

Ellerston Global Equity Managers Fund

ARSN 118 887 095

Financial Report

For the year ended 30 June 2023

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DIRECTORS' REPORT

The Directors of Ellerston Capital Limited (ABN 34 110 397 674), (“Ellerston Capital”, “Investment Manager” or the “Responsible Entity”), the Responsible Entity of the Ellerston Global Equity Managers Fund (the “Fund”), present their report together with the annual financial statements of the Fund for the year ended 30 June 2023 and 30 June 2022.

DIRECTORS

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

Ashok Jacob (Chairman)
Brian O’Sullivan (Resigned 31 March 2023)
Chris Kourtis
Stuart Robertson (Appointed 31 March 2023)

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund’s Constitution and current Product Disclosure Statement. There has been no significant changes in the nature of this activity during the year.

The Fund invests in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives.

FUND INFORMATION

The Fund is an Australian registered scheme, and was constituted on 20 March 2006. The Fund will terminate on 19 March 2086 unless terminated earlier in accordance with the provisions of the Fund Constitution.

The Responsible Entity of Ellerston Global Equity Managers Fund is Ellerston Capital Limited (ABN 34 110 397 674, AFSL No. 283 000). The registered office and principal place of business of the Responsible Entity is Level 11, 179 Elizabeth Street, Sydney, NSW 2000.

RESULTS

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

	2023 \$'000	2022 \$'000
Net operating loss before finance costs	15,238	35,081

DISTRIBUTIONS

No distribution was declared (2022: 428,472) or payable (2022: 428,472) by the Fund at the year end.

Distribution cents-per-unit (“CPU”) are:

	2023 CPU	2022 CPU
Class A	–	0.0513
Class B	–	0.2329
Class C	–	0.0369

DIRECTORS' REPORT (Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 31 March 2023, Brian O'Sullivan resigned and Stuart Robertson was appointed as new Director of Ellerston Capital Limited. There were no other significant changes in the state of affairs of the Fund during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2023 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

The Fund will maintain its investment strategy in accordance with its Constitution and will continue to pursue its investment objective as set out in its offering documents.

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 to Note 3 of the Financial Statements
- ii. Unit holdings of related parties of the Responsible Entity in the Fund – Refer to Note 9 of the Financial Statements
- iii. Applications and Redemptions in the Fund during the year – Refer to Note 7 of 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 2023 – Refer to Note 7 of the Financial Statements
- vi. Distributions payable to unitholders as at 30 June 2023 – Refer to Statement of Financial Position and Note 4 of the Financial Statements

DIRECTORS' REPORT (Continued)

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 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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Fund has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

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 thousand dollars 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 4.

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

On behalf of the Directors



Stuart Robertson
Director

Sydney, 29 September 2023



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Ellerston Capital Limited as Responsible Entity for Ellerston Global Equity Managers Fund

As lead auditor for the audit of the financial report of Ellerston Global Equity Managers Fund for the financial year ended 30 June 2023, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva
Partner
29 September 2023



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Independent Auditor's Report to the Unitholders of Ellerston Global Equity Managers Fund

Opinion

We have audited the financial report of **Ellerston Global Equity Managers Fund** (the Fund), which comprises the statement of financial position as at 30 June 2023, 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 2023 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 (including Independence Standards)* (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



Rita Da Silva
Partner
Sydney
29 September 2023

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 2023 and 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).
- (c) There are reasonable grounds to believe that the Fund will be able to pay its debts 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



Stuart Robertson
Director

Sydney, 29 September 2023

**Statement of Comprehensive Income
For the year ended 30 June 2023**

	<i>Notes</i>	2023 \$'000	2022 \$'000
INCOME			
Interest income		2,025	1,976
Dividend and trust distribution income		1,654	3,595
Net foreign exchange gains		1,316	2,991
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		(11,902)	(33,511)
Other income		186	154
TOTAL NET INVESTMENT LOSS		(6,721)	(24,795)
EXPENSES			
Manager fees	3	3,076	3,854
Bank and broker expenses		3,021	4,676
Interest expense		754	630
Dividend expense		583	306
Administration expenses		252	315
Performance fees	3	–	39
Other expenses		831	466
TOTAL OPERATING EXPENSES		8,517	10,286
NET OPERATING LOSS BEFORE FINANCE COSTS		(15,238)	(35,081)
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS			
Distributions to unitholders	4	–	(428)
Change in net assets attributable to unitholders		(15,238)	(35,509)
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
For the year ended 30 June 2023**

