

Argonaut Natural Resources Fund



Monthly Performance Report – July 2021

ASSET CLASS | RESOURCES SELECT

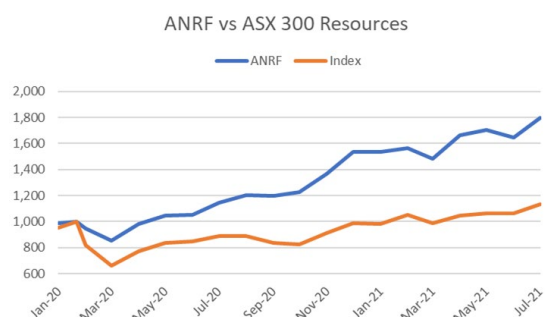
Argonaut Funds Management ("AFM") is a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates independently from the broader 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

| | 1 Month | 3 Months | 6 Months | 12 Months | Inception |
|-----------------------|-------------|--------------|-------------|--------------|--------------|
| ANRF | 10.4% | 8.1% | 17.0% | 57.0% | 79.8% |
| S&P ASX 300 Resources | 6.5% | 8.3% | 15.4% | 27.8% | 13.4% |
| Outperformance | 3.9% | -0.1% | 1.6% | 29.2% | 66.3% |

- The Argonaut Natural Resources Fund delivered a return of 10.4% over the month, outperforming its benchmark, the S&P ASX Resources 300 Index, by 3.9%. The Fund has delivered a return of 57.0% over the past twelve months, outperforming its benchmark by 29.2%.
- The Fund's unit price as at 31 July 2021 was \$1.596 (reflective of the 20 cent distribution declared in June 2021).



*Illustrates the relative performance of a \$1,000 investment in ANRF and the ASX Resource 300 Index since the inception date of ANRF. Assumes all distributions are reinvested back into the Fund.

Business Update

- As mentioned in our last newsletter, the Fund is scheduled to pay a distribution of 20 cents per unit to Unitholders registered as at 30 June 2021. Distribution payments and statements will be sent to Unitholders shortly. Unitholders who elected to participate in the Distribution Reinvestment Plan ("DRP") will also receive a statement confirming their new issued shares. An electronic copy of the DRP is available on our [website](#).
- Additionally, we are pleased to report that the Fund was recently featured in Business News as one of the top performing Perth-based equity funds. A copy of the publication can be found [here](#).

Market Overview

- July was a strong month for the Australian resources sector. The S&P ASX 300 Resources Index increased by 6.5% and the Small Resources Index was up by 7.4%. Both were largely driven by further gains in the underlying commodity prices - nickel up 7.8%, copper increasing by 3.9% and gold rising 2.4%. Iron Ore was the laggard, declining by 1.2%. The broader market reported more moderate gains with the US S&P 500 Index up 2.3% and the ASX 300 up 1.1%. The Australian dollar eased against USD, down almost 2% to 73.5 cents.
- The U.S. 10 Year Treasury Yield Index declined further in July to 1.23%, down from its March peak of 1.73%, implying that global growth may not be as strong as previously expected and may support the argument that inflation is more transitory than structural. U.S. economic data and earnings result releases from both the U.S. and Australian companies will be important factors in the short-term direction of markets.

Portfolio Update

- At month end, the portfolio was 95% invested with a 5% cash reserve. The majority of the Fund's exposure was to "Battery Metals", which included Copper, Nickel, Lithium and Rare Earths. Gold and Other Opportunities represented 21% and 18%, respectively, of the Fund's exposure. At month-end, the Fund's top 5 stocks accounted for 33% of the portfolio.
- Over the month, we increased our overall position in Battery Metals by adding new copper producer Aeris Resources, nickel producer Lunnon Metals, and rare earths explorer Arafura. We topped up our holding in 29 Metals and reduced our holding in Neometals.
- The largest contributors to the Fund's July performance were lithium developer Galaxy Resources (+27%), Centaurus Metals (+23%), IGO Ltd (+22%), and copper producer 29 Metals (+14%). The weakest contributors were Cooper Energy (-12%) and Cyprium Metals (-8%). The gold explorer Orecrop was also down 6%.

ANRF Top Holdings (by company)

| Company | Commodity | % |
|-------------------|------------------|--------------|
| IGO Ltd | Nickel / Lithium | 7.5% |
| 29 Metals | Copper | 6.7% |
| Deterra Royalties | Other | 6.6% |
| Galaxy Resources | Lithium | 7.0% |
| Mincor | Nickel | 5.6% |
| Total | | 33.3% |

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Important Disclosures

The Argonaut Natural Resources Fund is a Wholesale only Fund.

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