



RG 240 Annual Disclosures for the year ended 30 June 2021

The following disclosures are provided in accordance with ASIC regulatory guide RG240 requirements, covering the financial year ended 30 June 2021.

Investment Strategy:

The investment strategy was modified from 1 July 2020 and did not change in the financial year ended 30 June 2021 and was as follows:

The Paragon Australian Long Short Fund is 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 predominantly Australian equities, with the balance in cash.

The percentage of assets held by the Fund by class, at the close of 30 June 2021 was:

Australian equities (listed) -	130%
Australian equities (unlisted)	7%
International equities (listed)-%
International equities (unlisted)2%
Cash -	<u>-39%</u>
Total -	100%

There were no exchange-traded derivatives taken out during the year and none were held at 30 June 2021.

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 2021, the portfolio's industry sector breakdown was:

Industrials -	39%
Resources (excl gold) -	85%
Gold -	17%
Financials (REITS) -	<u>-2%</u>
Total -	139%

Liquidity:

The liquidity limit as prescribed in the Fund's PDS was modified from 1 July 2020 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.

The liquidity profile of the Fund met this requirement at all times during the financial year ended 30 June 2021.

Paragon's monthly updates will report the Fund's liquidity if it does not meet the 70% threshold. Monthly updates 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 146% (lowest at 31 October 2020) through to 187% (highest at 31 January 2021). The Average gross exposure level over the 12 months to 30 June 2021 was 168%.

As at 30 June 2021, the Fund held 161% in longs and 22% in shorts. The resultant gross exposure was 184%, and net exposure was 139%.

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 2021 comprises of:

- John Deniz - Chief Investment Officer, and also principal and founder of Paragon; and
- Haris Khaliqi – Portfolio Manager.

There were no changes to the investment team or key personnel for the year ended 30 June 2021.

Key Service Providers:

There were no changes to key service providers during the financial year ended 30 June 2021.

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 2021.

Summary of disclosures:

From 1 July 2020, frequency of unit pricing, applications and redemptions changed from daily to monthly, along with the investment strategy and liquidity changes outlined earlier. The Fund's PDS was reissued on 1 July 2020 to reflect the announced changes.

There have been no other changes to the Fund's investment strategy or risk profile during the financial year ended 30 June 2021.

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.