Ellerston Australian Share Fund

ARSN 135 591 534

Financial Report
For the year ended 30 June 2019

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Contents **Page**

Directors' report

The Directors of Ellerston Capital Limited (ABN 34 110 397 674, AFSL No. 283 000), the Responsible Entity of the Ellerston Australian Share Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2019.

Directors

The names of the Directors of the Responsible Entity in office during the financial year and up to the date of this report are:

Ashok Jacob (Chairman)
Brian O' Sullivan
Michael Johnston
Guy Jalland
Chris Kourtis

Principal activity

The principal activity of the Fund is to invest funds in accordance with the provisions of the Fund's Constitution. There has been no significant changes in the nature of this activity during the year.

Fund information

The Fund is an Australian Registered Scheme. Ellerston Capital Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 11, 179 Elizabeth Street, Sydney, NSW 2000.

Results

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

	Year ended	
	30 June 2019	30 June 2018
Operating (loss)/profit before finance costs attributable to unitholders ($)	**(3,783,087)**	6,409,508
Distributions Class A units		
Distributions paid and payable ($)	**339,118**	446,743
Distribution (cents per unit)	**6.14**	8.97
Distributions Class C units		
Distributions paid and payable ($)	**3,323,785**	4,013,458
Distribution (cents per unit)	**7.16**	9.37

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 during the year.

Directors' report (continued)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objective and strategy as set out in the offer document of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

Relevant information

Following is a list of relevant information required under the *Corporations Act 2001*:

(i) Fees paid to the Responsible Entity – Refer Note 16 to the Financial Statements
(ii) Unitholdings of related parties of the Responsible Entity in the Fund – Refer Note 16 to the Financial Statements
(iii) Applications and Redemptions in the Fund during the year – Refer Note 8 to the Financial Statements
(iv) The value of the Fund's assets and basis of valuation – Refer to Statement of financial position and Note 2 respectively
(v) The number of interests in the Fund as at 30 June 2019 – Refer Note 8 to the Financial Statements
(vi) Distributions payable to unitholders as at 30 June 2019 – Refer to Statement of financial position

Indemnification and insurance of Directors and officers

The Constitution of the Responsible Entity requires it to indemnify, to the extent permitted by the law, all current and former officers of the Responsible Entity against a liability incurred:

(a) In acting as an officer of the Responsible Entity;

(b) In acting as an officer of a subsidiary at the request of the Responsible Entity;

(c) For reasonable legal costs in defending an action for liability incurred in acting as an officer of the Responsible Entity or of a subsidiary at the request of the Responsible Entity.

During the financial year, insurance contracts were entered into to insure the Directors and officers against any liability incurred in their capacity as a Director or officer. The terms of the insurance contracts restrict disclosure of the nature of the liability and amount of the premium. Other than the constitutional provision described above, the Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer of Ellerston Capital Limited or its related bodies corporate against a liability incurred.

Directors' report (continued)

Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

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 5.

Signed in accordance with a resolution of the Directors of Ellerston Capital Limited.

On behalf of the Directors

Brian O'Sullivan
Director

Sydney
26 September 2019

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Auditor's Independence Declaration to the Directors of Ellerston Capital Limited as Responsible Entity for Ellerston Australian Share Fund

As lead auditor for the audit of the financial report of Ellerston Australian Share Fund for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
26 September 2019

Statement of comprehensive income

	Notes	Year ended 30 June 2019 $	30 June 2018 $
Investment income			
Interest income		**3,818**	4,729
Dividend and distribution income		**1,495,477**	1,143,864
Net changes in fair value of financial assets and liabilities at fair value through profit or loss	5	**(4,922,844)**	5,653,067
Total investment (loss)/income		**(3,423,549)**	6,801,660
Expenses			
Management fees	16	**230,650**	231,506
Transaction costs		**108,427**	149,286
Other operating expenses	13	**20,461**	11,360
Operating expenses before finance costs		**359,538**	392,152
Operating (loss)/profit before finance costs		**(3,783,087)**	6,409,508
Finance costs attributable to unitholders			
Distributions to unitholders	9	**(3,662,903)**	(4,460,201)
Change in net assets attributable to unitholders		**(7,445,990)**	1,949,307
Other comprehensive income		**-**	-
Total comprehensive income for the year		**-**	-

