



PARAGON AUSTRALIAN LONG SHORT FUND // JUNE 2017

PERFORMANCE SUMMARY *(after fees)*

	1 month	3 month	6 month	Financial YTD	1 year	2 year p.a.	3 year p.a.	Net Return p.a.	Total Net Return
Paragon Aust. Long Short Fund	+0.4%	-1.6%	-5.9%	-21.3%	-21.3%	+3.8%	+7.1%	+11.7%	+61.4%
ASX All Ordinaries Acc.	+0.3%	-1.5%	+2.9%	+13.1%	+13.1%	+7.4%	+6.8%	+7.4%	+35.6%
RBA Cash Rate	+0.1%	+0.4%	+0.8%	+1.5%	+1.5%	+1.8%	+2.0%	+2.2%	+9.8%

RISK METRICS

Sharpe Ratio	0.7
Sortino Ratio	1.1
Volatility p.a.	+14.8
% Positive Months	+67%
Up/Down Capture	+68%/+15%

FUND DETAILS

NAV	\$1.5196
Entry Price	\$1.5219
Exit Price	\$1.5173
Fund Size	\$72.6m
APIR Code	PGF0001AU

FUND STRATEGY

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

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

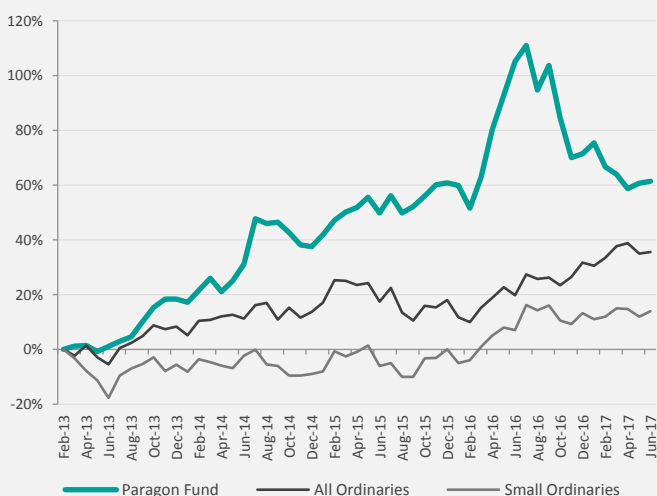
OVERVIEW & POSITIONING

The Fund returned +0.4% after fees for the month of June 2017. Since inception (March 2013) the Fund has returned +61.4% after fees vs. the market (All Ordinaries Accumulation Index) +35.6%.

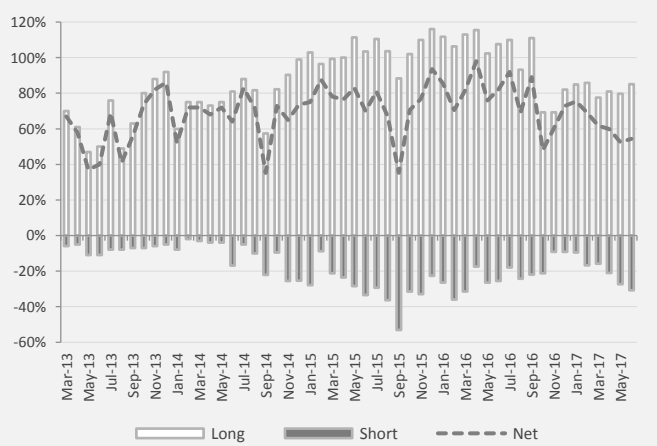
Main contributors to the positive result in June were gains in link Administration, James Hardie, Collins Foods, Updater and Audinate, plus short positions in Stockland and Metals X. At the end of the month the Fund had 36 long positions and 19 short positions.

INDUSTRY EXPOSURE	Long	Short	Net
Financials	+23.4%	-7.0%	+16.4%
Industrials	+28.3%	-11.2%	+17.2%
Resources	+32.6%	-10.3%	+22.3%
Index Futures		0%	0%
Total	+84.3%	-28.4%	+55.8%
Cash			+44.2%

HISTORICAL PERFORMANCE *(after fees)*



HISTORICAL EXPOSURE



MONTHLY PERFORMANCE BY CALENDAR 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%	0.3%	16.8%
2016	-0.5%	-5.2%	7.4%	10.8%	7.0%	6.3%	2.9%	-7.8%	4.3%	-9.0%	-7.9%	0.8%	6.8%
2017	2.3%	-5.0%	-1.6%	-3.2%	1.3%	0.4%							-5.9%

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.



FY17 - Financial Year in Review

FY17 saw equity markets globally perform well as global economic data improved. Major volatility was observed in bond markets as political and investor mindsets shifted from deflation to re-flation, prompted by the election of Donald Trump who proclaimed a new era of stimulatory spending.

For Paragon, the conclusion of the 30yr bond bull market and ensuing market rotation was a major driver of our negative performance for FY17, as detailed in our monthly updates throughout the December and March quarters.

Many of the Fund's strong performers from FY15 & FY16 partially retreated in FY17, mainly as a result of the market rotation, along with varying degrees their own specific issues. For example Netcomm Wireless contributed over 9% to gross performance in FY16 and gave back 1.7% in FY17; Mayne Pharma contributed over 5% in gross performance in FY15, and gave back 1.4% in FY17; Orocobre and Galaxy combined contributed over 22% to gross performance in FY15 and gave back 3.6% in FY17. Note that these positions were either being actively reduced and/or completely exited during the latter part of 2016, but this wasn't enough to fully offset the negative performance, as can be seen in the performance by financial year table below.

