PARAGON FUNDS MANAGEMENT

5 YEARS 2013 - 2018

PARAGON AUSTRALIAN LONG SHORT FUND // March 2018

PERFORMANCE SUMMARY *(after fees)*

	1 month	3 months	6 months	Financial YTD	1 year	2 year p.a.	3 year p.a.	5 year p.a.	Net Return p.a.	Total Net Return
Paragon Aust. Long Short Fund	-4.7%	-8.8%	+21.8%	+39.6%	+37.4%	+17.6%	+14.5%	+17.4%	+17.3%	+125.3%
ASX All Ordinaries Accum. Index	-3.6%	-1.7%	+4.2%	+5.2%	+6.9%	+11.3%	+4.4%	+7.8%	+7.2%	+42.6%
RBA Cash Rate	+0.1%	+0.5%	+0.9%	+1.1%	+1.6%	+1.6%	+1.8%	+2.1%	+2.1%	+10.9%

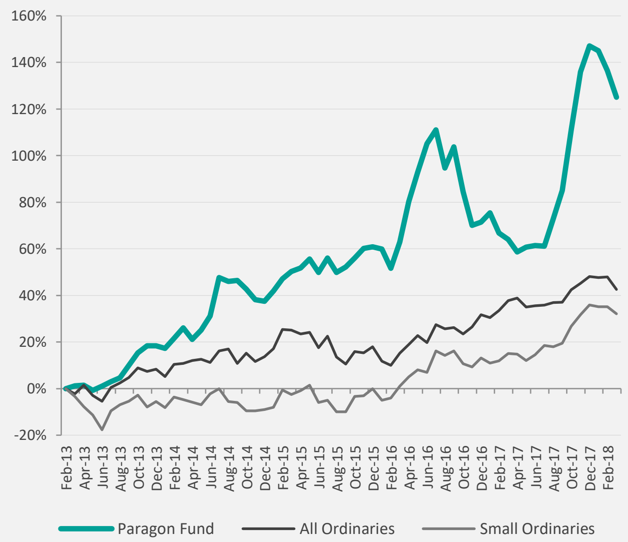
RISK METRICS

Sharpe Ratio	1.0
Sortino Ratio	1.8
Correlation	0.4
% Positive Months	+67%
Up/Down Capture	+104% / +24%

UNIT PRICE & FUM

NAV	$2.1206
Entry Price	$2.1237
Exit Price	$2.1174
Fund Size	$75.2m
APIR Code	PGF0001AU

HISTORICAL PERFORMANCE *(after fees)*



FUND STRATEGY

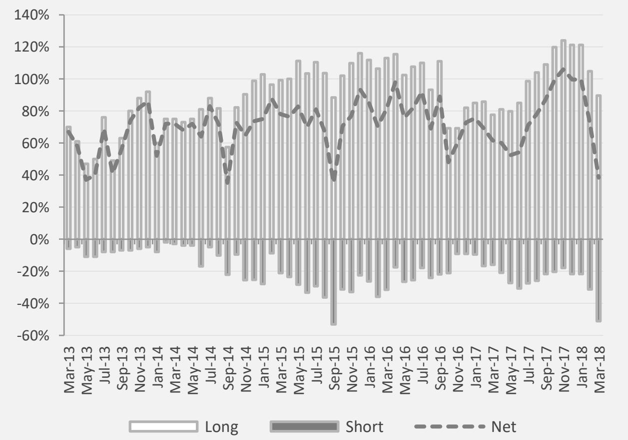
Established in March 2013 as an Australian equities long/short fund that is fundamentally driven with a concentrated portfolio of high conviction stocks, managed by a dedicated investment team and offering transparency to investors. Paragon's proprietary research and extensive investment process which includes active portfolio management, is overlaid with a strong risk management function 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 AND POSITIONING

The Fund returned -4.9% after fees for the month of March. Since inception (March 2013) the Fund has returned +125.3% after fees vs. the market +42.6%.

Positive contributions in the month were from Dacian Gold, Global Geoscience and our shorts in Invocare, Mineral Resources, Aurizon and Telstra. These were more than offset by declines in several of our long holdings, driven by the market sell-off, including Orocobre, Cimic, Wattle Heath, Metals X, Echo and our Cobalt holdings.

