

Argonaut Natural Resources Fund



Monthly Performance Report – August 2021

ASSET CLASS | RESOURCES SELECT

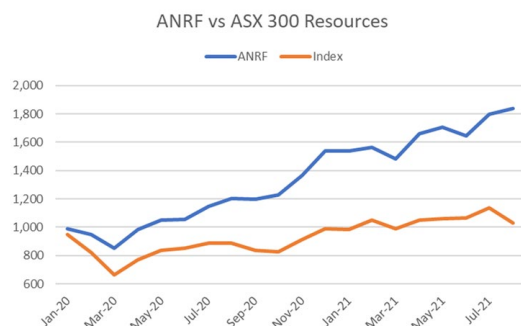
Argonaut Funds Management ("AFM") is a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates independently from the broader 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 | 2.7% | 8.0% | 17.5% | 53.0% | 84.0% |
| S&P ASX 300 Resources | -9.1% | -3.0% | -2.0% | 16.2% | 3.1% |
| Outperformance | 11.8% | 11.0% | 19.5% | 36.7% | 81.0% |

- The Argonaut Natural Resources Fund delivered a return of 2.7% over the month, outperforming its benchmark, the S&P ASX Resources 300 Index, by 11.8%. The Fund has delivered a return of 53.0% over the past twelve months (including distributions), outperforming its benchmark by 36.7%.
- The Fund's unit price as at 30 August 2021 was \$1.638 (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.

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% |

Business Update

- As mentioned in our last newsletter, the Fund paid a distribution of 20 cents per unit to Unitholders registered as at 30 June 2021. Distribution payments and statements were sent to Unitholders who elected to receive their distribution in cash. Unitholders who elected to participate in the Distribution Reinvestment Plan ("DRP") received a statement confirming their new issued shares. If you have not yet received your distribution payment or statement, please immediately contact Jenna Converse at jconverse@argonaut.com.

Market Overview

- August was a weak month for the Australian resource sector. The S&P ASX 300 Resources Index fell by 9.1% on the back of a 25% plunge in the price of iron ore, a 4.4% fall in the price of oil, a 3% decline in the price of copper, and a 2% easing in the price of nickel. While gold remained flat, the gold index fell almost 6%. The big resource companies fell heavily, with Rio Tinto and Fortescue down 16%, BHP down 15%, and Mineral Resources and Woodside down 13% and 11%, respectively. The Small Resources Index performed better than the broader market, posting a gain of almost 1% which was buoyed by strong lithium stocks and benefiting from a lower exposure to the industry majors.
- The lithium stocks remained strong on the back of firmer lithium prices - Pilbara Minerals jumped 26% and Galaxy increased 13% before completion of the merger with Orocobre. The coal sector also saw a recovery with Sol Paterson and Whitehaven Coal up 10% and 13%, respectively. The WA based nickel producer Western Areas also rose by 18% over the month on the back of speculation that they were in discussions with IGO on a possible merger. With nickel a core commodity in the green energy transition, we expect to see greater corporate activity focused on the WA based nickel companies.

Portfolio Update

- At month end, the portfolio was 75% invested with a 25% cash reserve. The majority of the Fund's exposure was to "Energy Transition", which included Copper, Nickel, Lithium and Rare Earths. Gold and Other Opportunities represented 22% and 12%, respectively, of the Fund's exposure. At month-end, the Fund's top 5 stocks accounted for 36% of the portfolio.
- Over the month of August, we remained fully invested before adopting a more cautious approach. At mid-month, we began exiting a number of our smaller company holdings such as Cyprium, Deterra, Aeris, Lunnon, Neometals, Global Lithium, Arafura and Orecorp. We also adjusted our gold exposure by selling the West African producer Perseus, which strongly outperformed the gold sector, and shifted our exposure into Silver Lake, due to a compelling valuation. By month end, we had a more condensed portfolio orientated towards larger, more liquid companies, and a larger cash weighting of 25%.
- The largest contributors to the Fund's performance were Mader Group (+16%), Capricorn Metals and uranium developer NexGen (both +13%), and Centaurus Metals (+11%). The weakest contributors were Gold Road Resources (-3%) and Cooper Energy (-2%).

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Important Disclosures

The Argonaut Natural Resources Fund is a Wholesale only Fund.

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