



Paragon Australian Long Short Fund

JANUARY 2024

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	-18.3%	-9.7%	-10.0%	-13.4%	-12.0%	-18.9%	-5.4%	+5.3%	+6.6%	+100.0%
ASX All Ordinaries Accum. Index	+1.1%	+14.2%	+5.9%	+9.1%	+7.3%	+8.9%	+9.2%	+10.0%	+8.3%	+139.8%
ASX Small Ords. Accum. Index	+0.9%	+15.8%	+3.7%	+7.4%	+2.1%	-1.2%	+1.3%	+5.5%	+5.0%	+70.9%

OVERVIEW

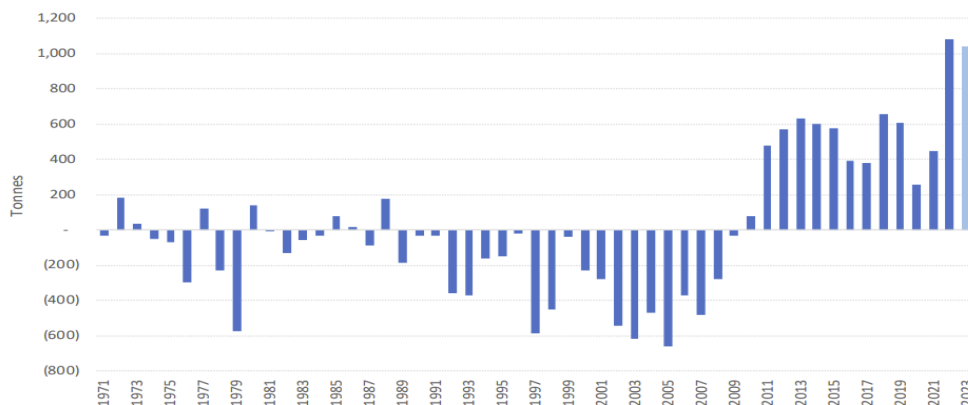
The Fund returned -18.3% after fees in January, a disappointing result after a solid finish to 2023. As discussed in January's [webinar](#), the bulk of our capital is in 'best-in-class' stocks across battery-EV minerals, Gold, Energy (mainly Uranium) and Copper. Of these sectors, Uranium did well whilst the other three sectors were heavily sold off. The Global Lithium and Rare Earths Indices were down -19% and -23% respectively, as well as Gold Indices down -11% and Copper Indices down -5%, resulting in a very tough month for the Fund. Uranium holdings NexGen and Lotus were our only holdings that did well. Global Indices were mixed: Nasdaq +1.9% & Russel2000 -3.9%. Local Indices were also mixed: All Ords AI +1.1%, Small Ords AI +0.9% and the ASX300 Resources down -3.7%.

The Fed kept rates on hold for January, pushing market expectations back to May/June for the first rate cut in 2024. US 10yr bonds and the US\$ rose +3bps and +1.0% respectively. Gold fell -1.1%, Oil rose +6.1%, and Uranium rose +11.0% to 15yr highs as the Uranium bull market gathers pace. Copper was flat. Rare Earths NdPr price fell -10%. Lithium was flat, but its key input Spodumene fell -15% to US\$830/t - unsustainable as ~30% of producers are losing money. Spodumene incentive pricing and recent multi-\$b M&A implied pricing levels double this at US\$1,600/t.

Portfolio insights: Strong outlook remains for Gold, despite a soft start to the year

Gold's soft start reminds us of its 2009-2011 bull market, when each of these years started off on the back foot, only to end strongly. After rallying in mid-December, on the back of the Fed's pivot, bonds and the US\$ rose countertrend on tempered timing of anticipated rate cuts, impacting precious metals and resource stocks globally. Keeping some perspective: 1) Gold is still trading over US\$2,000/oz, just 4.5% off record highs, impressive despite the macro noise; and 2) A\$ Gold is A\$3,127, only 2% off record highs. Importantly demand continues, central banks (CB) buying at near record levels of 1,037t in 2023, just under 2022's record (see Figure 1). China's CB was the largest buyer at 225t, its highest year of reported additions since 1977. China's CB Gold reserves still only represent 4% of its total international reserves, leaving ample scope to keep buying.

Figure 1: Central bank Gold purchases at near record pace.



Source: World Gold Council, Canaccord Genuity

The Fed's pivots and easing cycles over the past 20yrs+ have always been followed by outsized gains in Gold and Gold Equity Indices (+200% to +400%). Furthermore, post pausing on rate rises, historically the average duration until the Fed's first rate cut is 8 months, implying March 2024. The Fed's projections also point to 80bps in cuts for 2024 vs the market pricing in 120bps. With inflation rolling over and record debt driving annualised interest payments >US\$1T p.a., we believe US rate cuts are fast approaching.

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	\$39m
Longs	25
Shorts	1
Net exposure	110%
Beta-adj net exposure/ Average (rolling 12mths)	66%/87%
Gross exposure	121%
Cash	-10%
Index Futures	0%
Correlation	0.49
% Positive Months	58%
Up/Down Capture	95%/90%
Liquidity (% saleable inside 10BD)	77%

UNIT PRICING

NAV (Mid-Price)	\$1.4877
Entry Price	\$1.4900
Exit Price	\$1.4855

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