

Australian Eagle Trust

ARSN 632 568 846

Interim report

For the half-year ended 31 December 2022

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Australian Eagle Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Australian Eagle Trust as an individual entity.

The Responsible Entity of Australian Eagle Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Directors' report (continued)

Matters subsequent to the end of the half-year

On 23 January 2023, Simone Mosse resigned as Director and Christopher Green was appointed as Director.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund.

No other matters or circumstances have arisen since 31 December 2022 that have significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents 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.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 7 of the interim financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in Note 2 of the interim financial statements.

Environmental regulation

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

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.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
13 March 2023

Lead Auditor's Independence Declaration under *Section 307C of Corporations Act 2001*

Australian Eagle Trust
Statement of comprehensive income
For the half-year ended 31 December 2022

Statement of comprehensive income

	Notes	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
Investment income			
Dividend and distribution income		3,208	1,664
Net gains/(losses) on financial instruments at fair value through profit or loss	4	<u>9,218</u>	<u>7,712</u>
Total investment income/(loss)		<u>12,426</u>	<u>9,376</u>
Expenses			
Management fees		737	428
Performance fees		864	615
Dividend expenses		601	628
Recoverable expenses		94	54
Other operating expenses		178	71
Total operating expenses		<u>2,474</u>	<u>1,796</u>
Operating profit/(loss) before financial costs for the half-year		<u>9,952</u>	<u>7,580</u>
Finance costs attributable to unitholders			
(Increase) in net assets attributable to unitholders	7	<u>(9,952)</u>	<u>(7,580)</u>
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the half-year		<u>-</u>	<u>-</u>

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Australian Eagle Trust
Statement of financial position
As at 31 December 2022

Statement of financial position

	Notes	As at	
		31 December 2022 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents		14,000	5,490
Dividends and distributions receivable		201	547
GST receivable		103	30
Due from brokers - receivable for securities sold		11,796	13,422
Applications receivable		23	-
Financial assets at fair value through profit or loss	5	<u>221,681</u>	<u>141,475</u>
Total assets		247,804	160,964
Liabilities			
Distributions payable		-	1,905
Performance fees payable		-	373
Management fees payable		153	96
Other payables		115	62
Due to brokers - payable for securities purchased		19,810	15,729
Financial liabilities at fair value through profit or loss	6	<u>80,621</u>	<u>50,860</u>
Total liabilities (excluding net assets attributable to investors)		100,699	69,025
Net assets attributable to unitholders – liability	7	147,105	91,939

The above Statement of financial position should be read in conjunction with the accompanying notes.

Australian Eagle Trust
Statement of changes in equity
For the half-year ended 31 December 2022

Statement of changes in equity

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Total equity at the beginning of the half-year	-	-
Comprehensive income/(loss) for the half-year		
Profit/(loss) for the half-year	-	-
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) for the half-year	-	-
Transactions with unitholders		
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
Distributions paid and payable	-	-
Total transactions with unitholders	-	-
Total equity at the end of the half-year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year. Refer to Note 7 for further details.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Australian Eagle Trust
Statement of cash flows
For the half-year ended 31 December 2022

Statement of cash flows

	Notes	Half-year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities			
Proceeds from sale of financial assets at fair value through profit or loss		26,675	17,688
Payments for settlement of financial liabilities at fair value through profit or loss		(38,731)	(20,459)
Payments for purchase of financial assets at fair value through profit or loss		(99,461)	(35,203)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss		75,997	30,645
Dividends and distributions received		3,570	1,842
Management fees paid		(624)	(370)
Performance fees paid		(1,237)	(2)
Dividend paid		(564)	(628)
Other expenses paid		(345)	(121)
Net cash inflow/(outflow) from operating activities		(34,720)	(6,608)
Cash flows from financing activities			
Proceeds from applications by unitholders		47,899	12,385
Payments for redemptions by unitholders		(3,125)	(3,019)
Distributions paid		(1,544)	(314)
Net cash inflow/(outflow) from financing activities		43,230	9,052
Net increase/(decrease) in cash and cash equivalents		8,510	2,444
Cash and cash equivalents at the beginning of the half-year		5,490	2,323
Cash and cash equivalents at the end of the half-year		14,000	4,767
Non-cash financing activities			
Issue of units under the distribution reinvestment plan	7	361	130
Issue of units from reinvestment of fee rebate	7	67	65

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the interim financial statements

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1 General information

These interim financial statements cover Australian Eagle Trust (the "Fund") as an individual entity. The Fund was constituted on 28 April 2016 and commenced operations on 17 June 2016. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Fund is Australian Eagle Asset Management Pty Limited (the "Investment Manager").

The investment objective of the Fund is to provide capital growth over the longer term through leveraged investment in Australian securities. The Fund's strategy is to buy a leveraged exposure to superior quality stocks identified by Australian Eagle Asset Management's bottom-up research process, funded by short selling lower quality stocks that the research process has historically identified as underperformers.

The interim financial statements of the Fund are for the half-year ended 31 December 2022. The interim financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The interim financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 13 March 2023. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

These interim financial statements do not include all the notes of the type normally included in Annual Reports. Accordingly, these interim financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2022 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to unitholders.

