

Argonaut Natural Resources Fund



Monthly Performance Report – February 2021

ASSET CLASS | RESOURCES SELECT

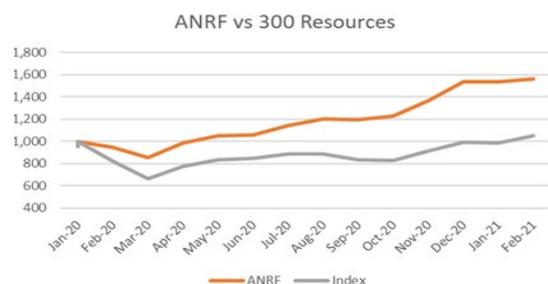
Argonaut Funds Management (“AFM”) was established in January 2020 as a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates independently from the broader Argonaut Group with strong governance and compliance structures in place.

Argonaut Natural Resources Fund is a high conviction actively managed wholesale fund that primarily invests in ASX listed resource companies – those companies within the Materials and Energy sub-sectors.

Fund Performance

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	ITD
ANRF	2020	-1.3%	-3.9%	-10.0%	15.2%	6.6%	0.6%	8.5%	5.1%	-0.5%	2.8%	11.1%	12.6%	53.8%	53.8%
	2021	-0.1%	1.9%	-	-	-	-	-	-	-	-	-	-	1.8%	56.6%
S&P ASX 300 Resources	2020	-4.9%	-13.6%	-19.1%	16.3%	8.2%	1.6%	4.5%	-0.1%	-5.9%	-1.2%	10.7%	8.4%	-1.1%	-1.1%
	2021	-0.6%	7.0%	-	-	-	-	-	-	-	-	-	-	6.4%	5.2%
Outperformance	2020	3.6%	9.7%	9.1%	-1.1%	-1.6%	-1.0%	4.0%	5.1%	5.4%	4.0%	0.4%	4.2%	54.9%	54.9%
	2021	0.5%	-5.1%	-	-	-	-	-	-	-	-	-	-	-4.5%	51.4%

- The Fund unit price as at 28 February 2021 was \$1.566, an increase of 1.9% over the month.
- Over the preceding 12 months, the Fund increased its value by 65%, outperforming its benchmark (S&P ASX Resources 300 Index) by 37%.



*Illustrates the relative performance of a \$1,000 investment in ANRF and ASX Resources 300 since the inception date of ANRF.

Portfolio Update

- The strongest contributors to the portfolio for the month were copper producer and developer Sandfire Resources (+28%) and OZ Minerals (+20%), due largely to the jump in the price of copper. Other strong performers included nickel explorer Centaurus Metals (+11%), nickel / lithium group IGO Ltd (+10%), Neometals (+8%), and recently added Ramelius Resources which increased 6% from its purchase price. The weakest performers were gold developers Capricorn Metals (-12%) and Genesis (-7%), which decreased on further falls in the price of gold.
- At month-end, the Fund's top 5 stocks accounted for 37% of the portfolio and the cash weighting was approximately 21%.
- Commodity exposure was Gold (26%), Nickel (16%), Copper (15%), Battery Materials (16%) and Opportunistic (7%).

Top Holdings (by company)

Company	Commodity	%
IGO Ltd	Nickel/Battery	8.6%
Gold Road Resources Ltd	Gold	7.8%
OZ Minerals	Copper	7.5%
Sandfire Resources Ltd	Copper	6.6%
Neometals Ltd	Battery	6.5%
Total		37.0%

Market Overview

- The recent trend of larger resource stocks outperforming small resource stocks continued throughout the month of February, with the S&P ASX Resources 300 Index rising by 7% and the S&P ASX Small Resources Index gaining only 2.2%. This was a reflection of the strong buying power in the iron ore and oil and gas majors, as investors warmed to the commodities thematic and increased portfolio allocations to larger resource names like BHP (+13%), Rio Tinto (+15%) and Santos (+11%).
- Oil prices continued to rally, with the Brent Crude price lifting 18.3% for the month, matched by Copper which rose by 18.2%. These gains and the maintenance of iron ore at high levels (US\$166t) continued to support the premise that the massive coordinated economic stimulus will likely drive a rapid recovery in economic growth. Other industrial metals also posted solid gains with Zinc up 10% and Nickel up 5%.
- February also saw an increase in lithium prices due to the strong demand from China for lithium carbonate. Globally, the transition from internal combustion engines to battery powered options is accelerating. Automotive manufacturers are setting dates between 2025 and 2030 to have the bulk of their fleets battery powered, whilst governments are committing to the required infrastructure spending to help facilitate this evolution - except in Australia where little action is evident.
- With the positive economic momentum and the rollout of the COVID vaccines in major economies, investors are moving out of gold, which is typically held as a store of value in uncertain times. The gold price has fallen 6% for the month and 12% since early January. The lower gold price has driven Gold ETF selling which has increased the pressure on major gold producer share prices.
- Inflation risk and the resultant increase in longer term interest rates has emerged as the major short-term risk to markets. So far, the rotation from higher valued technology companies to value stocks and resources has been orderly - the question remains as to whether it continues to be so.

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Important Disclosures

The Argonaut Natural Resources Fund is a Wholesale only Fund.

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