

FINANCIAL SERVICES

Argonaut back into funds management

By [Mark Beyer](#)



NEW APPROACH: Eddie Rigg (L) and David Franklyn believe Perth is a logical place for a resources-focused investment fund.

Corporate finance group [Argonaut](#) has rejoined the funds management sector, with executive director [David Franklyn](#) saying investors need to rethink their approach to the resources sector.

It has established the [Argonaut Natural Resources Fund](#) to invest across the sector and rejuvenated its dormant AFM Perseus Fund, which will focus on smaller stocks.

“We see a strong logic in having a major resources-focused fund based in Perth,”

“WA is a major producer across the board, in gold, iron ore and base metals and lithium and battery metals are emerging.”

[Mr Franklyn](#), who has extensive experience as a research analyst and investment manager, said [Argonaut](#) was bullish on the resources sector but anticipated big structural shifts.

“There is a major shift underway from bulk metals toward battery metals and gold,” he told Business News.

Battery metals like lithium, graphite and nickel were underpinned by the trend toward battery storage for transport and power while gold was helped by periods of uncertainty.

“Loading up on iron ore and coal like you did in the past won’t work in the future.”

That said, [Mr Franklyn](#) noted [Argonaut](#) holds iron ore stocks as part of its opportunistic trading portfolio.

“They are doing well at the moment but the medium-term outlook is challenging.”

Consensus forecasts show the iron ore price around US\$60 per tonne for three years, well below current prices above \$US100/t.

Similarly, he said there was a longer-term shift away from thermal coal in power production and a general move away from fossil fuels, driven by the environmental movement.

[Argonaut’s](#) funds management operation will operate independently of other parts of the business but [Mr Franklyn](#) saw a lot of value in the brand connection.

“I was very strong on using the [Argonaut](#) name,” he said.

“The group has a reputation for being resource sector experts.”

The funds management operation is chaired by [Argonaut](#) boss [Eddie Rigg](#) and recently bolstered its team by appointing Melbourne-based Cathy Moises as an independent member of its investment committee.

She was head of research at Patersons Securities and prior to that worked as a resources analyst for various Australian brokers for 25 years.

The group’s flagship fund is the [Argonaut](#) Natural Resources Fund, which will typically hold between 10 and 25 investments.

[Argonaut](#) commenced investing in January and to the end of June the portfolio was up just over 7 per cent.

That meant it was outperforming its benchmark index (S&P-ASX/300 Resources Index) by about 22 per cent.

[Mr Franklyn](#) said it only has seed funding at the current time and the intention was to focus on building a performance track record.

The top five holdings in the fund at end of June were Oz Minerals, IGO, Rio Tinto, Atrium Coal and Saracen

Minerals Holdings.

The AFM Perseus Fund had been active in the 2000s under the leadership of executive director Michael Mulroney, who left in 2012.

[Mr Franklyn](#) has restructured the Perseus fund's \$1 million portfolio, selling illiquid stock it had been sitting on for years.

Operating as an unlisted public company, one asset it has retained is about \$1 million of tax losses, which it will utilise to boost returns for its shareholders.

Perseus will invest in smaller Australian resources companies, being those outside the S&P-ASX 100 Index.

Since January, when [Mr Franklyn](#) commenced investing, the fund is up by almost 19 per cent.

Major portfolio holdings include IGO, Myanmar Metals, Odyssey Energy, Gold Road Resources and Lynas Corporation.

The next edition of the *Business News* magazine, out on Monday, has a detailed review of the WA funds management sector.

It details the performance of Australian equity funds and listed investment companies run by fund managers in Perth.

It also explores the varying strategies of different fund managers, who agree the stockmarket outlook is particularly difficult to pick.

Data & Insights

Mentioned Organisations

[Argonaut](#)

[Corporate Finance](#) and [Stockbrokers](#)

Mentioned People

[David Franklyn](#)

[Eddie Rigg](#)
