

# **Paragon Australian Long Short Fund**

ARSN 161 565 920

## **Interim Report**

**For the half-year ended 31 December 2023**

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ARSN 161 565 920

## Interim Report

## For the half-year ended 31 December 2023

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made in respect of Paragon Australian Long Short Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Paragon Australian Long Short Fund as an individual entity.

The Responsible Entity of Paragon Australian Long Short Fund is Paragon Funds Management Ltd (ABN 42 159 623 873) (AFSL 426800).

The Responsible Entity's registered office is:

Level 1  
9 Queen Street  
Melbourne, VIC 3000

**Paragon Australian Long Short Fund**  
**Directors' Report**  
**For the half-year ended 31 December 2023**

## **Directors' Report**

The Directors of Paragon Funds Management Ltd, the Responsible Entity of Paragon Australian Long Short Fund (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2023.

### **Principal activities**

The Fund's mandate is to invest primarily in Australian listed equities focusing on core competencies in the resource and industrial sectors in accordance with the provisions of the Fund's Constitution. The Fund may also invest in foreign listed stocks and equities in unlisted Australian and foreign companies. The objective of the Fund is to produce absolute returns and capital growth for unitholders over a 5 year investment horizon.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

### **Directors**

The following persons held office as Directors of Paragon Funds Management Ltd during the half-year or since the end of the half-year and up to the date of this report:

Mr John Deniz  
Ms Hillier Deniz  
Mr Samuel Lanyon

### **Review and results of operations**

During the half-year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	<b>Half-year ended</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
Operating profit/(loss) for the half-year	<b>2,687,905</b>	<b>(3,752,074)</b>

There were no distributions declared during the half-year ended 31 December 2023 and 31 December 2022.

The operating profit for the period was largely driven by a strong finish to 2023, with a net return of +7.7% delivered in December, resulting in a net return of +6% for the half-year period.

### **Significant changes in the state of affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the half-year.

### **Matters subsequent to the end of the financial period**

The Fund's performance has been impacted since the end of the financial period, as a result of the continuing extreme volatility in Resources markets globally, particularly adverse for the Fund due to its long-bias concentration in various Resources sub-sectors. A violent risk-off sell-off resulted in negative net returns of -18% and -2% for January and February 2024 respectively. Nevertheless, the directors remain confident in the longer-term outlook for the Fund, due to the once in a life time global structural changes of decarbonisation and electrification, for which the Fund's investment strategy remains strongly aligned.

**Paragon Australian Long Short Fund  
Directors' Report  
For the half-year ended 31 December 2023  
(continued)**

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial periods; or
- (ii) the results of those operations of the Fund in future financial periods; or
- (iii) the state of affairs of the Fund in future financial periods.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of Paragon Funds Management Ltd.



Mr John Deniz  
Director

Melbourne, VIC  
12 March 2024

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PARAGON FUNDS MANAGEMENT LIMITED, THE RESPONSIBLE  
ENTITY**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2023, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

*Moore Australia*  
**MOORE AUSTRALIA AUDIT (VIC)**  
**ABN 16 847 721 257**



**RYAN LEEMON**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

12 March 2024

**Paragon Australian Long Short Fund**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2023**

**Statement of Profit or Loss and Other Comprehensive Income**

		<b>Half-year ended</b>	
		<b>31 December</b>	31 December
		<b>2023</b>	2022
	Notes	\$	\$
<b>Investment income</b>			
Interest income from financial assets at amortised cost		27,296	135,693
Dividend income		-	383,968
Net gains/(losses) on financial instruments at fair value through profit or loss	4	3,652,017	(3,588,405)
Net foreign exchange gain/(loss)		101,844	(90,729)
<b>Total investment income/(loss)</b>		<u>3,781,157</u>	<u>(3,159,473)</u>
<b>Expenses</b>			
Management fees		338,888	314,921
Interest expense		475,718	65,440
Custody fees		1,980	1,603
Transaction costs		105,350	142,773
Stock loan fees		35,964	11,637
Short dividend expense		78,425	3,269
Expense reimbursement fees		56,493	52,498
Other operating expenses		434	460
<b>Total operating expenses</b>		<u>1,093,252</u>	<u>592,601</u>
<b>Operating profit/(loss) for the half-year</b>		<u>2,687,905</u>	<u>(3,752,074)</u>
<b>Finance costs attributable to unitholders</b>			
(Increase)/decrease in net assets attributable to unitholders	7	<u>(2,687,905)</u>	<u>3,752,074</u>
<b>Profit/(loss) for the half-year</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the half-year</b>		<u>-</u>	<u>-</u>