	<i>Notes</i>	2023 \$'000	2022 \$'000
ASSETS			
Cash and cash equivalents	11	49,183	7,560
Due from brokers	8	14,650	111,410
Subscriptions receivable		33	313
Receivables of interest income, dividends and trust distributions		30	117
Other receivables		32	85
Financial assets at fair value through profit or loss	5,6	133,447	153,511
TOTAL ASSETS		197,375	272,996
LIABILITIES			
Redemptions payable		2,974	4,884
Management and performance fees payable	3	238	284
Administration fees payable		78	75
Interest and dividends payable		10	73
Due to brokers	8	–	2,914
Distributions payable	4	–	428
Other payables		182	328
Financial liabilities at fair value through profit or loss	5,6	6,917	42,706
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		10,399	51,692
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	7	186,976	221,304

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

**Statement of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2023**

	<i>Notes</i>	2023 \$'000	2022 \$'000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	7		
Opening balance		221,304	208,437
Change in net assets attributable to unitholders		(15,238)	(35,509)
Applications		4,127	15,892
Redemptions		(23,569)	(14,691)
Units issued upon reinvestment of distributions		352	47,175
CLOSING BALANCE		186,976	221,304

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

Statement of Cash Flows
For the year ended 30 June 2023

	<i>Notes</i>	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investments		(258,071)	(599,104)
Sale of investments		324,290	613,653
Interest received		2,003	2,032
Dividend and trust distribution received		1,763	3,568
Net foreign exchange gains		1,316	2,991
Interest and dividend paid		(1,400)	(927)
Performance fees paid		(1)	(8,965)
Manager fees paid		(3,121)	(3,913)
Administration fees paid		(249)	(396)
Other income received		239	232
Other operating expenses paid		(3,998)	(5,492)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	11(b)	<u>62,771</u>	<u>3,679</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of units		4,407	15,579
Distribution paid		(76)	(8,515)
Payments for redemption of units		(25,479)	(9,807)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(21,148)</u>	<u>(2,743)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,623	936
Cash and cash equivalents at beginning of year		<u>7,560</u>	<u>6,624</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11(a)	<u>49,183</u>	<u>7,560</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Non-cash financing activity			
Reinvestment of unitholders distribution	11(c)	<u>352</u>	<u>47,175</u>

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

Notes to the Financial Statements For the year ended 30 June 2023

1 GENERAL INFORMATION

Ellerston Global Equity Managers Fund (the “Fund”) is an Australian registered fund, constituted on 20 March 2006. The Fund commenced operations on 1 May 2006. Ellerston Capital Limited (the “Responsible Entity” or the “Investment Manager”) is the Investment Manager and Responsible Entity of the Fund and is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity is located at Level 11, 179 Elizabeth Street, Sydney, New South Wales.

The Fund invests in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives in accordance with the provisions of the Fund’s Constitution and current Product Disclosure Statement.

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 of the Fund’s intention to elect into the AMIT regime from the financial year ended 30 June 2018 and for subsequent financial years. The Fund has determined that the net assets attributable to unitholders are classified as a financial liability on 30 June 2023 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 29 September 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. Cost is based on the fair values 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 prepared on a going concern basis and 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 in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value.

(d) Changes in accounting standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the Fund.

(e) Financial instruments

(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.

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

(iii) Classification and measurement

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; and
- the contractual cash flow characteristics of the financial asset.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iii) Classification and measurement (continued)

Financial assets (continued)

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, unit trusts and listed hybrid securities 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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(iii) Classification and measurement (continued)

Financial liabilities (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 Fund includes in this category listed equity securities – short, future and forward contracts - short and unlisted equity swap - short.

The equities and 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 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, receivables and due from brokers 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.

(f) 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, over-the-counter (“OTC”) options, exchange-traded options, forward contracts and equity swaps.

The Fund uses derivative financial instruments to hedge its risks associated primarily with market and foreign currency fluctuations. Derivative financial instruments may also be used for trading purposes where the Responsible Entity believes this would be more effective than investing directly in the underlying financial instruments.

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.

Notes to the Financial Statements
For the year ended 30 June 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Derivative financial instruments (continued)

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 to the Statement of Comprehensive Income for the year. The Fund holds the following derivative instruments:

(i) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(ii) 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 and over the counter. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

(iii) Forward currency contracts

Forward currency contracts are primarily used by the Fund to hedge against foreign currency exchange risks on its non-Australian dollar denominated investments. A forward currency contract represents an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon changes in specified foreign exchange rates. The hedging effects of forward currency contracts on the Fund's foreign currency exposure are provided in Note 13.