(b) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2022.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(c) 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 interim financial statements. Amounts in the interim financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3 Fair value measurement

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

- Financial assets and liabilities at fair value through profit or loss ("FVTPL") (see Notes 5 and 6)

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

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 reporting year without any deduction for estimated future selling costs.

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

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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

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

(ii) *Valuation techniques used to derive level 2 and level 3 fair value*

The fair value of financial assets and liabilities that are not exchange-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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and managed funds with suspended applications and withdrawals.

Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2022 and 30 June 2022.

As at 31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	210,690	-	-	210,690
Listed unit trusts	10,991	-	-	10,991
Total financial assets at fair value through profit or loss	221,681	-	-	221,681
Financial liabilities at fair value through profit or loss				
Listed equities	71,916	-	-	71,916
Listed unit trusts	8,705	-	-	8,705
Total financial liabilities at fair value through profit or loss	80,621	-	-	80,621

3 Fair value measurement (continued)

Recognised fair value measurements (continued)

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	133,527	-	-	133,527
Listed unit trusts	7,948	-	-	7,948
Total financial assets at fair value through profit or loss	<u>141,475</u>	<u>-</u>	<u>-</u>	<u>141,475</u>
Financial liabilities at fair value through profit or loss				
Listed equities	48,135	-	-	48,135
Listed unit trusts	2,725	-	-	2,725
Total financial liabilities at fair value through profit or loss	<u>50,860</u>	<u>-</u>	<u>-</u>	<u>50,860</u>

(i) *Transfers between levels*

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

There were no transfers between the levels in the fair value hierarchy for the half-year ended 31 December 2022.

(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 half-year ended 31 December 2022 or year ended 30 June 2022.

(iii) *Valuation processes*

Portfolio reviews are undertaken regularly by the Investment Manager to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, the Investment Manager performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iv) *Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of cash and cash equivalents, receivables and payables are assumed to approximate fair value.

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

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	2,315	3,691
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	12,019	2,393
Total net gains/(losses) on financial assets at fair value through profit or loss	<u>14,334</u>	<u>6,084</u>
Financial liabilities		
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	1,980	(598)
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	(7,096)	2,226
Total net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(5,116)</u>	<u>1,628</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>9,218</u>	<u>7,712</u>

5 Financial assets at fair value through profit or loss

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Financial assets at fair value through profit or loss		
Listed equities	210,690	133,527
Listed unit trusts	10,991	7,948
Total financial assets at fair value through profit or loss	221,681	141,475

6 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2022 \$'000	30 June 2022 \$'000
Financial liabilities at fair value through profit or loss		
Listed equities	71,916	48,135
Listed unit trusts	8,705	2,725
Total financial liabilities at fair value through profit or loss	80,621	50,860

7 Net assets attributable to unitholders

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. For the reporting periods ended 31 December 2022 and 30 June 2022, the Fund did not meet the "widely held" requirements of a Managed Investment Trust. Consequently, the Fund's units have been classified as liability for both periods.

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

	Half-year ended			
	31 December 2022 No. '000	31 December 2021 No. '000	31 December 2022 \$'000	31 December 2021 \$'000
	Opening balance	41,876	28,665	91,939
Applications	20,098	5,378	47,911	12,385
Units issued upon reinvestment of distributions	164	60	361	130
Units issued upon reinvestment of fee rebates	29	28	67	65
Redemptions	(1,316)	(1,323)	(3,125)	(3,019)
Increase in net assets attributable to unitholders	-	-	9,952	7,580
Closing balance	60,851	32,808	147,105	79,072

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund classifies its net assets attributable to unitholders as financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Investment Manager and Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

Distributions are payable at the end of each financial year. Such distributions are determined by reference to the net taxable income of the Fund.

There were no distributions declared for the half-year ended 31 December 2022 (31 December 2021: Nil).

9 Remuneration of auditor

During the half-year the following fees were paid or payable for services provided by the auditor of the Fund:

	Half-year ended	
	31 December 2022	31 December 2021
	\$	\$
Ernst & Young		
Audit and other assurance services		
Review of interim financial statements	6,600	7,500
Total remuneration for audit and other assurance services	6,600	7,500

The remuneration of the auditor is borne by the Investment Manager. Fees are stated exclusive of GST.

10 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Australian Eagle Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150).

Key management personnel

Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial period as follows:

Name

Glenn Foster	
Simone Mosse	Resigned as Director on 23 January 2023
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Christopher Green	Appointed as Director on 23 January 2023

11 Significant events during the half-year

The current geopolitical events have had a global market impact and uncertainty exists as to their implications. Such disruptions can adversely affect the assets, performance and liquidity of investment funds.

Recognising the Russia/Ukraine conflict as well as Australia's broadening of its existing autonomous sanctions, the Directors and management continue to remain abreast of developments in this area and monitor the potential impacts across the Fund.

There were no other significant events during the half-year.

12 Events occurring after the reporting period

On 23 January 2023, Simone Mosse resigned as Director and Christopher Green was appointed as Director.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund.

The Directors are not aware of any other events or circumstances since the end of the financial half-year not otherwise addressed within this report that have affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

13 Contingent assets and liabilities and commitments

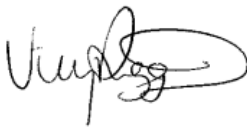
There are no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
13 March 2023

Independent auditor's report