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Paragon Australian Long Short Fund**  
**Statement of Financial Position**  
**As at 31 December 2023**

**Statement of Financial Position**

		<b>As at</b>	
		<b>31 December</b>	30 June
		<b>2023</b>	2023
	Notes	\$	\$
<b>Assets</b>			
Receivables		151,969	89,255
Due from brokers - receivable for securities sold		-	10,437,796
Financial assets at fair value through profit or loss	3, 5	<b>78,627,150</b>	64,229,279
<b>Total assets</b>		<b>78,779,119</b>	74,756,330
<b>Liabilities</b>			
Borrowings	9	<b>22,433,061</b>	20,581,765
Distributions payable		-	646,790
Payables		<b>216,117</b>	347,102
Due to brokers - payable for securities purchased		<b>389,638</b>	75,006
Financial liabilities at fair value through profit or loss	3, 6	<b>7,681,000</b>	7,293,750
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>30,719,816</b>	28,944,413
<b>Net assets attributable to unitholders - liability</b>	7	<b>48,059,303</b>	45,811,917

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Paragon Australian Long Short Fund**  
**Statement of Changes in Equity**  
**For the half-year ended 31 December 2023**

**Statement of Changes in Equity**

	<b>Half-year ended</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the half-year</b>	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the half-year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



**Paragon Australian Long Short Fund**  
**Statement of Cash Flows**  
**For the half-year ended 31 December 2023**

**Statement of Cash Flows**

	<b>Half-year ended</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
Notes	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial assets at fair value through profit or loss	<b>79,579,803</b>	153,604,549
Payments for purchase of financial assets at fair value through profit or loss	<b>(86,550,636)</b>	(176,526,615)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss	<b>24,506,499</b>	19,066,728
Payments for settlement of financial liabilities at fair value through profit or loss	<b>(17,141,842)</b>	(24,603,646)
Interest income received from financial assets at amortised cost	<b>2,015</b>	127,495
Dividends received	<b>-</b>	383,968
Management fees paid	<b>(334,823)</b>	(314,238)
Transaction costs paid	<b>(105,350)</b>	(142,773)
Stock loan fees paid	<b>(21,868)</b>	(43,989)
Custody fees paid	<b>(1,980)</b>	(1,603)
Expense reimbursement fees paid	<b>(55,828)</b>	(44,545)
Interest expense paid	<b>(405,529)</b>	(44,581)
Short dividends paid	<b>(78,425)</b>	(14,700)
Net GST amounts (paid)/received	<b>(37,433)</b>	(41,174)
Other operating expenses paid	<b>(434)</b>	(460)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(645,831)</b>	(28,595,584)
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	<b>409,921</b>	3,660,382
Payments for redemptions by unitholders	<b>(1,407,860)</b>	(890,818)
Distributions paid to unitholders	<b>(309,370)</b>	(221,347)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(1,307,309)</b>	2,548,217
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,953,140)</b>	(26,047,367)
Cash and cash equivalents at the beginning of the half-year	<b>(20,581,765)</b>	37,408,560
Effects of foreign currency exchange rate changes on cash and cash equivalents	<b>101,844</b>	(90,729)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>(22,433,061)</b>	11,270,464

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **Notes to the interim financial statements**

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## **1 General information**

These interim financial statements cover Paragon Australian Long Short Fund (the "Fund") as an individual entity. The Fund was constituted on 6 December 2012, registered with the Australian Securities and Investments Commission on 20 December 2012 and commenced operations on 1 March 2013. The Fund will terminate on 5 December 2092 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

Paragon Australian Long Short Fund is a registered managed investment scheme under the *Corporations Act 2001*.

