



Paragon Australian Long Short Fund

JULY 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	+7.5%	+6.7%	+8.2%	+7.5%	-2.7%	-0.5%	-9.2%	+2.2%	+7.0%	+116.2%
ASX All Ordinaries Accum. Index	+3.8%	+5.5%	+7.1%	+3.8%	+13.4%	+12.3%	+7.1%	+7.8%	+8.6%	+156.8%
ASX Small Ords. Accum. Index	+3.5%	+2.0%	+5.4%	+3.5%	+9.3%	+4.9%	-0.6%	+3.5%	+5.3%	+80.1%

OVERVIEW

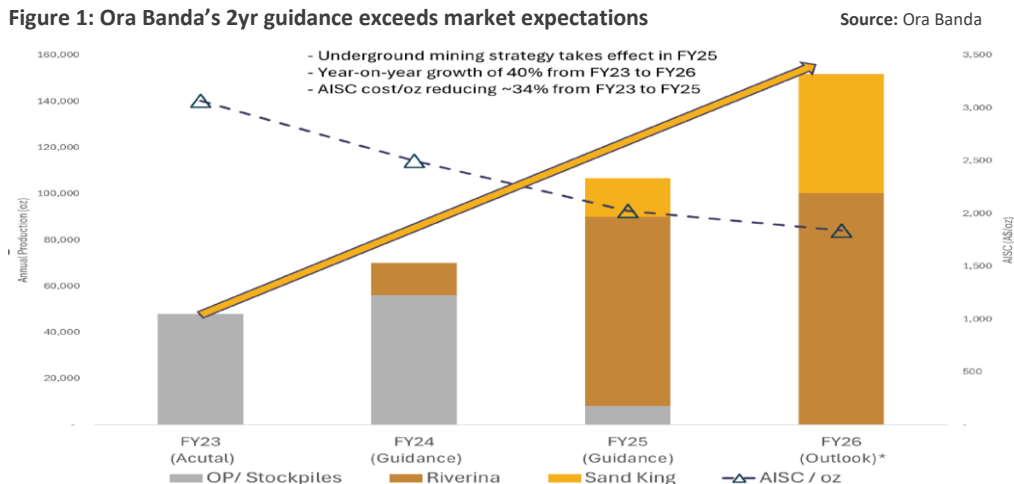
The Fund returned 7.5% after fees in July. Global Indices were mixed: Russell +10%, Nasdaq -1.6%, Lithium -4.1%, Copper -3%, Gold +11.8% and Silver +10.5%. Local Indices were mixed: All Ords AI +3.8%, Small Ords AI +3.5% and Resources -1.1%. Ora Banda, Spartan, Rex Minerals (takeover offer) and Aya performed well for the Fund, partially offset by falls in Lotus, Ero and Bravo.

US inflation was lower again in June, with 3x rate cuts expected this year. The US\$ fell -1.7% and US 10yr bonds fell 37bps. Gold was +5.2% higher, another monthly record close at US\$2,450/oz. Falls occurred in Silver -0.5%, Copper -4.9%, Lithium -9.1% and Oil -6.6%.

Portfolio insights: Ora Banda's prolific next phase of growth

Ora Banda Mining has been a stellar performer for the Fund, executing its high-grade underground (UG) gold mining strategy (discussed in [November 2023](#)). Riverina, its first UG mine, is exceeding our expectations with commercial production declared. Sand King, the second UG mine, has also been sanctioned for modest capex with ramp up expected in 1-2Q25. Ora Banda provided a very strong, self-funded 2-yr outlook with production CAGR of >40% to 150koz in FY26 from these two mines. Cost guidance positively surprised, coming in moderately lower than we expected, depicted in Figure 1.

Figure 1: Ora Banda's 2yr guidance exceeds market expectations



At spot A\$gold of \$3,730/oz (continuing to break record highs), Ora Banda should generate strong free cashflows (FCF) of \$80m/\$200m over FY25F/26F. Ora Banda continues to boast sector-leading organic production and FCF growth rates. We are pleased to see the company commit to an expanded exploration budget, as its land package boasts excellent exploration upside. Riverina's strike is proving very extensive and consistent, which should see the company commit to a 2nd UG access point doubling its mining rate. In our view, this next substantial leg of production growth is not appreciated by the market. Despite Ora Banda's re-rate to \$850m fully diluted market cap, it is trading on a modest 4x EV/FY26F FCF at spot gold and FX. Peers trade at 2-3x this multiple driven by relatively longer 'Reserve-backed' mine-lives and UG operating history. Ora Banda's exploration and 'mineable resource' updates will address any mine life concerns.

Monetary demand for Gold is strengthening: 1) Central banks continued their solid pace of buying ~184t net in 2Q24, up +6% yoy, with 1H24 demand the highest on record; and 2) After 9 consecutive quarters of selling, global physical Gold ETF's have flipped to buyers in 3Q24td. Gold is up +50% in this current cycle, less than half the average bull cycle move. Finally, rate cutting cycles (imminent) are a huge driver for Gold.

FUND POSITIONING & RISK METRICS

Fund Size	\$41.6m
Longs	31
Shorts	2
Net exposure	147%
Beta-adj net exposure/ Average (rolling 12mths)	83%/89%
Gross exposure	166%
Cash	-47%
Index Futures	0%
Global (as % FUM)	39%
Unlisted (as % FUM)	9%
Correlation	0.52
% Positive Months	58%
Up/Down Capture	97%/88%
Liquidity (% saleable inside 10BD)	77%

UNIT PRICING

NAV (Mid-Price)	\$1.6199
Entry Price	\$1.6223
Exit Price	\$1.6175

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

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.