

Australian Eagle Trust

ARSN 632 568 846

Annual report

For the year ended 30 June 2022

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These financial statements cover 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

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity (the "Responsible Entity") of Australian Eagle Trust (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2022.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund aims to provide capital growth over the longer term through a leveraged investment in Australian securities. Commensurate with this, the objective of the Fund is to outperform the S&P/ASX 100 Accumulation Index over a period of 5 years.

The Fund was constituted on 28 April 2016 and commenced operations on 17 June 2016.

The Fund did not have any employees during the year.

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

Directors

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	
Simone Mosse	
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	Resigned as Director on 1 February 2022

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

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

	Year ended	
	30 June 2022	30 June 2021
Operating profit/(loss) before finance costs (\$'000)	1,699	11,496
Distributions paid and payable (\$'000)	1,905	444
Distributions (cents per unit)	4.55	1.55

Significant changes in the state of affairs

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

Further to this, the current geopolitical events have also 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.

On 1 February 2022, Richard McCarthy resigned as a Director.

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

Directors' report (continued)

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment 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.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in Note 13 of the financial statements.

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 13 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 of the 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 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 the *ASIC Corporations Instrument*, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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
20 September 2022



**Building a better
working world**

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Auditor's independence declaration to the directors of The Trust Company (RE Services) Limited as Responsible Entity for Australian Eagle Trust

As lead auditor for the audit of the financial report of Australian Eagle Trust for the financial year ended 30 June 2022, 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

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
20 September 2022

Statement of comprehensive income

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
Investment income			
Dividend and distribution income		4,653	1,642
Other income		-	3
Net gains/(losses) on financial instruments at fair value through profit or loss	5	1,096	11,409
Total investment income		5,749	13,054
Expenses			
Management fees	13	981	704
Performance fees	13	989	187
Dividend expenses		1,761	502
Recoverable expenses	13	125	72
Other operating expenses		194	93
Total operating expenses		4,050	1,558
Operating profit/(loss) before finance costs		1,699	11,496
Finance costs attributable to unitholders			
Distributions to unitholders	9	(1,905)	(444)
(Increase)/decrease in net assets attributable to unitholders		206	(11,052)
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		-	-

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

Statement of financial position

	Notes	As at	
		30 June 2022 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents	10	5,490	2,323
Dividends and distributions receivable		547	147
GST receivable		30	21
Due from brokers - receivable for securities sold		13,422	8,536
Financial assets at fair value through profit or loss	6	141,475	86,752
Total assets		160,964	97,779
Liabilities			
Distributions payable	9	1,905	444
Performance fees payable	13	373	-
Management fees payable	13	96	77
Other payables		62	18
Due to brokers - payable for securities purchased		15,729	8,743
Financial liabilities at fair value through profit or loss	7	50,860	26,566
Total liabilities (excluding net assets attributable to unitholders)		69,025	35,848
Net assets attributable to unitholders – liability	8	91,939	61,931

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

Statement of changes in equity

	Year ended	
	30 June 2022 \$'000	30 June 2021 \$'000
Notes		
Total equity at the beginning of the year	-	-
Comprehensive income/(loss) for the year		
Profit/(loss) for the year	-	-
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) for the 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 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 financial year.

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

Statement of cash flows

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		(19,870)	(21,690)
Payments for purchase of financial instruments at fair value through profit or loss		(7,363)	1,870
Dividends received		4,253	1,573
Other income received		-	3
Management fees paid		(962)	(663)
Performance fees paid		(616)	(618)
Dividend paid		(1,761)	(502)
Other expenses paid		(284)	(139)
Net cash inflow/(outflow) from operating activities	11 (a)	<u>(26,603)</u>	<u>(20,166)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		39,517	24,137
Payments for redemptions by unitholders		(9,433)	(2,359)
Distributions paid		(314)	(184)
Net cash inflow/(outflow) from financing activities		<u>29,770</u>	<u>21,594</u>
Net increase/(decrease) in cash and cash equivalents		3,167	1,428
Cash and cash equivalents at the beginning of the year		2,323	895
Cash and cash equivalents at the end of the year	10	<u>5,490</u>	<u>2,323</u>
Non-cash financing activities			
Issue of units under the distribution reinvestment plan	11 (b)	130	111

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

Notes to the financial statements

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1 General information

These 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 financial statements of the Fund are for the year ended 30 June 2022. The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 20 September 2022. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

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. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit and loss and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, unitholders typically retain units for the medium to long-term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards ("IFRS")

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Financial assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

The financial assets measured at amortised cost are subject to the expected credit loss ("ECL") impairment model under AASB9.

