PARAGON FUNDS MANAGEMENT

THE PARAGON FUND // NOVEMBER 2015

PERFORMANCE SUMMARY *(after fees)*

	1 month	3 month	6 month	1 year	Financial YTD	Net Return p.a.	Total Net Return
Paragon Fund	+2.6%	+6.9%	+2.9%	+15.8%	+6.9%	+18.7%	+60.1%
ASX All Ordinaries Acc.	-0.7%	+1.3%	-7.4%	+3.1%	-2.5%	+5.2%	+15.0%
RBA Cash Rate	+0.2%	+0.5%	+1.0%	+2.2%	+0.8%	+2.5%	+6.9%

RISK METRICS

Sharp Ratio	1.3
Sortino Ratio	2.8
Volatility p.a.	+11.7%
% Positive Months	+72.7%
Correlation	0.52

FUND DETAILS

NAV	$1.5070
Entry Price	$1.5093
Exit Price	$1.5048
Fund Size	$35.0m
APIR Code	PGF0001AU

FUND STRATEGY

The Paragon Fund is an Australian equities long/short fund established in March 2013. The Fund's strategy is fundamentally driven, concentrated and transparent for investors. The manager's research process and active portfolio management is overlaid with strong risk management and a focus on capital preservation.

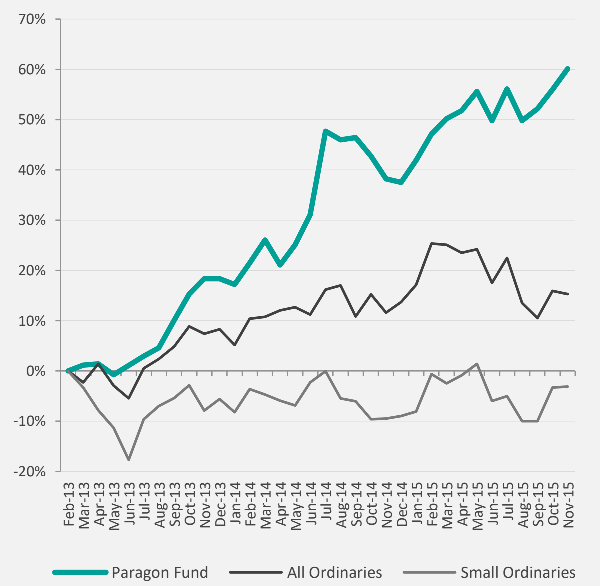
The objective of the Paragon Fund is to return in excess of 10% p.a. after fees over a 3-5yr investment horizon.

OVERVIEW & POSITIONING

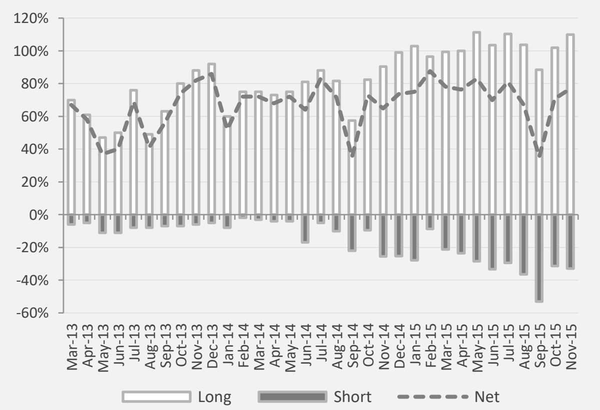
The Paragon Fund returned +2.6% after fees for the month of November 2015. Since inception the Fund has returned +60.1% after fees vs. the market (All Ordinaries Accumulation Index) +15.0%.

Key positive contributors for November included Longs in NetComm Wireless, Mayne Pharma, and APN Outdoor. At the end of the month the Fund had 34 long positions and 16 short positions.

HISTORICAL PERFORMANCE *(after fees)*



HISTORICAL EXPOSURE



INDUSTRY EXPOSURE	Long	Short	Net
Resources	18.7%	-9.6%	9.0%
Industrials	71.1%	-17.1%	54.0%
Financials	20.1%	-6.2%	13.9%
Total	**109.9%**	**-33.0%**	**76.9%**
Cash			**23.1%**

MONTHLY PERFORMANCE BY YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2013			1.1%	0.3%	-2.2%	1.8%	1.8%	1.6%	5.3%	4.9%	2.8%	0.0%	**18.7%**
2014	-1.1%	3.8%	3.6%	-3.9%	3.2%	4.9%	12.5%	-1.1%	0.3%	-2.5%	-3.1%	-0.5%	**15.9%**
2015	3.2%	3.6%	2.1%	1.1%	2.4%	-3.8%	4.3%	-4.2%	1.6%	2.5%	2.6%		**16.4%**

Performance results are presented net of all transaction costs, investment management and performance fees incurred by the Fund. Monthly performance figures are calculated based on the lead series using a monthly unit pricing methodology based on historical data.