In order to better this aspect going forward, after significant testing we introduced a dynamic stop loss discipline, as an enhancement to our risk management framework in April 2017. We believe this will have a dual benefit of allowing our best stock ideas to fully appreciate, while having a price based discipline to ensure those gains are, in the main, realised.

FY Performance (net of fees)

	Paragon	Market
FY13*	0.9%	-5.5%
FY14	30.0%	17.6%
FY15	14.1%	5.7%
FY16	37.0%	2.0%
FY17	-21.3%	13.1%

*1/3/13 - 30/6/13

CY Performance (net of fees)

	Paragon	Market
2013*	18.7%	8.3%
2014	15.9%	5.0%
2015	16.8%	1.1%
2016	6.8%	11.6%
2017**	-5.9%	2.9%

*1/3/13 - 31/12/13
**1/1/17 - 30/6/17

Paragon remains committed to investing with a disciplined, fundamentally driven, thematic approach across the full Australian market capitalisation spectrum. We remain confident in our ability to identify those companies within our risk framework that exhibit compelling return potential for the Fund.

Looking at the top 10 companies in the Australian market, representing 43% of the total market capitalisation today, we would contend that 4 face regulatory/cyclical headwinds (the big 4 banks); Woolworths/Wesfarmers/Telstra face structural competitive issues; BHP/RIO are deep cyclicals; which leaves only CSL that offers defensive organic growth but now trades on 28x next year's earnings vs. a 6 year average of 20x. Given the herd mentality of investors and the generally false sense of comfort gained from following the market, Paragon contends that the less attention we pay to the market, the better.

Paragon's Themes in Brief

Our key themes currently making up 80% of the Fund's net exposure today are Offshore Growth, Ageing Population, Electric Vehicles and Mobile Internet. In brief, we believe that stocks we have identified as fundamentally attractive under these themes will offer significantly better long term growth prospects than the average Australian company.

Electric Vehicles

- Expectations for future electric vehicle demand continue to be ratcheted upwards. Latest industry experts along with the analyst community have been surprised by the ongoing level of demand, especially in China, and the broad adoption signalled by mainstream automotive manufactures outside of early adopters like Tesla.
- Volvo this month announced their intention to make all models from 2019 with an electric motor.
- We believe the increasingly strong demand outlook will be met with ongoing supply issues which will be a positive driver for Lithium prices.
- Paragon continues to invest in Australian listed companies exposed to Lithium, but also Cobalt and Graphene as part of this thematic.

Mobile Internet

- The evolution of the mobile internet has been driven by the convergence of 3G/4G infrastructure, cloud computing, social networking, video content, online commerce and the iPhone almost a decade ago.
- There were almost 8bn mobile devices in 2016, with smart devices accounting for 89% of mobile data traffic. Globally, mobile data traffic will grow at a CAGR of 47% over the next 5 years according to Cisco.
- Broadly this dynamic continues to be of benefit for those companies able to service these needs such as infrastructure/technology manufacturers, cloud computing enablers, and software providers catering for the increasingly mobile population.
- We will be providing further detail about our emerging technology holdings that have proven global capabilities in our next monthly update.

These long term structural themes underpin our medium to long term conviction that Paragon will continue to deliver on the investment objective of our Fund.

We would like to thank our investors for their ongoing support of our Fund and we look forward to communicating our progress over the financial year ahead.

DISCLAIMER: This report has been prepared without taking account of your objectives, financial situation or needs and should not be relied upon as the basis of an investment decision. Paragon makes no representation or warranty as to this report's reliability and does not accept any responsibility or liability in relation to such information or for conclusions which the reader may draw from the report. You should seek independent professional advice before making any decisions regarding the content of this report, including a decision to invest. The Product Disclosure Statement for the Paragon Australian Long Short Fund is available from our website at www.paragonfunds.com.au. There is no guarantee against loss resulting from an investment in the Fund and past performance is not a reliable indicator of future performance.



RG 240 Annual Disclosures for the year ended 30 June 2017

The following disclosures are provided in accordance with ASIC regulatory guide RG240 requirements, covering the financial year ended 30 June 2017.

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 2017.

On 8th December 2016, the Fund name was changed from Paragon Fund to Paragon Australian Long Short Fund. As communicated to investors at the time, the change was made to make the Fund's name more prescriptive and provide a clearer representation of the actual strategy of the Fund, and is not a change in strategy in any way.

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 2017 was:

Australian Equities - 56%
Cash - 44%
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 2017. The maximum exposure to derivatives at any point in time over the year, expressed as a percentage of the total portfolio, was 20%.

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 2017.

Based on the Fund's closing position at 30 June 2017, over 90% 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 2017, the Fund is long 84% and short 28%. The resultant gross exposure is 112%, and net exposure is 56%. The maximum gross exposure level reached in the last financial year was 134%.

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 Australian Long Short 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 Fund since inception of the Fund. David Livera was appointed Head of Distribution in March.

There were no changes of key service providers in the financial year ended 30 June 2017.

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 Pty Ltd (formerly White Outsourcing Pty Ltd).

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 have been engaged by the Fund in the financial year ended 30 June 2017.

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 2017.

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 should be directed to Paragon by email to info@paragonfunds.com.au.