The Responsible Entity of the Fund is Paragon Funds Management Ltd (ABN 42 159 623 873) (AFSL 426800) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 9 Queen Street, Melbourne, VIC 3000. The Responsible Entity is incorporated and domiciled in Australia.

The Fund's mandate is to invest primarily in Australian listed equities focusing on core competencies in the resource and industrial sectors in accordance with PDS and the provisions of the Fund's Constitution. The Fund may also invest in foreign listed stocks and equities in unlisted Australian and foreign companies. The objective of the Fund is to produce absolute returns and capital growth for unitholders over a 5 year investment horizon.

The interim financial statements are for the half-year ended 31 December 2023. The interim financial statements are presented in the Australian currency.

The interim financial statements were authorised for issue by the Directors of the Responsible Entity on the date the Directors' Declaration was signed. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

## **2 Summary of material accounting policies**

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **(b) Material accounting policies**

The accounting policies applied in the preparation of these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2023.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2023 that have a material impact on the amounts recognised in the prior periods or will affect current or future periods.

### **3 Fair value measurement**

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting half-year ended.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

*(i) Fair value in an active market (Level 1)*

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) is based on their quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the interim financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last sale price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

*(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)*

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

*(iii) Recognised fair value measurements*

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

### 3 Fair value measurement (continued)

(iii) *Recognised fair value measurements (continued)*

As at 31 December 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Australian equity securities and trusts	55,145,058	1,611,957	1,000,000	57,757,015
International equity securities	18,008,923	555,712	2,305,500	20,870,135
<b>Total financial assets</b>	<b>73,153,981</b>	<b>2,167,669</b>	<b>3,305,500</b>	<b>78,627,150</b>

#### Financial liabilities

Australian equity securities and trusts sold short	7,681,000	-	-	7,681,000
<b>Total financial liabilities</b>	<b>7,681,000</b>	<b>-</b>	<b>-</b>	<b>7,681,000</b>

As at 30 June 2023

#### Financial assets

Australian equity securities and trusts	52,410,570	1,914,003	1,000,000	55,324,573
International equity securities	6,031,553	567,653	2,305,500	8,904,706
<b>Total financial assets</b>	<b>58,442,123</b>	<b>2,481,656</b>	<b>3,305,500</b>	<b>64,229,279</b>

#### Financial liabilities

Australian equity securities and trusts sold short	7,293,750	-	-	7,293,750
<b>Total financial liabilities</b>	<b>7,293,750</b>	<b>-</b>	<b>-</b>	<b>7,293,750</b>

The Level 2 investments typically relate to private placements in pre-IPO stocks in which the Fund has subscribed to in advance of the stocks official listing. Fair value is determined using the valuation technique of the subscription price or the most recent arms' length placement price by the number of securities subscribed for by the Fund under the relevant offer.

Additionally, Level 2 investments may include stocks temporarily suspended from trading. Fair value is determined as the market price at date of suspension.

The Level 3 investments as at 31 December 2023, remaining unchanged from 30 June 2023, comprise of:

- (1) Latitude 66 Cobalt Limited - The current carry value of \$1,000,000 is based on the arms' length capital raise by the company in June 2019 and Management's own internal valuation. The company's gold and cobalt resources and cash combined (and nil debt) are currently valued by Management as double its implied market value of \$35m. An ASX listing is anticipated within the second quarter of this year, with strategic transactions and steps taken by the company to ensure a strong IPO price.