(iv) Warrants

Warrants that are purchased provide the Fund with exposure and potential gains upon equity appreciation of the underlying security. The price paid with regard to purchasing warrants is marked to market and the resulting gains or losses are recorded in the Statement of Comprehensive Income.

(v) Equity swaps

Unrealised gain or loss on open equity swap contracts are calculated by reference to the market value of the underlying reference securities on the valuation date. Any up-front fees paid or received are recorded as an investment or liability respectively, and subsequently adjusted to the market value of the swap. Periodic interest or dividend payments received or made at the end of each measurement period and upon termination are recorded as realised gains or losses in the Statement of Comprehensive Income.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Cash and cash equivalents

For the purpose of Statement of Financial Position and Statement of Cash Flows, cash comprises cash at bank. 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.

(i) Due from/to brokers

Due from/to brokers represents cash deposits and loans with brokers, including balances transferred as collateral against open positions, and amounts receivable and payable for securities transactions that have not yet settled at year end.

(j) 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.

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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue and income recognition (continued)

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.

Other income

Other income is brought to an account on an accrual basis.

(k) Expenses

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

(l) Income tax

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

In jurisdictions other than Australia, in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Fund. Capital gains derived by the Fund in most foreign jurisdictions generally will be exempt from foreign income or withholding taxes at source. The tax rates and laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

(m) Net assets attributable to unitholders

The Fund's units are classified as a financial liability as they do not satisfy the criteria to be classified as equity under AASB 132. These criteria are as follows:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Net assets attributable to unitholders (continued)

In addition to the puttable financial instrument having all of the above features, the Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund; and
- the effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continually assesses the classification of the units. If the units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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

Quantitative information about the Fund's capital is provided in the Statement of Changes in Net Assets Attributable to Unitholders and in Note 7. The units are entitled to income which is attributed by the Responsible Entity 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.

(n) Foreign currency translation

Both the functional and presentation currency of the Fund is Australian dollars (\$) which is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in a previous financial year are recognised in the Statement of Comprehensive Income as 'Net foreign exchange gains/(losses)'.

(o) Goods and services tax ("GST")

Revenues, expenses, cash flows, assets and liabilities are recognised net of the amount of 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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) 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 the 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.

(s) 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 Fund Constitution to distribute Fund income 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 gains.

(t) 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 issued on the date of the application or redemption.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Terms and conditions of units

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 any interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- receive income distributions;
- 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 unit in Class A, B and C are identical in all respects other than the high water mark applicable to each of these three classes.

Unitholders may make a request to redeem their units by giving written notice to the Responsible Entity:

- 45 days for Class A and B before a Redemption Date, which is the last business day of each calendar quarter; or
- 30 days for Class C before a Redemption Date, which is the last business day of each calendar month.

(v) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Significant accounting judgements, estimates and assumptions (continued)

Assessment as investment entity

Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's objective is to generate superior returns for unitholders, with a focus on risk and capital preservation and the Fund's investment strategy is to provide investors with exposure to global markets through a long short equity strategy.

All investments are reported at fair value to the extent allowed by the accounting standards in the Fund's annual reports. The Fund has a clearly documented exit strategy for all of its investments.

The Board has also concluded that the Fund meets the additional characteristics of an investment entity as it has more than one investment, the investments are predominantly in the form of equities and similar securities and it has more than one investor.

The Fund has related party investors as disclosed in Note 9(b). All transactions between the Fund and its related parties are at market value and on commercial terms and conditions. As such, the related parties do not transact with the Fund on terms that are unavailable to other unitholders. Therefore this does not preclude the Fund from meeting the definition of an investment entity.

The Board has concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

(w) 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 thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

**Notes to the Financial Statements
For the year ended 30 June 2023**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New standards and interpretations not yet adopted

Australian Accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been early adopted in preparing these financial statements. The nature of each amendment to standard which is applicable to the Fund is described below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This standard makes amendments to the following Australian Accounting Standards:

- (a) The amendments to AASB 7 *Financial Instruments*, to clarify that information about measurement bases for financial instruments is expected to be material to the Fund's financial statements.
- (b) The amendments to AASB 101 *Presentation of Financial Statements*, to require the Fund to disclose their material accounting policy information rather than their significant accounting policies.
- (c) The amendments to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how the Fund should distinguish changes in accounting policies and changes in accounting estimates.
- (d) The amendments to AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements.
- (e) The standard also makes amendments to AASB Practice Statement 2 *Making Materiality Judgements*. These amendments arise from the issuance by the International Accounting Standards Board (IASB) in February 2021 of the following International Financial Reporting Standards:
 - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
 - Definition of Accounting Estimates (Amendments to IAS 8).

