



## Target Market Determination

### Fund and Issuer identifiers

Issuer	Paragon Funds Management Ltd	ISIN Code	AU60PGF00019
Issuer ABN	42 159 623 873	Issuer AFSL	426800
Fund	Paragon Australian Long Short Fund	Start date of TMD	1 May 2024
ARSN	161 565 920	TMD Version	3
APIR Code	PGF0001AU	TMD Status	Current

### Target Market Summary

This Product is intended for use as a satellite or minor allocation within a consumer's overall portfolio, who seeks capital growth over the long term, has a high to very high risk and return profile for this component of their portfolio, and is unlikely to require frequent access to capital.

### Explanation & Legal disclaimer

This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of consumers for whom the Paragon Australian Long Short Fund (**Product**), including its key attributes, would likely be consistent with their likely objectives, financial situation and needs (**Target Market**). Additionally, this TMD outlines the triggers to review the Target Market, this TMD and certain other information relevant to the Product's distribution and review. This TMD forms part of Paragon Funds Management Ltd's (**Paragon/Issuer**) design and distribution arrangements for the Product.

The Product is an interest in a managed investment scheme registered pursuant to Chapter 5D of the Corporations Act. As a registered scheme, Paragon as the issuer is permitted to offer the Product to retail clients subject to the issue of a product disclosure statement (**PDS**).

This document is **not** a product disclosure statement and is **not** a complete summary of the product features or terms of the product. In preparing this document, Paragon did not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS before deciding whether to invest.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the PDS, unless otherwise defined. The PDS can be obtained from Paragon's website at [www.paragonfunds.com.au](http://www.paragonfunds.com.au) or by clicking on this [link](#). Alternatively, a copy may be requested from Paragon by emailing [client.services@paragonfunds.com.au](mailto:client.services@paragonfunds.com.au) or calling 1300 522 500.

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## Description of Target Market

This part is required under section 994B(5)(b) of the Act.

### TMD indicator key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red and green rating methodology with appropriate colour coding:

In target market	Not considered in target market
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### Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in column 1 is likely to be in the target market for this product.

### Appropriateness

Note: This section is required under RG 274.64–66.

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market, as the features of this product in Column 3 of the table below are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Additionally, the product is unlikely to be suitable for consumers where one or more of their Consumer Attributes correspond to a RED rating.

### Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio. In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of their portfolio, rather than the consumer's portfolio as a whole.

For example, a consumer may seek to construct a balanced or moderate portfolio with a *minor* or *satellite allocation* to growth assets. In this case, a product with a *High* or *Very High* risk/return profile may be considered consistent with the consumer's objectives for that *minor* or *satellite allocation* notwithstanding that the risk/return profile of the consumer as a whole is *Medium*. In making this assessment, distributors should consider all features of a product (including its key attributes).

Consumer Attributes	TMD Indicator	Product description including key attributes
<b>Consumer's investment objective</b>		
<b>Capital Growth</b>	In target market	<p>The investment objective of the Fund is to deliver capital growth over the long-term, aiming for absolute returns above 10% p.a. over a 5 year investment horizon with a low correlation to the Australian equities market.</p> <p>The Fund invests in equities, both long and short with a long-bias, predominantly in the Industrials and Resources sectors, across the full market capitalisation spectrum and across all markets geographically, but particularly Australia and North America. Leverage is also adopted to a maximum gross exposure of 200%.</p> <p><b>The Product is suitable for consumers seeking capital growth over the long term.</b></p>
Capital Preservation	Not considered in target market	
Capital Guaranteed	Not considered in target market	
Income Distribution	Not considered in target market	
<b>Consumer's intended product use (% of Investable Assets)</b>		
Solution/Standalone (up to 100%)	Not considered in target market	<p>The Fund invests in equities, both long and short with a long-bias, predominantly in the Industrials and Resources sectors, across the full market capitalisation spectrum, and across all markets geographically, but particularly Australia and North America. Leverage is also adopted to a maximum gross exposure of 200%.</p> <p>The Fund has a Low level of portfolio diversification.</p> <p><b>The Product is suitable as a satellite or minor allocation (ie. small component) within a consumer's total <i>investable assets</i> (see definition below), typically up to 25%, for a consumer that is comfortable with exposure to a product with Low <i>portfolio diversification</i> (see definition below) for this portion.</b></p>
Major allocation (up to 75%)	Not considered in target market	
Core Component (up to 50%)	Not considered in target market	
<b>Minor allocation (up to 25%)</b>	In target market	
<b>Satellite allocation (up to 10%)</b>	In target market	
<b>Consumer's investment timeframe</b>		
Short ( $\leq$ 2 years)	Not considered in target market	<p>The suggested minimum timeframe for investing in the Fund is 5 years.</p> <p><b>The Product is suitable for consumers who have a Long investment timeframe of at least five years.</b></p>
Medium (2 - 5 years)	Not considered in target market	
<b>Long (<math>&gt;</math> 5 years)</b>	In target market	

