

# Paragon Australian Long Short Fund

ARSN 161 565 920

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## Product Disclosure Statement

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**PARAGON IM**

**Bennelong Funds Management Ltd**

ABN : 39 111 214 085 AFSL : 296806

DATE OF ISSUE : 18 December 2024

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# Disclaimers and important notices

This Product Disclosure Statement ('PDS'), dated 18 December 2024, relates to the offer to subscribe for Units in the Paragon Australian Long Short Fund ('the Fund') and is issued by Bennelong Funds Management Ltd ('BFM') (Australian Financial Services Licence No. 296806), the Responsible Entity of the Fund. The Fund is a registered managed investment scheme under the Corporations Act.

References in this PDS to 'we', 'us', 'our', 'the Responsible Entity' and 'BFM' are to Bennelong Funds Management Ltd, the Responsible Entity of the Fund. References to 'you' or 'your' are to investors (and, when the context requires, prospective investors) in the Fund.

The Responsible Entity has authorised the use of this PDS as disclosure to investors and prospective IDPS investors. Indirect investors investing through an IDPS may rely on the information contained in this PDS in instructing IDPS operators to invest in the Fund on their behalf. The Responsible Entity, however, accepts no responsibility where the IDPS operator does not provide indirect investors investing through an IDPS with a current version of this PDS or any supplementary or replacement PDS. Indirect investors investing through an IDPS do not acquire the rights of a Unitholder in the Fund. The rights of indirect investors are set out in the IDPS Guide or other offer document for the relevant IDPS.

No person is authorised to give any information or to make any representation in connection with the investment opportunities described in this PDS, which is not contained in this PDS. Any information or representation in connection with this investment not contained may not be relied upon as having been authorised by the Responsible Entity.

This PDS is prepared for your general information only. You should consider it in deciding whether to apply for Units in the Fund. It is not intended to be a recommendation by the Responsible Entity or Paragon IM Pty Ltd, ACN: 682 128 785 ('the Investment Manager' or 'Paragon'), any associate of the Responsible Entity or the Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor.

As such, before acting on the information in this PDS, prospective investors should consider the appropriateness of the information in this PDS having regard to their own objectives, financial situation and needs. Prospective investors should rely upon their own enquiries and analysis as to the merits and risks in relation to the offer and in deciding whether to invest in the Fund. The Responsible Entity and the Investment Manager strongly recommend that potential investors read and consider this PDS in its entirety and seek independent professional advice as to the financial, taxation and other implications of investing in the Fund and the material contained in this PDS before making any decision whether to acquire Units in the Fund.

The Responsible Entity reserves the right to evaluate any applications for Units and to reject any or all applications submitted by investors, without giving reasons for rejection. The Responsible Entity is not liable to compensate any recipient of this PDS or any intending investor for any costs or expenses incurred in reviewing, investigating or analysing any information in relation to the Fund, in making an application for Units or otherwise.

Neither BFM nor Paragon or any of their related bodies corporate, associates, officers or affiliates guarantees the performance of the Fund or the repayment of capital from the Fund.

Unless otherwise stated, all amounts are in Australian dollars, and all fees are quoted on a Goods and Services Tax ('GST') inclusive basis less any Reduced Input Tax Credits ('RITCs') available to the Fund.

This PDS should be read in conjunction with the Constitution and Target Market Determination ('TMD') of the Fund, which is available from BFM Client Experience. This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. No action has been taken to register or qualify the Fund or otherwise to permit a public offering of the Units in any jurisdiction outside Australia. Accordingly, the distribution of this PDS in jurisdictions outside Australia is limited and may be restricted by law. Persons wishing to invest who are not in Australia should familiarise themselves with and observe any such restrictions when deciding whether or not to invest in the Fund.

This offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

**General information in this PDS is subject to change. Certain information that is not materially adverse may be updated without issuing a supplementary PDS. Such updated information may be obtained from BFM's website (see Section 14 'Directory') or a paper copy of any updated information will be provided free of charge, upon request.**

Please note the Glossary located at the end of this PDS for definitions of certain important terms.

## Contact details:



Client Experience  
Bennelong Funds Management Ltd  
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bennelongfunds.com

# 1. The Fund at a glance

## Fund features

Feature	Summary	Reference
Name	Paragon Australian Long Short Fund ARSN 161 565 920 ('the Fund')	
Responsible Entity/Issuer	Bennelong Funds Management Ltd ABN 39 111 214 085 ('BFM')	Section 2
Investment Manager	Paragon IM Pty Ltd ABN 90 682 128 785 ('Paragon')	Section 2
Prime Broker	UBS AG, Australia Branch ABN 47 088 129 613 ('UBS' or 'Prime Broker')	Section 2
Custodian	UBS Nominees Pty Ltd ABN 32 001 450 522 ('UBS Nominees' or 'Custodian')	Section 2
Administrator	Link Market Services Ltd ABN 54 083 214 537 ('Link' or 'Administrator')	Section 2
Investment objective	The Fund aims to generate absolute returns in excess of 10% p.a. over a five year investment horizon, maintaining a low correlation with the Australian equities market.	Section 3
Investment strategy	<p>The Fund primarily 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. The Fund may also invest in cash equivalent instruments and exchange traded derivatives, denominated in Australian dollars.</p> <p>The investment process comprises thematic-led fundamental bottom-up stock selection, coupled with a top-down view of macro factors, resulting in a concentrated portfolio of long and short equity positions.</p> <p>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>	Section 3
Risks	Relevant risks associated with a fund of this nature are outlined in Section 4.	Section 4
Eligible investors	Wholesale Clients and Retail Clients as defined by the Corporations Act.	
Minimum suggested investment timeframe	Long term (five years)	
Investment amounts	<p>Initial investment minimum: \$25,000</p> <p>Withdrawal minimum: \$10,000</p> <p>Minimum additional investment: \$5,000</p> <p>Minimum balance: \$25,000</p> <p>Minimum investment, withdrawal and additional investment amounts are subject to change at the Responsible Entity's absolute discretion.</p>	Section 6

Feature	Summary	Reference
Management Costs	<p>Management Costs comprise the following:</p> <ul style="list-style-type: none"> <li>• A base Management Fee of 1.5% p.a. (inclusive of GST net of RITC) of the Net Asset Value accrued and paid monthly;</li> <li>• An expense recovery fee capped at 0.25% p.a.(inclusive of GST net of RITC) to cover operating costs of the Fund;</li> <li>• Indirect costs estimated at 2.05% (based on the previous financial year) paid directly out of Fund assets; and</li> <li>• Abnormal expenses which are typically infrequent and generally not passed on.</li> </ul> <p>The capped expense recovery fee applies for the life of this PDS and a new PDS may be issued at any time.</p>	Section 7
Performance Fees	<p>Paragon is entitled to a Performance Fee of 20% (inclusive of GST net of RITC) of the increase in the Net Asset Value of the Fund, subject to a 5% p.a. hurdle rate and a High Watermark. Underperformance in a previous period is required to be made up before a Performance Fee is payable.</p>	Section 7
Application and redemption cut-off times	<p>Applications need to be received by 2:00pm (Sydney time) on the relevant Valuation Day (the last Business Day of each calendar month) to receive the application price applicable for that Valuation Day. Redemption requests need to be received by 2:00pm (Sydney time) on the relevant Valuation Day to receive the withdrawal price applicable for that Valuation Day.</p>	Section 6
Income distribution	<p>Income distributions are paid annually as at 30 June and are paid into your nominated Australian bank account or reinvested back into the Fund.</p>	Section 6
Valuation	<p>The investments of the Fund are generally valued as at the close of business on the last Business Day of each calendar month and the respective Net Asset Value established as per the Constitution.</p>	Section 6
Target Market Determination	<p>The Target Market Determination ('TMD') for this Fund is available from the BFM website at <a href="https://www.bennelongfunds.com/download/paragon/tmd">https://www.bennelongfunds.com/download/paragon/tmd</a>.</p> <p>A copy can also be provided upon request by emailing <a href="mailto:client.experience@bennelongfunds.com">client.experience@bennelongfunds.com</a>.</p>	

## Disclosure benchmarks and disclosure principles

### Disclosure benchmarks

Benchmark	Requirement	Summary	Reference
Benchmark 1: Valuation of assets	The Responsible Entity has and implements a policy that requires valuations of the hedge fund's assets that are not exchange traded to be provided by an independent administrator or independent valuation service provider.	<p>The Fund meets this benchmark.</p> <p>The valuations of the Fund's assets are provided by the Administrator, Link, which is unrelated to both the Responsible Entity and Paragon. The investments of the Fund will either be valued at the market value, a value determined from an independent source, or by the Administrator in consultation with the Responsible Entity and Paragon and in accordance with industry standards.</p> <p>The Responsible Entity's policy is that it will only appoint independent fund administrators.</p>	Section 2
Benchmark 2: Periodic reporting	The Responsible Entity has and implements a policy to provide periodic disclosure of certain key information on an annual and monthly basis.	<p>The Fund meets this benchmark.</p> <p>Paragon issues monthly updates electronically covering the Fund's performance and other relevant information as outlined in Section 6. The updates are also available from Paragon's website at <a href="http://www.paragonfunds.com.au">www.paragonfunds.com.au</a>.</p> <p>See Section 6 'Reports and Statements' for further information.</p>	Section 6

### Disclosure principles

Benchmark	Requirement	Reference
Disclosure principle 1: Investment strategy	<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.</p> <p>The investment process comprises thematic-led fundamental bottom-up stock selection, coupled with a top-down view of macro factors, resulting in a concentrated portfolio of long and short equity positions.</p> <p>Risk is managed at the portfolio level by adhering to gross and net exposure limits, and pre-determined stop-loss limits set at the individual stock level.</p> <p>The portfolio typically holds between 20 - 50 equity positions as well as cash equivalent instruments, denominated in Australian dollars.</p> <p>Currency exposure may be hedged if deemed appropriate by Paragon. The Fund may also invest in equities of unlisted companies expected to list within 12 - 24 months (i.e. pre-IPO) as well as privately-owned companies, capped at 20% of the net market value of the portfolio at any time (i.e. the net market value is the cumulative total divided by the net market value of total long positions less total short positions). Paragon's monthly updates will disclose the level of global equities and unlisted equities held. Short selling, leveraging and investing in listed derivatives may be utilised where opportunities have been identified that will either help to maximise returns (i.e. for investment purposes) or mitigate negative returns identified (i.e. for hedging purposes). The Fund's Constitution sets no allocation limits between classes, location or denomination of assets.</p> <p>If a change is to be made, investors will be notified in accordance with the Corporations Act. The investment strategy and asset allocation can be changed by approval of the Responsible Entity and Paragon.</p>	Section 3

