



# Paragon Australian Long Short Fund

www.paragonfunds.com.au

APRIL 2021

\*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	+23.6%	+34.9%	+45.2%	+55.1%	+99.4%	+41.4%	+13.8%	+12.0%	+15.2%	+218.2%
ASX All Ordinaries Accum. Index	+3.9%	+7.3%	+20.7%	+24.6%	+34.0%	+10.3%	+10.3%	+10.7%	+9.1%	+97.9%
ASX Small Ords. Accum. Index	+5.0%	+7.4%	+21.4%	+28.9%	+39.8%	+10.1%	+9.1%	+11.1%	+7.7%	+76.5%

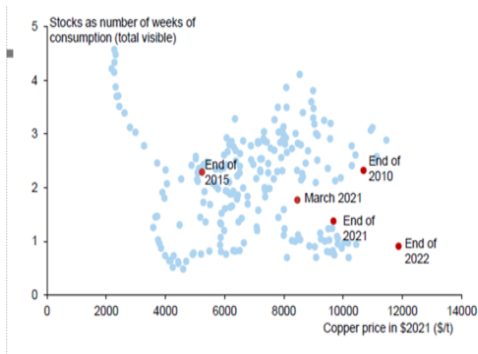
## OVERVIEW

The Fund returned +23.6% after fees in April and +99.4% over 12 months, substantially ahead of the market's +34%. Global Indices were mixed in April: +5.2% (S&P500), +2.0% (Russell2000) and +0.2% (RussellMicro's); Local Indices were up: +5.0% (Small Ords AI) and +4.0% (All Ords AI). The Fund's strong performance came from a good spread across 13 stocks, individually returning greater than +1% attribution. These include Chalice, Adriatic, Betmakers, Cettire, and our copper, gold and battery-EV stockpicks.

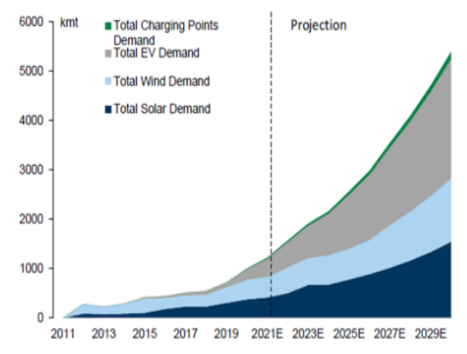
US 10yr bond rates fell -12bps to 1.62%, with US inflation rising +5bps to 2.54% (7-yr highs). The US\$ index fell -1.9% to 91.2. Gold and silver were up +2.3% to US\$1,769/oz and +3.6% to US\$25.92/oz respectively. Palladium was up +10.2% to US\$2,941/oz, at record highs and great for Chalice. Key Lithium input price Spodumene was up +15% to ~US\$750/t, great for our Lithium stockpicks. Copper was up +12% to US\$4.48/lb, within reach of its Feb2011 US\$4.62/lb all-time high. Copper futures flipped into deep backwardation and treatment charges compressed further - both bullish indicators and great for our Copper investments.

## PORTFOLIO INSIGHTS: Copper super-cycle underway; outlook for record long-term deficits

We have discussed Copper's strong fundamentals and its attractive opportunity set numerous times over the past year. Reinforcing Copper's demand outlook, the 'green-theme' remains front and centre globally where Climate transition has the potential to drive US\$2t p.a. of infrastructure investments for the next decade. Renewable energy systems require 5x more copper vs conventional power generation and EV require 3x more than conventional vehicles. This translates into demand growth of ~5mtpa by the end of the decade (right chart), vs a current 24mtpa market. Inventories continue to fall and record lows are likely (left chart):



Source: Woodmac, Wind, Goldman Sachs Global Investment Research



Source: Goldman Sachs Global Investment Research

On the supply side, there have been no material greenfield project approvals announced in the past 12months. Supply gaps of 1mtpa+ are expected to emerge over the medium-term and multiples of that by the end of the decade. For some context, Escondida in Chile, the largest Copper mine globally, produces 1mtpa of contained Copper. Requiring many of these is a major challenge for the industry. Record long-term deficits are looming, with the supply gap potentially twice that of the last Copper super-cycle (2003-2011). Lengthy project development lead-times - 4-yrs for brownfield expansions and 7-yrs for greenfield - will mean sustained elevated Copper prices in order to incentivise new supply.

Given our 'stronger for longer' view in Copper, we've been actively researching 'discovery' and 'developer' stocks as we expect them to vastly outperform. Highly economic projects that can bring online Copper production of 25ktpa+ will prove yet again to be the best stockpicks. We positioned the Fund in Venturex, Eagle Mountain and KGL Resources - all with projects satisfying our criteria, as well as boasting superior management who have done it all before and are well aligned with strong equity ownership. Whilst all 3 stocks have been excellent performers to date, strong upside remains. We invested in the last Copper super-cycle in similar unknown stocks that went from micro-caps to \$1b+ market darlings, and confidently anticipate the same outcome this cycle.

## FUND POSITION 215.10ING & RISK METRICS

Fund Size	\$51.6m
Longs	36
Shorts	6
Net exposure	154%
Beta-adj net exposure/ Average since inception	94%/71%
Gross exposure	183%
Cash	-54%
Index Futures	0%
Correlation	0.53
% Positive Months	61%
Up/Down Capture	114%/67%
Liquidity (% saleable inside 10BD)	82%

## UNIT PRICING

NAV (Mid-Price)	\$2.7816
Entry Price	\$2.7858
Exit Price	\$2.7774

## 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