- Financial liabilities:

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.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (Management fees payable, performance fees payable, due to brokers, distributions payable and other payables).

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

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

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. Dividend expense on short sales of securities, which have been classified at fair value through profit or loss, are presented as a separate line item in the Statement of comprehensive income.

Further details on how the fair value of financial instruments are determined are disclosed in Note 4.

(iv) Offsetting financial instruments

Financial assets and 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, or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of financial position.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under *AASB 132 Financial instruments: Presentation*:

- 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 are based substantially on the profit or loss.

(d) Cash and cash equivalents

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on an accrual basis using the effective interest method and includes interest from cash and cash equivalents. Interest income from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

Dividend and distribution income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements. Other income is recognised on an accruals basis.

(f) Expenses

All expenses, including management fees, performance fees, dividend expenses, recoverable expenses and other operating expenses are recognised in the Statement of comprehensive income on an accrual basis.

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(h) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the Statement of comprehensive income as finance costs.

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

(k) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credit ("RITC").

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the ECL, receivables have been grouped based on days overdue.

(l) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year. Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distribution income under the Fund's Constitution.

(m) 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 are recorded gross of any exit fees payable after the cancellation of units redeemed.

2 Summary of significant accounting policies (continued)

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 55%, hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

For more information on how fair value is calculated, please refer to Note 4 Fair value measurement.

(p) 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 the *ASIC Corporations Instrument*, unless otherwise indicated.

(q) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary comparative figures have been adjusted to conform with changes in presentation in the current period. Dividend income and dividend expenses have been reclassified in the current and prior year in the Statement of comprehensive income and Statement of cash flows to recognise the Fund's short selling of equity investments.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Investment Manager mitigates this price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Product Disclosure Statement ("PDS") and Investment Management Agreement ("IMA"). All of the Fund's net assets attributable to unitholders are invested in Australian shares. The Australian shares (being primarily smaller companies) are listed on the Australian Stock Exchange ("ASX"). The Fund has not invested in any derivatives during the financial year ended 30 June 2022 (2021: Nil).

The Fund is exposed, particularly through its equity portfolio, to concentration and market risks influencing investment valuations. These include Australian economic factors, changes in a company's internal operations or management, and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The Fund manages market price risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Fund monitors the fluctuation in its value and compares these fluctuations to its risk objective.

As at year end, the overall market exposures were as follows:

	Fair value \$'000	% of net asset attributable to unitholders
As at 30 June 2022		
Financial assets		
Listed Equities	133,527	145%
Listed Unit Trusts	7,948	9%
Total financial assets	141,475	154%
Financial liabilities		
Listed Equities	48,135	52%
Listed Unit Trusts	2,725	3%
Total financial liabilities	50,860	55%
As at 30 June 2021		
Financial assets		
Listed Equities	86,464	140%
Listed Unit Trusts	288	0%
Total financial assets	86,752	140%
Financial liabilities		
Listed Equities	24,867	40%
Listed Unit Trusts	1,699	3%
Total financial liabilities	26,566	43%

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2021: +/- 10%) from the year end prices with all other variables held constant.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

The majority of the Fund's assets are held in equities which are non-interest bearing securities. Hence, the Fund is not exposed to significant interest rate risk. The impact of interest rate risk on the net assets attributable to unitholders and operating profit/(loss) is considered immaterial to the Fund.

3 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes and the historical correlation of the Funds' investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/(loss)/net assets attributable to unitholders	
	Price risk	
	-10% \$'000	+10% \$'000
As at 30 June 2022	(9,062)	9,062
As at 30 June 2021	(6,019)	6,019

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting period the carrying amount of the financial assets.