Benchmark	Requirement	Reference
Disclosure principle 2: Investment Manager	<p>Paragon is the Investment Manager of the Fund.</p> <p>John Deniz, Principal and Founder of Paragon, is the Chief Investment Officer of the Fund, dedicating almost 100% of his time to managing the Fund and executing its investment strategy.</p> <p>There have been no significant adverse regulatory findings against Paragon or any staff member of Paragon.</p> <p>The investment management agreement between Paragon and BFM ('Investment Management Agreement') does not contain any unusual or materially onerous (from an investor's perspective) terms. The Investment Management Agreement contains standard conditions for asset management and termination. For more information, see Section 2.</p>	Section 2
Disclosure principle 3: Fund structure	<p>The Fund is structured as a registered managed investment scheme and a unit trust with BFM as the responsible entity of the Fund.</p> <p>The key service providers involved in the operation of the Fund are named in 'The Fund at a glance' table in Section 1. For information on each service provider's role and scope of services, refer to Section 2.</p> <p>The Responsible Entity seeks to ensure compliance of service providers with their obligations under the relevant service agreements and applicable laws by requiring quarterly assurance certifications and/or by conducting an annual on-site visit.</p> <p>All key service providers are based in Australia or have branches in Australia.</p> <p>There are risks associated with the Fund structure. Specifically, we note that there are risks of holding assets through third party service providers such as the Prime Broker and Custodian. These risks are outlined in Section 4 'Default Risk'.</p>	Sections 2 and 4
Disclosure principle 4: Valuation, location and custody of assets	<p>The investments of the Fund are generally valued monthly by the Administrator and the Net Asset Value is established as per the Constitution of the Fund. The investments of the Fund will either be valued at the market value, a value determined from an independent source or by the Administrator in consultation with the Responsible Entity and Investment Manager and in accordance with industry standards.</p> <p>The Fund primarily invests in listed equities, cash equivalent instruments, and exchange traded derivatives, denominated in Australian dollars. However, there are no allocation limits in respect of the location, class or currency of assets (except as limited by this PDS).</p> <p>The Responsible Entity has appointed UBS AG, Australia Branch as the Prime Broker of the Fund and UBS Nominees Pty Ltd as Custodian for the Fund. The services of UBS AG, Australia Branch as prime broker to the Fund include the clearing and settlement of transactions, cash loans, borrowing and lending of securities and other services as agreed between the parties.</p> <p>Refer to Section 2 for further information on the roles of UBS AG and UBS Nominees in providing custody services to the Fund and Section 4 for associated risks.</p>	Section 2 and 4
Disclosure principle 5: Liquidity	<p>The Responsible Entity reasonably expects that it will be able to realise at least 70% of the assets of the Fund, at the value ascribed to those assets, in calculating the Fund's Net Asset Value, within 10 days. See 'Liquidity' in Section 3 for further details. Paragon's monthly updates will report the Fund's liquidity as at the end of the month.</p> <p>Additionally, Paragon will provide specific disclosure regarding any asset class that constitutes more than 10% of the portfolio's market value should the Fund fall short of maintaining 80% liquidity within 10 days, being the benchmark stipulated in RG 240.</p>	Section 3

Benchmark	Requirement	Reference
Disclosure principle 6: Leverage	<p>Leveraging through securities lending is permitted and will be deployed in accordance with the Fund's investment strategy.</p> <p>The maximum gross exposure limit taking into account leverage, has been set at 200% of the Fund NAV (including leverage embedded in Fund assets other than for listed equities). For example, for every \$1.00 of the Fund NAV, the Fund may be leveraged up to \$2.00. The Prime Broker is the only counterparty to any leveraged transactions and will hold Collateral for those transactions. The assets of the Fund may be exposed to set off rights or claims from the Prime Broker.</p> <p>Paragon's monthly updates will provide details of the Fund's gross and net exposure levels, and hence the level of leverage of the Fund as at the end of the month.</p> <p>Refer to Section 3 for a worked example of the impact of leverage on investment returns and losses and Section 4 for the risks associated with leverage.</p>	Sections 3 and 4
Disclosure principle 7: Derivatives	<p>Investments in listed derivatives will be utilised where suitable opportunities have been identified that will either maximise returns (i.e. for investment purposes) or mitigate negative returns identified (i.e. for hedging purposes).</p> <p>Currently and typically the types of derivatives used are limited to exchange traded futures contracts, for hedging against specific long positions or against the portfolio overall and are not anticipated to make up a material portion of the Fund assets.</p> <p>Paragon's monthly updates will provide relevant information on derivatives, where applicable.</p> <p>Generally, the derivative counterparty is the Fund's Prime Broker. However, Paragon may enter into derivative transactions with other counterparties.</p> <p>Refer to Section 4 for the associated risks.</p>	Sections 3 and 4
Disclosure principle 8: Short selling	<p>Short selling is undertaken by the Fund as part of the investment strategy to benefit from falling securities prices. The Fund engages in short selling by borrowing securities from the Prime Broker and providing Collateral to the Prime Broker (see Section 2 'The Prime Broker/ Custodian' for further details).</p> <p>The risks of short selling are set out in Section 4 'Short selling risk'. Short selling risk is managed by the Investment Manager through position size and by the use of an external Prime Broker (UBS AG).</p>	Section 2
Disclosure principle 9: Withdrawals	<p>Withdrawals are processed on a monthly basis. Withdrawal requests must be received by the Administrator by 2.00 p.m. Sydney time on the last Business Day of the month. In some circumstances, such as when the Fund is illiquid, withdrawals may be suspended or delayed, or there may be limited opportunity to withdraw from the Fund. If the withdrawal requirements are changed, where possible, Unitholders will be notified in writing.</p> <p>Section 4 of the PDS describes the liquidity risks of the Fund. Refer to Section 6 for further information on withdrawals from the Fund, including how a Unitholder can exercise their withdrawal rights and any conditions that may apply.</p>	Sections 4 and 6



## 2. Issuer, Responsible Entity, Investment Manager, Administrator, Prime Broker and Custodian

### The Issuer

BFM is the issuer of this PDS. BFM holds an AFSL which authorises it to advise on and deal in, among others, interests in managed investment schemes for Wholesale Clients and Retail Clients.

### Responsible Entity

BFM is the Responsible Entity of the Fund. As Responsible Entity of the Fund, BFM is responsible for ensuring that the Fund is operated in accordance with the Constitution and the Corporations Act.



### The Investment Manager

Paragon is the Investment Manager of the Fund (replacing Paragon Funds Management Ltd (PFM) upon its retirement as responsible entity of the Fund) and is responsible for making investment and divestment decisions in relation to the Fund and implementing the Fund's strategy.

Paragon is a private company, beneficially owned by John Deniz, Chief Investment Officer of the Fund.

Further information on Paragon is available from their website [www.paragonfunds.com.au](http://www.paragonfunds.com.au).

### John Deniz, Chief Investment Officer (CIO)

John has over 20 years' financial markets experience, including the last 12 years with PFM as CIO of the Fund. Prior to establishing PFM, John worked for four years at a global resources absolute return fund and was solely dedicated to the Australian long/short component of the portfolio. Prior to that, John had four years' experience on the sell-side, which included heading industrials research.

Prior to entering the finance industry, John held senior positions as an engineer for over eight years in leading global organisations, where John designed and project managed various large-scale, greenfield capital projects across Asia Pacific and the EU.

John holds an MBA from the Melbourne Business School and a Bachelor of Engineering (Mechanical) (Hons) from the University of Melbourne, and has also completed CFA Level 1.

There have been no significant adverse regulatory findings against PFM, Paragon or its executive team.



### Investment Management Agreement

The Responsible Entity and the Investment Manager have entered into an investment management agreement ('Investment Management Agreement') covering the investment management services under which the Investment Manager agrees to act as Investment Manager, and among other things is entitled to a fee (including a Performance Fee) payable by the Responsible Entity.

Under the Investment Management Agreement, all expenses of the Fund will be paid by the Responsible Entity out of the assets of the Fund or with the agreement of the parties, by the Investment Manager.

The in-house operating costs of the Investment Manager will be borne by the Investment Manager.

Under the Investment Management Agreement, the Investment Manager is indemnified by the Responsible Entity out of the assets of the Fund in respect of losses or expenses incurred for performing its obligations as investment manager, other than where the Investment Manager or its agents acted with fraud, willful misconduct, dishonesty or negligence.

BFM is able to terminate the Investment Manager's appointment under the Investment Management Agreement at any time in circumstances:

- of fraud, willful misconduct, dishonesty or negligence on the part of the Investment Manager; or
- where the Investment Manager enters into receivership, liquidation, ceases to conduct business, sells the business or is legally unable to operate as an Investment Manager; or
- where the Investment Manager is in breach of the Investment Management Agreement and the Investment Manager fails to correct the breach within the requisite time period; or
- where the law requires the Investment Management Agreement to terminate; or
- the Investment Manager ceases to hold the necessary legal authorisations to operate as an Investment Manager; or
- where the Responsible Entity reasonably believes that the Investment Manager's continued appointment would be in breach of the Responsible Entity's duties to the investors of the Fund.

Termination on any other grounds may occur by the Responsible Entity providing not less than 120 days prior notice to the Investment Manager, after the expiry of an initial three-year term.

## The Administrator

The Responsible Entity has appointed Link as Administrator of the Fund. Link is a wholly owned subsidiary of (formerly ASX listed) Link Group, acquired by Mitsubishi UFJ Financial Group ('MUFG') in May 2024, and has been providing specialist managed funds administration since 1996.

Link intends to re-brand to MUFG Corporate markets, a division of MUFG Pension & Market Services in 2025.

The Responsible Entity has entered into an agreement with Link ('Administration Agreement'). Under the Administration Agreement, Link will perform certain administrative, accounting and Unit registry services and is responsible, under the ultimate supervision of the Responsible Entity, for matters pertaining to the administration of the Fund, namely:

- Keeping and maintaining a register of Unitholders;
- Receiving and processing applications for and withdrawals of Units by Unitholders of the Fund;
- Calculation of the Net Asset Value of the Fund;
- Calculation of management and Performance Fees to be charged to the Fund by the Responsible Entity; and
- Maintaining full and comprehensive accounting records and preparing annual financial statements for the Fund in accordance with Australian accounting standards.

The Administrator may use the services of affiliates for the provision of its services to the Fund, but retains responsibility for those services.

The Administrator may rely upon information provided to it, without responsibility for its accuracy, when calculating the Net Asset Value of the Fund, to the extent it would be deemed reasonable for the Administrator to do so.

The Administrator is not involved in the investment decisions of Paragon and, as such, is not responsible for any losses that may be incurred by the Fund as a result of any investment decision. The Administrator takes no responsibility for Paragon's adherence to its investment guidelines and strategy or monitoring of any restrictions and compliance thereof.

The Responsible Entity may replace Link as the Administrator of the Fund in the future without notice to investors.

The Administration Agreement is for an indefinite term provided, however, that the Administration Agreement is subject to termination by the Administrator or by the Responsible Entity upon four (4) months' written notice (or such shorter notice the parties may agree to accept), or immediately in certain other circumstances specified therein.

## The Prime Broker/Custodian

The Responsible Entity has appointed UBS AG, Australia Branch (ABN 47 088 129 613 and AFSL number 231087) to be the Prime Broker and UBS Nominees Pty Ltd (ABN 32 001 450 522 and AFSL number 231088) as Custodian for the Fund (together, 'UBS'). The appointments were made pursuant to the prime brokerage customer documents (the 'Customer Documents') entered into between the Fund and the Prime Broker and the Custodian.

The services of UBS AG, Australia Branch as Prime Broker to the Fund include the clearing and settlement of transactions, cash loans, borrowing and lending of securities and other services as agreed between the parties. UBS AG, Australia Branch may also provide a cash account which is a ledger for recording the Fund's cash balances under the Customer Documents. UBS Nominees Pty Ltd as Custodian to the Fund will provide custody services for some or all of the Fund's investments.

The Custodian may appoint sub-custodians, agents or nominees (including a related entity of the Custodian) to perform the services of the Custodian under the Customer Documents. The assets of the Fund held by the Custodian will be subject to a security interest to secure the Fund's obligations to UBS and its related entities.

Subject to limitations, the Prime Broker may request that the Custodian pay or deliver assets to the Prime Broker. The Prime Broker is entitled to borrow, lend, charge, rehypothecate, dispose of or otherwise use such assets for its own purposes, subject to an obligation to return equivalent assets. In the event of the insolvency of the Prime Broker or the Custodian, the Fund will rank as an unsecured creditor to the value of those assets, and may not be able to recover the equivalent assets in full.

Under the terms of the Customer Documents, the Fund may seek to borrow securities from the Prime Broker with a borrowing request. If the Prime Broker accepts the Fund's borrowing request, the Prime Broker will deliver the securities borrowed to the Fund or as the Fund directs. The Fund will have an obligation to redeliver the securities borrowed or equivalent securities on an agreed date, or otherwise the Prime Broker may call for the redelivery at any time by giving notice on the terms of the Customer Documents.

