

Argonaut Global Gold Fund



Monthly Performance Report – August 2023

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Fund Performance

- The Argonaut Global Gold Fund ("AGGF") increased by 4.9% for the month, outperforming both the GDx locally (+2.3%), the ASX 300 Resources index (-2.6%) and the RBA inflation rate benchmark. AGGF has delivered a return of 17.3% since inception, 21st November 2022.
- The Fund's unit price as at 31 August was \$1.149.

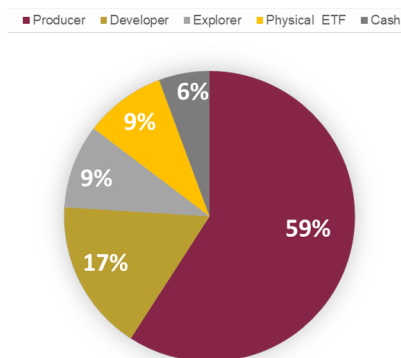
Portfolio Update

- During August, we saw gold miners report in Australia and the share price response from a largely 'in-line' set of reportings was representative of the sentiment towards the gold sector, skittish.
- Westgold (WGX) provided a relatively solid full year reporting with FY23 EBITDA (A\$167mn) in line with consensus, yet a slight NPAT miss, driven by marginally higher operating and corporate costs (A\$10mn), resulting in pronounced share price weakness. Given WGX maintained a conservative 245 – 265koz at AISC A\$1,800 – 2,000/oz FY25 production forecast and coupled with its now minimal gold price hedging and free cash flow yields approaching double digits, we viewed the share price weakness as an opportunity to add to our holding.
- We remain impressed with the ongoing discipline around corporate M&A within the gold sector and view the acquisition by Ramelius (RMS) of Musgrave (MGV) as providing underappreciated synergies and exploration upside associated with MGV's CUE asset. We continued to build exposure to both names during August and look forward to the integration of MGV as we move towards final acceptances in September.
- The fund, with its newly approved global mandate, made its first foray into offshore ownership with positions in 'fully allocated' gold and silver ETF's in the US.

Market Overview

- The US equity market was softer through August with The Dow Jones and S&P 500 Index falling by 2.4% and 1.8%, respectively. Gold was weaker by 1.6% in USD\$ terms but the AUD\$ was weaker still with a 3.5% fall providing a marginal boost for AUD\$ Gold prices.
- One of the major drivers of the AUD\$ fall and broader cyclical weakness was disinflation concerns emanating from China. Concerns around China's property market reached a crescendo during August and, coupled with weaker retail sales growth for July and a softer than expected industrial production print, we experienced challenging equity market conditions.
- China property bell weather Country Garden Holdings experienced continued share price pressure falling to a record low whilst property peer Evergrande filed for US bankruptcy protection during the month.
- The market expectations for Chinese government stimulus and implicit support for the Chinese currency is currently a key theme, yet we view this prospect with a high level of caution given the structural indebtedness of the Chinese property sector.
- Notwithstanding the markets focus on China and deflation risks, we continue to view the US mid-tier banking sector with a great deal of concern. Ongoing deposit flight and impending commercial property refinancing risks into FY24 and beyond provide for an ominous backdrop into Q4. We wrote extensively on this topic in our full year June 2023 monthly publication which can be found here.

AAGF Portfolio Exposure



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Important Disclosures

The Argonaut Global Gold Fund is a Wholesale only Fund.

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