



## RG 240 Annual Disclosures for the year ended 30 June 2018

The following disclosures are provided in accordance with ASIC regulatory guide RG240 requirements, covering the financial year ended 30 June 2018.

### **Investment Strategy:**

The Paragon Australian Long Short 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 2018.

### **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 2018 was:

Australian Equities - 67%

Cash - 33%

Total - 100%.

There were no exchange-traded derivatives taken out during the year and there were none held at 30 June 2018.

Asset allocation by class and industry sector will vary depending on the bottom up risk/reward for each stock holding in the portfolio. As at 30 June 2018, the portfolio's industry sector breakdown was:

Industrials – 20%

Resources – 46%

Financials – 1%

Total – 67%.

### **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 2018.

### **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 at all times during the financial year.

As at 30 June 2018, the Fund held 85% in longs and 19% in shorts. The resultant gross exposure is 104%, and net exposure is 67%. The maximum gross exposure level reached in the last financial year was 144%.

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 Australian Long Short Fund and is also the Investment Manager of the Fund.

The investment team comprises of Chief Investment Officer John Deniz, who is also principal and founder of Paragon, and Investment Analyst Joshua Baker, appointed in December 2017. Nick Reddaway, former co-founder of Paragon and co-fund manager left Paragon on 30 September 2017.

There were no changes to key service providers during the financial year ended 30 June 2018.

The key external service providers of the Fund are:

- Prime Broker and Custodian – UBS AG, Australia Branch & UBS Nominees Pty Ltd (UBS); and
- Fund Administrator – Link Fund Solutions.

Both UBS and Link Fund Solutions are independent third party service providers and provide their services on an arms' length commercial basis in accordance with legally binding contractual agreements.

**Derivative counterparties:**

The Fund continues to use its Prime Broker as the sole counterparty to any derivative transactions.

No other derivative counterparties were engaged in the financial year ended 30 June 2018.

**Summary of disclosures:**

There have been no changes to the Fund's investment strategy or risk profile since inception, and more specifically, during the financial year ended 30 June 2018.

Changes to the investment team that occurred in the financial year were announced via a revised PDS (reissued 22<sup>nd</sup> December 2017), the website and the monthly updates.

Any material changes to the above disclosures over the course of the new financial year will continue to be communicated in the same manner.

Any further questions on these disclosures should be directed to Paragon by email to [client.services@paragonfunds.com.au](mailto:client.services@paragonfunds.com.au) or call Hillier Deniz on 0439 767 115 or (03) 9652 2503.