Under the Customer Documents, the Prime Broker is not responsible for and is not liable for any loss on settlement of a transaction, any acts or omission of the executing broker, non-compliance with any regulatory requirements to report transactions, refusing to settle a transaction or failing to notify the Fund of its failure to settle a transaction, amongst other things (except to the extent that any loss arises directly as a result of the gross negligence, wilful default or fraud of UBS).

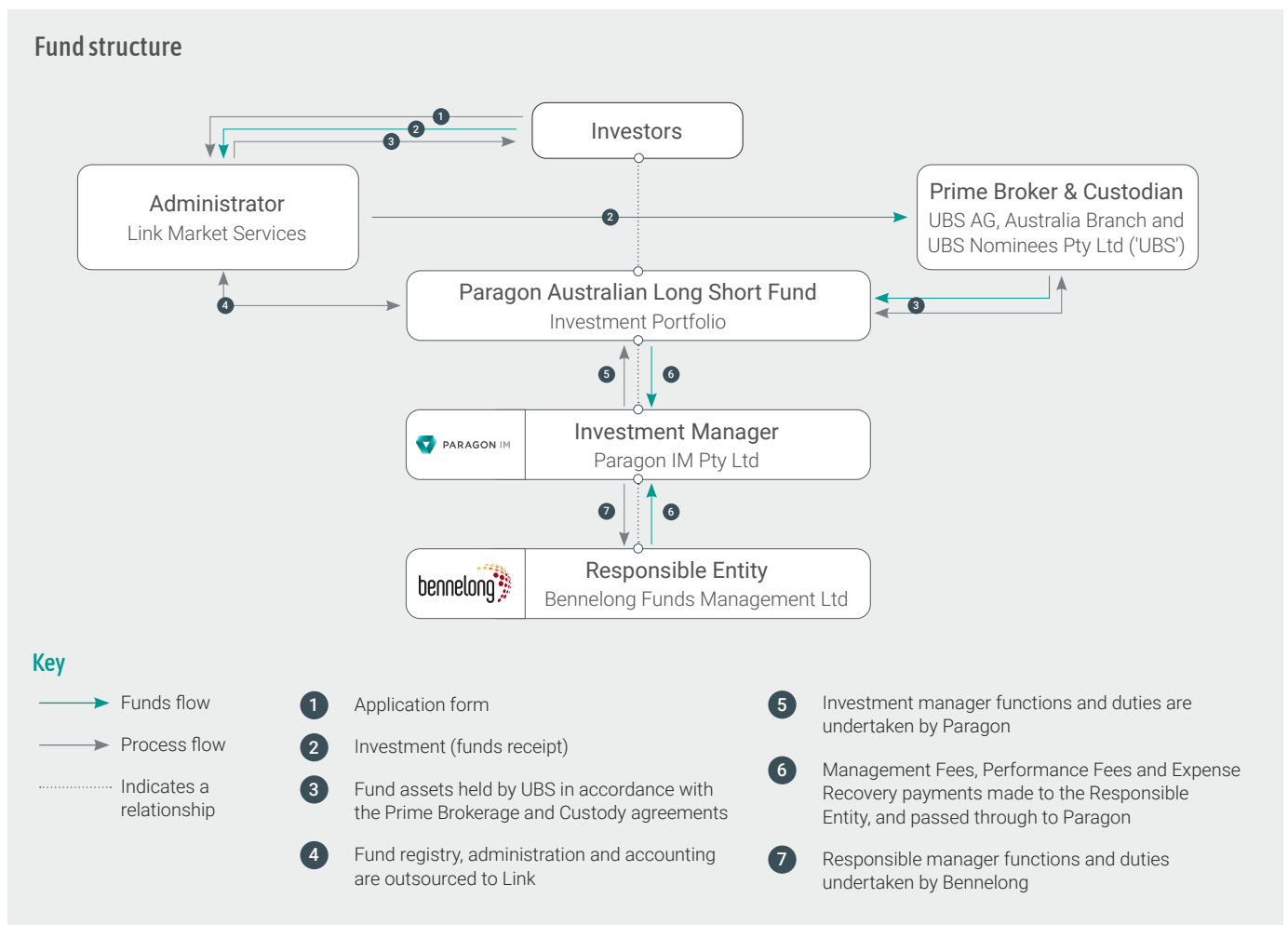
To the extent permitted by law, neither the Prime Broker, the Custodian, nor any related entity will be liable for any loss suffered by the Fund under or in connection with the Customer Documents unless such loss results directly from the gross negligence, wilful default or fraud of the Prime Broker, Custodian or related entity as set out in the terms of the Customer Documents.

The Custodian is not liable to the Fund for the solvency, acts or omissions of any agent, nominee, sub-custodian, settlement agent, securities depository or other third party appointed in accordance with the Customer Documents (other than related entities), but the Custodian will make available to the Fund, when and to the extent reasonably so requested, any rights that the Custodian may have against such person.

Under the Customer Documents the Fund indemnifies UBS and its related entities against certain claims, demands, damages, losses, costs, expenses and liabilities incurred in connection with the Customer Documents other than as a result of the gross negligence, wilful default or fraud of UBS or the relevant related entity.

Neither the Prime Broker nor the Custodian will participate in the investment decision-making process for the Fund. Although UBS will provide reporting and information to the Fund about the assets held by UBS, UBS is not responsible for monitoring the Fund's positions for the purpose of determining their composition or performance.

The Fund may remove UBS AG, Australia Branch as the Prime Broker and UBS Nominees Pty Ltd as the Custodian by giving written notice.



## 3. The Paragon Australian Long Short Equity Fund

### Fund's investment objective

The Fund aims to generate absolute returns in excess of 10% p.a. over a five-year investment horizon, maintaining a low correlation with the Australian equities market.

### Time horizon

The Fund is managed with the intention of generating returns over the long term (five years plus).

### Fund suitability

Performance of the Fund can be volatile over the short term and in some periods may be negative. The Fund is suitable for investors who:

- are primarily seeking capital growth from a portfolio of global equities (but primarily Australian and North American), predominantly in the industrials and resources sectors; and
- have a very high tolerance to investment risk.

Regular performance updates and ongoing performance can be monitored via the Paragon website.

### Investment guidelines and policy

Paragon imposes the following portfolio limits and parameters as part of its active portfolio risk management:

#### Total gross exposure

The absolute sum of all long and short positions will not exceed 200% of the Net Asset Value.

#### Net exposure range

The sum of all long and short positions will not exceed -25% Net Short or 150% Net long of the Net Asset Value.

#### Leverage

The Fund may use leverage provided that total gross exposure will not exceed 200% of the Net Asset Value.

#### Unlisted equities

*e.g. Pre IPO and privately owned companies*  
Will not exceed 20% of the net market value of the portfolio (unless exceptional circumstances).

### Holdings

The portfolio will typically hold between 20 - 50 investments to diversify risks.

The Fund Constitution has no allocation limits in respect of the location, class or currency of the assets.

In unusually volatile periods, exposure and asset class limits of the Fund stated above may be temporarily exceeded, in which case the Investment Manager is required to take prompt remedial action.

### Investment strategy

#### Equities long/short

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. The investment process comprises thematic-led fundamental bottom-up stock selection, coupled with a top-down view of macro factors, resulting in a concentrated portfolio of long and short equity positions.

The Fund may also invest in equities of unlisted companies expected to list within 12 - 24 months (i.e. pre-IPO) as well as privately-owned companies, capped at 20% of the net market value of the portfolio at any time (i.e. cumulative total divided by the net market value of total long positions less total short positions). 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.

With the ability to invest in 'strong' businesses ('long') or sell fundamentally 'weak' businesses ('short'), Paragon aims to generate positive absolute returns, regardless of whether the broader Australian share market is rising or falling.

A 'long' position will be taken in a company which generally exhibits several positive characteristics such as:

- Strong management;
- Sustainable business model;
- Strong fundamentals including but not limited to cash flow, asset values, earnings growth, financial discipline, tight capital structures;
- Positive industry dynamics; and
- Attractive valuation with an asymmetric risk/reward profile and identifiable catalyst.

Conversely, a 'short' position will be taken in a company which generally exhibits several negative characteristics such as:

- Weak industry structure and negative competitive dynamics;
- Overvaluation and declining fundamentals such as underlying commodity prices, sales and margins;
- Weak balance sheets, capital structures and risk of equity dilution; and
- Poor financial discipline and capital allocation by management.

### Changes to, and risks of, the investment strategy

The strategy will produce investment returns dependent on the asset allocation and investment selection skills of the investment team. The success of the Fund's investment strategy will depend on market conditions and may be influenced by specific risk factors set out in Section 4.

The Responsible Entity, in agreement with Paragon, may at its discretion, alter its investment objectives and strategy. Whilst there is no intention to change the investment strategy, you will be informed of any such changes, should they occur.

### Leverage

The maximum gross exposure limit of the Fund taking into account leverage is 200% of the Net Asset Value of the Fund (including leverage embedded in the assets of the Fund other than leverage embedded in holdings of listed equities). This means that, compared with an unleveraged fund, assuming that the Fund reaches its maximum gross exposure of 200% of Net Asset Value, then:

- a 1% increase in the return on assets of the Fund will result in a 2% increase in return to investors; and
- a 1% decrease in the return on assets of the Fund will result in a 2% decrease in returns to investors.

Please note that the above examples have been provided for reference purposes only. Any assumptions underlying these examples are hypothetical only.

The only short selling counterparty used is the Prime Broker. There is no leverage embedded in the other assets of the Fund (other than leverage embedded in the holdings of listed securities).

### Derivatives

Investments in listed derivatives, along with short selling strategies are also utilised where opportunities have been identified to either maximise returns (i.e. for investment purposes) or mitigate negative returns identified (i.e. for hedging purposes).

## Investment strategy and portfolio formation

The Fund's portfolio will typically comprise:

### 1. Long-term investments – thematic based

The core of the portfolio will comprise fundamentally driven long-term investments that benefit from long-term investment themes such as demographics, technological change, structural industry change and government policy.

Such investments will typically benefit from strong industry dynamics and exhibit both attractive fundamentals and sustainable competitive advantages that will drive superior business profitability over and above their peers.

### 2. Event/company specific driven opportunities

Paragon will also take advantage of opportunities driven by short-term company events such as forced selling, spin-offs, M&A and recapitalisations.

Company meetings and contact with management is undertaken regularly and forms an integral part of Paragon's investment research process, enabling Paragon to assess the capability and experience of the management team and their alignment with shareholders' interests.

While the net exposure of the Fund is typically driven by the bottom-up opportunities (both long and short) at any given time, on occasion Paragon will use hedging instruments to protect the Fund's capital, which is typically led by the top down assessment of risks likely to impact market performance over the near term.

Paragon's investment process can be broken down as follows:

#### Step 1

**Filter the investible universe – via investment themes:**

Paragon undertakes an assessment of the major thematic drivers and the global macroeconomic environment to filter the investible universe into sectors and industries of importance. Paragon then makes a selection of individual companies best exposed to these themes for further analysis.

Through Paragon's own research and networks, Paragon will also identify individual companies that are attractive as a result of specific drivers such as turnarounds, new products, and world class resource developments.

#### Step 2

**Fundamental bottom-up analysis & research**

Paragon then undertakes fundamentally driven, bottom-up analysis of these businesses encompassing both:

- quantitative analysis - company valuation (Discounted Cash Flow (DCF), multiple based, Sum of the Parts (SotP)), and direction of returns on capital; and
- qualitative analysis - industry structure and dynamics, strength and sustainability of the business model.