### 3 Fair value measurement (continued)

#### *(iii) Recognised fair value measurements (continued)*

- (2) ISX Financial EU Plc (ISXFEU) - The current carry value of \$2,305,500 is Paragon's valuation of the unlisted European subsidiary of Southern Cross Payments Limited (ASX:SP1) (formerly iSignthis Limited) (ASX: ISX)), upon the European demerger in December 2020. The valuation remains unchanged, and is supported by the company's continuing revenue growth and strengthening financial position. The growth is self-funded, as the company remains cash flow positive and gross margins and profitability metrics continue to improve. Management's latest assessment arrives at an estimated market-cap of A\$675-\$745m (A\$6.13-\$6.75/share) against a derived carry value of \$5.30/share. ISXFEU is preparing for an international listing before the end of the year. The court cases with ASX and ASIC are planned for hearings in the first half of 2024 and a ruling expected near-term. Management does not attribute any value to the shares held in the Australian company, which does retain adequate cash for these ongoing legal proceedings. On this valuation basis, and considerations noted above, it is the opinion of the directors that the current carry value remains appropriate.

#### *(iv) Transfers between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Holdings in Genmin Limited of \$559,014 and Leo Lithium Limited of \$1,502,943 were transferred from Level 1 to Level 2 at 31 December 2023, as voluntary trading halts were imposed on both stocks during the financial period. Suspensions are anticipated to be lifted in the near term for both companies.

#### *(v) Fair value measurements in an inactive market (Level 2) and using significant unobservable inputs (Level 3)*

The following table presents the movement in Level 2 and Level 3 instruments at 31 December 2023 by class of financial instrument:

#### **At 31 December 2023**

	<b>Unlisted equity securities</b>		
	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance - 1 July	2,481,656	3,305,500	5,787,156
Transfers from Level 1	527,958	-	527,958
Purchases	1,437,716	-	1,437,716
Sales	(1,914,004)	-	(1,914,004)
Gains/(losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income	(365,657)	-	(365,657)
<b>Closing balance</b>	<b>2,167,669</b>	<b>3,305,500</b>	<b>5,473,169</b>

### 3 Fair value measurement (continued)

(v) *Fair value measurements in an inactive market (Level 2) and using significant unobservable inputs (Level 3)*  
*(continued)*

The following table presents the movement in Level 2 and Level 3 instruments at 30 June 2023 by class of financial instrument:

At 30 June 2023	Level 2 \$	Unlisted equity securities Level 3 \$	Total \$
Opening balance - 1 July	-	3,305,500	3,305,500
Purchases	2,547,916	-	2,547,916
Gains/(losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income	(66,260)	-	(66,260)
Closing balance	2,481,656	3,305,500	5,787,156

(vi) *Financial instruments not carried at fair value*

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unitholders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

### 4 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Half-year ended	
	31 December 2023	31 December 2022
	\$	\$
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	5,732,403	(3,980,132)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	(1,783,614)	1,250,885
<b>Total net gains/(losses) on financial assets at fair value through profit or loss</b>	<b>3,948,789</b>	<b>(2,729,247)</b>
<b>Financial liabilities</b>		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(97,578)	4,505
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	(199,194)	(863,663)
<b>Total net gains/(losses) on financial liabilities at fair value through profit or loss</b>	<b>(296,772)</b>	<b>(859,158)</b>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>3,652,017</b>	<b>(3,588,405)</b>

**Paragon Australian Long Short Fund**  
**Notes to the Interim Financial Statements**  
**For the half-year ended 31 December 2023**  
**(continued)**

**5 Financial assets at fair value through profit or loss**

	<b>As at</b>	
	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Australian equity securities and trusts	<b>57,757,015</b>	55,324,573
International equity securities	<b>20,870,135</b>	8,904,706
<b>Total financial assets at fair value through profit or loss</b>	<b>78,627,150</b>	64,229,279

**6 Financial liabilities at fair value through profit or loss**

	<b>As at</b>	
	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Australian equity securities and trusts sold short	<b>7,681,000</b>	7,293,750
<b>Total financial liabilities at fair value through profit or loss</b>	<b>7,681,000</b>	7,293,750

