



# Paragon Australian Long Short Fund

MARCH 2024

[www.paragonfunds.com.au](http://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	+3.9%	-17.1%	-7.2%	-12.1%	-0.7%	-20.8%	-7.6%	+6.0%	+6.6%	+102.8%
ASX All Ordinaries Accum. Index	+3.1%	+5.5%	+14.6%	+13.8%	+15.0%	+6.7%	+9.5%	+9.5%	+8.6%	+150.2%
ASX Small Ords. Accum. Index	+4.8%	+7.5%	+16.7%	+14.4%	+13.8%	-0.6%	+2.7%	+5.4%	+5.6%	+82.2%

## OVERVIEW

The Fund returned +3.9% after fees in March. Global Indices were mixed: Nasdaq +1.2%, Lithium -4.7%, Gold +20% and Uranium +5%. Local Indices were up: All Ords AI +3.1%, Small Ords AI +4.8% and Resources +4.2%. Our gold and copper stocks, and Lotus, performed well for the Fund, in part offset by falls in WA1 and our Lithium holdings.

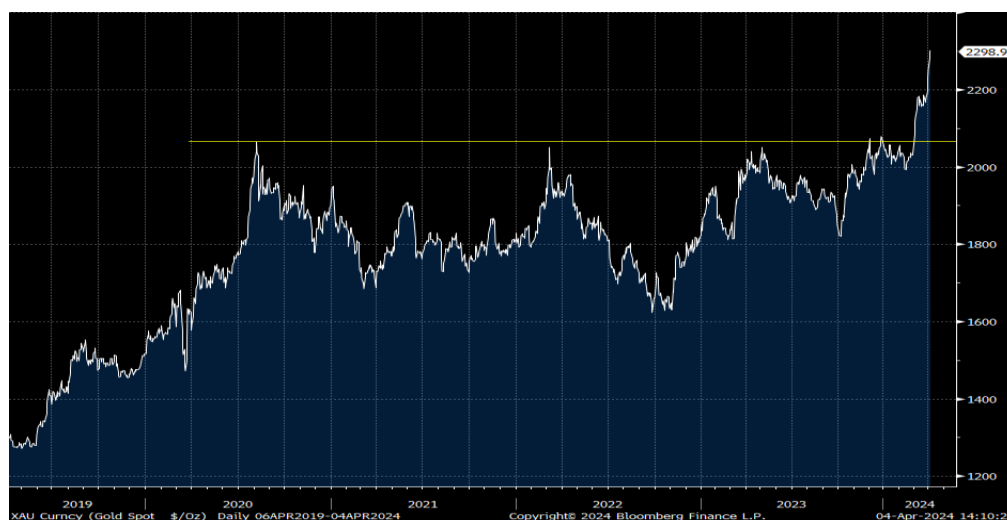
The Fed kept rates on hold in March, confirmed their outlook for 3 rate cuts this year and plans to slow the pace of QT soon. Equals 'risk-on'. The US\$ rose +0.4%, yet Gold was up +9.1% to new record highs. Oil rose +4.6%. Uranium fell -6.8%. Copper rose +4.5%. Lithium rose +9.3%. Despite a volatile start to the year, the outlook for Resources is strong.

## Portfolio insights: Here goes Gold and Copper

**Gold** closed at US\$2,230/oz in March, the highest ever daily, weekly, monthly and quarterly close and is clearly into 'price discovery' – see Figure 1 below - and rate cuts haven't started yet. Debt concerns are a key driver of gold. The US national debt is up 50% since Covid, to US\$34.5 trillion and rising by a staggering US\$1t every ~100 days. [Central Bank buying](#) of gold and strong Chinese demand continue. Our gold stock picks should do very well. These include [Orabanda](#) (unrivalled free-cashflow growth), **Spartan** (best high-grade discovery in WA in years), **Predictive** (high-margin 5moz+ takeover target amid a competitive M&A market) and **Turaco** (likely multi-moz resource potential).

Figure 1: Gold price (in US\$/oz) breaking out to all-time highs

Source: Bloomberg



We continue to be very constructive on the outlook for **Copper** with spot prices starting to break out. Copper demand growth is expected to accelerate due to the global energy transition (solar, wind, EV). Huge growth in data centres for AI and crypto will drive further copper demand. Copper supply is expected to reach a peak in the next 2 years, with major deficits on the horizon. Additionally, inventories are near critically low levels. This dynamic can only be resolved by copper prices rising materially from ~US\$4/lb today. Given material capex inflation globally and lengthy development timelines, incentive prices for major projects are US\$5/lb+. Typically, the commodity price will rise up to 2x the incentive price amid a bull market cycle. We have identified excellent opportunities across the risk curve. Attractively priced growth producer **Ero Copper** is well placed to self-fund and more than double production to 100ktpa in the next 18 mths. Copper developer **Firefly** acquired its Green Bay Copper project in Canada very cheaply, which was when we bought in, and the stock has since doubled. A classic brownfield 'turnaround' stock, set to materially expand its high-grade copper resources and capitalise on its existing infrastructure.

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	24
Shorts	1
Net exposure	120%
Beta-adj net exposure/ Average (rolling 12mths)	89%/91%
Gross exposure	130%
Cash	-20%
Index Futures	0%
Global exposure/% of Net exp	33%/27%
Correlation	0.52
% Positive Months	58%
Up/Down Capture	96%/90%
Liquidity (% saleable inside 10BD)	74%

## UNIT PRICING

NAV (Mid-Price)	\$1.5116
Entry Price	\$1.5093
Exit Price	\$1.5071

## 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