#### Step 3

**Identification of catalysts**

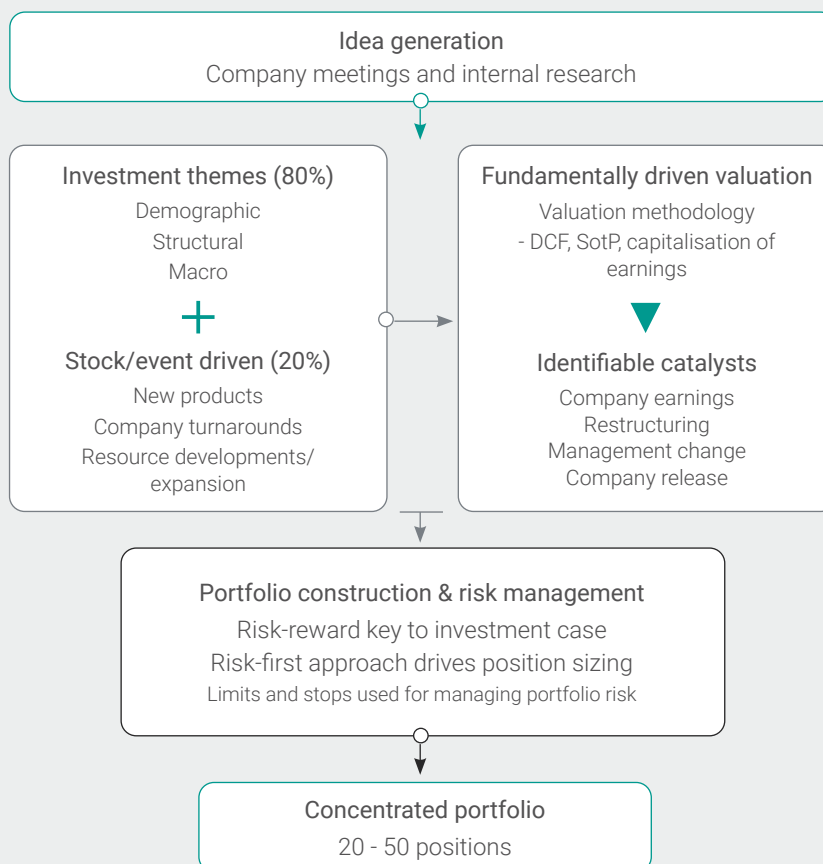
All investments require identifiable catalysts to drive stock performance towards our risk-adjusted valuations.

Catalysts may include company restructurings, earnings reports, management changes and certain company releases.

An overview of Paragon's investment process is illustrated on the following page.

## Investment process

An overview of Paragon's investment process is illustrated as follows:



## Liquidity

The Responsible Entity reasonably expects that it will be able to realise at least 70% of the assets of the Fund, at the value ascribed to those assets, in calculating the Fund's Net Asset Value, within 10 days.

The Fund will invest primarily in listed equities, derivatives and cash equivalent instruments issued by top tier Australian banks.

## Labour standards, environmental, social and ethical considerations

The Responsible Entity and the Investment Manager do not take into account environmental, labour standards or ethical considerations when selecting, retaining or realising the investments of the Fund. However, the Responsible Entity and the Investment Manager recognise that environmental, social and governance ('ESG') issues may affect the value of investments managed on behalf of investors.

The Responsible Entity and the Investment Manager assess and manage all foreseeable and potentially material risk factors and, in this context, the Responsible Entity and the Investment Manager consider ESG as a risk factor in the overall risk/reward assessment of an investment. However, the Responsible Entity and the Investment Manager have no predetermined view as to what constitutes ESG standards, what ESG considerations will be taken into account and the extent to which they will be taken into account when making decisions to acquire, hold and dispose of investments.

## Key benefits of investing in the Fund

The Fund is a registered managed investment scheme. Investors' funds are pooled and managed in accordance with a set objective and strategy. When you invest in the Fund, you acquire Units. Each Unit entitles the Unitholder (i.e. investor) to a proportionate beneficial interest in the Fund's portfolio of assets, but not to any particular asset of the Fund.

The potential for financial gain is made through investors receiving distributions and any increase in capital value of their Units (if the Unit price is higher than the price at which the investor purchased them).

Key benefits of investing in the Fund include (but are not limited to) the following:

#### 1. Access to an experienced investment professional

John Deniz, CIO of the Fund, has had extensive experience analysing and managing assets (stocks) through several financial and commodity cycles, particularly in the resources and industrials sectors. See page 8 for further information on John's experience.

#### 2. Intensive fundamental research

Paragon undertakes its own fundamental research encompassing:

- Qualitative factors, such as quality of company management and business strength; and
- Quantitative analysis, including proprietary financial analysis and bottom-up valuation.

This enables Paragon to form its own view on the relative attractiveness of individual stocks, complementing a strong knowledge base across the resources, commodities and industrials spectrum.

#### 3. Flexibility

While focusing on the resource and industrial sectors, the Fund has the flexibility to invest in a wide range of listed equities and derivatives across Australian and global equity market indexes, and is not constrained to any benchmark or index.

This flexibility allows Paragon to take advantage of a wide variety of market opportunities unavailable to traditional managed funds.

#### 4. Alignment of interests

Paragon's CIO has invested a significant portion of his personal wealth in the Fund alongside Unitholders.

Performance fees will only be earned by Paragon if the Fund's performance reaches the 5% p.a. hurdle rate, and the Unit price exceeds the High Watermark.

#### 5. Investment returns

While past performance is not a reliable indicator of future performance, and neither performance nor capital is in any way guaranteed by the Responsible Entity or the Investment Manager, the Fund aims to generate absolute returns in excess of 10% p.a. over a five-year investment horizon, maintaining a low correlation with the Australian equities market.

## 4. Risks

Investments in the Fund carry risk. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The value of the Fund's investments will vary. The level of returns will vary and future returns may differ from past returns.

There are risks involved in investing in Units in the Fund including the risk that the Fund may not earn a distribution return and the risk that the value of the capital invested could fall or be lost. No guarantee is provided on the performance of the Fund, that distributions will be made or that the capital value of an investment in the Fund will increase or be maintained.

We also do not guarantee the liquidity of the Fund's investments or that you will generally be able to redeem your investment from the Fund within the timeframes specified in this PDS. This PDS is prepared for your general information only. It is not intended to be a recommendation by the Responsible Entity, the Investment Manager, any associate of the Responsible Entity or the Investment Manager or any other person to invest in the Fund. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor.

The Fund is not a complete investment program. Prospective investors need to assess the risks and their own financial position in determining whether an investment in the Fund is suitable for them. Prospective investors should seek professional advice before investing. Prospective investors should rely upon their own enquiries and analysis as to the merits and risks in relation to the offer and in deciding whether to invest in the Fund.

### Choosing the right fund for your risk level

Each investor's risk tolerance is different. Before investing in the Fund, the factors you should consider include:

- your investment goals;
- your expectations for returns;
- the length of time you can hold your investment; and
- how comfortable you are with fluctuations in the value of your investment.

It is recommended you obtain independent professional financial advice before investing in the Fund.

### How the investment manager seeks to reduce risk

Paragon aims to limit risk by ensuring strict adherence to its portfolio risk management practices including but not limited to, position sizing based on risk/reward and liquidity at the individual stock level; and application of trailing stops to protect unrealised gains as the share price improves as well as stop-loss limits to mitigate losses as the share price falls below its cost. Continuous monitoring is undertaken daily against real time market pricing.

### General risks

The Investment Manager will be investing in securities and associated instruments. These investments carry risk.

### Market risk

Broad market risks include movements in domestic and international securities markets, movements in foreign exchange rates, movements in interest rates, changes in taxation laws and other laws affecting investments and their value.

### Investment strategy risk

In addition to the core strategy of the purchase of and short sale of securities, the Investment Manager will use a range of investment strategies which may include purchase of dual listed securities and the use of derivatives. These techniques and strategies entail specific stock, interest rate, counter-party and foreign exchange risk which may magnify the negative impact of returns.

Investment in a managed fund carries the risks that the investment manager's strategies might not be successful, that the investment manager does not have the competence to manage the strategies and investments, and that the investment manager may not always act in the best interests of the Fund.

Past performance is not a reliable indicator of future performance.

### Significant risks of investing in the fund

There are a number of significant risks you should consider prior to investing in the Fund.

The following risks should be carefully evaluated before making an investment in the Fund. Consideration must also be given to the speculative nature of the Fund's investments. Please note that the following is not an exhaustive list of the risks of investing in the Fund.

### Currency risk

Returns on certain investments held by the Fund may be influenced by movements in currency and carry foreign exchange risk, either because the investments held may be denominated in another currency, investments denominated in another currency may be hedged back to Australian dollars or individual company earnings may be leveraged into another currency.

### Short selling risk

Selling securities short involves borrowing securities and selling these borrowed securities. Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate. Additionally, there is a risk that the securities lender may request return of the securities. These risks give rise to the possibility that positions may have to be liquidated at a loss and not at a time of the Investment Manager's choosing.



### Interest rate risk

Interest rate movements may adversely affect the value of the Fund through their effect on the price of a security and the cost of borrowing.

### Leverage and borrowing risk

The Fund will utilise Leverage/Gearing to finance the purchase of investments. Purchase or sale of securities and financial instruments on margin has the effect of leveraging or gearing the portfolio and carries the attendant risks of magnifying the impact of negative returns and increased Margin Calls. These risks give rise to the possibility that positions may have to be liquidated at a loss and not at a time of the Investment Manager's choosing.

### Derivative instruments risk

The Fund may use exchange traded derivatives which may be volatile and speculative. Use of derivative instruments involves various risks such as tracking, liquidity and leverage.

### Collateral risk

If the Fund enters into a derivatives arrangement that requires it to deliver Collateral or other credit support to the Derivatives counterparty, the Fund will be exposed to the following additional risks in respect of that Collateral. The Fund:

- may be required to post upfront margin/Collateral with the Derivatives counterparty (whether cash or other securities). The Fund will need to have sufficient liquid assets to satisfy this obligation;
- may, from time to time if the value of the derivatives arrangements moves against it, be required to post additional margin/Collateral with the Derivatives counterparty on an ongoing basis. The Fund will need to have sufficient liquid assets to satisfy such calls, and in the event it fails to do so, the Derivatives counterparty may have the right to terminate such Derivatives arrangements; and
- will be subject to credit risk on the counterparty. In the event the derivatives counterparty becomes insolvent at a time it holds margin/Collateral posted with it by the Fund, the Fund will be an unsecured creditor of the Derivatives counterparty, and will rank behind other preferred creditors such as secured creditors and other creditors mandatorily preferred by law (for example, employees).

### Default risk

Investment in securities and financial instruments generally involves third parties as custodial and counterparties to contracts. Use of third parties carries risk of default and failure to secure custody which could adversely affect the value of the Fund.

The Responsible Entity outsources key operational functions including investment management, custody, execution, administration and valuation to a number of third party service providers. There is a risk that third party service providers may intentionally or unintentionally breach their obligations to the Fund or provide services below standards which are expected by the Responsible Entity causing loss to the Fund.

### Compensation fee structure risk

The Investment Manager may receive compensation based on the Fund's performance. Performance Fee arrangements may create an incentive for the Investment Manager to make more speculative or higher risk investments than might otherwise be the case.

### Regulatory risk

All investments carry the risk that their value may be affected by changes in laws especially taxation laws.

### Concentration risk

The Fund's typical portfolio holdings of 20 - 50 investments represents high investment concentration. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility.

### Force majeure risks

Circumstances beyond our reasonable control may impact the operation, administration and performance of the Fund. Those include industrial disputes, failure of a securities exchange, fires, floods, hurricanes, earthquakes, wars, strikes and acts of terrorism, governmental pre-emption in connection with an emergency of state and pandemics.

### Liquidity risk

Liquidity risk is the risk that an investment may not be easily converted into cash, without loss of capital or delay. Under certain conditions, liquidity of a particular market or security may be restricted, thus affecting the performance of the Fund. Lack of liquidity or market depth can affect the valuation of the Fund's assets if such securities are realised at quoted prices. For example, securities of small companies may, from time to time, have limited liquidity. This limited liquidity may also extend to any derivative contract which provides exposure to assets that may be difficult to access directly.