This is to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

None of these amendments to standards are expected to have a material effect on the Fund's financial statements.

(y) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

**Notes to the Financial Statements
For the year ended 30 June 2023**

3 MANAGER FEES AND PERFORMANCE FEES

The Responsible Entity receives from the Fund an investment manager fee of 1.50% (2022: 1.50%) per annum of the net asset value of the units (before deduction of the investment manager fee and before deduction for any accrued performance fees). This fee is payable monthly in arrears.

The Responsible Entity receives from the Fund a performance fee of 16.50% (2022: 16.50%) on positive performance subject to a high water mark. The high water mark is the greater of:

- the highest net asset value per unit as at the last day of the last period for which a performance fee was last paid or payable; and
- the issue price of the first units under the Product Disclosure Statement.

Manager and performance fee expenses and payable balances for the year are shown in the table below:

	2023	2022
	\$'000	\$'000
Manager fees expense	3,076	3,854
Manager fees payable	238	283
Performance fees expense	–	39
Performance fees payable	–	1

4 DISTRIBUTIONS PAID AND PAYABLE TO UNITHOLDERS

Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

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. Refer to Note 1 and Note 2(s) for further details.

No distribution was declared (2022: \$428,472) or payable (2022: \$428,472) by the Fund at the year end.

5 INVESTMENTS IN FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	\$'000	\$'000
Financial assets		
Equity Securities	127,395	126,567
Equity Options	3,021	13,950
Investment in Funds	2,402	11,311
Forwards	507	449
Convertible Notes	100	600
Futures	21	101
Commodity Options	1	–
Equity Swaps	–	484
Warrants	–	49
Total financial assets	133,447	153,511

**Notes to the Financial Statements
For the year ended 30 June 2023**

5 INVESTMENTS IN FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	2023	2022
	\$'000	\$'000
Financial liabilities		
Equity Securities	6,399	34,947
Forwards	374	6,234
Equity Options	144	1,332
Futures	—	193
Total financial liabilities	6,917	42,706

6 FAIR VALUE MEASUREMENT

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

- financial assets/liabilities at fair value through profit or loss (see Note 5);
- derivative financial instruments (see Note 5).

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:

- 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 is based on their quoted market prices at the end of the year. Financial assets and liabilities are priced at their last traded prices.

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

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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

6 FAIR VALUE MEASUREMENT (CONTINUED)

(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.

The Asset Valuation Committee determines the policies and procedures for fair value measurement of the assets of the Funds having regard to the nature and type of the asset. The Asset Valuation Committee is comprised of the Responsible Entity's Chief Investment Officer or Chief Executive Officer as alternate, the Head of Operations, an independent member of the Compliance Committee and a manager of the Legal and Compliance team. The Asset Valuation Committee meets on a quarterly basis and decides which valuation techniques and inputs to use for each case and may require board approval in special situations as described in the Asset Valuation Policy.

**Notes to the Financial Statements
For the year ended 30 June 2023**

6 FAIR VALUE MEASUREMENT (CONTINUED)

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

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 2023 and 30 June 2022.

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Equity Securities	119,717	240	7,438	127,395
Equity Options	3,021	–	–	3,021
Investment in Funds	–	58	2,344	2,402
Forwards	–	507	–	507
Convertible Notes	–	–	100	100
Futures	21	–	–	21
Commodity Options	1	–	–	1
Total financial assets	122,760	805	9,882	133,447
Financial liabilities				
Equity Securities	6,399	–	–	6,399
Forwards	–	374	–	374
Equity Options	144	–	–	144
Total financial liabilities	6,543	374	–	6,917
30 June 2022				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Equity Securities	112,555	655	13,357	126,567
Equity Options	12,814	–	1,136	13,950
Investment in Funds	–	8,939	2,372	11,311
Convertible Notes	–	–	600	600
Equity Swaps	–	484	–	484
Forwards	–	449	–	449
Futures	101	–	–	101
Warrants	–	49	–	49
Total financial assets	125,470	10,576	17,465	153,511
Financial liabilities				
Equity Securities	34,947	–	–	34,947
Forwards	–	6,234	–	6,234
Equity Options	1,332	–	–	1,332
Futures	193	–	–	193
Total financial liabilities	36,472	6,234	–	42,706

**Notes to the Financial Statements
For the year ended 30 June 2023**

6 FAIR VALUE MEASUREMENT (CONTINUED)

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

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 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 uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable.