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of financial position

		As at	
		30 June 2019	30 June 2018
	Notes	**$**	$
Assets			
Cash and cash equivalents	10	**4,287,484**	1,408,755
Dividend and distributions receivable		**99,052**	51,796
Interest receivable		**357**	226
Other receivables	14	**5,950**	7,324
Financial assets at fair value through profit or loss	6	**43,489,420**	52,508,320
Total assets		**47,882,263**	53,976,421
Liabilities			
Management fees payable	16	**17,258**	22,915
Due to brokers		**-**	154,129
Distribution payable	9	**2,786,996**	4,056,052
Other payables	15	**7,965**	5,095
Total liabilities (excluding net assets attributable to unitholders)		**2,812,219**	4,238,191
Net assets attributable to unitholders	8	**45,070,044**	49,738,230

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of changes in net assets attributable to unitholders

	Year ended	
	30 June 2019	30 June 2018
	$	$
Net assets attributable to unitholders		
Opening balance	**49,738,230**	2,713,155
Application of units	**3,689,000**	46,576,277
Redemption of units	**(5,185,964)**	(1,944,105)
Units issued upon reinvestment of distributions	**4,274,768**	443,596
Changes in net assets attributable to unitholders	**(7,445,990)**	1,949,307
Closing balance	**45,070,044**	49,738,230

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of cash flows

	Notes	Year ended 30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**43,512,493**	39,471,647
Purchase of financial instruments at fair value through profit or loss		**(39,570,566)**	(83,715,769)
Interest received		**3,687**	4,560
Dividend and distributions received		**1,440,616**	1,096,371
Management fees paid		**(236,307)**	(210,667)
Other operating expenses paid		**(117,039)**	(161,660)
Net cash inflow/(outflow) from operating activities	11(a)	**5,032,884**	(43,515,518)
Cash flows from financing activities			
Proceeds from applications by unitholders		**3,689,000**	46,576,277
Payments for redemptions by unitholders		**(5,185,964)**	(1,944,105)
Distributions paid		**(657,191)**	(73,700)
Net cash (outflow)/inflow from financing activities		**(2,154,155)**	44,558,472
Net increase in cash and cash equivalents		**2,878,729**	1,042,954
Cash and cash equivalents at the beginning of the year		**1,408,755**	365,801
Cash and cash equivalents at the end of the year	10	**4,287,484**	1,408,755
Non-cash financing activities			
Reinvestment of unitholder distributions	11	**4,274,768**	443,596

The accompanying notes to the financial statements should be read in conjunction with this statement.

Contents of the notes to the financial statements

1 General information

The Ellerston Australian Share Fund (the "Fund") is an Australian Registered Fund. Ellerston Capital Limited, the Responsible Entity and Manager of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 11, 179 Elizabeth Street, Sydney, NSW 2000.

The principal activity of the Fund is to invest funds in accordance with the provisions of the Fund's Constitution. There has been no significant change in the nature of this activity during the year.

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. With its introduction, the Responsible Entity made an announcement in June 2017 to unitholders on the Fund's intention to elect into the AMIT regime for the financial year ended 30 June 2018 (and for subsequent financial years). On 24 July 2017, the Responsible Entity amended the Fund's Constitution to allow the Fund to elect into and comply with the AMIT regime. As at 30 June 2018, the Fund met the conditions to operate as an AMIT and reassessed the other criteria in AASB 132 Financial Instruments: Presentation for classifying the units in the Fund. As a result, the Responsible Entity has determined that the net assets attributable to unitholders continue to be classified as a financial liability on 30 June 2018. As at 30 June 2019, the Fund continue to operate as an AMIT and net assets attributable to unitholders continue to be classified as financial liability as they do not meet the criteria under AASB 132 to be classified as equity.

The financial report of the Fund has been authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 26 September 2019.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution, the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB").

This financial report has been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Additional information regarding this is included in the relevant notes.