As a consequence of restrictions on disposal of the underlying investments, the Fund may be limited in its ability to meet withdrawal requests. Paragon does not guarantee that you will be able to redeem your Units in the Fund and may decide not to redeem Units where, for example, it is not in the best interests of all Unitholders. Paragon intends to limit this risk by ensuring the underlying investments in the Fund are predominantly liquid mid to large-cap stocks and managing position sizing of any illiquid micro or small-caps held, in accordance with its investment strategy and overall portfolio liquidity limits as set out in this PDS.

### Valuation risk

Where there is no liquid market for investments in the Fund, those investments may be valued by reference to market prices for other comparable assets and observable market data. These prices may not reflect the value at which the investments can be realised, which may be lower. Paragon intends to limit this risk by ensuring only a small portion of investments in the Fund fall within these criteria.

### Credit/Counterparty risk

Credit risk refers to a risk of loss arising from the failure of a borrower or other party to a contract to meet its obligations. This may arise in Derivatives and cash deposits. Entry into transactions, such as Derivatives and short selling, may also give rise to counterparty risk. Substantial losses could be incurred if a counterparty fails to deliver on its contractual obligations, or experiences financial difficulties. Paragon and the Responsible Entity intend to mitigate both credit and counterparty risks by monitoring the performance of such counterparties on an ongoing basis and addressing any issues in a timely manner.

### Service provider risk

The Fund relies on external service providers in connection with its operations and investment activities. Services include prime brokerage, custody and fund administration. There is a risk that these service providers may not meet their contractual obligations or may terminate their services to the Fund. In this situation, the Fund may be required to replace a service provider, and this may disrupt its activities. Paragon and the Responsible Entity mitigate this risk by undertaking regular performance reviews and monitoring their service providers as well as ensuring adequate alternative service providers are available to the Fund.

### Operational risk

Disruptions to administrative procedures or operational controls may challenge day to day operations of the Fund. Adverse impacts may arise internally through human error, technology or infrastructure changes or through external events such as regulatory changes.

### Speculative nature of certain investments

Certain investments of the Fund may be regarded as speculative in nature and involve increased levels of investment risk. An inherent part of the investment strategy is to identify securities which are undervalued (or, in the case of Short Positions, overvalued) by the market. The success of this strategy depends on the market eventually recognising such value in the price of the security. This may not occur in the short-term.

### Security specific risk

An investment in a company may be affected by unexpected changes in that company's operations (such as changes in management or loss of a big customer) and business environment.

### Prime Broker risk

The Fund has an external Prime Broker and Custodian. The Custodian is responsible for the safekeeping of some or all Fund assets. The assets of the Fund held by the Custodian will be subject to a security interest to secure the Fund's obligations to the Prime Broker and its related entities.

Subject to limitations, the Prime Broker may request that the Custodian pay or deliver assets to the Prime Broker. The Prime Broker is entitled to borrow, lend, charge, rehypothecate, dispose of or otherwise use such assets for its own purposes, subject to an obligation to return equivalent assets, or mix assets on behalf of one or more of its clients. In the event of the insolvency of the Prime Broker or the Custodian, the Fund will rank as an unsecured creditor to the value of those assets, and may not be able to recover the equivalent assets in full.

## 5. Constitution of the Fund

The Fund was established under a constitution dated 6 December 2012 (as amended from time to time). On 18 December 2024, under a deed of retirement, BFM assumed the role of the Fund's responsible entity, succeeding Paragon Funds Management Ltd.

The Constitution sets out provisions for the establishment of the Fund as a trust, the appointment of and powers of the Responsible Entity, the concept of Units and the rights of Unitholders, the application for and withdrawal of Units, the calculation of application and withdrawal prices, the entitlement to and calculation of distributions, the entitlement to fees and expenses, the custody and valuation of assets and other matters including liability, audit, meetings, complaints and a Unit register.

BFM's responsibilities and obligations, as the responsible entity of the Fund, are governed by the Constitution for the Fund as well as general trust law. Copies of the Constitution of the Fund are available, free of charge, on request. Please contact BFM (see Section 14 'Directory') to request a copy.

The Responsible Entity may amend the Constitution if it considers that the amendment will not adversely affect Unitholders' rights. Otherwise, the Constitution may be amended by way of a special resolution of Unitholders.

To the extent that any contract or obligation arises in connection with the acceptance by the Responsible Entity of an Application or reliance on this PDS by a Unitholder, any amendment to the Constitution may vary or cancel that contract or obligation. Further, that contract or obligation may be varied or cancelled by a deed executed by the Responsible Entity with the approval of a special resolution of Unitholders, or without that approval if the Responsible Entity considers the variation or cancellation will not materially and adversely affect Unitholders' rights.

### Changes to the Fund

Subject to the Fund's Constitution and the Corporations Act, the Responsible Entity may, at its discretion, close the Fund that is currently offered or change the rules that govern the Fund. The Responsible Entity may change the Fund's investment objectives and the investment strategy with the consent of the Investment Manager. You will be provided with notice of any such changes.

Information that is not materially adverse is subject to change from time to time. Up-to-date information can be obtained by contacting BFM Client Experience. A paper copy of the updated information will be provided to you without charge, on request.

Further information about the Fund or investing in the Fund, including a copy of the Constitution and information which has previously been made generally available to the public or might reasonably influence the decision whether to acquire this product, can also be obtained by contacting BFM Client Experience.

## 6. Operational information

### Initial applications

The minimum initial investment amount is \$25,000.

Applications can be made by completing an Application Form (available on BFM's website [www.bennelongfunds.com](http://www.bennelongfunds.com) or by contacting Client Experience) and forwarding it to the Administrator at the address shown on the Application Form. Cleared funds must be electronically transferred from an Australian bank account which is in the name of the investor into the account shown on the Application Form.

The correctly completed Application Form and cleared funds are required to be received by the Deadline (2:00pm Sydney time on the last Business Day of the month) to ensure your application is processed for the unit price effective for that Business Day (closing price). Any application or funds received after this time will be processed for the next issue date, being the last Business Day of the next month.

The Responsible Entity may accept or reject an application at its absolute discretion. Investors should note that the Responsible Entity accepts no responsibility for any loss caused as a result of non-receipt or delay of any application or cleared funds. Where an application from an investor is rejected, interest on rejected application monies is not payable to that investor.

Any interest earned on application monies received by the Responsible Entity will be retained in the application monies trust account, will be used to pay bank fees for that account and does not form part of the Fund's assets. However, the Responsible Entity may pay some of this interest into the Fund at its discretion.

When an application is accepted, an investment advice will be forwarded, outlining:

- date of acceptance;
- amount invested in the Fund; and
- number of Units issued, the Unit application price and the holding balance.

### Additional applications

Additional investments may be made at minimum increments of \$5,000.

Unitholders will be required to complete an Additional Investment form available from BFM's website at [www.bennelongfunds.com](http://www.bennelongfunds.com) and make payments according to the requirements and deadlines as set out for an Initial Application.

### Investing through IDPS

Investors investing in the Fund indirectly via an IDPS do not themselves become investors in the Fund, and accordingly have no rights as a Unitholder. The offer document for your IDPS should have further details.

If you are an indirect investor, generally, the relevant IDPS operator acquires the rights of a Unitholder.

Unitholder rights include the right to attend Unitholder meetings, to make withdrawal requests, receive and reinvest distributions and participate in termination proceeds. Your rights and liabilities will be governed by the terms and conditions of the relevant IDPS, which you should read carefully prior to directing the relevant operator to invest in the Fund. Investors investing in the Fund indirectly via an IDPS are entitled to rely upon the complaint resolution procedures set out in Section 10.

Indirect investors complete application forms for the IDPS, not the Fund, and receive reports from their IDPS operator, not BFM. Enquiries should be directed to that IDPS operator.

Minimum investment and withdrawal requirements may not always be relevant to indirect investors because the IDPS operator may invest on behalf of a number of indirect investors. Indirect investors will also incur fees and expenses applicable to the IDPS, as well as the Fund's fees and expenses. The tax information in this PDS does not specifically cater for indirect investors.

### How to withdraw

The minimum withdrawal amount is \$10,000 and is subject to maintaining a minimum balance in the Fund of \$25,000.

Investors may request the withdrawal of all or part of their investment at any time by lodging a withdrawal request with the Administrator.

Withdrawal requests received no later than the Deadline (2:00pm Sydney time on the last Business Day of the month) on a Business Day will be withdrawn at the withdrawal price applicable as at the close of that Business Day. Withdrawal requests received after the Deadline on a Business Day will be treated as received on the next Business Day.

The Responsible Entity intends that Units will be normally withdrawn and payment made within 14 days of the withdrawal price being calculated. However, under the Constitution, the Responsible Entity may make the withdrawal payment within 30 days of the last Business Day of the third month following the month in which the withdrawal request is received.

Withdrawals will be made by electronic funds transfer to the Australian bank account in the name of the investor from which the subscription funds derived. Note that normal bank charges apply.

In some circumstances, for example where an investor makes a large withdrawal request, their withdrawal proceeds may be taken to include a component of distributable income. Refer to 'Income Distributions' on page 20.

The Responsible Entity may, whilst the Fund is liquid, determine to withdraw Units without a withdrawal request in certain limited circumstances. For example, if the Unitholder has breached its obligations to the Responsible Entity.

In the event that the Fund becomes illiquid (i.e. liquid assets do not account for at least 80% of the value of the assets of the Fund), withdrawals may only be made in accordance with a withdrawal offer made under the Corporations Act. The Responsible Entity is not obliged to make withdrawal offers under the Corporations Act.

Under the Constitution, the Responsible Entity may also extend the period allowed for the payment of withdrawals if there are circumstances outside of its control which would prevent the realisation of assets of the Fund. For example, this could include restricted or suspended trading in a market. Any taxes, duties or other applicable costs will be deducted by the Responsible Entity from the amount paid to you as required or permitted by legislation.

If there are material changes to your withdrawal rights, where possible, you will be informed by the Responsible Entity.

### Unit prices

The current 'application price' and 'withdrawal price' for the Fund may be obtained by visiting the BFM website or by calling Client Experience (see Section 14 'Directory'). Generally, Unit prices are calculated for the last Business Day of the month at close of business on that day and are equal to the Net Asset Value per Unit. The application price is higher than the withdrawal price. The difference is called a 'buy/sell spread'. See Section 7 'Fees and Expenses' for further information.

A copy of the Responsible Entity's description of the formula and method it uses for determining Unit prices, the discretions exercised by the Responsible Entity and its nominees in respect of determining Unit prices and the documented policy in respect of such discretions is available from the Responsible Entity free of charge.

### Authorised agent

You may appoint an agent to act on your behalf in relation to your investment in the Fund.

Your agent will have the authority to act in exactly the same manner as you, except that your agent cannot:

- request a change in records held relating to your name, address or other particulars; or
- create and/or alter any other interest in your Units (for example, make a withdrawal).

Your agent's authority continues until the day written advice from you terminating that authority is received.

If you appoint a company as your agent, any director of that company, or any employee authorised by the agent, can act under your agent's authority. Likewise, if you appoint a partnership as your agent, any of the partners can act under that authority.

The Responsible Entity may restrict the powers of your agent or cancel their authority at any time.

### Income distributions

Generally, income distributions are paid annually as at 30 June. The amount of the income distribution may vary and will usually consist of interest, dividends and other income including realised gains from the disposal of assets. The amount of the income distribution is generally calculated by accumulating all income attributable of the Fund for the period, taking into account taxable gains and losses, and then deducting all expenses incurred and any provisions that are considered appropriate by the Responsible Entity.

The income to be distributed is then divided by the total number of Units on issue in the Fund at the end of the distribution period to determine the distributable income per Unit. Details relating to any tax-free or tax-deferred components, imputation credits or capital gain components for all distribution payments made during the year will be forwarded to Unitholders shortly after the end of each financial year. All income distributions are paid in Australian dollars.

In some circumstances, an investor may receive a distribution where they have made a large withdrawal from the Fund. In these circumstances their withdrawal proceeds may include a component of income distributions.

