



Paragon Australian Long Short Fund

DECEMBER 2021

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	+0.5%	-2.6%	+18.4%	+18.4%	+44.2%	+35.2%	+31.6%	+15.3%	+15.2%	+248.8%
ASX All Ordinaries Accum. Index	+2.7%	+2.5%	+4.6%	+4.6%	+17.7%	+10.5%	+14.8%	+10.4%	+9.5%	+116.4%
ASX Small Ords. Accum. Index	+1.4%	+2.0%	+5.5%	+5.5%	+16.9%	+13.0%	+15.7%	+11.2%	+8.2%	+92.5%

OVERVIEW

The Fund returned +0.5% after fees in December. Global Indices initially corrected – impacted by Omicron, a hawkish Fed accelerating QE tapering, likelihood of 3x cash rate rises in 2022 and a high US CPI print of +6.8%. As anticipated, these factors were already priced in, with markets then rallying and ending the month higher, +2.6% (Nasdaq) to +5.6% (S&P500). Local Indices also recovered to finish up +1.4% (Small Ords AI) and +2.7% (All Ords AI). Positive contributors were from our battery EV minerals holdings Firefinch, Prospect (received a US\$378m takeover offer for its Lithium asset) and Syrah, and our short in Magellan (FUM downgrade), offset by declines in Mawson, QPM and Adriatic.

The Fed has printed excessive amounts of money since the beginning of the pandemic and is now trying to control the inflation problem this created. US monetary and fiscal stimulus now exceeds a staggering US\$10t in <2 years. Excess liquidity was evident all year, with global equities inflows at US\$1t+, exceeding the combined total for the past 19 years! Precious metals, base metals, energy and battery EV commodity prices are all rallying (Lithium prices breaking all-time highs, up >400% in CY21 to US\$40,000/t) as their strong micro (fundamentals) supersede headwinds from the macro (tapering, rising US\$, China growth concerns). Collectively representing strong tailwinds for our Fund going into 2022.

2021 Year in review and 2022 Outlook in brief

2021 was another solid year for the Fund with a return of +44.2% after fees, well ahead of all relevant indices for the year (and since inception) as depicted below:

CY	Paragon (after fees)	All Ordinaries Accum.	ASX300 Resources	ASX300 Industrials	Small Ordinaries Accum.	Small Resources	Small Industrials	Eureka Hedge Au/NZ HedgeFunds
2013*	18.7%	8.3%	-3.8%	12.0%	-5.6%	-43.1%	5.0%	15.0%
2014	15.9%	5.0%	-16.6%	11.0%	-3.8%	-29.1%	1.2%	8.2%
2015	16.8%	3.8%	-24.9%	8.3%	10.2%	-14.3%	9.3%	15.4%
2016	6.8%	11.6%	42.9%	7.4%	13.2%	53.3%	2.4%	-0.2%
2017	44.1%	12.4%	25.8%	9.2%	20.0%	38.7%	11.8%	11.0%
2018	-38.0%	-3.5%	2.3%	-4.4%	-8.7%	-16.0%	-6.5%	-7.0%
2019	24.8%	24.0%	26.1%	23.1%	21.5%	10.0%	24.5%	16.6%
2020	26.8%	3.7%	9.2%	-0.1%	9.2%	23.1%	6.0%	1.3%
2021	44.2%	17.7%	10.2%	19.5%	16.9%	29.1%	13.7%	15.7%
Cumulative performance	248.8%	116.4%	67.9%	122.1%	92.5%	23.2%	117.2%	56.7%
CAGR since inception	15.2%	9.5%	7.2%	9.6%	8.2%	3.6%	9.4%	5.4%

* Paragon inception March 2013

Source: Bloomberg, Paragon

Despite the ‘wall of worry’ for much of the year, we maintained our constructive stance on markets and in our positioning. Performance came from: +40% longs/+4% shorts (by stocks); and +32% Resources/+12% Industrials (by sectors). Our key winners in the year were:

- Resources:** Chalice and Sunstone (precious metals); Sayona, Loneer, Firefinch, Prospect and QPM (battery EV minerals); and shorts in DeGrey and St Barbara; and
- Industrials:** Cettire and 360 (tech.), plus shorts in AGL, Appen, Lendlease and Magellan.

We are excited about 2022 and beyond, compliments of decade-long micro drivers from de-carbonisation and electrification with investment in the trillions; and a resources (battery EV minerals, base metals and energy) super-cycle compounded by inflation tailwinds.

We will discuss the Fund’s 2022 outlook in our upcoming [webinar](#) to be held on 18th of January 2022.

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	\$62m
Longs	28
Shorts	10
Net exposure	99%
Beta-adj net exposure/ Average (rolling 12mths)	73%/94%
Gross exposure	144%
Cash	1%
Index Futures	0%
Correlation	0.49
% Positive Months	61%
Up/Down Capture	114%/66%
Liquidity (% saleable inside 10BD)	83%

UNIT PRICING

NAV (Mid-Price)	\$2.8448
Entry Price	\$2.8490
Exit Price	\$2.8405

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