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

The Fund continues to determine net asset values with the frequency as set out in the Product Disclosure Statement, consistently applying valuation policies and reflective of prevailing market conditions.

The valuation inputs are estimates based on the circumstances prevailing at the reporting date and may materially change depending on future economic conditions and other factors specific to the individual investments and consequently the fair value could change significantly over time.

Quantitative information of significant unobservable inputs - level 3

Description	\$'000	Valuation techniques	Significant unobservable inputs	Range (weighted average)
2023				
Investment in Funds	1,920	LP Partnership interest	n/a	n/a
Investment in Funds	424	Net Asset Value/Share	n/a	n/a
Equity Securities	329	Market Discount	Discount rate	5%
Equity Securities	5,075	Earnings Multiple	Earnings Multiple	10.4x-64.5x
Equity Securities	2,034	Recent Transaction Price	n/a	n/a
Convertible Notes	100	Recent Transaction Price	n/a	n/a
2022				
Investment in Funds	1,932	LP Partnership interest	n/a	n/a
Investment in Funds	440	Net Asset Value/Share	n/a	n/a
Equity Securities	1,212	Discount	Discount rate	20%
Equity Securities	3,535	Earnings Multiple	Earnings Multiple	7x-18x
Equity Securities	8,610	Recent Transaction Price	n/a	n/a
Equity Options	1,136	Recent Transaction Price	n/a	n/a
Convertible Notes	600	Recent Transaction Price	n/a	n/a

**Notes to the Financial Statements
For the year ended 30 June 2023**

6 FAIR VALUE MEASUREMENT (CONTINUED)

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

Sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy:

<i>Description</i>	<i>Year</i>	<i>Input</i>	<i>Sensitivity used*</i>	<i>Effect on fair value \$'000</i>
Investment in Funds	2023	LP Partnership interest	n/a	n/a
Investment in Funds		Recent Transaction Price	n/a	n/a
Equity Securities		Market Discount	5%	17
Equity Securities		Earnings Multiple	1x	1,113
Equity Securities		Recent Transaction Price	n/a	n/a
Equity Options		Recent Transaction Price	n/a	n/a
Convertible Notes		Recent Transaction Price	n/a	n/a
Investment in Funds	2022	LP Partnership interest	n/a	n/a
Investment in Funds		Net Asset Value/Share	n/a	n/a
Equity Securities		Discount	1%	3
Equity Securities		Earnings Multiple	1x	431
Equity Securities		Recent Transaction Price	n/a	n/a
Equity Options		Recent Transaction Price	n/a	n/a
Convertible Notes		Recent Transaction Price	n/a	n/a

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

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

(i) *Transfers between levels*

There was no transfer into level 3 (30 June 2022: \$73,933) and \$1,205,390 was transferred out from level 3 to level 1 (30 June 2022: \$693,552) for the year ended 30 June 2023.

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

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting year.

<i>Assets</i>	<i>2023 \$'000</i>	<i>2022 \$'000</i>
Opening balance	17,465	15,113
Total (losses) and gains		
- in (loss) or profit	(2,269)	8,419
- in other comprehensive income	–	–
Purchases	2,665	44,284
Sales	(6,774)	(49,731)
Transfers into/(out from) level 3	(1,205)	(620)
Closing balance	9,882	17,465

**Notes to the Financial Statements
For the year ended 30 June 2023**

6 FAIR VALUE MEASUREMENT (CONTINUED)

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

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

Liabilities	2023 \$'000	2022 \$'000
Opening balance	–	–
Total losses and (gains)		
- in loss or (profit)	–	(555)
- in other comprehensive income	–	–
Purchases	–	3,396
Sales	–	(2,841)
Transfers into/(out from) level 3	–	–
Closing balance	–	–

Due to their short-term nature, the carrying amounts of receivables and payables approximate fair value. Gains or losses included in profit or loss are presented in change in fair value of financial assets and liabilities at fair value through profit or loss as follows:

	2023 \$'000	2022 \$'000
Total unrealised (loss)/gain included in profit or loss for level 3 assets	(5,039)	1,736
Total realised gain included in profit or loss for level 3 assets	2,770	6,683
Total realised (gain)/loss included in profit or loss for level 3 liabilities	–	(555)

The terms and conditions attached to the units are stated in Note 2(t) and Note 2(u).