The financial report is presented in Australian dollars. The Fund is a for-profit entity for the purpose of preparing financial statements.

(b) Statement of compliance

The financial report has been prepared in accordance with the Australian Accounting Standards as issued by the AASB and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

2 Summary of significant accounting policies (continued)

(c) Changes in accounting standards

The significant accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Fund's financial statements for the year ended 30 June 2018, except for the adoption of new standards and interpretations effective as at 1 July 2018 noted below:

i) AASB 9 Financial Instruments (and applicable amendments)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. On adoption of AASB 9 the equity securities and derivatives are mandatorily classified as fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, the change in impairment rules does not impact the financial assets that continue to all be accounted for at fair value through profit or loss. The Fund's cash and cash equivalents and receivables continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is immaterial.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income are interest, dividends and distributions, and gains on financial instruments measured at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(d) Financial Instruments

In the current period, the Fund has adopted AASB 9 Financial Instruments. See Note 2(c)(i) for an explanation of the impact.

(i) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(ii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) The rights to receive cash flows from the asset have expired; or

(b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

(c) Either (1) the Fund has transferred substantially all the risks and rewards of the asset, or (2) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 Summary of significant accounting policies (continued)

(d) Financial Instruments (continued)

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

iii) Classification and measurement

In accordance with AASB 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities and derivatives are mandatorily classified as fair value through profit or loss.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category short-term payables.

2 Summary of significant accounting policies (continued)

(d) Financial Instruments (continued)

Financial liabilities measured at FVPL

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss.

The derivatives are mandatorily classified as fair value through profit or loss.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Net changes in fair value of financial assets and liabilities at fair value through profit or loss'.

v) Impairment of Financial assets

The Fund holds only cash and cash equivalents and receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses (ECL) under AASB 9. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(e) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the Statement of financial position. As at the end of the year, the Fund has no financial assets or liabilities in the Statement of financial position which are presented on the net basis.

(f) Cash and cash equivalents

For the purpose of Statement of financial position and Statement of cash flows, cash comprises of cash at bank. Cash at brokers includes margin accounts and cash held as collateral against open derivative positions which are restricted.

Cash equivalents are short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Due from/to brokers

Due from/to brokers represents amounts receivable and payable for securities transactions that have not yet settled at the year end and outstanding overdrafts when applicable. The due from brokers balance is held for collection and consequently measured at amortised cost.

(h) Revenue and income recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends

Dividends are recognised as income or expense on the date the share is quoted ex-dividend. Income is shown net of any non-recoverable withholding taxes.

2 Summary of significant accounting policies (continued)

(h) Revenue and income recognition (continued)

Interest income

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset. Interest income earned on cash and cash equivalents is recognised in the Statement of comprehensive income.

Trust distributions income

Trust distributions are recognised as income on an entitlements basis.

Net changes in fair value of financial assets and liabilities at fair value through profit or loss

Net changes in fair value of financial assets and liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at purchase or at the previous reporting date. This includes both realised and unrealised gains and losses, but does not include interest or dividend income.

(i) Expenses

All expenses including fees and commissions are recognised on an accrual basis.

(j) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(k) Net Assets Attributable to Unitholders

The Fund's capital is represented by the units, which are redeemable at the unitholders' option however the Responsible Entity may suspend redemption if it is in the best interest of unitholders.

Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to unitholders and in Note 8. The units are entitled to distributions when declared and to payment of a proportionate share of the Fund's net asset value on the redemption date or upon winding up of the Fund.

A reconciliation of the number of units outstanding at the beginning and the end of each reporting period is provided in Note 8.

(l) Goods and services tax (GST)

Revenues, expenses, cash flows, assets and liabilities are recognised net of the amount of goods and services tax (GST) except where:

(i) The amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and

(ii) For receivables and payables which are recognised inclusive of GST.

Reduced input taxed credits (RITC) recoverable by the Fund from the taxation authority are recognised as receivables in the Statement of financial position.

