

Argonaut Natural Resources Fund



Monthly Performance Report – March 2021

ASSET CLASS | RESOURCES SELECT

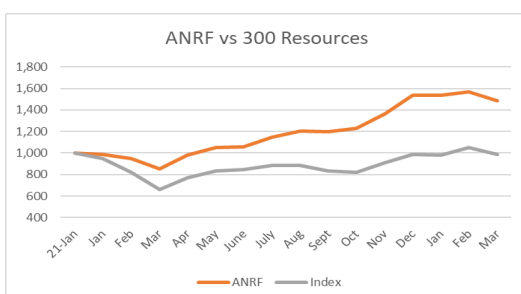
Argonaut Funds Management (“AFM”) was established in January 2020 as a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates 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%	-5.3%	-	-	-	-	-	-	-	-	-	-3.6%	48.3%
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%	-6.0%	-	-	-	-	-	-	-	-	-	-0.1%	-1.2%
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%	0.7%	-	-	-	-	-	-	-	-	-	-3.5%	49.5%

- The Fund unit price as at 31 March 2021 was \$1.483, a decrease of 5.3% over the month, The Fund outperformed its benchmark (S&P ASX Resources 300 Index) by 0.7% over the month
- Over the preceding 12 months, the Fund increased its value by 74%, outperforming its benchmark by 25%.



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

Portfolio Update

- The resource market was impacted by weakness in key commodity prices in March. The Fund declined by 5.3%, but outperformed the ASX 300 Resources Index which fell by 6%. A change to the regulatory landscape in Canada also had a significantly negative impact on Atrium Coal which, while one of our smaller portfolio positions, contributed over 1% of the negative portfolio performance. We remain comfortable with the portfolio positioning and encouraged by the outperformance of the portfolio in a month with significant headwinds.
- The strongest contributors to the portfolio for the month were Ramelius Resources (+16%), Infinity Lithium (+12%) and Cyprium Metals (+7%). The weakest performers were Atrium Gold (-60%), Antipa Minerals (-20%) and Centaurus Metals (-20%).
- At month-end, the Fund's top 5 stocks accounted for 32% of the portfolio and the cash weighting was approximately 12%.
- Commodity exposure was Gold (21%), Nickel (15%), Copper (18%), Battery Materials (23%) and Opportunistic (11%).

Market Overview

- The resources market retreated in March, with the ASX 300 Resources Index declining by 6% and the Small Resources Index falling by 3.4%. The broader markets were positive, with the ASX 300 Index rising by 1.6%, following the lead of the US market where the S&P 500 rose by 3.9%.
- The key commodity move was a 12% fall in the price of nickel as the major Chinese steel producer, Tsingshan Holdings Group, unveiled plans to convert Indonesian produced nickel pig iron into battery grade nickel. While the market response may have been exaggerated given the cost and environmental issues surrounding this process, it provided an opportunity for markets to reassess the outlook of nickel after a period of sustained optimism – the price of nickel has risen approximately 45% over the past year. On top of this, copper prices fell by 4.2% after a stellar run over the past year (up over 80%) and gold remained unloved, falling a further 2.6%.
- From a macro perspective, the two big issues are the COVID vaccine and inflation expectations. The vaccine rollout is going strongly in the US and UK, slower in the EU and only just starting in Australia. The expectation is that the rollout will curtail the spread of the virus, allowing global economies to open in the second half of calendar 2021. This, combined with pent-up consumer demand fuelled by increased savings rates and massive global government stimulus packages, will most likely see global economic growth exceed expectations in the medium term – hence concerns over rising inflation and the uptick in the US Treasury note yield from 1.09% in January to 1.73% in March.

Top Holdings (by company)

Company	Commodity	%
IGO Ltd	Nickel/Battery	6.8%
OZ Minerals	Copper	6.7%
Cyprium Metals	Copper	6.4%
Gold Road Resources Ltd	Gold	6.2%
Mincor	Nickel	6.0%
Total		32.0%

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Important Disclosures

The Argonaut Natural Resources Fund is a Wholesale only Fund.

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