

Argonaut Australian Gold Fund



Monthly Performance Report – January 2023

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Fund Performance

- The Argonaut Australian Gold Fund was up by 7.2% in January supported by a 6.5% lift in the US Gold price, which closed the month at US\$1,929. Since inception (21/11/22), the Fund is up 9.9% and outperforming its benchmark, the S&P ASX 300 Resources Index, by 1.5%. This is despite the Fund having a higher cash weighting of 25% as we continue to prudently build the portfolio. As at 31st January 2023, the unit price was \$1.099.

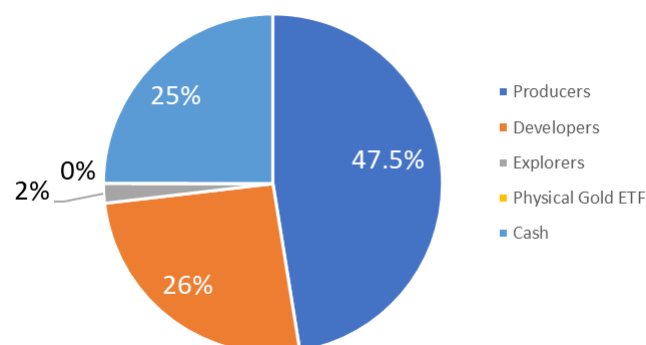
Portfolio Update

- By month end, the Argonaut Australian Gold Fund portfolio was 48% gold producers, 26% developers and 2% exposure to early-stage exploration companies. The cash weighting was relatively high at 25%, which will reduce as we continue to build out the portfolio.
- Westgold was the standout performer for the month, lifting 39%. The other strong contributors were De Grey Mining (+16%), Northern Star (+15%), Silver Lake (+10%) and Ramelius (+8%). Gold Road (-3%) and Genesis Minerals (-1%) were the weaker performers for the period.
- Highlights from the quarterly reporting period included:
 - Confirmation that Westgold was on track to meet its production (240-260koz) and cost (AISC \$1900-\$2100) guidance for FY23, whilst also managing capex commitments. With a market capitalisation of \$550m, cash of \$150m and significant surplus equipment, Westgold continues to represent compelling value, but it will need to lift its free cash generation in order to achieve a further market re-rating.
 - Gold Road posted a slightly disappointing quarter with production marginally below expectations and costs marginally above at 74koz and \$1,622oz respectively. Gold Road retains a cash level of \$80m and the investment in De Grey looks promising following the recent market activity. Full year guidance remains in line with expectations with Gruyere production of 340-370koz and costs of \$1540-1640.
 - De Grey Mining confirmed that the DFS is expected to be completed by mid-2023 and that financing discussions had formally commenced. Project Final Investment Decision (FID) is proposed for mid-2023. This is a rare project – offering 500koz+ per annum production, long mine life and low costs. The question is whether it is the subject of corporate action or moves to secure its own funding and continue as a stand-alone entity.
 - St Barbara's quarterly report was a disappointment across all fronts – production, costs and cash - highlighting that being wrapped into a Genesis led regional consolidation cannot happen quickly enough.
 - Silver Lake and Ramelius delivered modest quarterly reports, but with the prospect of a stronger second half performance. Both offer strong management and balance sheets with plenty of cash.

Market Overview

- The resource market rebounded strongly in January, with the 300 Resources Index up 7.7% and the Small Resources up 7.3%. This was driven by generally higher commodity prices on the back of optimism that the China reopening will drive stronger demand. Iron Ore jumped a further 13%, Zinc surged 13%, Copper was up almost 10% and Gold lifted 6.5%. Oil prices eased 2% and Nickel was largely flat at elevated levels.
- The broader markets were also positive, with the Dow Jones and S&P 500 up by 2.8% and 6.2% respectively in the US. The ASX 300 Index and All Ordinaries in Australia were both up close to 6.5%. The \$AUD moved higher against the \$USD, closing the month at 70.56c, whilst the 10 Year US Treasury Yield eased back to 3.53% (down 9%) as the market gained confidence that inflation has peaked.
- Gold continues to gain favour with the US Gold price up 7.3% since 1 July 2022 and gold equities up by 30% over the same period. We note that calendar 2022 was the strongest year for gold demand in over a decade, with the December quarter particularly strong. This was driven by strong central bank purchases, a rebound in retail demand from India and a slowdown in redemptions from gold ETF's.

AAGF Portfolio Exposure



AAGF Top Holdings (by company)

Company	Commodity	%
De Grey Mining	Developer	11.3%
Westgold	Producer	11.0%
Ramelius	Producer	8.8%
Silver Lake	Producer	8.4%
Bellevue Gold	Developer	8.1%
Total		47.6%

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Important Disclosures

The Argonaut Australian Gold Fund is a Wholesale only Fund.

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