### Income payments

Income may be paid by either of the following methods:

- direct transfer to a nominated Australian bank account; or
- reinvestment to purchase additional Units.

Investors need to complete the appropriate section in the Application Form to elect their choice. If there is no notification of method of payment on the Application Form (or subsequent notification), income distributions will be reinvested.

There is no charge applied to income distributions which are reinvested. The application price that will apply to Units from such reinvestment will be the application price before application of the buy/sell spread after distribution.

Reinvestment will be effected on the first Business Day after the close of each distribution period.

## Cooling-off period

Retail clients can change their mind within a 14-day period of their initial investment. The 14-day period commences on the earlier of either the date you receive confirmation of your investment or the end of the fifth (5th) day after the day on which BFM issues the Units to you. The realised market value of the Units will be refunded, less any taxes and reasonable administrative costs.

The proceeds received may be less or greater than the amount invested, since Units in the Fund are subject to market movement from the time they are purchased.

Cooling-off rights will not apply in certain limited situations, such as if the issue is made under a distribution reinvestment plan or represents additional contributions required under an existing agreement. Cooling-off rights also do not apply to Wholesale Clients who invest in the Fund.

No cooling-off rights apply in respect of any investment acquired through an IDPS. However, indirect investors should contact their operator and read the operator's IDPS Guide for more information on any cooling-off rights that may apply in relation to an investor's investment through the IDPS.

## Reports and statements

In addition to the periodic reporting requirements under section 1017D of the Corporations Act, the Responsible Entity has and implements a policy to report on the following information as soon as practicable after the relevant period end:

- application and withdrawal confirmation statements;
- monthly updates on:
  - the current total Net Asset Value of the Fund and the withdrawal price of a Unit as at the date the Net Asset Value was calculated;
  - the key service providers if they have changed since the last report given to investors, including any change in their related party status; and
  - for each of the following matters since the last report on those matters, the net return of the Fund's assets after fees, costs and taxes, any material change in the Fund's risk profile, any material change in the Fund's strategy, and any change in the individuals playing a key role in investment decisions for the Fund;
- annual reports including the following:
  - the audited accounts;
  - actual allocation to each asset type;
  - liquidity profile of the portfolio assets as at the end of the period;

- maturity profile of the liabilities as at the end of the period;
  - the leverage ratio (including leverage embedded in the assets of the Fund, other than listed equities and bonds) as at the end of the period;
  - the derivative counterparties engaged (including capital protection provided);
  - the monthly or annual investment returns over at least a five-year period (or if the Fund has not been operating for five years, the returns since its inception); and
  - the key service providers if they have changed since the last report given to investors, including any change in their related party status;
- income distribution and tax statements, annually.

The latest monthly performance report and annual report is available from Paragon's website.

## Continuous disclosure

The Fund meets the criteria of a "disclosing entity" under the Corporations Act. Whilst the Fund continues to be a disclosing entity, it has regular reporting and disclosure obligations. Copies of documents lodged with the Australian Securities and Investments Commission ('ASIC') may be obtained from ASIC and will also be available on request from BFM Client Experience. In addition, Unitholders have the right to obtain a copy of the following documents upon request:

- The annual audited financial statements most recently lodged with ASIC;
- Any half year financial report lodged with ASIC (if applicable) after the lodgement of the latest annual financial report; and
- Any continuous disclosure notices released by the Fund after lodgement of the latest annual financial report.

All of these documents are also available from Paragon's website at [www.paragonfunds.com.au](http://www.paragonfunds.com.au).

## Indirect investors

The IDPS operator will provide indirect investors with reports on the progress of the Fund.

## 7. Fees and expenses

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([moneysmart.gov.au](http://moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The table below shows fees and other costs that you may be charged. These fees and costs will be deducted from the Fund assets as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment. The information in the section below can be used to compare costs between different simple managed investment schemes. Taxes are set out in Section 9 of this document.

### Fees and costs summary - Paragon Australian Long Short Fund

Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs<sup>1,2</sup></b> The fees and costs for managing your investment	3.80% p.a. of the Net Asset Value of the Fund	The Management Fee component of the Management fees and costs is calculated and accrued monthly and payable within 30 days of the end of the month. The fee is paid directly from the Fund's assets and reflected in the monthly Unit price.  Indirect costs are paid directly to third parties out of the Fund's assets and are reflected in the Unit price.
<b>Performance Fees<sup>3</sup></b> Amounts deducted from your investment in relation to the performance of the product	1.98% p.a. of the Net Asset Value of the Fund	Performance Fees are calculated and accrued monthly and reflected in the Unit price. They are payable in arrears at the end of each Performance Period (i.e. each half-year to 30 June and 31 December).
<b>Transaction costs<sup>4</sup></b> The costs incurred by the scheme when buying or selling assets	0.53% p.a. of the Net Asset Value of the Fund	Transaction costs are deducted from the assets of the Fund. They are recovered as they are incurred and reflected in the Unit price. They are disclosed net of amounts recovered by the buy-sell spread.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment <sup>1</sup>	Nil	Not applicable
<b>Buy-sell spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	0.15% of the investment amount.  0.15% of the withdrawal amount.	Charged and paid into the Fund when you invest in, or withdraw from, the Fund. The spread is reflected in the application and withdrawal prices.

Type of fee or cost	Amount	How and when paid
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable
<b>Switching fee</b> The fee for changing investment option	Not applicable	Not applicable

<sup>1</sup> Subject to the Corporations Act and the Constitution of the Fund, the Management Fee component of Management fees and costs can be negotiated with Wholesale Clients.

<sup>2</sup> Management fees and costs estimated at 3.80% comprise:

- A base Management Fee of 1.5% p.a. (including GST net of reduced input tax credits);
- A capped expense recovery of 0.25% p.a. to cover all operating costs of the Fund, including but not limited to professional services for administration, unit registry, custodial, accounting, audit, taxation and legal advice, and any other costs directly associated with running the Fund; and
- Indirect costs estimated at 2.05% p.a. (based on the previous financial year) include borrowing expenses incurred for leverage or shorting and are paid directly by the Fund.

<sup>3</sup> The Performance Fee is 20% (including GST net of reduced input tax credits) of the investment returns of the Fund subject to a 5% p.a. hurdle rate and a High Watermark. The table above shows a reasonable estimate of the Performance Fee based on the average of the actual Performance Fees paid for the Fund over the previous five financial years.

<sup>4</sup> The transaction costs amount reflects the actual transaction costs not recovered by the buy/sell spread for the last financial year, including the Responsible Entity's reasonable estimates where information was not available as at the date of this PDS.

### Example of annual fees and costs for the Fund

This table gives an example of how the ongoing annual fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other products offered by managed investment schemes.

Example (Paragon Australian Long Short Fund)	Balance of \$50,000 with a contribution of \$5,000 during the year	
<b>Contribution fees</b>	Nil	For every additional \$5,000 you put in, you will be charged \$0.
<b>PLUS</b> <b>Management fees and costs</b>	3.80% p.a. of the Net Asset Value of the Fund	<b>And</b> , for every \$50,000 you have in the Paragon Long Short Fund you will be charged or have deducted from your investment \$1,900* each year.
<b>PLUS</b> <b>Performance Fees</b>	1.98% p.a. of the Net Asset Value of the Fund	<b>And</b> , you will be charged or have deducted from your investment \$990* in Performance Fees each year.
<b>PLUS</b> <b>Transaction costs</b>	0.53% p.a. of the Net Asset Value of the Fund	<b>And</b> , you will be charged or have deducted from your investment \$265 in transaction costs each year.
<b>EQUALS</b> <b>Cost of Paragon Australian Long Short Fund</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$3,155*.
		<b>What it costs you will depend on the fees you negotiate.</b>

\* Additional fees and costs may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the buy/sell spread which is disclosed in the 'Fees and costs summary' table above and the 'Additional explanation of fees and costs' section below. Also, this example assumes the additional \$5,000 was invested at the end of the year.

Note that Government fees, duties and bank charges may also apply to investments and withdrawals. Please note this is an example only as the actual investment balance of your holding will vary on a daily basis.



## Additional explanation of fees and costs

### Management fees and costs

Management fees and costs of the Fund as set out in this PDS are the additional fees or costs that an investor incurs by investing in the Fund rather than by directly investing in the assets. This includes components such as Management Fees, expenses and reimbursements in relation to the Fund and indirect costs.

### Management Fee

The Responsible Entity is entitled to receive a Management Fee equal to 1.5% (including GST net of reduced input tax credits) p.a. of the Net Asset Value of the Fund as at the last day of the month calculated and accrued monthly and payable within 30 days of the end of the month. Any accrued Performance Fees will be disregarded for the purposes of calculating the Net Asset Value. Under the Investment Management Agreement, the Investment Manager is entitled to receive a fee. The Responsible Entity intends to pay the Investment Manager's fee out of the Management Fee.

### Expenses

All expenses properly incurred by the Responsible Entity in connection with the Fund (including the establishment of the Fund) or in performing the Responsible Entity's obligations under the Constitution are payable or can be reimbursed out of the Fund. These expenses include administration, custodial, accounting, audit, legal, government charges, taxation, adviser, filing, postage, courier, fax, photocopy, telephone, printing and establishment expenses. The amount of expenses payable from the Fund's assets is capped at 0.25% of the Net Asset Value per annum.

### Performance Fee

The Responsible Entity may also be entitled to receive a Performance Fee from the Fund, equal to 20% (including GST net of reduced input tax credits) of the increase in Net Asset Value of the Fund during the six months to 30 June and 31 December each year (being the two 'Performance Periods'), subject to a 5% per annum hurdle rate as well as a High Watermark for each class of Units. The amount of the Performance Fee payable to the Responsible Entity is calculated by reference to the whole of the increase in the Net Asset Value and not only the amount that exceeds the hurdle rate. The Performance Fee is calculated and accrued monthly in the manner detailed below and is payable within 30 days of each Performance Period. This fee is calculated by the Administrator and invoiced directly to the Fund by the Responsible Entity on a half yearly basis.

### Outline of the Performance Fee calculation

The Performance Fee is calculated and accrued monthly and will be reflected in the application and withdrawal Unit prices for Unitholders. However, the Performance Fee will not be payable at the end of the Performance Period unless:

- the Net Asset Value per Unit has exceeded the High Watermark (i.e. it exceeded the Unit price for that class of Units for which a Performance Fee was last paid in any preceding Performance Period); and
- the performance is in excess of the hurdle rate of 5% per annum, calculated since that date.

A High Watermark helps ensure that under-performance is required to be made up before a Performance Fee is accrued and payable.

For example, if Units increase in value in month one, a Performance Fee is accrued (but not paid). If the Units then decrease in value below the High Watermark in month two, no Performance Fee accrues and the prior month's accrual is reversed. If, in month three, the Units increase in value, but the increase has not made up for the under-performance from month two, again, no Performance Fee will be accrued, and so on, until the under-performance is fully made up (i.e. closing Unit price is in excess of the High Watermark), and the hurdle of 5% per annum has been exceeded.

Unitholders exiting part-way through a Performance Period may pay a Performance Fee for the amount that has accrued as at the date of their withdrawal i.e. in this example, if a Unitholder exits the Fund in month one, they pay a Performance Fee to the value of the accrual that has been factored into the Unit price on exit.

Unitholders entering the Fund part-way through a Performance Period may pay a Performance Fee at the end of that period, even if the Unit price is lower than their entry price. In this scenario, however, where the Unit price has fallen since entry, the amount charged in Performance Fees to the Unitholder were already accrued into the Unit price on entry.

When a Performance Fee is paid it is calculated by multiplying the increase in the Net Asset Value of the Units (before any Performance Fee accrual) as at the day on which the Performance Fee is calculated, by 20% (the Performance Fee percentage), subject to this increase being in excess of the 5% per annum hurdle rate.

Performance Fees earned for a Performance Period are not reimbursed once crystallised and paid, i.e. should the Fund's performance decline in a succeeding Performance Period. However, as stated above, the High Watermark helps ensure that under-performance is made up before a Performance Fee will become payable once again.

