



Paragon Australian Long Short Fund

JUNE 2023

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)	+4.7%	+13.1%	+15.0%	+5.2%	+5.2%	-11.5%	+4.0%	+2.6%	+8.4%	+130.9%
ASX All Ordinaries Accum. Index	+1.9%	+1.0%	+4.7%	+14.8%	+14.8%	+3.1%	+11.5%	+7.4%	+7.9%	+119.8%
ASX Small Ords. Accum. Index	0%	-0.5%	+1.3%	+8.4%	+8.4%	-6.6%	+5.2%	+2.3%	+4.6%	+59.2%

OVERVIEW

The Fund returned an estimated +4.7% after fees in June and +5.2% for FY23. Global Indices were up: Nasdaq +6.5%, S&P500 +6.5% and Russell2000 +8.0%. Local Indices were mixed: All Ords AI +1.9%, Small Ords AI 0% and Small Resources AI -1.2%. Azure, WA1 and Greentech performed well for the Fund, partially offset by declines in our precious metals holdings. The Fed paused at the June FOMC, keeping the cash rate unchanged. We suspect their hiking cycle is done. The US\$ fell -1.4%. Gold fell -2.2% and Silver -3.3% on hawkish Fed rhetoric of two more 25bps rate rises this year. Oil was up +3.1%, as was Copper +2.9%. Lithium prices were unchanged.

Portfolio insights: Lithium's tailwinds continue in earnest

We discussed Lithium's short-term headwinds in [February](#). Several negative headlines causing volatility at the time have since turned, with Lithium prices doubling from April lows. June featured many positive Electric Vehicle (EV) and Lithium related updates, with some key drivers listed below:

- China extended their EV subsidies for another 4 years. China will exempt the purchase tax on EV by US\$4,170 per passenger vehicle from 2024 for 2 years, then halving for 2026-2027, coming in more generous and longer than expectations.
- EV sales led by China are showing solid growth. China EV sales in June surprised to the upside, with retail sales +16% mom to ~670k according to preliminary CPCA forecasts. Tesla and BYD achieved record sales in 2Q23, widening their lead as the world's top EV manufacturers. Tesla exceeded expectations delivering 466,140 cars globally. BYD saw huge growth in EV sales, almost doubling deliveries to 352,163 cars.
- The EU launched a new EV initiative via a €1b critical minerals fund. This follows a similar US\$2.8b initiative by the US in late 2022. Both the EU and US are looking to onshore their EV battery supply chains, currently dependent on China.
- Ford was awarded a US\$9.2b loan from the US DOE, the largest funding package for a US automaker since the GFC bailouts, to help the US catch up to China's EV dominance. This will allow Ford to build 3 EV battery plants in the US.
- Canada continues to offer the EV supply chain (downstream and big EV makers) significant incentives to build capacity across the country. Recent announcements include partnerships with both German (VW, Mercedes) and Korean manufacturers.
- Korea's Posco has just announced that it will be expanding investments in EV batteries, as well as in hydrogen, spending \$138b over the next 7 years.
- GM and Ford announced they will be adopting Tesla charging standards, enabling EV owners to use Tesla's US network of 12,000 Superchargers.
- Lithium oversupply narrative weakens, with direct Lithium extraction (DLE) developer Lake Resources pushing out its project development schedule by 3 years! We believe market forecasts of significant DLE supply in the medium-term will be proven wrong.
- A Chinese consortium led by CATL plans to spend US\$1.4b to build Lithium extraction plants in Bolivia, where their investment could eventually grow to ~US\$10b. Bolivia boasts huge untapped Lithium resources, however with challenging levels of impurities. Investment in such a high-risk nation suggests long-term industry deficits.

Lithium is in a structural growth cycle with EV demand now entering a mass adoption phase. It is a one-time electrification of a 1.4b global car fleet vs 100m+ EV's on the road today.

FUND POSITIONING & RISK METRICS

Fund Size	\$46.6m
Longs	36
Shorts	3
Net exposure	122%
Beta-adj net exposure/ Average (rolling 12mths)	99%/77%
Gross exposure	153%
Cash	-22%
Index Futures	0%
Correlation	0.55
% Positive Months	59%
Up/Down Capture	109%/95%
Liquidity (% saleable inside 10BD)	84%

UNIT PRICING*

NAV (Mid-Price)	\$1.7426
Entry Price	\$1.7452
Exit Price	\$1.7400

* 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

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