

Argonaut Natural Resources Fund



Monthly Performance Report – May 2022

ASSET CLASS | RESOURCES SELECT

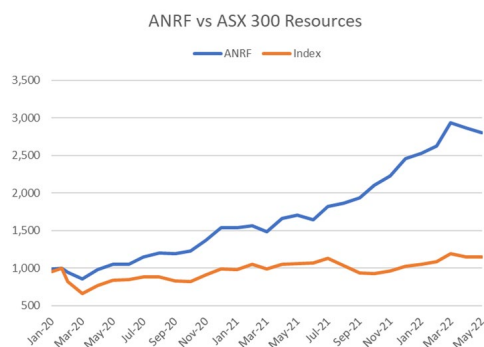
Argonaut Funds Management (“AFM”) is a high conviction investor in the Australian resources sector. It is part of the Argonaut Group, which provides corporate advisory, research and stockbroking services to retail, high net worth and institutional clients. AFM operates independently from the broader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

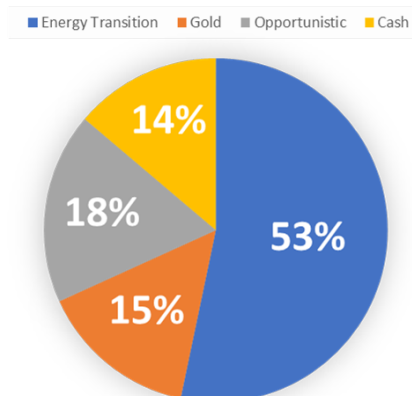
	1 Month	3 Months	6 Months	12 Months	Inception
ANRF	-2.3%	6.5%	25.5%	64.2%	179.9%
S&P ASX 300 Resources	0.2%	5.5%	19.4%	8.0%	14.8%
Outperformance	-2.5%	1.0%	6.1%	56.2%	165.2%

- The Argonaut Natural Resources Fund was down 2.3% in May, net of fees and expenses, and underperformed its benchmark, the S&P ASX Resources 300 Index, by -2.5%. The Fund's unit price as at 31 May 2022 was \$2.456.
- Over the twelve months ended 31 May 2022, the Fund delivered a return of 64.2%, outperforming its benchmark by 56.2%. Since its inception (21 Jan 2020), the Fund has delivered a return of 179.9% (including the reinvestment of all distributions), outperforming its benchmark by 165.2%.



*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 Portfolio Exposure (by commodity)



Market Overview

- May was a turbulent time for Australian markets. The ASX 300 Index was down 3.2%, underperforming the US market which recorded a flat result from the S&P 500 Index.
- The resource market saw mixed results - over 70% of the companies in the ASX 300 Resources Index were down for the month, but the index finished up 0.2% due to the relatively strong performance from BHP (up 4.4%) and Rio Tinto (up 1.4%), which account for over half the index weight. The Small Resources Index, which strips out those resource companies in the ASX 100, was down 6% reflecting the broad-based selling in the sector.
- The weakness in the resource market was driven by concerns over global growth as China continues to deal with COVID, the Ukraine / Russia war rolls on and the US, in conjunction with many other parts of the world, deal with higher inflation. This led to lower commodity prices with Nickel down almost 13%, Zinc falling 6.5%, Copper down 4%, Gold down 3% and Iron Ore declined by 9%. Notably, Oil was up almost 5%.

Portfolio Update

- We entered May with a cash weighting of 19% and a portfolio orientated towards larger and more liquid companies – approximately 65% of the stocks in the portfolio had a market capitalisation exceeding \$1b. This proved to be prudent as the resource markets saw a sell-off early in the month on the back of concerns over global growth and the consequent fall in commodity prices. As the market fell, we trimmed positions to boost our cash weighting and then topped up our core holdings as the market began to stabilise from mid-month. We finished the month with a cash weighting of 14% and the portfolio was down by 2.3%.
- The worst performing portfolio constituents were the mid-tier nickel stocks and the gold sector. Our three mid-tier nickel holdings (Centaurus, Poseidon and Lunnon) were down by 15%, 20% and 18% respectively, as the market savaged those smaller companies not yet in production. Gold fared little better - both producers and developers took a hit with Silver Lake down 15%, De Grey Mining down 6% and Ausgold falling 14.5%. Against this, the best performers in the portfolio were Mineral Resources (+15%), Ecuadorian copper developer Solgold (+12%), Pilbara Minerals (+3.5%), and Santos which rose by 2.5% on the back of stronger oil prices.
- At month-end, 53% of the portfolio was invested in the Energy Transition thematic, 15% in Gold, 18% in Other Opportunities, and 14% in Cash. The Fund's Top 5 holdings represented 40% of the portfolio with the largest holdings in OZ Minerals, Pilbara Minerals, Santos, NexGen, and Centaurus Metals.

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Important Disclosures

The Argonaut Natural Resources Fund is a Wholesale only Fund.

AFM Artemis Pty Ltd is the Investment Manager of Argonaut Natural Resources Fund, and Corporate Authorised Representative (No. 1277645) of Argonaut Securities Pty Ltd (ACN 108 330 650), AFSL No. 274099

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