



## RG 240 Annual Disclosures for the year ended 30 June 2020

The following disclosures are provided in accordance with ASIC regulatory guide RG240 requirements, covering the financial year ended 30 June 2020.

### Investment Strategy:

The investment strategy did not change in the financial year ended 30 June 2020 and was as follows:

The Paragon Australian Long Short Fund is a concentrated long/short Australian equities product, with a long bias, that is fundamentally driven, and a focus on the industrials and resources sectors.

However, from 1 July 2020, the investment strategy will be **expanded** to explicitly permit foreign listed stocks and unlisted companies to maximum limits and is described as follows:

**A primarily Australian equities long/short fund (with a long-bias), fundamentally driven with a concentrated portfolio of high conviction stocks focused in the Industrials and Resources sectors.**

### 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 2020 was:

Australian equities (listed) -	128%
Australian equities (unlisted)	10%
Cash -	<u>-38%</u>
Total -	100%

There were no exchange-traded derivatives taken out during the year and none were held at 30 June 2020.

The portion of the portfolio invested in unlisted includes pre-IPO stocks held, as well as our holding in Isignthis (ISX), with a trading suspension imposed since October 2019 by the ASX.

Asset allocation by class and industry sector will vary depending on the bottom up risk/reward for each holding in the portfolio along with macro-economic factors.

As at 30 June 2020, the portfolio's industry sector breakdown was:

Industrials -	36%
Resources (excl gold) -	31%
Gold -	78%
Financials (REITS) -	<u>-7%</u>
Total -	138%

### Liquidity:

For the year ended 30 June 2020, the liquidity limit as prescribed in the Fund's PDS, required the Fund to be 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 business days at all times.

The liquidity profile of the Fund met this requirement at all times during the financial year ended 30 June 2020.

However, from 1 July 2020, the Fund's liquidity limit was changed from 80% to 70%, and is described as follows:

**Paragon reasonably expects to be able to realise at least 70% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days.**

Paragon's monthly updates will report the Fund's liquidity if it does not meet the 70% threshold. Paragon will also report on any asset class that exceeds 10% of the portfolio's market value, if liquidity falls below the 80% realisable within 10 days benchmark (as set out in RG 240).

### 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.

Gross exposure throughout the financial year ranged from 77% (lowest at 31 March 2020) through to 174% (highest at 30 April 2020). The Average gross exposure level over the 12 months to 30 June 2020 was 140%.

As at 30 June 2020, the Fund held 150% in longs and 12% in shorts. The resultant gross exposure was 162%, and net exposure was 138%.

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

**Investment Manager and Investment Team:**

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.

Paragon's investment team as at 30 June 2020 comprises of:

- John Deniz - Chief Investment Officer, and also principal and founder of Paragon; and
- Haris Khaliqi – Portfolio Manager, appointed in March. Details of Haris' background is available from our website.

Joshua Baker, who was appointed as Investment Analyst in December 2017 departed from Paragon in September 2018.

Changes to the investment team that occurred in the financial year were announced in monthly updates and our website.

There were no other changes in the investment team or key personnel for the year ended 30 June 2020.

**Key Service Providers:**

There were no changes to key service providers during the financial year ended 30 June 2020.

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 2020.

**Summary of disclosures:**

There have been no changes to the Fund's investment strategy or risk profile during the financial year ended 30 June 2020.

From 1 July 2020, changes to frequency of unit pricing, applications and redemptions from daily to monthly, along with the investment strategy and liquidity changes outlined earlier, were announced in early June. The Fund's PDS has also been reissued in accordance with the announced changes.

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).