(i) Bank deposits and assets held with the custodian

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets as at 30 June 2022 and 30 June 2021:

As at 30 June 2022	\$'000	Credit rating	Source of credit rating
Banks and Custodian			
Macquarie Bank Limited	64,293	A-1	Standard & Poor's
As at 30 June 2021			
Banks and Custodian			
Macquarie Bank Limited	45,084	A-1	Standard & Poor's

The custody balance with Mainstream Fund Services Pty Ltd includes cash and cash equivalents totalling \$5,489,926 (2021: \$2,323,439) and investments in short-term investment equities totalling \$77,183,387 (2021: \$41,668,330). The custody balance with Macquarie Bank Limited includes investments in short-term investment equities totalling \$64,292,544 (2021: \$45,083,809).

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due and can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In order to manage the Fund's overall liquidity, 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. The Fund did not reject or withhold any redemptions during the year 2022 and 2021.

3 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant. To assess the impact of COVID-19 on the liquidity of the Fund, the Responsible Entity conducted frequent and enhanced monitoring of the liquidity of the Fund during the reporting year.

As at 30 June 2022	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Distributions payable	1,905	-	-	-	-
Performance fees payable	373	-	-	-	-
Management fees payable	96	-	-	-	-
Other payables	62	-	-	-	-
Due to brokers - payable for securities purchased	15,729	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	50,860
Net asset attributable to unitholders - liability	-	-	-	-	91,939
Total financial liabilities	18,165	-	-	-	142,799

As at 30 June 2021	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Distributions payable	444	-	-	-	-
Management fees payable	77	-	-	-	-
Other payables	18	-	-	-	-
Due to brokers - payable for securities purchased	8,743	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	26,566
Net asset attributable to unitholders - liability	-	-	-	-	61,931
Total financial liabilities	9,282	-	-	-	88,497

4 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 6 and 7)

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

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

4 Fair value measurement (continued)

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

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 30 June 2022 and 30 June 2021.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2022				
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	141,475	-	-	141,475
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	50,860	-	-	50,860
As at 30 June 2021				
Financial assets at fair value through profit or loss				
Listed Equities	86,464	-	-	86,464
Listed Unit Trusts	288	-	-	288
Total financial assets at fair value through profit or loss	86,752	-	-	86,752
Financial liabilities at fair value through profit or loss				
Listed Equities	24,867	-	-	24,867
Listed Unit Trusts	1,699	-	-	1,699
Total financial liabilities at fair value through profit or loss	26,566	-	-	26,566

(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 year.

There were no transfers between the levels in the fair value hierarchy for the year ended 30 June 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 the year ended 30 June 2022 or the year ended 30 June 2021.

4 Fair value measurement (continued)

(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, 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 year.

(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.

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

	Year ended	
	30 June 2022 \$'000	30 June 2021 \$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	7,294	2,163
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	<u>(14,852)</u>	13,139
Total net gains/(losses) on financial assets at fair value through profit or loss	<u>(7,558)</u>	15,302
Financial liabilities		
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	3,215	(4,278)
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	<u>5,439</u>	385
Total net gains/(losses) on financial liabilities at fair value through profit or loss	<u>8,654</u>	(3,893)
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>1,096</u>	11,409

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2022 \$'000	30 June 2021 \$'000
Financial assets at fair value through profit or loss		
Listed Equities	133,527	86,464
Listed Unit Trusts	<u>7,948</u>	288
Total financial assets at fair value through profit or loss	<u>141,475</u>	86,752

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

7 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2022 \$'000	30 June 2021 \$'000
Financial liabilities at fair value through profit or loss		
Listed Equities	48,135	24,867
Listed Unit Trusts	<u>2,725</u>	1,699
Total financial liabilities at fair value through profit or loss	<u>50,860</u>	26,566

An overview of the risk exposure relating to financial liabilities at fair value through profit or loss is included in Note 3.

8 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. The Fund has elected in to the Attribution Managed Investment Trust ("AMIT") tax regime as specified in the Fund's constitution. For the financial years ended 30 June 2022 and 30 June 2021, 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 years.

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

	As at			
	30 June 2022 No. of units '000	30 June 2021 No. of units '000	30 June 2022 \$'000	30 June 2021 \$'000
Opening balance	28,665	16,824	61,931	28,998
Applications	17,233	13,045	39,517	24,129
Reinvestments	60	65	130	111
Redemptions	(4,082)	(1,269)	(9,433)	(2,359)
Increase/(decrease) in net assets attributable to unitholders	-	-	(206)	11,052
Closing balance	41,876	28,665	91,939	61,931

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 capital, notwithstanding that net assets attributable to unitholders are classified as a 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.

