



Paragon Australian Long Short Fund

NOVEMBER 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	-23.2%	+14.2%	+28.7%	+40.1%	+24.9%	+13.2%	-6.5%	+8.3%	+9.3%	+183.9%
ASX All Ordinaries Accum. Index	+3.7%	+5.8%	+11.1%	+10.3%	+23.5%	+12.1%	+9.0%	+8.6%	+8.9%	+172.8%
ASX Small Ords. Accum. Index	+1.3%	+7.3%	+7.3%	+8.8%	+19.9%	+7.7%	-0.1%	+4.6%	+5.6%	+89.4%

OVERVIEW

The Fund returned -23.2% after fees in November. Global Indices were mixed: Copper -2.6%, Lithium -3.3%, Gold -6.6% and Silver -6.0%; Nasdaq +5.2%. Local Indices were also mixed: All Ords AI +3.7%, Small Ords AI +1.3%; Small Resources AI -5.4%. The Fund's overall portfolio was hit hard in the month, volatility resulting from the US election, and headwinds from a rallying US\$, driving a violent sell-off of Resources and precious metals stocks globally. Gold and Silver saw -9% and -15% intra-month corrections off their highs, closing -3.7% and -6.0% respectively for the month. Copper also fell -6%, impacted by Trump's trade wars threats. Anticipating a 'clean sweep' Trump victory and his associated policies, we chose to remain fully invested in our core stock picks, which have strong outlooks. However, this went against us. Additionally, we were also impacted by stock-specific updates – discussed further below.

Portfolio insights: Trump impact; Stock-specific updates

A similar short-term macro dynamic occurred in Trump's 2016 election victory, with the US\$ rallying for ~5 weeks and Gold declining -12%. The US\$ then rolled over and Gold rose +40%, right up until Covid19. Trump's aim to rein in massive US budget deficits and debt spiral, and ceasing wars, unleashed a wave of optimism impacting precious metals. US Treasury Secretary nominee Bessent (billionaire hedge fund manager) has tempered Trump's rhetoric by guiding expectations to reduce the FY24 deficit from US\$1.8t or 6.4% of GDP to 3% in four years. Achieving this will be challenging given >80% of government spending is 'mandatory', Trump's proposed policies including tax cuts and materially growing interest payments on US debt. Trump has reiterated his intention to pursue a weak US\$ policy. Bessent recently stated that Gold is his biggest personal investment. We remain constructive on Gold supported by: strong central bank demand; US debt of US\$36t and rising by US\$1t every 100 days; easing monetary policy (the Fed cut the cash rate by another 25bps); and geopolitical tensions.

Ora Banda fell -22%, impacted by the Gold price correction plus a sell-down by its largest shareholder Hawkes Point (HP), selling 100m (of 700m) at 70c. Private equity sell-downs can create a short-term overhang. HP, like us, have been bid several times for their entire holding, and choosing to sell only 14% of their holding suggests they still see significant upside. Ora Banda is on track to de-risk into a mid-tier Gold market leader, given its exploration upside, its strong, self-funded production and FCF growth outlook. Whilst US\$ Gold price volatility impacts short-term sentiment and flows, it is the A\$ Gold price (>A\$4,000/oz) and Ora Banda's ongoing execution that will ultimately drive its re-rating. It boasts attractive risk-reward, trading on a modest EV/CY25F FCF of 6x at spot A\$ Gold. **St Barbara** corrected -26%, impacted by its \$100m discounted 38c capital raise which caught the market (and us) by surprise - its size and timing. We did not participate in the raise but bought more on market when the stock undershot to 30c. Equating to a \$350m market cap vs its pro-forma ~\$180m in cash, its 7moz gold resources and ~\$25m in listed investments – representing deep value. St Barbara chose to raise capital to commit to long lead time items on its Simberi US\$250m expansion capex. Once developed, Simberi can do ~250koz pa over 10yrs+, with an extraordinary payback of ~12 months.

Aya Silver and **Ero Copper** both reported delays in their project ramp ups and were materially sold-off despite issues being short-term.

Spartan corrected -30% on exploration results that were seen as closing off its resource. However, Spartan has since discovered a new area and upgraded its underground Gold resource to an outstanding 2.3moz @ 9.3g/t and growing, making it a prime M&A target.

FUND POSITIONING & RISK METRICS

Fund Size	\$54.0m
Longs	29
Shorts	3
Net exposure	148%
Beta-adj net exposure/ Average (rolling 12mths)	100%/87%
Gross exposure	183%
Cash	-48%
Index Futures	0%
Global (as % FUM)	19%
Unlisted (as % FUM)	8%
Correlation	0.45
% Positive Months	59%
Up/Down Capture	97%/69%
Liquidity (% saleable inside 10BD)	84%

UNIT PRICING

NAV (Mid-Price)	\$2.1113
Entry Price	\$2.1145
Exit Price	\$2.1082

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 Market Services
Prime Broker/Custodian	UBS

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