



Paragon Australian Long Short Fund

MARCH 2022

www.paragonfunds.com.au

*Since inception - 1 March 2013

PERFORMANCE DATA <i>(after fees)</i>	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)	+23.6%	-7.4%	-9.8%	+9.7%	+25.4%	+54.3%	+28.7%	+14.5%	+13.8%	+222.9%
ASX All Ordinaries Accum. Index	+6.9%	+1.6%	+4.1%	+6.3%	+15.5%	+27.7%	+11.5%	+9.8%	+9.1%	+119.9%
ASX Small Ords. Accum. Index	+5.3%	-4.2%	-2.3%	+1.1%	+9.7%	+29.2%	+9.7%	+9.9%	+7.0%	+84.4%

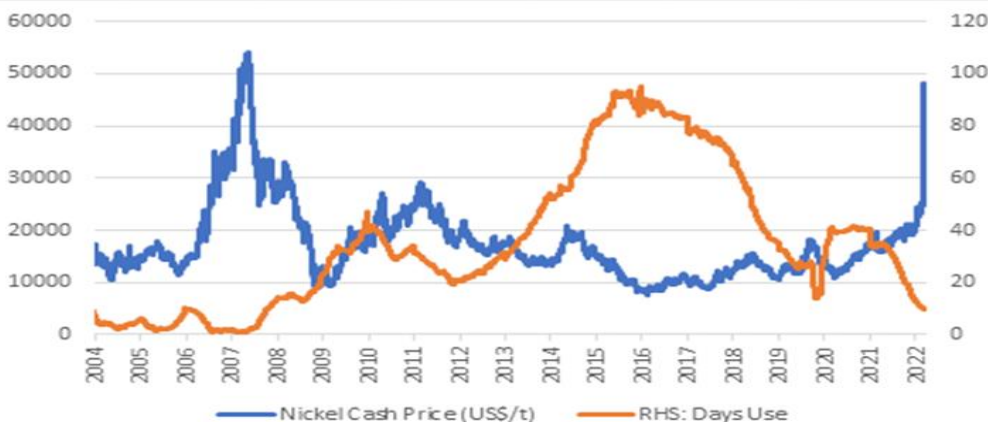
OVERVIEW

The Fund returned an estimated +23.6% after fees in March. Global Indices were all up: +4.2% (Nasdaq), +3.6% (S&P500) and +1.1% (Russell2000); as were local Indices: +5.3% (Small Ords AI) and +6.9% (All Ords AI). The Fund's strong performance largely came from 9 stocks individually returning more than +1% attribution. These included Sayona and Ionic (now taken profits in full in both), Firefinch, Lithium Power Woodside and Stanmore.

March quarter (1Q22) was wildly volatile, with the Fund returning -7.4%. Global Indices also fell for the quarter: -5% (S&P500) to -9% (Nasdaq); local Indices fared better: -4.2% (Small Ords AI) and +1.6% (All Ords AI). It was a frustrating quarter as we got the call on the commodities right, with so many commodity prices continuing to hit multi-year or all-time highs. However, with the risk-off caused by a hawkish Fed in late January, followed by panic selling in February from Russia's invasion of Ukraine, only mega-cap resources performed well, which we tend not to own. Our small and mid-caps were materially sold-off, but pleasingly, bounced back strongly in March. April has also started well. With an outlook of shortages across many commodity markets and expectations of material long-term deficits seemingly everywhere, we continue to be deliberately overweight in small to mid-cap developers which should grossly outperform as new supply is essential. View our latest [webinar](#) for comprehensive coverage of our outlook for Resources and the Fund's positioning.

Resources super-cycle underway: Base metals shortages coming, prices responding

As we've been saying for some time, Nickel's fundamentals are arguably as strong as Lithium's, particularly for battery-grade-EV Nickel. Its demand is set to grow >10x by 2030. Nickel last month had a super spike - more than doubling in price on a short squeeze - only for the London Metals Exchange to cheekily cease trading to stabilise the market.



Source: Bloomberg, UBS, WoodMac

As shown in the chart above, the last time Nickel inventories (orange line) hit critically low levels, in 2007, the Nickel spot price (blue line) hit a record of US\$51,000/t+. The question now starting to be asked globally is – “Where is all the ‘clean & green’ battery-grade-EV Nickel going to come from?” It's clear that Nickel's price will stay elevated to incentivise new supply, and consequently, high-quality highly-economic developers will re-rate.

Copper is a similar story to Nickel, having just broken record highs as inventories have fallen to ~4 days of global consumption - near critical levels. We expect a new source of demand in Copper and other commodities – inventory stocking. As inflation psychology sets in, industry will start to build up their own inventories. Copper's price risk is also firmly to the upside. We are excited about the outlook for all five of our base metals stocks.

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	\$59.7m
Longs	23
Shorts	5
Net exposure	107%
Beta-adj net exposure/ Average (rolling 12mths)	76%/87%
Gross exposure	125%
Cash	-7%
Index Futures	0%
Correlation	0.52
% Positive Months	61%
Up/Down Capture	113%/72%
Liquidity (% saleable inside 10BD)	83%

UNIT PRICING*

NAV (Mid-Price)	\$2.6337
Entry Price	\$2.6376
Exit Price	\$2.6297

* Based on our estimated return.

Official UP to be issued ~BD7 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