

Argonaut Australian Gold Fund

Monthly Performance Report – November 2022

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Fund Performance

- We are pleased to welcome you as an investor in the Argonaut Australian Gold Fund. The Fund successfully raised \$8.6m in its “first close” on Friday, 19 November, and began investing on Monday, 22 November. Further applications will be accepted on a monthly basis.
- In the first 8 days of investment activities, we have been focused on building the portfolio. By month end, the Fund was 60% invested with key picks being producers Ramelius Resources, Silver Lake, Gold Road and Westgold, and gold developers Bellevue Gold and De Grey Mining.
- We are pleased to report that the Fund edged slightly higher over this short period, posting a gain of 1% and finishing November with a unit price of \$1.01.

Gold Market Overview

We see a number of factors driving the gold price over the medium term:

1. We expect a prolonged period of increased geopolitical tensions as China becomes more globally assertive, Russia pushes forward with its conflict in Ukraine, terrorist activities continue in many parts of the world, and global economies deal with the financial implications of COVID and the associated stimulus programs that have left country balance sheets stretched. Gold as an established store of value is likely to remain in favour. We note that Central Bank buying of gold in the September 2022 increased to almost 499t which is the largest single quarter of demand since 2000.
2. Gold has historically been a good hedge against inflation, which bodes well in the current environment. While it appears that inflation may have peaked and will begin to fall, significant supply chain issues remain which will make it very difficult to get inflation back to the 2-3% range that central banks are targeting.
3. Higher interest rates and a strong \$US dollar normally have a dampening effect on gold prices. We expect that US interest rates will most likely peak in the next six months, thereby providing positive impetus to the gold price.
4. The volatility of cryptocurrencies has investors reassessing bitcoin and others as a reliable store of value.

Resources Market Overview

- The big mover in November was iron ore. The iron ore price staged a strong recovery in the month lifting by 20% to close at \$100t. This put a rocket under the major iron ore producers with BHP up 21%, Rio Tinto up 24% and Fortescue Metals Group up 31%. As these three companies account for approximately 58% of the market capitalisation of the ASX Resources 300 Benchmark, it also propelled this index 14% higher. The gold sector sprung back to life, surging 17.5% for the month as the gold price moved 7% higher to \$1,746oz but with the low \$A resulting in an attractive \$A gold price of over \$2,565oz. Copper and nickel also rebounded 7% and 19% respectively, whilst lithium prices flattened but remained at very high levels.
- More broadly, markets posted good gains in November with the US indices (Dow and S&P 500) up by around 5.5%, and the ASX 300 and All Ordinaries in Australia rising by about 6%. US Treasury yields eased from their highs, falling over 10% to a yield of 3.63% as markets began to see signs that inflationary pressures had peaked. The US Fed has been pretty clear that it sees interest rates moving higher, but the next increase is likely to be 0.5% rather than the more recent 0.75%.
- The outlook for China continues to confound the market - stimulus measures are adding to the optimism for an economic rebound, but escalating COVID numbers will make it difficult to quickly open the economy, particularly when almost 40% of 80+ year-old citizens are currently not adequately vaccinated.

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Important Disclosures

The Argonaut Australian Gold Fund is a Wholesale only Fund.

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