### Indirect costs

In general, indirect costs are any amounts that directly or indirectly reduce the returns on the units that is paid from, or the amount or value of, the income or assets of the Fund (including an underlying investment of the Fund). Indirect costs are reflected in the unit price of your investment in the Fund.

The indirect costs in the fee table are based on the indirect costs incurred during the previous financial year, as a percentage of the average Net Asset Value of the Fund during that period. These costs were 2.05%, but are likely to vary from year to year as they are impacted by a number of highly variable drivers as well as changing investment and market conditions.

The Responsible Entity has a policy in place that contains information on how indirect costs are estimated.

If you require more information on this policy, please contact the Responsible Entity.

### Abnormal expenses

The Responsible Entity reserves the right to recover expenses that it deems to be abnormal or non-recurrent and can be charged to the Fund in addition to the capped expense recovery fee. These expenses are not generally incurred during the day-to-day operation of the Fund and are not necessarily incurred in any given year. They are due to abnormal events, for example, the Fund formation costs, the cost of running Unitholder meetings, or legal costs incurred due to changes to the Constitution.

Abnormal costs that may have been incurred in the last financial year have been negligible and have not been recovered from the Fund.

### Transaction costs

In addition to the expenses outlined earlier, the Fund may incur transaction costs such as brokerage, stock lending, settlement and clearing costs. Transaction costs incurred as a result of Unitholders coming into and out of the Fund may be accounted for in the buy/sell spread. Other transaction costs are additional costs to Unitholders that are deducted from the assets of the Fund. Such costs are recovered as they are incurred and reflected in the Unit price.

The total gross transaction costs incurred by the Fund for the last financial year were approximately 0.54% p.a. as a percentage of the Fund's average Net Asset Value for that period.

The total net transaction costs incurred in the previous financial year as set out in the 'Fees and costs summary' are shown net of any amount recovered by the way of the buy/sell spread charged to investors, and are expressed as a percentage of the Fund's average Net Asset Value in that period. These costs were approximately 0.53% p.a.

Transaction costs may vary as the turnover in the underlying assets may change substantially as investment and market conditions change, which may affect the level of transaction costs not covered in the buy/sell spread. Further, there are highly variable drivers upon which such transaction costs are dependent.

### Buy/sell spread

The buy/sell spread is an additional cost to you and is an adjustment to the Unit price. It represents a contribution to the estimated transactional and operational costs (such as brokerage) incurred when assets are bought and sold by the Fund to accommodate new applications and manage redemptions. The current buy/sell spread is 0.15% of the value of Units being bought and sold. For example, an investment of \$50,000 would incur a buy spread of \$75, and a withdrawal of \$50,000 would incur a sell spread of \$75.

This charge is levied as an additional cost to investors applying for Units or withdrawing Units and is retained in the Fund, not paid to the Responsible Entity. The application of a buy/sell spread means that transactional costs for investor-initiated transactions are allocated to the investor initiating the transaction, rather than being spread across the whole Fund.

The buy/sell spread is reviewed on an annual basis to ensure it reflects up-to date costs of acting on investor initiated transactions.

There is no buy/sell spread on distributions from the Fund that are re-invested.

The Responsible Entity, in agreement with Paragon, may vary the buy/sell spread from time to time. Updated information on the Unit prices will be posted on BFM's website ([bennelongfunds.com](http://bennelongfunds.com)).

If buy/sell spreads are charged and represent only a portion of the Fund's transactional and operational costs incurred during a financial year, the balance of the Fund's transactional and operational costs will be borne by the Fund from the Fund's assets without any recovery from individual investors. If buy/sell spreads charged exceed the Fund's transactional and operational costs during a financial year, the balance of the buy and sell spreads will be retained by the Fund.

### Goods and Services Tax ('GST')

Unless otherwise stated, all fees and expenses referred to in this Section 7 are quoted on a GST inclusive basis less any reduced input tax credits available to the Fund. The benefits of any tax deductions are not passed on to Unitholders. For further information on tax, see Section 9.

### Differential fees

A separate fee arrangement may be negotiated from time to time with certain investors who are Wholesale Clients.

The Responsible Entity may from time to time and at its sole discretion decide to rebate fees to some or all Unitholders which are Wholesale Clients. Any such rebates may be applied by issuing additional Units to the Unitholder.

The size of the investment and other relevant factors may be taken into account.

### Fees for indirect investors

For indirect investors accessing the Fund through an IDPS, additional fees and costs may apply. These fees and costs are stated in the offer document provided by the relevant IDPS operator.

### Changes to fees

The Constitution of the Fund sets out the fees and expenses payable by the Fund.

The Responsible Entity may change the amount of fees charged without Unitholders' consent, subject to the maximum fees allowed under the Constitution.

The Constitution permits other fees to be charged (such as an application fee, withdrawal fee and termination fee) which are not currently levied. The actual Performance Fee, expenses and indirect costs may be different to those estimated in the fee table.

You will be given written notice 30 days in advance of any increase in fees or charges charged by the Fund.

Changes to costs estimates, changes in the level of expense recoveries, indirect costs, transactional and operational costs and the buy/sell spread do not generally require notice to Unitholders.

## 8. Anti-money laundering

As part of anti-money laundering and counter-terrorism financing responsibilities required by legislation, the Responsible Entity, Investment Manager and Administrator may request that a potential investor or Unitholder provide any information it reasonably requires to verify the identity of the investor or Unitholder, the identity of any underlying beneficial owner of Units, or the source or destination of any payment to or from the Fund.

If an investor does not provide such information or delays in doing so, the Responsible Entity may not be able to accept an application for Units, refuse to accept an application for Units, or may suspend payment of withdrawal proceeds payable to a Unitholder. If an application for Units is not accepted for this

reason, the Responsible Entity may hold application monies in an applications bank account until we receive the required information. Application monies are held for a maximum period of one month commencing on the day the Responsible Entity receives the application monies and will be returned (without payment of interest) to the source of payment after this period.

By subscribing, an investor consents to the disclosure by the Fund and the Administrator of any information about them to regulators and other parties upon request, in connection with money laundering, terrorism financing and similar matters, in any jurisdiction.

## 9. Taxation considerations

### General

The following taxation information is of a general nature and should not be relied upon by investors. The information provided is based on applicable Australian tax laws as at the date of this PDS.

As taxation consequences can only be determined by reference to an investor's particular circumstances, investors should seek independent professional advice in relation to their own particular circumstances before investing in the Fund.

The taxation information below provides a guide for Australian resident investors only.

### Tax position of the Fund

The Fund is a resident of Australia for taxation purposes and will determine its income annually at 30 June.

Generally, no Australian income tax will be payable by the Fund, on the basis that:

- where the Fund is an Attribution Managed Investment Trust ('AMIT'), all taxable income is intended to be attributed to investors for each income year (see below); or
- where the Fund is not an AMIT, investors are presently entitled to all of the Fund's distributable income.

The Fund may derive franking credits from the receipt of franked dividends. The eligibility of the Fund to distribute franking credits is subject to certain conditions such as the holding period rule. An investor's individual circumstances will also be relevant in determining whether an entitlement to franking credits exists. In the case where the Fund makes a loss for tax purposes, this loss cannot be distributed to Unitholders. It may be available for recoupment by the Fund against net income in future years subject to certain conditions.

The Fund has made a capital account election for the purposes of the managed investment trust regime under Australian income tax law. This election means gains and losses on the disposal of certain assets (such as shares in companies and units in unit trusts, rights and options over such assets but excluding assets that are derivatives, foreign exchange or any other investments that are subject to the 'financial arrangement provisions') are subject to capital account treatment.

## Tax position of Australian resident investors

### Distributions

Taxable income earned by the Fund, whether attributed (for an AMIT), distributed, retained or reinvested, can form part of the assessable income for investors in the year of entitlement or attribution. After the Fund's year-end, investors will be issued with an annual statement detailing the composition of the distributions they have received in respect of that year.

Generally, an investor's entitlement to net income for any year, including amounts reinvested by investors, will form part of an investor's assessable income and should be included in the investor's tax return for the year in which the entitlement or attribution arises.

### Foreign income

Where the Fund pays foreign tax in respect of income or gains from a foreign investment, you may be entitled to receive a foreign income tax offset ('FITO'). You will usually include the foreign income and the FITO in your assessable income and may be eligible for a tax offset for all or part of the FITO. The amount of FITO will be detailed in the tax report provided to you.

### Disposal of units

A taxable capital gain or loss may arise from the disposal of an investment in the Fund and may form part of an investor's assessable income. The taxable gain or loss may be treated as a capital gain or loss or as ordinary income, depending on the investor's particular circumstances.

If the taxable gain is treated as a capital gain, individuals, trusts and complying superannuation funds may be entitled to a capital gains tax discount in relation to the disposal of Units where the Units have been held continuously for 12 months and other requirements are met. Companies are not entitled to this discount.

The Fund may distribute non-assessable amounts which are generally not subject to income tax. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the investor's investment in the Fund. If the investor has no cost base the amounts may trigger a taxable capital gain.

### AMIT regime

The Responsible Entity has elected to apply the AMIT rules to the Fund.

Under the AMIT rules, the Fund is deemed to be a 'fixed trust' for taxation law purposes that can rely on specific legislative provisions to make yearly adjustment to reflect under-or-over distributions of income. As a result, the Fund's income will be 'attributed' to investors.

Australian resident investors will be subject to tax on the income of the Fund which is attributed to them under the AMIT Rules. The tax payable (if any) depends on the investor's individual tax profile and applicable tax rate. The amount attributed to investors will be advised in an AMIT Member Annual Statement ('AMMA Statement'). The AMMA Statement will set out the amount which has been 'attributed' to an investor (and where relevant, its components) and other relevant tax information. If an investor disagrees with the Responsible Entity's attribution of income, the investor can object to that attribution and substitute the Responsible Entity's determination with their own. If as an investor you decide to take this course, it is important that you obtain professional tax and legal advice. You must contact the Responsible Entity before notifying the Commissioner.

### Tax File Number ('TFN') and Australian Business Number (ABN)

It is not compulsory for you to quote your TFN or ABN.

If you are making an investment in the Fund in the course of a business or enterprise carried on by you, you may quote an ABN instead of a TFN. If you fail to quote an ABN or TFN or claim an exemption, the Responsible Entity may be obliged to withhold tax at the top marginal rate (including Medicare levy) on gross payments (including distributions of income) to you.

### The Responsible Entity's reporting obligations

The Government has implemented the OECD Common Reporting Standard ('CRS') which requires the Responsible Entity to collect information from Unitholders and report information in relation to certain Unitholders with foreign residencies to the Australian Tax Office ('ATO'). That information may be provided by the ATO to foreign tax authorities in jurisdictions that have adopted the CRS.

Similar obligations relating to the collection and reporting of Unitholder information are imposed on the Responsible Entity as a result of Australia enacting legislation that relates to the Foreign Account Tax Compliance Act ('FATCA'). The FATCA is US tax law which was enacted for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service.

### GST

The GST information provided in this section is of a general nature only.

GST will apply to Management Fees and Performance Fees. Fees and costs included in Section 7 are quoted on a GST inclusive basis less any reduced input tax credits available to the Fund. GST will also apply to most other Fund expenses.

Generally, the Fund cannot claim full input tax credits for GST incurred on expenses, but the Fund may be entitled to reduced input tax credits for any GST paid in respect of these expenses.

## 10. Client information and complaints resolution

### Your rights

Your rights as a Unitholder in the Fund are governed by the Constitution for the Fund and the law. They include the right to:

- receive distributions (where applicable);
- receive copies of accounts and other information for the Fund;
- attend and vote at Unitholder meetings;
- receive your share of distributions if the Fund is terminated;
- transfer Units to any other person, subject to the Responsible Entity's right to refuse such a transfer; and
- pass Units to any surviving joint holder by will or otherwise to your estate.