**7 Net assets attributable to unitholders**

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	<b>Half-year ended</b>		<b>Year ended</b>	
	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>30 June 2023</b>	<b>30 June 2023</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
Opening balance	<b>26,667,445</b>	<b>45,811,917</b>	22,767,409	37,728,786
Applications	<b>388,744</b>	<b>631,290</b>	3,747,445	6,178,383
Redemptions	<b>(860,610)</b>	<b>(1,407,860)</b>	(1,554,338)	(2,481,579)
Reinvestment of distributions	<b>195,617</b>	<b>336,051</b>	1,706,929	2,828,553
Increase/(decrease) in net assets attributable to unitholders	<b>-</b>	<b>2,687,905</b>	<b>-</b>	<b>1,557,774</b>
<b>Closing balance</b>	<b>26,391,196</b>	<b>48,059,303</b>	26,667,445	45,811,917

	<b>Half-year ended</b>		<b>Year ended</b>	
	<b>31 December 2023</b>	<b>31 December 2023</b>	<b>30 June 2023</b>	<b>30 June 2023</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
Class A (non-series based units)	<b>26,391,196</b>	<b>48,059,303</b>	26,667,445	45,811,917
<b>Closing balance</b>	<b>26,391,196</b>	<b>48,059,303</b>	26,667,445	45,811,917



## **7 Net assets attributable to unitholders (continued)**

As stipulated in the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

## **8 Distributions to unitholders**

The final distribution for year ended 30 June 2023 of \$645,421 was recorded in the half-year ended 31 December 2023 (31 December 2022: \$3,049,899).

An amount of \$336,051 (2022: \$2,828,553) was re-invested and the remainder of \$309,370 (2022: \$221,347) was paid out in cash.

## **9 Borrowings**

	<b>As at</b>	
	<b>31 December 2023</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>
Borrowings	<b>22,433,061</b>	20,581,765
<b>Total borrowings</b>	<b>22,433,061</b>	20,581,765

## **10 Related party transactions**

### **Responsible Entity**

The Responsible Entity of Paragon Australian Long Short Fund is Paragon Funds Management Ltd.

The Responsible Entity also acts as Investment Manager for the Fund.

There have been no significant changes to the related party transactions disclosed in the last Annual Report.

All transactions with related parties are conducted on normal commercial terms and conditions.

## **11 Events occurring after the reporting period**

The Fund's performance has been impacted since the end of the financial period, as a result of the continuing extreme volatility in Resources markets globally, particularly adverse for the Fund due to its long-bias concentration in various Resources sub-sectors. A violent risk-off sell-off resulted in negative net returns of -18% and -2% for January and February 2024 respectively. Nevertheless, the directors remain confident in the longer-term outlook for the Fund, due to the once in a life time global structural changes of decarbonisation and electrification, for which the Fund's investment strategy remains strongly aligned.

No other significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 31 December 2023 or on the results and cash flows of the Fund for the half-year ended on that date.

## **12 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities and commitments as at 31 December 2023 and 30 June 2023.

## Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Paragon Funds Management Ltd.



Mr John Deniz  
Director

Melbourne, VIC  
12 March 2024

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**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF PARAGON AUSTRALIAN LONG SHORT FUND****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Paragon Australian Long Short Fund (the Fund), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**Basis of Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Emphasis of matter – fair value measurement of financial assets**

We draw attention to note 3 in the financial statements which identifies that the Fund has an investment in Southern Cross Payments Limited (ASX: SP1) (Formerly iSignthis Limited) (ASX: ISX)) and its European Subsidiary ISX Financial EU Plc (ISXFEU) with a total carrying value of \$2,305,500 at 31 December 2023. Further, the note identifies that the Fund has an investment of a carrying value of \$1,000,000 in unlisted stock Latitude 66 Cobalt Limited. Both of the before mentioned investments have been classified as tier 3. These matters as set forth in Note 3 detail the director's valuation basis and assessment for this investment. Our opinion is not modified in respect of this matter.

### Responsibility of the Directors for the Financial Report

The directors of the Paragon Funds Management Limited (the Responsible Entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Fund's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Moore Australia*

**MOORE AUSTRALIA AUDIT (VIC)**  
**ABN 16 847 721 257**



**RYAN LEEMON**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

12 March 2024