinaries Accum. Index	-0.7%	+4.2%	+3.1%	+2.2%	+8.9%	+2.3%	+10.6%	+7.2%	+8.0%	+124.7%
ASX Small Ords. Accum. Index	-1.3%	+2.2%	+0.9%	+2.2%	-1.1%	-8.1%	+3.0%	+2.4%	+4.7%	+62.7%

OVERVIEW

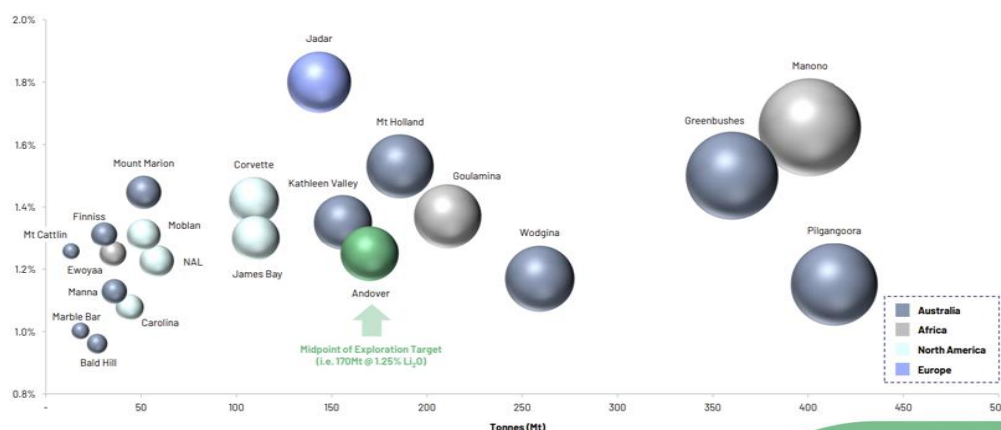
The Fund returned -1.1% after fees in August. Global Indices were down: Nasdaq -1.6%, S&P500 -1.8% & Russell2000 -5.2%. Local Indices were also down: All Ords AI -0.7%, Small Ords AI -1.3% and ASX300 Resources AI -1.8%. Azure, Wildcat (took profits) and Adriatic performed well for the Fund, however were more than offset by declines in Patriot, WR1, WA1 and Alvo. Lithium prices declined -25% with the Global Lithium Index at -11%.

Despite China's growth concerns, its EV sales are expected to grow ~37% in CY23, representing ~36% market penetration. Leaders BYD Auto and Tesla are >55% of the EV market. BYD sold a record 274.4k EV's in August, have been delivering on growth expectations, and are now guiding for 60% EV penetration in China in CY25, implying 30% yoy growth.

Portfolio insights: More Lithium M&A; Brazil site visits in July

Azure had another strong month up +40% to \$2.57/sh with its 60% owned hard rock Andover Lithium discovery continuing to surprise to the upside. Azure declined a \$900m takeover offer from Lithium major SQM (largest shareholder at 19.9%). Azure then raised \$120m in which both SQM and Creasy (2nd largest shareholder; billionaire mining prospector; 40% project owner of Andover) took up their pro-rata rights in full.

Figure 1: Hard-rock Lithium resources with Azure in green. Lithium grade on y-axis. Source: Azure.



Given Andover's substantial surface expression, several huge ~100mt true width drilling assays and material depth extent, Azure could very well delineate the top end of their 100-240mt exploration target, proving world-class. We believe SQM will be back with a higher offer. Azure's risk-reward is attractive with SQM's \$2.31/sh offer price providing downside risk protection. Other sector M&A just announced from Lithium major Albemarle is a final \$6.6b offer for Liontown. This implies a spodumene price of US\$1,900/t (>20% higher than consensus), which for Patriot generates an 'upstream-only' NPV of multiples of its share price.

Meteoric released incredible drilling assays, cementing its world-class positioning as the best ionic clay rare earth project globally. Grades are exceptional, multiples higher than its peers. Having recently received government 'significant status' an expedited permitting path is a given. A major will have to own this asset, it is simply a question of price and time.

In the first two weeks of July, I travelled to Brazil to visit 8 battery minerals projects across the country. These included our 3 investments in Meteoric (rare earths), Alvo (rare earths/copper) and Bravo (Platinum/Nickel). I also visited Brazil's 'Lithium Valley' seeing Sigma, Atlas, Latin Resources and Lithium Ionic (all hard-rock Lithium), and finally Centaurus (Nickel) up in the Carajas. Brazil like Australia boasts firm property rights and rule of law, a proven expedited permitting path, cheap and green hydro power, a highly skilled resources workforce and much lower capital intensity relative to Australia and North America. We expect to do very well in our Brazil-based investments.

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	\$44m
Longs	34
Shorts	2
Net exposure	139%
Beta-adj net exposure/ Average (rolling 12mths)	98%/85%
Gross exposure	149%
Cash	-39%
Index Futures	0%
Correlation	0.54
% Positive Months	58%
Up/Down Capture	106%/95%
Liquidity (% saleable inside 10BD)	82%

UNIT PRICING

NAV (Mid-Price)	\$1.6344
Entry Price	\$1.6368
Exit Price	\$1.6319

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