You do not have the right to participate in the management or operation of the Fund.

### Complaints resolution

BFM has an established complaints handling process and aims to properly consider and resolve all complaints within 30 days. If you have a complaint about your investment, please contact us in writing or by telephone using the details following:

### Complaints Officer

Bennelong Funds Management Ltd  
Bennelong House  
9 Queen Street  
Melbourne VIC 3000

E: [complaints.officer@bennelongfunds.com](mailto:complaints.officer@bennelongfunds.com)

T: 1800 895 388 (Australia)

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the should be the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers.

### Australian Financial Complaints Authority

GPO Box 3  
Melbourne VIC 3001  
E: [info@afca.org.au](mailto:info@afca.org.au)  
T: 1800 931 678  
W: [afca.org.au](http://afca.org.au)

## 11. Consents

Paragon and its named representative have given and, at the date of this PDS, has not withdrawn, their written consent:

- to be named in this PDS as the Investment Manager of the Fund; and
- to the inclusion of the statements made made about them or the Fund, which are attributed to them

Link consents to being named in the PDS and any electronic version of the PDS in the form and context in which Link is named in the PDS.

UBS consents to being named in the PDS and any electronic version of the PDS in the form and context in which UBS is named in the PDS. UBS is not responsible for the preparation of, and has not authorised or caused the issue of, the PDS, and has not made or purported to make any statement included in or any statement on which a statement in the PDS is based.

To the maximum extent permitted by law, UBS expressly disclaims and takes no responsibility for any statements in, or omissions from, the PDS other than the statements made with its consent.

UBS is not responsible for the activities of the Fund, will not participate in the Fund's investment decision-making process and makes no representation in respect of the Fund or the Fund's investments.

UBS AG, Australia Branch (ABN 47 088 129 613 and AFSL number 231087) is a foreign Authorised Deposit-Taking Institution (Foreign ADI) under the Banking Act 1959 (Cth) and is supervised by the Australian Prudential Regulation Authority. Note that provisions in the Banking Act 1959 for the protection of depositors do not apply to Foreign ADIs, including UBS AG, Australia Branch.

Paragon, UBS AG, Australia Branch, UBS Nominees Pty Ltd and Link Market Services are service providers to the Fund and except as otherwise stated in this section have not been involved in the preparation of this PDS and do not accept any responsibility or liability for any information contained in this PDS.

In addition, with the exception of Paragon, they are not involved in the investment decision making process for the Fund.

## 12. Privacy statement

The Application Form requires you to provide personal information to BFM as the Responsible Entity. The Responsible Entity collects this personal information so that it can process and administer any application for investment in the Fund you make. Additionally, we collect this information in order to administer, manage and generally service your investment in the Fund. We will normally collect personal information directly from you. However, in certain circumstances, we may collect personal information about you from third parties, such as your financial adviser, the Administrator or our third party service providers.

If you do not provide the personal information requested or provide incomplete or inaccurate information, we may not be able to accept or process your application for an investment in the Fund or may be limited in the services or assistance we can provide with respect to the administration of any investment you subsequently make in the Fund.

Such third parties may use and disclose your personal information for a purpose described in this Privacy Statement. The disclosure by us of personal information to such third parties may involve the transfer of your personal information to recipients located outside of Australia, including in (but not limited to) the United States of America, the United Kingdom, Germany, Malaysia, Singapore and India. Where this is the case the Responsible Entity will take reasonable steps to satisfy itself that the third party that we disclose the information to is compliant with the Australian Privacy Principles or a similar regime. In providing us with your personal information, you consent to the possibility that your personal information may be transferred outside of Australia for processing or the other purposes detailed above.

We may also collect certain personal information from you and/or disclose your personal information to government or regulatory bodies where permitted or required to do so by law. For example, we may be required to collect and disclose certain information in order to comply with the identification and verification requirements imposed under the AML/CTF Act. For certain investors, we may also be required to collect and disclose certain personal information to the Australian Taxation Office in order to comply with the *Foreign Account Tax Compliance Act* and/or *Common Reporting Standard*.

If you notify us that you have a financial adviser, either on your Application Form or in writing (at a later date), you consent to the Responsible Entity disclosing to that financial adviser details of your investment in the Fund or other related personal information.

We take reasonable steps to ensure that the personal information about an investor or other relevant person that we collect, use or disclose is accurate, complete and up to date.

You or another relevant person can request access to your personal information or a copy of our Privacy Policy by telephone or writing to the Privacy Officer at:

**Privacy Officer, Bennelong Funds Management Ltd**

Bennelong House  
9 Queen Street  
Melbourne Vic 3000

E: [privacy.officer@bennelongfunds.com](mailto:privacy.officer@bennelongfunds.com)

T: 1800 895 388 (Australia)

Our Privacy Policy is also available on our website ([bennelongfunds.com](http://bennelongfunds.com)).

It sets out details of how we will collect, store, manage, use and disclose personal information we collect from you.

Our Privacy Policy also contains information about how you can access and seek correction of the personal information held by us, how you can complain to us about a breach of the Privacy Act 1988 (Cth) or any registered code under the Privacy Act that binds us, and how we will respond to and deal with such a complaint.

## 13. Glossary

**Administration Agreement** means the administration agreement between the Responsible Entity and Link.

**Administrator** means Link Market Services, ABN 54 083 214 537.

**ASIC** means the Australian Securities and Investments Commission.

**BFM** means Bennelong Funds Management Ltd, ABN 39 111 214 085 AFSL No. 296806.

**Business Day** means any day (except any weekend or public holiday) on which trading banks are open for usual business in Sydney, Australia.

**Collateral** means such securities or financial instruments or cash which the Fund delivers or is required to deliver to the Prime Broker for the purpose of meeting any margin requirement in accordance with the Prime Brokerage Agreement, and includes any certificate or other documents of title and transfer in respect of such securities, financial instruments or cash.

**Constitution** means the Fund's constitution in accordance with the Corporations Act that sets out the rights, duties and liabilities of the Responsible Entity in its operation of the Fund.

**Corporations Act** means the Corporations Act 2001 (Commonwealth) and any amendments.

**Currency** means Australian dollars.

**Custodian** means the custodian of the Fund, being UBS Nominees Pty Ltd ABN 32 001 450 522.

**Customer Documents** means the prime brokerage customer documents entered into between BFM, the Prime Broker and the Custodian.

**Deadline** means 2:00 p.m. Sydney time on each Business Day that the Responsible Entity has determined to value the Fund.

**Derivatives** means a security, such as an option, warrant or futures contract, whose value depends on the performance of an underlying asset.

**Fund** means the Paragon Australian Long Short Fund, ABN 84 865 092 509, ARSN 161 565 920, an Australian registered managed investment scheme established under the laws of Victoria, Australia.

**Futures** means an agreement to buy or sell a specified quantity of an underlying asset at a particular time in the future and at a price agreed at the time the contract was executed.

**GST** means Goods and Services Tax and has the same meaning as contained in A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth).

**High Watermark** means the highest value that a Unit has reached in any preceding Performance Period (after taking into account the Performance Fee and any income distributions paid/payable since). In the context of the Performance Fee, a High Watermark ensures a Performance Fee is not payable unless the value in Units at the end of the current Performance Period is higher than the High Watermark. i.e. there has been an increase in the Net Asset Value per Unit.

**IDPS** means an Investor Directed Portfolio Service, which includes superannuation master trusts, wrap accounts, investor directed portfolio services and IDPS-like services.

**IDPS Guide** means the offer document for the relevant IDPS.

**Indemnified Party** means the Administrator's affiliates, directors and other officers, shareholders, servants, employees, agents and permitted delegates and sub-delegates under the Administration Agreement.

**Investment Management Agreement** means the investment management agreement between Paragon and BFM.

**Investment Manager** means the investment manager of the Fund, being Paragon IM Pty Ltd ABN 90 682 128 785.

**Link** means Link Market Services, ABN 54 083 214 537.

**Liquidity** means the ability of an investment to be easily and quickly converted into cash with little loss of capital.

**Long Position** means holding a positive amount of an asset in the expectation that the value of that asset will appreciate.

**Management Fee** means the management fees payable in respect of the Fund as set out in Section 7.

**Net Asset Value** means the aggregate net value of all assets in the Fund, determined by subtracting its liabilities from its assets.

**Net Asset Value Per Unit** means the amount calculated by dividing the Net Asset Value of the Fund less accrued Performance Fees by the number of Units on issue in the Fund.

**Performance Fee** means the performance fee payable to Paragon as described in section 7 of this PDS.

**Performance Period** means each half-year to 30 June and 31 December.

**PDS** means Product Disclosure Statement.

**Portfolio** means a collection of investment holdings.

**Prime Broker** means UBS AG, Australia Branch, ABN 47 088 129 613.

**Prime Brokerage Agreement** means the agreement between the Responsible Entity and the Prime Broker.

**Responsible Entity** means the responsible entity of the Fund, being BFM.

**Retail Client** means a retail client within the meaning of Section 761G of the Corporations Act.

**RITC** means Reduced Input Tax Credits.

**Short Position** means borrowing an asset (stock) and then immediately selling it in the expectation that the value of the asset (stock) will depreciate. The short position is covered by buying back the asset, theoretically at a lower price thereby locking in a profit. The borrowed asset (stock) is then returned.

**Stop-loss** means a level set by the holder of the securities whereby a trade is executed when it reaches that point. It is a mechanism of minimising losses when prices on Long Positions are falling and prices on Short Positions are rising.

**Target Market Determination/TMD** means the Target Market Determination as required under section 994B of the Corporations Act. The TMD sets out the class of consumers (Unitholders/investors) for whom the Fund would likely be consistent with their likely objectives, financial situation and needs (referred to as the 'Target Market') as determined by the issuer of the product (the Responsible Entity). The TMD does not form part of this PDS but is recommended to be read by an investor before investing in the Fund.

**UBS** means the group of companies including UBS AG and UBS Nominees.

**UBS Nominees** means UBS Nominees Pty Ltd ABN 32 001 450 522 AFSL No. 231088.

**UBS AG** means UBS AG, Australia Branch ABN 47 088 129 613 AFSL No. 231087.

**Unit** means a Unit in the Fund.

**Unitholder** means the holder of a Unit in the Fund.

**Valuation Day** means the last Business Day of each calendar month.

**Valuation Time** means any time the Net Asset Value is determined.

**Volatility** means the extent of fluctuation in assets such as share prices, exchange rates and interest rates. The greater the volatility, the less certain an investor is of return, and hence volatility is one measure of risk.

**Wholesale Client** means a wholesale client within the meaning of section 761G and section 761GA of the Corporations Act.



## 14. Directory

### Client Experience

**Bennelong Funds Management Ltd**  
**ABN 39 111 214 085**

Bennelong House  
9 Queen Street  
Melbourne Vic 3000

T: 1800 895 388 (Australia) or  
0800 442 304 (New Zealand)  
E: [client.experience@bennelongfunds.com](mailto:client.experience@bennelongfunds.com)

### Responsible Entity and Issuer

**Bennelong Funds Management Ltd**  
**ABN 39 111 214 085, AFSL No. 296806**

Bennelong House  
9 Queen Street  
Melbourne Vic 3000

T: (03) 8611 6513  
W: [bennelongfunds.com](http://bennelongfunds.com)

### Investment Manager

**Paragon IM Pty Ltd**  
**ABN 90 682 128 785**

Bennelong House  
9 Queen Street  
Melbourne Vic 3000

### Prime Broker

**UBS AG, Australia Branch**  
**ABN 47 088 129 613**

Level 16, Chifley Tower 2 Chifley Square  
Sydney NSW 2000

### Custodian

**UBS Nominees Pty Ltd**  
**ABN 32 001 450 522**

Level 16, Chifley Tower 2 Chifley Square  
Sydney NSW 2000

### Administrator

**Link Market Services**  
**ABN 54 083 214 537**

Level 12, 680 George Street  
Sydney NSW 2000



**PARAGON IM**

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