9 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.

The distributions for the year were as follows:

	Year ended			
	30 June 2022 \$'000	30 June 2022 CPU*	30 June 2021 \$'000	30 June 2021 CPU*
Distributions payable	1,905	4.55	444	1.55
Total distributions	1,905	4.55	444	1.55

* Distribution is expressed as cents per unit amount in Australian Dollars.

10 Cash and cash equivalents

	As at	
	30 June 2022 \$'000	30 June 2021 \$'000
Cash at bank	5,490	2,323
Total cash and cash equivalents	5,490	2,323

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

	Year ended	
	30 June	30 June
	2022	2021
	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	1,699	11,496
Proceeds from sale of financial instruments at fair value through profit or loss	(19,870)	(21,690)
Payments for purchase of financial instruments at fair value through profit or loss	(7,363)	1,870
Net (gains)/losses on financial instruments at fair value through profit or loss	(1,096)	(11,409)
Net change in receivables	(409)	(52)
Net change in payables	436	(381)
Net cash inflow/(outflow) from operating activities	(26,603)	(20,166)
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	130	111
Total non-cash financing activities	130	111

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

12 Remuneration of auditors

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

	Year ended	
	30 June	30 June
	2022	2021
	\$	\$
Ernst & Young (Australia)		
Audit and other assurance services		
Audit and review of financial statements	19,800	18,000
Total remuneration for audit and other assurance services	19,800	18,000
PricewaterhouseCoopers (Australia)		
Audit and other assurance services		
Audit of compliance plan	2,514	2,475
Total remuneration for audit and other assurance services	2,514	2,475
Total auditors' remuneration	22,314	20,475

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

13 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 and Investment Manager

The Responsible Entity of Australian Eagle Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Investment Manager of the Fund is Australian Eagle Asset Management Pty Limited.

13 Related party transactions (continued)

Key management personnel

(a) Directors

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

Name	Date of appointment/resignation
Glenn Foster	
Simone Mosse	
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	Resigned as Director on 1 February 2022

(b) Other key management personnel

There were no other key management personnel responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unitholdings

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, in-directly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related entity of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Responsible Entity's and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee for managing the Trust and making it available to investors. The Investment Manager is entitled to receive a management and performance fee at the rates stipulated in the Fund's governing documents. Responsible Entity fees are borne by the Investment Manager.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
Management fees for the year	980,750	703,617
Performance fees for the year	988,768	187,084
Recoverable fees for the year	124,761	71,757
Aggregate amounts payable to the Investment Manager at reporting date	481,918	84,884

13 Related party transactions (continued)

Related party unitholdings

Parties related to the Fund including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited and parties related to the Investment Manager, held units in the Fund as follows:

	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Unitholder							
As at 30 June 2022							
Alleron Investment Management Pty Ltd	700,094	276,956	608,058	1.00%	5,106	(428,244)	12,589
Sean Sequeira	110	111	244	0.00%	1	-	5
Semelex Pty Ltd (Komodo Lion Trust)	101,105	102,500	225,038	0.00%	1,395	-	4,651
Unitholder							
As at 30 June 2021							
Alleron Investment Management Pty Ltd	1,178,304	700,094	1,512,554	2.00%	13,366	(491,576)	10,848
Sean Sequeira	109	110	238	0.00%	1	-	2
Semelex Pty Ltd (Komodo Lion Trust)	99,328	101,105	218,437	0.00%	1,777	-	1,563

Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Australian Eagle Asset Management Pty Limited during the year.

14 Significant events during the year

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

Further to this, the current geopolitical events have also 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.

On 1 February 2022, Richard McCarthy resigned as a Director.

There were no other significant events during the year.

15 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report that has 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.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 and 30 June 2021.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, 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 30 June 2022 and of its performance, for the financial 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; and
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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
20 September 2022



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Independent Auditor's Report to the Unitholders of Australian Eagle Trust

Opinion

We have audited the financial report of Australian Eagle Trust (the "Fund"), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity 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 Australian Eagle Trust 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 2022 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 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.



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Responsibilities of the Directors of the Responsible Entity for the Financial Report

The Directors of the Responsible Entity of the Fund 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 of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity.
- 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.



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- 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 of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna

Partner

Sydney

20 September 2022