**Notes to the Financial Statements
For the year ended 30 June 2023**

7 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movements in units and value of the Fund and classes during the year ended 30 June 2023 and 30 June 2022 are as follows:

2023	Class A \$'000	Class B \$'000	Class C \$'000	Total \$'000
Opening balance	16,019	83,979	121,306	221,304
Change in net assets attributable to unitholders	(1,113)	(5,813)	(8,312)	(15,238)
Application of units	–	–	4,127	4,127
Redemption of units	(324)	(5,452)	(17,793)	(23,569)
Distribution re-invested	4	121	227	352
Closing balance	14,586	72,835	99,555	186,976

2022				
Opening balance	17,509	85,371	105,557	208,437
Change in net assets attributable to unitholders	(2,796)	(13,472)	(19,241)	(35,509)
Application of units	–	–	15,892	15,892
Redemption of units	(2,249)	(6,689)	(5,753)	(14,691)
Distribution re-invested	3,555	18,769	24,851	47,175
Closing balance	16,019	83,979	121,306	221,304

2023	Class A Units ('000)	Class B Units ('000)	Class C Units ('000)	Total Units ('000)
Opening balance	11,031	59,192	77,288	147,511
Application of units	–	–	2,680	2,680
Redemption of units	(240)	(4,108)	(11,947)	(16,295)
Distribution re-invested	4	86	145	235
Closing balance	10,795	55,170	68,166	134,131

2022				
Opening balance	10,434	52,010	58,070	120,514
Application of units	–	–	8,839	8,839
Redemption of units	(1,521)	(4,253)	(3,292)	(9,066)
Distribution re-invested	2,118	11,435	13,671	27,224
Closing balance	11,031	59,192	77,288	147,511

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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

7 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Capital management (continued)

The Fund's objectives for managing capital are:

- to invest capital in accordance with the provisions of the Fund's Constitution and the current Product Disclosure Statement; and
- to pursue its investment objective which is consistent with the Constitution and Product Disclosure Statement by investing in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives.

The policies and processes applied by the Fund in managing its capital are outlined in Note 2(m).

8 DUE FROM/TO BROKERS

	2023	2022
	\$'000	\$'000
<i>Due from brokers</i>		
Receivables for investments sold	–	23,956
Broker balance	14,650	87,454
	14,650	111,410
<i>Due to brokers</i>		
Payables for investments purchased	–	2,528
Broker balance	–	386
	–	2,914

Broker balances represent cash deposits and loans with brokers including balances transferred as collateral against open positions. There was \$433 held as collateral with broker accounts as of 30 June 2023 (2022: \$384,024).

9 RELATED PARTIES

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.

(a) 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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

9 RELATED PARTIES (CONTINUED)

(a) Details of key management personnel (continued)

(i) Directors (continued)

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are below. On 31 March 2023, Brian O'Sullivan resigned and Stuart Robertson was appointed as new Director of Ellerston Capital Limited.

Ashok Jacob (Chairman)
Brian O'Sullivan (Resigned 31 March 2023)
Chris Kourtis
Stuart Robertson (Appointed 31 March 2023)

(ii) Compensation of key management personnel

No Directors fees or other amounts have been paid or are payable at year end to the Directors by the Fund.

(b) Units held by related parties

2023	No. of units held		%
	\$	as at 30 June	of the fund
<i>Directors of the Responsible Entity</i>			
Ashok Jacob	48,929,183	34,028,815	26.17
Chris Kourtis	185,636	127,113	0.10
2022			
<i>Directors of the Responsible Entity</i>			
Ashok Jacob	49,329,924	32,033,459	22.00
Brian O'Sullivan (Resigned 31 March 2023)	18,531	13,094	0.00
		2023	2022
		\$	\$
<i>Distributions paid/payable</i>			
Ashok Jacob		–	13,233,052
Brian O'Sullivan (Resigned 31 March 2023)		–	4,434

**Notes to the Financial Statements
For the year ended 30 June 2023**

9 RELATED PARTIES (CONTINUED)

(c) Transactions with related parties

- (i) Fees paid and payable to the Responsible Entity are disclosed in Note 3.
- (ii) The Fund from time to time enters into transactions with parties related to or managed by the Responsible Entity. All related party transactions are made at arm's length on normal business terms and conditions.

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Investment in other entity managed by the Responsible Entity	482*	490*

* Excluding investment in unconsolidated subsidiaries shown in Note 10.

10 INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

	2023 \$'000	2022 \$'000
Ellerston Asia Growth Fund	–	8,889

	Principal place of business	Proportion of ownership and voting rights	
		2023	2022
Ellerston Asia Growth Fund	Australia	17%*	96%

* As at 31 May 2023, Ellerston Asia Growth Fund is not considered as a subsidiary. The Fund lost its control over Ellerston Asia Growth Fund as the ownership of the Fund has significantly decreased to 16.65%.