Consumer Attributes	TMD Indicator	Product description including key attributes
<b>Consumer's Risk (ability to bear loss) and Return profile</b>		
Low	Not considered in target market	<p>The investment objective of the Fund is to deliver capital growth over the long-term, aiming for absolute returns above 10% p.a. over a 5 year investment horizon with a low correlation to the Australian equities market. Given the Fund's significant exposure to the Industrials and Resources sectors, as well as its ability to leverage, short sell and invest across the full market capitalisation spectrum, the Fund is expected to exhibit higher volatility levels compared to the Australian All Ords Accum Index.</p> <p><b>The Product is suitable for consumers who have a higher risk tolerance and can accept higher potential losses in order to target a higher return profile (as defined below).</b></p>
Medium	Not considered in target market	
<b>High</b>	In target market	
<b>Very High</b>	In target market	
<b>Consumer's need to withdraw money – access to capital</b>		
Daily	Not considered in target market	<p>The Fund permits monthly redemptions under ordinary circumstances. The minimum withdrawal is \$10,000 and is subject to maintaining a minimum balance of \$25,000. Typically payment of a redemption will be within 14 to 21 days from the withdrawal date (being the last business day of the month a request is received). Essentially, this sets expectations for how often and how quickly investors can access their money.</p> <p>A withdrawal request may be denied or delayed due to financial, operational or regulatory requirements. Furthermore, all withdrawals may be suspended in certain exceptional circumstances, such as during times of extreme liquidity constraints or severe market volatility. These measures protect the Product's stability and ensures fair treatment of all investors.</p> <p><b>The Product is suitable for consumers who are not requiring or expecting to withdraw money on a regular basis.</b></p>
Weekly	Not considered in target market	
Monthly	Not considered in target market	
Quarterly	Not considered in target market	
<b>Annually or longer</b>	In target market	

## Distribution conditions/restrictions

This part is required under section 994B(5)(c) of the Act.

Distribution of the Product is conditional on a retail investor receiving the relevant [PDS](#) for the Product. If Paragon determines that the guidelines in this TMD are inadequate, and as a result, investors who are not in the intended target market are able to invest in this Product, Paragon reserves the right to stop or cease distribution of the Product.

Distribution Channels	Distribution Conditions
Issuer - Paragon	It is mandatory that a consumer receives the relevant PDS and TMD prior to investing.
Advisors	The Product may be distributed to the investor through another AFS licensee or authorised representative (e.g. financial advisor). It is mandatory that a consumer receives the relevant PDS and TMD prior to investing.
Platforms	The Product may be distributed through an investor-directed portfolio service platform or such other similar types of investment platforms as approved by Paragon. It is mandatory that a consumer receives the relevant PDS and TMD.

Review triggers
This part is required under section 994B(5)(d) of the Act.
The Issuer lodges with ASIC a supplementary or replacement PDS.
When the Product ceases to align with the expected objectives, financial situation, and needs of the target market.
Material deviation from the distribution conditions of the Product.
Material deviation from asset class or objective over sustained period.
Key attributes have not performed as intended by a material degree and for a material period.
Determination by Paragon of an ASIC reportable Significant Dealing.
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
Material or an unexpectedly high number of complaints made to a regulated person, which are covered by a dispute resolution system complying with subsection 912A(2) of the Act (Complaints) about the product or the distribution of the product.
The use of Product Intervention Powers, regulator orders or directions that affects the product.
Major adverse changes in general economic conditions that affect the investment objective and performance of the product (e.g. a change in expected performance in light of significant changes in market conditions, such as an economic downturn).
Paragon may review this TMD under any other circumstances deemed reasonable and appropriate for such an assessment.