2 Summary of significant accounting policies (continued)

(m) Other receivables

Receivables are recognised when a right to receive a payment is established. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(n) Other payables

Payables are recognised when the Fund becomes liable. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair value.

(o) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(p) Distributions to unitholders

Upon adopting the AMIT regime, the Responsible Entity is no longer contractually obligated to pay distributions. The Responsible Entity will attribute the Fund's income to unitholders on a fair and reasonable basis, however, the Responsible Entity will not have a requirement under the Constitution to distribute Fund income to unitholders. Any subsequent distributions to unitholders will be recognised in the Statement of changes in unitholder funds.

Prior to that, in accordance with the Fund Constitution, the Fund fully distributed its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions to unitholders were recognised in the statement of comprehensive income as finance costs attributable to unitholders.

Distributions to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

Distributions are determined by reference to net taxable income. Distributable income includes net gains arising from the disposal of investments less any carried forward realised losses from prior periods. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable or distributable until realised. Net realised losses are not distributed to unitholders but are retained to be offset against any future realised gain.

(q) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund, where permitted, are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(r) Terms and conditions of units on issue

Each unit, within a unit class, confers upon the unitholder an equal interest in a Class, and is of equal value. A unit does not confer an interest in any particular asset or investment of the Fund. Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units received.

2 Summary of significant accounting policies (continued)

(r) Terms and conditions of units on issue (continued)

Unitholders have various rights under the Fund Constitution and the *Corporations Act 2001*, including the right to:

− Have their units redeemed;

− Attend and vote at meetings of unitholders; and

− Participate in the distribution of net proceeds on termination and winding up of the Fund on a pro rata basis.

The rights, obligations and restrictions attached to each unitholder class are identical in all respects other than the minimum investment requirements and/or fee structures applicable to each class.

(s) New standards, amendments and interpretations effective after 1 July 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(t) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

(u) Comparative disclosures

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current year's presentation. Such reclassifications/amendments have not affected the Statement of comprehensive income or Statement of financial position.

3 Financial risk management

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Fund comprise of investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(i) Equity price risk

Equity price risk represents the risk that the value of financial assets or financial liabilities at fair value through profit or loss will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

Equity price risk is managed through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The table in Note 3(b) summarises the sensitivities of the Fund's financial assets or financial liabilities at fair value through profit or loss to equity price risk. The analysis is based on the assumptions that the equity prices in which the Fund invests moves +/−10 % (2018: +/− 10%). The impact mainly arises from the possible change in the fair value of listed equities and equity derivatives.

(ii) Foreign currency risk

The Fund is not exposed to significant risks from movements in foreign exchange rates. There are no foreign currencies to which the Fund's monetary assets and liabilities have a significant exposure as at 30 June 2019 (2018: nil).

(iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of the changes in market interest rates. The majority of the Fund financial assets and liabilities are non-interest bearing. As a result the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating (loss)/profit before finance costs and net assets attributable to unitholders to market risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Equity Price Risk Impact on operating profit before finance costs/Net assets attributable to unitholders	
	-10%	**+10%**
	$	**$**
30 June 2019	**(4,348,942)**	**4,348,942**
30 June 2018	(5,246,674)	5,246,674

(c) Credit risk

Credit risk represents the risk that a counterparty will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

Credit risk is not considered to be significant to the Fund. All transactions in listed investments are settled on delivery using approved top-tier financial institutions. The Fund closely monitors the level of exposure that it holds with each counterparty.

The risk of default is considered minimal as delivery of securities sold is made once the custodian has received payment. Payment is made on a purchase once the securities have been received by the custodian. A trade will fail if either party fails to meet its obligation.

3 Financial risk management (continued)

(c) Credit risk (continued)

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated. The Fund minimises its exposure to credit risk on derivatives by only trading with top-tier financial institutions and closely monitors the level of exposure that it holds with each counterparty.

(i) Concentration of credit risk exposure

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and generally maintains a relatively low net equity exposure due to the investment strategy of the Fund. As at the end of the year, a significant proportion of the Fund's assets were held in financial assets and cash and cash equivalents, of which the majority was held with a top-tier Australian bank.

