



Paragon Australian Long Short Fund

SEPTEMBER 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	+14.9%	+41.0%	+40.8%	+41.0%	+30.6%	+14.2%	-7.3%	+8.2%	+9.5%	+185.7%
ASX All Ordinaries Accum. Index	+3.4%	+7.9%	+6.6%	+7.9%	+22.2%	+17.5%	+8.1%	+8.7%	+8.8%	+166.7%
ASX Small Ords. Accum. Index	+5.1%	+6.5%	+1.8%	+6.5%	+18.8%	+12.7%	-0.6%	+4.4%	+5.5%	+85.4%

OVERVIEW

The Fund returned +14.9% after fees in September amid another volatile month globally. Global Indices were up: Russell +0.6%, Nasdaq +2.5%, Copper +8.4%, Lithium +12.7%, Gold +3.1% and Silver +7.2%. Local Indices were also up: All Ords AI +3.4%, Small Ords AI +5.1% and Resources AI +11.4%. St Barbara, Andean Silver, Aya and Teraco performed well for the Fund, partially offset by falls in Westgold and Genmin.

US inflation continued its trend lower. The US\$ fell -0.9% and US 10yr bonds fell -12bps. Gold was +5.2% higher, another record close at US\$2,635/oz, defying its typically negative seasonality. Silver was up +8.0%, Copper +9.8%, Lithium +2.8% and Oil down -8.9%.

Market insights: US rate cutting cycle underway; China's stimulus 'upside surprise'

The **US Fed** started its interest rate easing cycle by cutting 0.5% in September with 0.75% rate cuts expected by the end of the year and a further 1% of cuts by the end of 2025. Gold's performances for the previous three rate cutting cycles were: 1) 2001-2004 = +125%; 2) 2007-2011 = +241%; and 3) 2019-2020 = +50% as illustrated below:

Figure 1: US cash rate (blue; RHS y-axis) vs the gold price (yellow, LHS y-axis). Source: Bloomberg



Despite **Gold** being at all-time highs and **Silver** at 11-yr highs, positioning is not extended nor sentiment euphoric. We've identified and held some outstanding fundamentally-based stocks, with gold and silver price rises a bonus. So much of the sector has materially lagged (dogs) and rightly so. Pleasingly, we are still finding future winners.

China announced a comprehensive and aggressive set of new stimulus measures to boost its economy, including: 1) monetary easing via reserve requirement ratio and interest rate cuts; 2) property market financial support; and 3) stock market support by providing liquidity for purchases by securities firms, funds and insurers. This US\$325b+ stimulus blitz represents China's most significant economic intervention since the GFC when US\$550b was unleashed. With the Fed having begun to cut rates aggressively and the US\$ trending lower, the fear of Chinese Renminbi downside has diminished, allowing China's Central Bank to take bolder steps to reflate. China's Shanghai Index put on +21%, the biggest weekly gain since the depth of the GFC. Its Hang Seng index surged the most since 1998, triggering its strongest breadth thrust advance in history – a classic bull market initiation signal. China is the world's largest consumer of most Resources. As with previous stimulus packages, China is expected to drive up demand for commodities providing a tailwind for the sector. We're already constructive on **Copper** where China is ~50% of demand. Billionaire hedge fund manager David Tepper, known as the "godfather" of Wall Street, has gone "all in" on China post the stimulus that has exceeded expectations. Tepper is investing in "everything" related to China, stating he is unhedged.

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	\$54.8m
Longs	29
Shorts	3
Net exposure	140%
Beta-adj net exposure/ Average (rolling 12mths)	79%/87%
Gross exposure	168%
Cash	-40%
Index Futures	0%
Global (as % FUM)	25%
Unlisted (as % FUM)	8%
Correlation	0.52
% Positive Months	59%
Up/Down Capture	107%/88%
Liquidity (% saleable inside 10BD)	82%

UNIT PRICING

NAV (Mid-Price)	\$2.1248
Entry Price	\$2.1280
Exit Price	\$2.1216

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