

Argonaut Australian Gold Fund

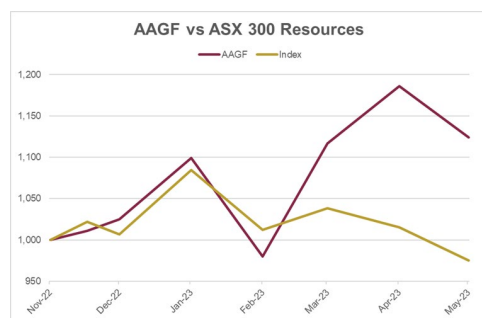


Monthly Performance Report – May 2023

ASSET CLASS | RESOURCES SELECT

Fund Performance

- The Argonaut Australian Gold Fund fell 5.2% in May which underperformed the broader ASX 300 Resources Index (-3.9%). Since inception (21 November 2022), the Fund has delivered a cumulative return of 12.4%. Its benchmark has delivered -2.5% over the same period. Portfolio composition still reflects a strong preference for established low risk producers with strong cash conversion. As at 31st May 2023, the unit price was \$1.12.



Business Update

- Both David and I are currently undertaking extensive marketing efforts for both funds across the full range of wholesale counterparts. We continue to see strong interest in our funds, particularly given the well-defined investment process and the relative performance it has generated through all market conditions.
- With ongoing macro risks across a range of areas, not limited to monetary policy or geopolitical, we continue to view the Gold Fund as an important component of investors' overall portfolios. With attractive valuations for the sector, the prospect of improving margins and a strong underlying backdrop for Gold prices, we view this as an optimal time for investors to increase their exposure to the sector. A strong background in portfolio management, trading, risk management, and capital structure advisory across both debt and equity, coupled with our robust bottom-up investment framework, positions the fund for a future of consistent relative outperformance. I look forward to partnering with investors on this..
- If you or any prospective investors would like to discuss this note or indeed the Fund, please feel free to contact our Marketing Head Jenna Converse or myself on the contact details provided. Regards, Ben.

AAGF Top Holdings (by company)

Company	Type	%
Evolution	Producer	10.5%
Ramelius	Producer	10.4%
Gold Road	Producer	9.4%
Genesis	Developer	9.3%
Westgold	Producer	8.5%
Total		48.0%

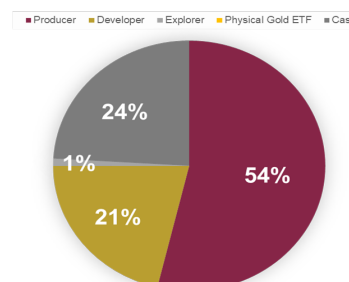
Market Overview

- US markets were mostly negative over May with the Dow Jones down 3.49% and the S&P 500 marginally up 0.25%. Australian markets were softer with the ASX 200 down 3.3% and the AUD\$ weaker by 1.7%, driven by US debt ceiling and global growth concerns. Ongoing monetary policy tightening in the US, Europe and Australia through this calendar year, coupled with challenges from US deficit spending to China growth, has many commentators increasing their probability of a recession for major economies in the 2H of 2023. Reflective of this backdrop is the ongoing tug of war in the rates market, a key driver of Gold prices, with the US ten-year government yield increasing only marginally, for May and year to date, to 3.64%.
- The largest takeover ever in the gold market globally was confirmed mid-May with Newmont successful in its pursuit of Newcrest with a A\$28.8bn acquisition. This positions Newmont as now the world's largest gold producer and is reflective of the industry's preference at the top end to 'buy' rather than 'build' and highlights the value of existing long-life mines. This acquisition also raises questions as to what existing Newcrest assets might be viewed as non-core by Newmont and ultimately divested, including mines like Telfer and Haviron.

Portfolio Update

- The Fund took on a defensive stance during the month by raising its cash balance to above 20%. Although we view this cash balance level as somewhat rare, we view capital preservation as a key part of our portfolio management style and in this instance, it was indeed justified with many specialist gold managers and gold equity indices down between 7 – 10% for the month. As the US debt ceiling negotiations reached a crescendo, Gold oscillated in a challenging trading range from as high as US\$2,060 to as low as US\$1,935 as risk premia hedging was gradually unwound by market participants later in May.
- Strong relative share price performance from operators like Ramelius Resources (RMS) and West Gold (WGX) gives us increased confidence in our view that the market will continue to reward high cash conversion operators with incremental 'smart' capex programmes.
- Cash weighting at month end was 24%, leaving the Fund well placed to continue to allocate to quality gold companies as opportunities arise.

AAGF Portfolio Exposure



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Important Disclosures

The Argonaut Australian Gold Fund is a Wholesale only Fund.

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