



Paragon Australian Long Short Fund

OCTOBER 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 (est)	+29.6%	+70.0%	+81.9%	+82.7%	+67.2%	+31.3%	+2.4%	+14.3%	+11.9%	+270.3%
ASX All Ordinaries Accum. Index	-1.3%	+2.5%	+8.1%	+6.4%	+25.4%	+13.6%	+7.6%	+8.5%	+8.7%	+163.2%
ASX Small Ords. Accum. Index	+0.8%	+3.8%	+5.8%	+7.4%	+26.6%	+9.6%	-0.6%	+4.7%	+5.5%	+86.9%

OVERVIEW

The Fund returned an estimated +29.6% after fees in October. Global Indices were mixed: Russell -1.5%, Nasdaq -0.9%, Copper -8%, Lithium +3.9%, Gold +1.3% and Silver +10.2%. Local Indices were also mixed: All Ords AI -1.3%, Small Ords AI +0.8% and ASX300 Resources AI -4.8%. Our overall portfolio performed well, with strong returns particularly in our Gold holdings - Ora Banda, K92, St Barbara and Meeka, plus CY5 and our Copper and Silver stocks. The Fund's top 10 median market cap is \$1.27b.

US inflation continued to trend lower. The US\$ moved +3.2% and US 10yr bonds +50bps. Gold was +4.2% higher, another record close at US\$2,744/oz. Silver was up +4.8%, Copper and Lithium down -4.7% and -2.8% respectively, and Oil was up +1.9%. Central banks reported 40t of net gold buying in September and 186t for 3Q24 - 2 years of strong buying. Inflows into gold-backed ETFs hit 94t, a reversal after nine successive quarters of outflows.

Portfolio insights: Ora Banda's 3Q24 FCF inflection; Gold stocks – what's priced in?

Ora Banda delivered an excellent 3Q24 result, exceeding even our expectations. Ours were materially higher than consensus, which continues to lag behind the curve. Production, margins, and free cash flows (FCF) significantly surprised. Commercial production (CP) was declared at Riverina underground (UG) mine on 1 August, with grade reconciliation well in excess of Reserve grade and expected to continue. Sand King UG development is progressing well and should also see CP in 2Q25. At spot A\$ gold prices, Ora Banda should generate strong FCF of \$150m+/\$250m+ over FY25F/26F. Given its highly prospective land package, we view a third UG discovery and mine as a matter of when, not if. Ora Banda continues to be the best led, attractively priced, self-funded, organic-growth gold stock amid its producing peers.

We continually ask ourselves **what is priced in for Gold stocks and where we are in the cycle?** Figure 1 below is instructive - small-cap gold stocks are trading at an EV/Resource of ~US\$40/oz, half previous cycle highs. Figure 2 shows that whilst the rally is impressive, it ranks as low in both duration and magnitude compared to historical gold bull runs.

Figure 1: Small cap 'Resource-stage' gold stocks – EV/Resource (blue) vs Gold Source: RBC

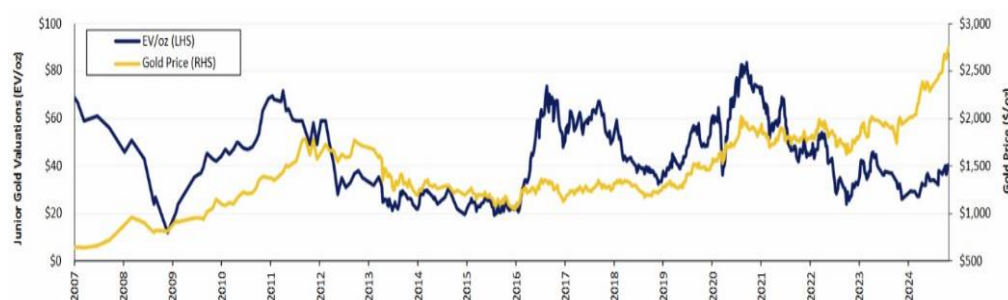
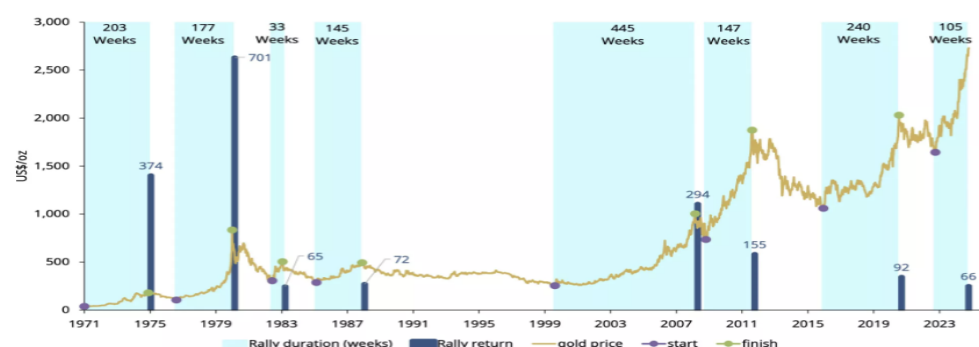


Figure 2: Gold price and bull market rallies since 1971 Source: World Gold Council



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	\$71.1m
Longs	31
Shorts	7
Net exposure	141%
Beta-adj net exposure/ Average (rolling 12mths)	77%/87%
Gross exposure	191%
Cash	-41%
Index Futures	0%
Global (as % FUM)	29%
Unlisted (as % FUM)	6%
Correlation	0.48
% Positive Months	59%
Up/Down Capture	107%/69%
Liquidity (% saleable inside 10BD)	84%

UNIT PRICING*

NAV (Mid-Price)	\$2.7537
Entry Price	\$2.7579
Exit Price	\$2.7496

* Based on our estimated return.

Official UP to be issued ~BD8 by the Fund's Administrator.

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