



Paragon Australian Long Short Fund

OCTOBER 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	+1.3%	-0.4%	+6.1%	-4.1%	+3.1%	-19.9%	+0.3%	+6.6%	+7.7%	+121.4%
ASX All Ordinaries Accum. Index	-3.9%	-7.3%	-5.2%	-4.5%	+2.9%	-0.4%	+8.6%	+7.4%	+7.2%	+109.9%
ASX Small Ords. Accum. Index	-5.5%	-10.5%	-10.3%	-7.3%	-5.1%	-12.0%	+0.5%	+2.6%	+3.7%	+47.6%

OVERVIEW

The Fund returned +1.3% after fees in October. Global Indices were down for the third month in a row: Nasdaq -2.8%, S&P500 -2.2%, Russell2000 -6.9% and the Global Lithium Index fell -13.5%. Local Indices also fell: All Ords AI -3.9% and Small Ords AI -5.5%. WA1, Lithium Power and Azure (takeover offers on both; took profits) performed well for the Fund, offset by declines in other Lithium holdings.

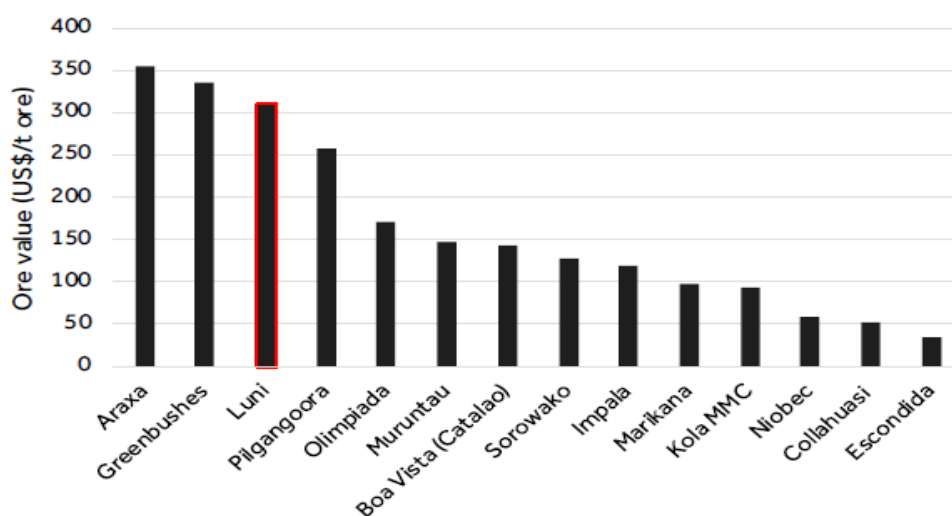
Oil fell -8.3%. Uranium rose +2% to 12-yr highs. The US\$ rose +0.5%. Gold rose +7% and Silver +3%. Copper fell -2%. Both Lithium and Rare Earth prices were up +1%.

Portfolio insights: WA1's Niobium discovery derisking towards tier 1 status

In [May](#) we wrote about WA1's outstanding Niobium discovery at Luni in WA. Assays have continued to show great continuity in both high-grade and thickness, with the latest results released in October being the best to date. On our modelling, WA1 has since delineated a high-grade Niobium resource of 40mt+ at a grade of ~2% - a key milestone for our investment case. As previously discussed, a high-grade resource of this scale underwrites Ferroniobium production capability of 10ktpa over a 40yr mine life – representing ~10% of the global market.

Investors tend to be more familiar with Lithium, base and precious metals discoveries and their potential value given the breadth and size of these markets. Much less so in the case of Niobium, given its a smaller market and discoveries are rare, with only 4 operating mines globally today. Figure 1 below illustrates just how valuable Luni is, comparing it to some of the best orebodies globally. Note CBMM's Araxa ranked as number 1 is the world-class ~450mt at 2.5% high-grade Niobium mine in Brazil. CBMM sold 30% of Araxa to a group of Asian steelmakers for ~US\$4b in 2011 (US\$13b on 100% basis). We're not surprised the market is re-rating WA1 given how rare and exceptional Luni is.

Figure 1: Comparing Luni's ore value to some of the world's best mines.



Source: Canaccord Genuity

WA1's next major catalyst will be proving favourable metallurgy and results are due March 2024. WA1's market cap of ~\$600m should de-risk towards our base-case target of ~\$1.25b (based on Price-to-NPV of 0.5). Whilst we have taken profits to manage our position size, we continue to view WA1's risk-reward as attractive.

FUND POSITIONING & RISK METRICS

Fund Size	\$44.0m
Longs	36
Shorts	4
Net exposure	124%
Beta-adj net exposure/ Average (rolling 12mths)	84%/84%
Gross exposure	144%
Cash	-24%
Index Futures	0%
Correlation	0.54
% Positive Months	58%
Up/Down Capture	106%/90%
Liquidity (% saleable inside 10BD)	80%

UNIT PRICING

NAV (Mid-Price)	\$1.6474
Entry Price	\$1.6498
Exit Price	\$1.6449

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

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