The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiaries. The Fund receives income in the form of distributions from its investments in unconsolidated subsidiary, and there are no significant restrictions on the transfer of cash from these entities to the Fund. The management and performance fees paid as the result of the Fund's investments in its subsidiaries are fully rebated.

11 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise:

	2023 \$'000	2022 \$'000
Cash at bank	49,183	7,560

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

**Notes to the Financial Statements
For the year ended 30 June 2023**

11 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of change in net assets attributable to unitholders for the year to net cash flows from operating activities

	2023	2022
	\$'000	\$'000
Net operating loss before finance costs	(15,238)	(35,081)
<i>Adjustments for:</i>		
Purchase of investments	(258,071)	(599,104)
Proceeds on disposal of investments	324,290	613,653
Net changes in the fair value of investments	11,902	33,511
Decrease in assets:		
Interest and dividends receivable	87	29
Other receivables	53	79
Increase/(decrease) in liabilities:		
Management fees payable	(45)	(59)
Performance fees payable	(1)	(8,926)
Interest and dividends payable	(63)	9
Other payables	(143)	(432)
Cash flows provided by operating activities	62,771	3,679

(c) Non-cash financing activity

	2023	2022
	\$'000	\$'000
Reinvestment of unitholders distribution	352	47,175

12 AUDITORS REMUNERATION

	2023	2022
	\$	\$
<i>Fees paid or payable to the auditor Ernst & Young for:</i>		
Audit and review of the statutory financial report	98,483	91,783
Auditing the compliance plan	6,924	6,300
Other Services		
- Tax compliance	62,150	43,193
Total fees to Ernst & Young	167,557	141,276

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial risk management objectives, policies and processes

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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Financial risk management objectives, policies and processes (continued)

Financial instruments of the Fund comprise investment 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

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and equity linked derivatives. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

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

If the price of each equity in the investment portfolio moves +/- 10%, this will result in a change in net assets attributable to unitholders and a change in net operating loss attributable to unitholders as follows:

	Change in equity price		Impact on operating loss before finance costs/Net assets attributable to unitholders	
	%	%	\$'000	\$'000
2023	10	(10)	11,591	(11,591)
2022	10	(10)	8,909	(8,909)

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of financial assets and financial liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

**Notes to the Financial Statements
For the year ended 30 June 2023**

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The tables below indicate the currencies to which the Fund had significant exposure on its financial assets and liabilities. The analysis discloses management's best estimates of the effect of a reasonably possible movement of the currency rate against the Australian dollar, with all other variables held constant in the Statement of Comprehensive Income and Statement of Financial Position. A negative amount in the tables reflects a potential net reduction in profit or loss and net assets attributable to unitholders, while a positive amount reflects a potential net increase.

In practice the actual trading results may differ from the below sensitivity analysis and the difference may be material.

The gross value of foreign exchange forward contract agreement at year end, and the Fund's sensitivity to these contracts, are also included in the tables below.

	US dollars \$'000	British pounds \$'000	Indian rupee \$'000	All other foreign currencies \$'000	Total \$'000
30 June 2023					
<i>Monetary and non-monetary assets and liabilities</i>					
Monetary assets and liabilities					
Due from brokers	6,855	3,246	1	1,673	11,775
Other payables	(1)	–	–	(10)	(11)
Total monetary assets and liabilities	6,854	3,246	1	1,663	11,764
Non-monetary assets and liabilities					
Financial assets at fair value through profit or loss	75,657	16,932	–	6,837	99,426
Financial liabilities at fair value through profit or loss	(1,635)	(284)	–	(2,065)	(3,984)
Total non-monetary assets and liabilities	74,022	16,648	–	4,772	95,442
Gross value of foreign exchange forward contracts	(79,533)	(19,619)	–	(6,764)	(105,916)
Net exposure to foreign currency on monetary and non-monetary assets and liabilities	1,343	275	1	(329)	1,290
Effect of a 10% change in AUD exchange rate on profit or loss and net assets attributable to unitholders	134	28	–	(33)	129