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

Maturity analysis for financial liabilities

Financial liabilities of the Fund comprise of outstanding settlements payable, distributions payable, other payables and net assets attributable to unitholders. Outstanding settlements payable as settled within 3 days after trade. Distributions payable and other payables have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are payable on demand, however the Responsible Entity has the power under the Fund Constitution to amend the timing of redemption payments.

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss (see Note 6)
- Derivative financial instruments (see Note 7)

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

4 Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year. Financial assets and liabilities are priced at last traded prices.

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

A financial instrument is regarded as quoted in an active market if quoted prices for an identical asset 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.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market 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.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the year applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward currency contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurement

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2019 and 30 June 2018.

As at 30 June 2019	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets at fair value through profit or loss				
Derivatives	**6,468**	**-**	**-**	**6,468**
Equity securities	**43,482,952**	**-**	**-**	**43,482,952**
Total	**43,489,420**	**-**	**-**	**43,489,420**

4 Fair value measurement (continued)

Recognised fair value measurement (continued)

As at 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Derivatives	41,580	-	-	41,580
Equity securities	52,466,740	-	-	52,466,740
Total	52,508,320	-	-	52,508,320

The Level 2 security relates to additional shares offered to institutional investors, which would subsequently be listed after settlement. The value has been determined based on an observable price per stock exchange.

In the comparative period, the Fund classified its equity securities as financial assets designated at fair value through profit or loss and its derivatives were classified as financial assets held for trading.

The level in which instruments are classified in the hierarchy is based on the lowest input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgment after considering factors specific to the instrument.

The fair value of listed equity securities and publicly traded derivatives is based on quoted market prices or binding dealer price quotations at the reporting date, without any deduction for transaction costs.

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

(i) Transfers between levels

There were no transfers between levels for the year ended 30 June 2019 (30 June 2018: Nil).

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2019.

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of receivables and payables approximate fair value.

5 Net changes in fair value of financial assets and liabilities 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:

	Year ended	
	30 June 2019	30 June 2018
	$	$
Financial assets		
Net (loss)/gain on financial assets at fair value through profit and loss	**(4,922,844)**	5,653,067
Total net changes in fair value of financial assets and liabilities at fair value through profit or loss	**(4,922,844)**	5,653,067

In the comparative period, the Fund recognised a net loss of $184,194 on financial assets held for trading and a net gain of $5,837,261 on financial assets designated at FVPL.

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	$	$
Financial assets at fair value through profit or loss		
Derivatives (Note 7)	**6,468**	41,580
Equity securities	**43,482,952**	52,466,740
Total financial assets at fair value through profit or loss	**43,489,420**	52,508,320

In the comparative period, the Fund classified its equity securities as financial assets designated at fair value through profit or loss and its derivatives were classified as held for trading.

7 Derivative financial instruments

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund. The Fund does not designate any derivative as a hedging instrument for hedge accounting purposes. The derivative contracts that the Fund trades include futures and exchange-traded options.

Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying security of a derivative contract may have a significant impact on the profit or loss of the Fund.

Derivatives do not qualify for hedge accounting and are classified as held for trading, with gains or losses arising from changes in fair value taken directly to net profit or loss for the year. The Fund holds the following derivative instruments:

7 Derivative financial instruments (continued)

(a) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities prices. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a net basis.

		Fair Values	
30 June 2019	**Contract/ Notional $**	**Assets $**	**Liabilities $**
Options	**4,158,000**	**6,468**	**-**
	4,158,000	**6,468**	**-**

		Fair Values	
30 June 2018	Contract/ Notional $	Assets $	Liabilities $
Options	4,504,500	41,580	-
	4,504,500	41,580	-

Risk exposures and fair value measurements

Information about the Fund's exposure to equity price risk, credit risk, foreign exchange risk, interest rate risk, liquidity risk and about the methods and assumptions used in determining fair values is provided in Note 3 to the financial statements. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of derivative financial instruments disclosed above.

8 Net assets attributable to unitholders

The terms and conditions attached to the units are stated in Note 2(p), 2(q) and 2(r).

