



## RG 240 Annual Disclosures for the year ended 30 June 2015

The following disclosures are provided in accordance with ASIC regulatory guide RG240 requirements, covering the financial year ended 30 June 2015.

### **Investment Strategy:**

The Paragon Fund is a concentrated long/short Australian equities product that is fundamentally driven with a focus on the industrials and resources sectors. The investment strategy has not changed in the financial year ended 30 June 2015.

### **Asset Allocation:**

In accordance with the Fund's investment strategy, asset classes invested in by the Fund over the course of the financial year were Australian Equities, with the balance in Cash.

The percentage of assets held by the Fund by class, at the close of 30 June 2015 was:

Australian Equities - 70%

Cash - 30%

Total - 100%.

On occasion, exchange traded derivatives were also invested in during the financial year, typically for hedging purposes, both against specific stock holdings as well as the portfolio overall. There were no derivatives held at 30 June 2015. The maximum exposure to derivatives at any point in time over the year, expressed as a percentage of the total portfolio, was 30%.

Asset allocation by class and industry sector are reported on a monthly basis in the monthly updates.

### **Liquidity:**

In accordance with the Fund's investment strategy, the Fund is invested in asset classes whereby it can reasonably be expected to realise at least 80% of its assets, at the value ascribed to those assets in calculating the Fund's NAV, within 10 days at all times.

The liquidity profile of the Fund met this requirement at all times during the financial year ended 30 June 2015.

Based on the Fund's closing position at 30 June 2015, 85% of its assets are capable of being realised within 10 business days.

### **Leverage:**

Leveraging through securities lending is permitted and will be deployed in accordance with the Fund's investment strategy. The maximum gross exposure limit set for the Fund taking into account leverage is 200% of the NAV of the Fund.

Leverage levels were well within this maximum limit over the financial year. Based on the Fund's closing position at 30 June 2015, the Fund is long 103% and short 33%. The resultant gross leverage is 136%, and net exposure is 70%.

Gross long and short and net exposure levels are reported on a monthly basis in the monthly updates.

The Fund did not enter into any other borrowings over the course of the financial year.

**Key Service Providers:**

Paragon Funds Management Ltd (Paragon) is the Responsible Entity of the Paragon Fund and is also the Investment Manager of the Fund.

The investment team comprise of the two principals of Paragon, John Deniz and Nick Reddaway.

There has been no change to the key management of Paragon nor the investment team of the Paragon Fund since inception of the Fund.

The key external service providers of the Fund at 30 June 2015 are:

- Prime Broker and Custodian – UBS AG, Australia Branch & UBS Nominees Pty Ltd (UBS), appointed on 21st April 2015, replacing Merrill Lynch International; and
- Fund Administrator – White Outsourcing Pty Ltd.

Both UBS and White Outsourcing Pty Ltd are independent third party service providers and provide their services on an arms' length commercial basis in accordance with legally binding contractual agreements.

The change in Prime Broker and Custodian was communicated to investors in our April monthly report. Further details relating to this changeover are available from our current PDS.

There were no other changes to key service providers in the financial year.

**Derivative counterparties:**

The Fund continues to use its Prime Broker as the sole counterparty to any derivative transactions. UBS AG, Australia Branch replaced Merrill Lynch International as the Fund's Prime Broker in April 2015 as reported above.

No other derivative counterparties have been engaged by the Fund in the financial year ended 30 June 2015.

**Summary of disclosures:**

There have been no changes to the Fund's investment strategy, risk profile or investment team since inception, and more specifically, during the financial year ended 30 June 2015.

Any material changes to the above disclosures over the course of the new financial year, will continue to be communicated to investors in monthly updates (as well as via our website), followed by an annual summary at the end of the financial year.

Any further questions on these disclosures can be directed to Paragon via email to [info@paragonfunds.com.au](mailto:info@paragonfunds.com.au).