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STOCK HIGHLIGHTS

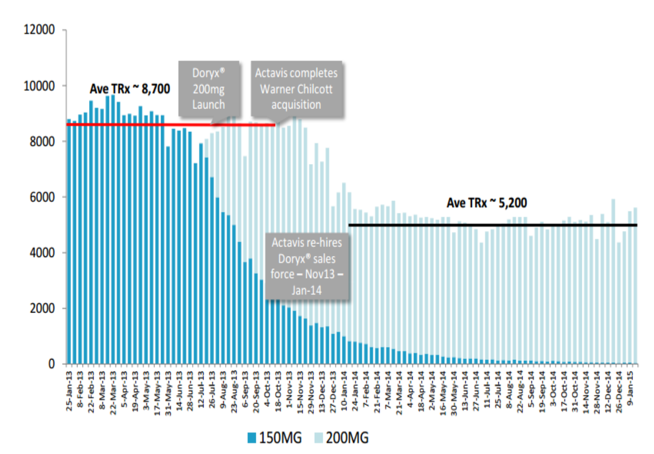
Mayne Pharma

Mayne Pharma is an Australian specialty pharmaceutical company formed through the acquisition of FH Faulding in 2001. Mayne has a 30 year track record of developing new oral drug delivery systems and employs 600 staff and 180 scientists worldwide. Mayne focuses on commercialising branded and lower value generic pharmaceuticals as well as providing contracted development and manufacturing services to worldwide clients.

The global generics market continues to grow strongly, forecasted to become a US$280b industry in 2018 from US$168b in 2013. As branded drugs move off their patent protection period, the ability for generic manufacturers to continue to sell the equivalent drug at a discounted price (no drug development / marketing costs) lessens the strain on public healthcare systems as western population's age. According to IMS Health, in the US 86% of dispensed prescriptions in 2013 were for generic drugs and their proliferation has saved the US healthcare system almost $1.5t in the last 10 years. Merger activity in the sector continues as companies seek to gain scale to drive bargaining power with wholesale/retail buyers, highlighted this year by Teva's $40b bid for Allergan's generic drug business.

Paragon first invested in Mayne Pharma in February 2015 at $0.75/sh on the announcement of their intention to acquire the Doryx brand (treatment of severe acne) in the US from Actavis for US$50m. Mayne manufactures Doryx and had previously licensed out the US rights to the brand and distribution to Warner Chilcott. After the acquisition of Warner Chilcott by Actavis in 2013, sales of Doryx fell 40% as Actavis's focus moved elsewhere.

Doryx® weekly prescriptions



The move by Mayne to bring the distribution of the Doryx brand in house was significantly accretive despite the requirement to build out their sales team to sell Doryx directly. Through building a US based sales team, Mayne was also creating a platform through which to leverage its own pipeline as well as targeting other products to build its brands franchise.

Mayne guided to a monthly average EBITDA contribution from Doryx of US$2.7m and at their most recent results confirmed this guidance while noting the in housing of the distribution of other products had led to better than expected results in its Generic Products business overall.

Outside of existing products, Mayne has a 30+ product pipeline in the US targeting markets exceeding US$7b, 17 of which are pending with the FDA (target markets of > US$1.8b). We would expect the first of these next year (Tikosyn) which itself could increase group EBITDA by up to 20%+ in its first year with potential for a further 6 products to be approved per annum. Given this pipeline we believe there remains significant scope for Mayne to continue to deliver high rates of organic growth and well above market compounded returns to shareholders for some years to come.

NetComm Wireless

In our September monthly, we updated readers on our investment in NetComm Wireless, having first invested in the business in February 2014. In September we discussed the company's outlook and in particular their pending tender to rollout fixed wireless broadband capabilities for AT&T across their rural broadband customers. While they were one of four companies tendering for the business, our confidence to maintain our investment in the company leading into the decision was based on their world leading experience in deploying this technology for the NBN in Australia. Telecommunication companies are not known to take risks when it comes to selecting partners in such deals, and the reality is that NetComm was the only tender company to be able to prove they have the knowhow to successfully deliver.

As expected, in November the company was successful in its tender and was awarded the contract by AT&T. Clearly it is a company making contract for NetComm who have been toiling away in Australia for over 30 years, both in scale and in reputation. For reference, NetComm's contract to rollout the fixed wireless capabilities for the NBN could reach over 600k customers assuming a 65% take-up rate and approach $400m in total revenues. The same take-up for the AT&T contract would equate to 8.4m customers and close to $3b in total revenues. While we said that at the time with 4 tenderers, the risked contract value was worth close to $1/sh for NetComm, this contract, now unrisked, is worth over $3.5/sh, valuing NetComm at over $4/sh.

Despite the share price having risen from $0.40/sh at the beginning of the year to reach $3.5/sh in November, we have continued to focus on the fundamentals of this business today, and believe it is merely the beginning of long runway for growth. NetComm's world leading capabilities in fixed wireless, as shown by their NBN rollout and contract win with AT&T, stands them in fantastic stead to continue to win similar Tier 1 contracts globally over the next few years. Within the next 6 months, we believe the company should be successful in gaining their next fixed wireless contract, an agreement with the Irish Government to rollout their fixed wireless network which would be a contract similar in scale to the existing NBN contract. Further identified opportunities today lie in Mexico, South America, Japan and with other Tier 1 telecommunication companies in the US.

Additionally as discussed in our June update, the company has agreements with 6 of the world's leading telecommunication companies to continue to develop and supply products into the burgeoning machine-to-machine markets that will help wired and wireless systems to communicate with what Cisco expects will be 50b connected devices by 2020 - the Internet of Things.