The movement in units of the Fund during the years ended are as follows:

	Year ended			
	30 June 2019 Units	**30 June 2019 $**	30 June 2018 Units	30 June 2018 $
Class A				
Opening balance	**5,018,547**	**5,201,276**	2,653,044	2,713,155
Applications	**716,010**	**689,000**	4,142,123	4,305,000
Redemptions	**(228,098)**	**(223,311)**	(1,844,250)	(1,944,105)
Units issued upon reinvestment of distributions	**89,059**	**88,946**	67,630	69,620
Increase/(decrease) in net assets attributable to unitholders	**-**	**(785,001)**	-	57,606
Closing balance	**5,595,518**	**4,970,910**	5,018,547	5,201,276
Class C				
Opening balance	**42,879,994**	**44,536,954**	-	-
Applications	**3,228,931**	**3,000,000**	42,539,334	42,271,277
Redemptions	**(5,258,940)**	**(4,962,653)**	-	-
Units issued upon reinvestment of distributions	**4,108,177**	**4,185,822**	340,660	373,976
Increase/(decrease) in net assets attributable to unitholders	**-**	**(6,660,989)**	-	1,891,701
Closing balance	**44,958,162**	**40,099,134**	42,879,994	44,536,954
Closing Balance	**50,553,680**	**45,070,044**	47,898,541	49,738,230

Class C Units rank equally with Class A Units with respect to redemptions, distributions and on winding up. Class C has different arrangements with respect to fees.

Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for subscriptions to and redemptions from the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue or redemption of units.

The Fund's objectives for managing capital are:

− To invest capital in accordance with the provisions of the Fund's Constitution and the current offer document.

− To pursue its investment objective which is consistent with the Constitution and offer document.

The policies and processes applied by the Fund in managing its capital are outlined in Note 3.

9 Distributions to unitholders

The distributions for the year were as follows:

	As at			
	30 June 2019 $	**30 June 2019 CPU**	30 June 2018 $	30 June 2018 CPU
Distributions Class A units				
Distributions paid	**42,220**	**0.83**	30,173	0.67
Distributions payable	**296,898**	**5.31**	416,570	8.30
Total - Class A	**339,118**	**6.14**	446,743	8.97
Distributions Class C units				
Distributions paid	**833,687**	**1.62**	373,976	0.88
Distributions payable	**2,490,098**	**5.54**	3,639,482	8.49
Total - Class C	**3,323,785**	**7.16**	4,013,458	9.37
Total	**3,662,903**	**13.30**	4,460,201	18.34

10 Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise:

	As at	
	30 June 2019 $	30 June 2018 $
Cash at bank	**4,287,484**	1,408,755
Total	**4,287,484**	1,408,755

Cash at bank earns interest at floating rates based on negotiated deposit rates.

11 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2019	30 June 2018
	$	$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Change in net assets attributable to unitholders	**(7,445,990)**	1,949,307
Distributions to unitholders	**3,662,903**	4,460,201
Proceeds from sale of financial instruments at fair value through profit or loss	**43,512,493**	39,471,647
Purchase of financial instruments at fair value through profit or loss	**(39,570,566)**	(83,715,769)
Net changes in fair value of financial assets and liabilities at fair value through profit or loss	**4,922,844**	(5,653,067)
Net change in receivables	**(46,013)**	(51,500)
Net change in payables	**(2,787)**	23,663
Net cash inflow/(outflow) from operating activities	**5,032,884**	(43,515,518)
(b) Non-cash financing activities		
Reinvestment of unitholder distributions	**4,274,768**	443,596

12 Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Fund.

	Year ended	
	30 June 2019	30 June 2018
	$	$
Audit and other assurance services		
Audit of financial statements	**11,751**	10,000
Non-audit services		
Taxation services	**4,500**	3,500
Total remuneration for assurance services	**16,251**	13,500

The auditor's remuneration was borne by the Responsible Entity, Ellerston Capital Limited.