**Notes to the Financial Statements
For the year ended 30 June 2023**

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

30 June 2022	US dollars \$'000	British pounds \$'000	Indian rupee \$'000	All other foreign currencies \$'000	Total \$'000
Monetary and non-monetary assets and liabilities					
Monetary assets and liabilities					
Due from brokers	33,505	(1)	5,796	7,000	46,300
Due to brokers	(2,528)	–	–	–	(2,528)
Receivables of interest income, dividends and trust distributions	39	–	–	–	39
Other payables	(2)	–	–	(9)	(11)
Total monetary assets and liabilities	31,014	(1)	5,796	6,991	43,800
Non-monetary assets and liabilities					
Financial assets at fair value through profit or loss	71,428	9,521	–	2,837	83,786
Financial liabilities at fair value through profit or loss	(28,821)	(217)	–	(3,781)	(32,819)
Total non-monetary assets and liabilities	42,607	9,304	–	(944)	50,967
Gross value of foreign exchange forward contracts	(74,182)	(9,498)	–	(5,264)	(88,944)
Net exposure to foreign currency on monetary and non-monetary assets and liabilities	(561)	(195)	5,796	783	5,823
Effect of a 10% change in AUD exchange rate on profit or loss and net assets attributable to unitholders	(56)	(20)	580	78	582

**Notes to the Financial Statements
For the year ended 30 June 2023**

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(a) Market risk (continued)

(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.

A significant proportion of the Fund's assets exposed in interest rate risk are held in cash and cash equivalents as at 30 June 2023 and 30 June 2022. The table below summarises the sensitivity of the Fund's operating loss before finance costs and net assets attributable to unitholders through changes in fair values or changes in future cash flows, with all other variables held constant. The analysis is based on the assumption that interest rates moved by +/-1% (2022: +/-1%) from the year end rates with all other variables held constant.

	Change in interest rate		Impact on operating loss before finance costs/Net assets attributable to unitholders	
	%	%	\$'000	\$'000
2023	1	(1)	492	(492)
2022	1	(1)	76	(76)

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed 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 year end.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

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.

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.

**Notes to the Financial Statements
For the year ended 30 June 2023**

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(b) Credit risk (continued)

Concentration of credit risk exposure (continued)

The Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels. 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 a portion was held with top-tier Australian banks.

To reduce the concentration of credit risk exposure, the Fund has appointed both Morgan Stanley & Co International PLC and Goldman Sachs International as prime brokers and custodians of the Fund.

The Standard and Poor's long term foreign issuer credit rating of the Fund's counterparties as at 30 June 2023 and 30 June 2022 are:

- A+ for Morgan Stanley & Co International PLC (2022: A-).
- A+ for Goldman Sachs International (2022: A+).

(c) 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 and other payables. Outstanding settlements payable are settled within 3 days after trade. Distributions payable and other payables have no contractual maturities but are typically settled within 30 days.

Financial liabilities at fair value through profit and loss consists of listed equities and exchange traded options which are highly liquid investments and are ready to trade on recognised securities exchanges. Listed equities have no contractual maturities. All exchange traded options have an expiry period within 12 months.

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.

14 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal 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 reporting period, the Fund has no financial assets or liabilities in the Statement of Financial Position which are presented net.

**Notes to the Financial Statements
For the year ended 30 June 2023**

14 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following tables provide information on the financial impact of the netting agreements if they were applied to the recognised financial assets and liabilities:

Financial assets

	Gross amount of financial assets \$'000	Gross offset in the statement of financial position \$'000	Net amount presented on statement of financial position \$'000	Amounts subject to master netting arrangement \$'000	Amounts related to financial collaterals pledged/received \$'000	Net amount \$'000
30 June 2023						
Derivative financial instruments	3,550	–	3,550	(518)	–	3,032
Total	3,550	–	3,550	(518)	–	3,032

30 June 2022

Derivative financial instruments	13,897	–	13,897	(1,882)	–	12,015
Total	13,897	–	13,897	(1,882)	–	12,015

Financial liabilities

	Gross amount of financial liabilities \$'000	Gross offset in the statement of financial position \$'000	Net amount presented on statement of financial position \$'000	Amounts subject to master netting arrangement \$'000	Amounts related to financial collaterals pledged/received \$'000	Net amount* \$'000
30 June 2023						
Derivative financial instruments	(518)	–	(518)	518	–	–
Total	(518)	–	(518)	518	–	–

30 June 2022

Derivative financial instruments	(7,759)	–	(7,759)	1,882	5,877**	–
Total	(7,759)	–	(7,759)	1,882	5,877	–

* There was \$433 held as collateral with broker accounts as of 30 June 2023 (2022: \$384,024).

**The corresponding equity securities were held by the Fund as collateral as provided in Note 5.

The Fund presents the fair value of its derivative assets and liabilities on a gross basis. There were no derivative assets or liabilities that have been offset in the Statement of Financial Position.

Notes to the Financial Statements
For the year ended 30 June 2023

15 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies as at 30 June 2023 (2022: None).

16 EVENTS AFTER THE REPORTING DATE

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.