<b>Mandatory review periods</b>	
<b>This part is required under section 994B(5)(e) and (f) of the Act.</b>	
<b>Review period</b>	<b>Maximum period for review</b>
Initial review	1 year and 3 months (Complete)
Subsequent reviews	1 year and 6 months (from current date)

<b>Distributor reporting requirements</b>		
<b>This part is required under section 994B(5)(g) and (h) of the Act.</b>		
<b>Reporting requirement</b>	<b>Reporting period</b>	<b>Which distributors this requirement applies to</b>
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following the end of the calendar quarter.	All distributors
Significant dealing outside of target market, under s994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.	All distributors
To the extent a distributor is aware, dealings outside the target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following the end of the calendar quarter.	All distributors
All other information requested by Paragon excluding any complaint or significant dealings related reporting, which includes feedback from investors, advisors and other distributor groups about the Product.	Within 10 business days following the end of the calendar quarter.	All distributors

If practicable, distributors should adopt the FSC data standards for reports to the issuer, preferably in an electronic format and should be emailed to Paragon at [client.services@paragonfunds.com.au](mailto:client.services@paragonfunds.com.au).

## Definitions

Term	Definition
<b>Consumer's investment objective</b>	
Capital Growth	The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets (such as shares, property or alternative assets) or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	The consumer seeks to invest in a product to reduce volatility and minimise loss in a market down-turn. The consumer prefers exposure to defensive assets (such as cash or fixed income securities) that are generally lower in risk and less volatile than growth investments.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The consumer would likely understand the complexities, conditions and risks that are associated with such products.
Income Distribution	The consumer seeks to invest in a product designed to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
<b>Consumer's intended product use (% of Investable Assets)</b>	
Solution/Standalone (up to 100%)	The consumer may hold the investment as either a part or the majority (up to 100%) of their total <i>investable assets</i> (see definition below). The consumer typically prefers exposure to a product with at least High <i>portfolio diversification</i> (see definitions below).
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total <i>investable assets</i> . The consumer is likely to seek a product with at least High <i>portfolio diversification</i> .
Core Component (up to 50%)	The consumer may hold the investment as a major component, up to 50%, of their total <i>investable assets</i> . The consumer typically prefers exposure to a product with at least Medium <i>portfolio diversification</i> .
Minor allocation (up to 25%)	The consumer may hold the investment as a smaller component, up to 25% of the total <i>investable assets</i> . The consumer is likely to seek or be comfortable with exposure to a product with Low <i>portfolio diversification</i> .
Satellite allocation (up to 10%)	The consumer may hold the investment as a small component, up to 10% of their total <i>investable assets</i> . The consumer is likely to seek or be comfortable with exposure to a product with very Low <i>portfolio diversification</i> .
Investable Assets	Those assets that the retail investor has available for investment, excluding their principal residence/residential home.

Term	Definition
<b>Portfolio diversification (for completing the key product attribute section of consumer's intended product use)</b>	
Low	Single asset class, single country, low or moderate holdings of securities, high concentration across one or only a few sectors - e.g. high conviction Aussie equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".
High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset product (or global equities).
<b>Consumer's intended investment timeframe</b>	
Short ( $\leq 2$ years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium ( $< 5$ years)	The consumer has a medium investment timeframe and is unlikely to redeem within two to five years.
Long ( $> 5$ years)	The consumer has a long investment timeframe and is unlikely to redeem within five years.
<b>Consumer's Risk (ability to bear loss) and Return profile</b>	
<p>Issuers should undertake a comprehensive risk assessment for each product. The FSC recommended Standard Risk Measures (SRM) are used in this TMD to calculate the likely number of negative annual returns over a 20-year period, using the guidance and methodology outlined in the <i>Standard Risk Measure Guidance Paper for Trustees</i>. For clarity, SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating. A consumer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
Low	The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)) and is comfortable with a low target return profile. Consumer typically prefers defensive assets such as cash and fixed income.
Medium	The consumer is moderate or medium risk in nature, willing to bear some potential losses over the investment period, (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)) and comfortable with a moderate target return profile. Consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
High	The consumer is higher risk in nature and can accept a higher level and frequency of potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher return profile. Consumer typically prefers predominantly growth assets such as shares, property and alternative assets, as well as exposure to leverage, short selling and derivatives, with only a small or minor holding in defensive assets such as cash and fixed income.
Very High	The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period (SRM 7)) in order to target a very high return profile. Consumer typically prefers growth assets such as shares, property and alternative assets, as well as exposure to leverage, short selling and derivatives.

Term	Definition
<b>Consumer's need to withdraw money or access capital</b>	
<p>Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in completing this section.</p>	
<p>Monthly/Quarterly/Annually or longer</p>	<p>The consumer seeks to invest in a product which permits redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.</p>
<b>Distributor Reporting</b>	
<p>Significant dealings</p>	<p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> <li>• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>• they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),</li> <li>• the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and</li> <li>• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the consumer).</li> </ul> <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> <li>• it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period,</li> <li>• the consumer's intended product use is <i>Solution / Standalone</i>, or</li> <li>• the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.</li> </ul>