13 Other operating expenses

	30 June 2019	30 June 2018
	$	$
Custody and administration fees	**9,866**	9,452
Withholding tax expenses	**7,605**	-
Other expenses	**2,990**	1,908
Total	**20,461**	11,360

14 Other receivables

	As at	
	30 June 2019	30 June 2018
	$	$
GST refund receivable	**5,950**	7,324
Total	**5,950**	7,324

15 Other payables

	As at	
	30 June 2019	30 June 2018
	$	$
Custody and administration fees payable	**7,965**	5,095
Total	**7,965**	5,095

16 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party including financial or operational decisions.

Details of Key Management Personnel

(i) Directors

The Responsible Entity and the Directors of the Responsible Entity are considered to be key management personnel of the Fund.

The names of the Directors of the Responsible Entity in office during the year and until the date of this report are:

Ashok Jacob (Chairman)
Brian O' Sullivan
Michael Johnston
Guy Jalland
Chris Kourtis

(ii) Compensation of key management personnel

No amount is paid by the Fund directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Fund to the Directors as Key Management Personnel.

Compensation is paid to the Responsible Entity in the form of fees as disclosed below.

Unitholding of Key Management Personnel

The key management personnel of the Fund held no units in the Fund at the end of reporting period (2018: nil).

All transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Fund would have adopted if dealing at arm's length.

16 Related party transactions (continued)

Unitholding of Related Parties

Parties related to the Fund including the Responsible Entity, its related parties and other funds managed by the Responsible Entity, did not hold any units in the Fund at the end of reporting period.

There is no unit held by the related parties in the Fund for the year ended 30 June 2019 and the table below showed the units held by the related parties in the Fund for the year ended 30 June 2018:

30 June 2018

Unitholder	Number of units held opening	Number of units held closing	Fair value of investment	Interest held	Number of units acquired	Number of units disposed	Distributions paid/ payable by the Fund
	(No.)	(No.)	($)	(%)	(No.)	(No.)	($)
Ellerston Global Equity Managers Fund	668,587	-	-	-	87,476	(756,063)	-

As at 30 June 2019, no unit acquired by Ellerston Global Equity Managers Fund are units issued upon reinvestment of distributions (2018: 27,881).

Ellerston Capital Limited is the investment manager of the Ellerston Global Equity Managers Fund.

Transactions with the Responsible Entity

The Responsible Entity will receive from the Class A a management fee in the range of 0.485% - 0.90% (2018: 0.485% - 0.90%) per annum (inclusive of the net effect of GST) of the gross asset value of the units.

The Responsible Entity will receive from the Fund a performance fee of 15% (2018: 15%) (inclusive of the net effect of GST) of the amount by which the accumulated investment return of the units exceeds the accumulated return of the S&P/ASX 200 Accumulation Index (the benchmark) during each year to 30 June (the calculation period). If the units underperform against the benchmark during a calculation period, a performance fee will not be paid. Any underperformance will be carried forward to the following calculation period and must be recouped before any performance fees can commence to accrue or be paid.

Management fees paid and payable for the year are shown in the table below. There were no performance fees incurred and payable as at 30 June 2019 (30 June 2018: nil).

	30 June 2019	30 June 2018
	$	$
Management fees expense	**230,650**	231,506
Management fees payable	**17,258**	22,915

All related party transactions are made at arm’s length on normal terms and conditions.

17 Events occurring after the reporting period

There were no significant matters or circumstances that have arisen since the end of the year that have significantly affected, or may affect, the Fund’s operations in future years, the results of those operations or the Fund’s state of affairs in future years.

18 Contingent assets, liabilities and commitments

The Fund did not have any contingent assets, liabilities or commitments as at 30 June 2019 and 30 June 2018.

Directors' declaration

In accordance with a resolution of the Directors of Ellerston Capital Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the Fund are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

  (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b); and

(c) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(d) The financial statements are in accordance with the provisions of the Fund's Constitution.

On behalf of the board

Brian O'Sullivan
Director

Sydney
26 September 2019

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Independent Auditor's Report to the Unitholders of Ellerston Australian Share Fund

Opinion

We have audited the financial report of Ellerston Australian Share Fund (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Ellerston Capital Limited (the Responsible Entity) are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
26 September 2019