HISTORICAL EXPOSURE



FUND POSITIONING

Number of Longs	30
Number of Shorts	26
Net exposure	38.4%
Gross exposure	140.7%
Index futures	0%
Cash	61.6%

FUND FACTS

Structure	Unit trust
Domicile	Australia
Applications & Redemptions	Daily
Minimum investment	$25,000
Min. addition/redemptions	$5,000/$10,000
Administrator	Link Fund Solutions
Prime Broker/Custodian	UBS

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%	-0.2%	7.3%	7.0%	14.0%	11.9%	4.7%	**44.1%**
2018	-1.3%	-3.0%	-4.9%										**-8.9%**

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 daily unit pricing methodology based on historical data.

Global market volatility continues through March

The mood across global markets remains in fear territory, with March exhibiting high levels of volatility once again. Markets lacked direction, in what was a whipsawing up and down month for most major indices. Global market indices are currently ~10% off their highs, after re-testing the lows of early February.

The portfolio is in a net-long position and invested across the entire market-cap spectrum and was therefore impacted by 'risk-off' selling across many of our long positions. Whilst we have various short positions which partially hedge our longs, we may not see the full effect of these hedges over shorter periods ie. week-to-week or month-to-month. In order to best navigate this period of volatility, we increased our hedges through the month of March and further reduced our net exposure.

We continue to hold several long positions that we expect to do very well over the next 12-24 months. The investment cases remain strong and exhibit significant risk-reward opportunities. Additionally, while ongoing volatility presents certain challenges, we continue to embrace the opportunities that come with it, identifying new stocks for the Fund. For example, Dacian Gold, discussed below, was acquired in a period of volatility, providing an attractive price entry point, and has since proven to be a solid performer.

Portfolio highlights

Dacian Gold (DCN) – Long

We last wrote about A$ gold and its investment thesis in June 2016. We discussed the attractiveness of gold as a hedge to global market volatility and highlighted our particular interest in Australian gold producers that boast high-margin, low capital-intensity assets with solid mine life and/or exploration upside. Enter Dacian.

Dacian's cornerstone asset is the 100% owned Mt Morgan high-margin gold project in the Laverton goldfield in WA. Gold resources delineated to date has been excellent. First gold pour was achieved at the end of March 2018, with commissioning and production ramp up now underway. Dacian is well placed to produce 200koz+ p.a. of gold from FY19F at all-in costs of ~$1000/oz. The company continues to offer excellent exploration upside with a high likelihood of increasing its already impressive 10yr+ mine life. With A$ gold prices >A$1700/oz, the company is set to generate strong free cashflows.

Rohan Williams, Executive Chairman and CEO, is one of the best in the business. Having done this successfully before with Avoca (micro-cap gold exploration IPO, de-risked through financing, development to production, before a takeover for ~$1b by Anatolia Minerals), Rohan is doing it all over again with Dacian and is well-aligned with strong equity ownership.

Dacian's share price has exhibited a typical resource 'S-curve', where the stock initially re-rated through its exploration, resource delineation and feasibility phases, then correcting through its funding and construction phases. We patiently waited for Dacian to de-risk its funding phase, and then established our position in mid-May 2017 at $1.65/sh at an EV/FY19F CF multiple of ~2.5x. This compares with producing peers with similar attributes that trade at ~8x. We were confident Dacian's 'plain-vanilla' 2.5mtpa plant construction being done by GR Engineering (a firm who has a great track record of execution and in our opinion, is one of the best in Australia) would be completed on time and budget, as has been the case. Pleasingly Dacian's share price has almost doubled since our entry point and still offers value at a modest ~5x FY19F CF.

We continue to hold a long position in the stock and remain particularly attracted to its imminent strong cashflow generation of ~$125m p.a. and near-mine exploration upside.

Since our entry point, Dacian (DCN; shown in dotted pink above) has been the best performing gold stock on the ASX. We have been able to partially hedge its gold price risk by shorting Newcrest (NCM, shown in yellow above) which is expensive in both absolute and relative terms, and has complex assets with gold production risks to the downside.

Finally, we also expect M&A in the Australian gold sector to return due to larger peers pursing growth opportunities. In our view, Dacian's Mt Morgan is the most attractive mid-scale (200koz p.a.) production asset on the ASX making it a highly desirable asset. Its next material resource discovery will likely prove to be the catalyst for such acquisition activity.