



4 June 2020

## **Announcements by Paragon Funds Management Ltd as Responsible Entity of Paragon Australian Long Short Fund ARSN161 565 920 ('Fund')**

Paragon Funds Management wishes to advise all Unit Holders of the following changes to take effect from July 2020:

### **I. Unit Pricing, Applications and Redemptions**

The Fund is moving from **Daily** to **Monthly** unit pricing, applications and redemptions.

Unit prices will be struck on the last business day of every month from 31<sup>st</sup> July 2020.

Similarly, applications and redemptions will be processed on a monthly basis, with issue/redemption dates being the last business day of every month (subject to cut-off times).

In July, unit pricing will be suspended for approximately the first 10BD (in the usual manner) in order to finalise end of year NAV statements, and tax and distribution statements if applicable. As such, for the month of July only, there will be a unit price struck around mid-month, upon finalisation of any distribution paid/re-invested, and then once more on the last business day of the month ie. 31st July. Similarly, applications and redemption requests received in July will be processed at the mid-July date for those received by that date, and then at 31 July for the second half of the month.

Paragon has recognised that monthly pricing is better aligned to the Fund's particularly long-term investment strategy, and therefore better for the Fund and its investors in the long-run.

Paragon does not perceive this to have significant impact on existing investors of the Fund who typically are invested with a long-term outlook of 3 – 5 years.

### **II. Investment Strategy**

The Fund's investment strategy as described in the PDS is being broadened as follows:

1. The PDS will explicitly permit up to a maximum of 20% of the portfolio (at market value) to be invested in unlisted entities, generally pre-IPO, but may also include privately owned or de-listed entities, both Australian and foreign entities.
2. The PDS will explicitly permit up to a maximum of 30% of the portfolio (at market value) to be invested in listed foreign entities. Currency exposures will be unhedged unless explicitly disclosed in the Fund's monthly updates.

3. Individual position limits of 10% at cost for both long and short positions will be removed from the PDS. Individual position sizing is managed as part of Paragon's portfolio risk management framework, incorporating profit-risk based position sizing and strict adherence to stop losses at cost and market value.

These changes will permit Paragon to manage the portfolio at a level of concentration and to maximise the opportunities that arise with having a flexible mandate.

### **III. Portfolio Liquidity**

The Fund's Liquidity as described in the PDS will change to 70% of the Fund's assets to be liquidated within 10 business days (previously 80%). Typically, the Fund's liquidity level will be well above this limit.

This change enables Paragon to manage exceptional circumstances, such as the unintended and indefinite suspension of a previously liquid investment, which results in the Fund's liquidity being below the limit overall. Without such flexibility, Paragon is required to act on other holdings in the Fund to maintain the limit overall, which can in fact result in an adverse outcome for the Fund.

Paragon is required to disclose in the Fund's monthly updates, any asset class exceeding 10% of the portfolio's market value, where liquidity is below 80% saleable within 10 days.

#### **Notice to Unit Holders**

The changes announced are permitted under the Fund's constitution and do not require Unit Holders' approval.

This announcement serves to provide 28 days' notice prior to the changes taking effect.

The PDS will be amended to reflect the announced changes as well as undergoing a full re-fresh (last updated by way of a supplementary PDS issued in December 2018), and will be re-issued from 1<sup>st</sup> July 2020.

#### **Questions on any of our announcements?**

*If you have any enquiries in relation these announcements, please do not hesitate to contact Paragon by email at [client.services@paragonfunds.com.au](mailto:client.services@paragonfunds.com.au) or by phone on 1300 522 500.*