

Australian Eagle Trust

ARSN 632 568 846

Interim report

For the half-year ended December 31, 2020

Australian Eagle Trust

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For the half-year ended December 31, 2020

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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 June 30, 2020 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 February 1, 2021, Glenn Foster was appointed as a Non-executive Director of the Trust Company (RE Services) Limited.

No other matter or circumstance has arisen since December 31, 2020 that has significantly affected, or may significantly affect:

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

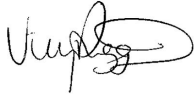
The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report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

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
March 10, 2021



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working world**

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Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity of Australian Eagle Trust

As lead auditor for the review of the half-year financial report of Australian Eagle Trust for the half-year ended 31 December 2020, 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Rohit Khanna".

Rohit Khanna
Partner
10 March 2021

Australian Eagle Trust
Statement of comprehensive income
For the half-year ended December 31, 2020

Statement of comprehensive income

	Notes	Half-year ended	
		December 31, 2020 \$'000	December 31, 2019 \$'000
Investment income			
Dividend and distribution income		905	636
Net gains/(losses) on financial instruments at fair value through profit or loss	4	1,342	419
Other income		5	15
Total investment income/(loss)		<u>2,252</u>	<u>1,070</u>
Expenses			
Management fees		285	154
Performance fees		187	-
Dividend expenses		62	180
Recoverable expenses		29	16
Other operating expenses		289	177
Total operating expenses		<u>852</u>	<u>527</u>
Operating profit/(loss) for the half-year		<u>1,400</u>	<u>543</u>
Finance costs attributable to unitholders			
Distributions to unitholders	8	-	-
(Increase)/decrease in net assets attributable to unitholders	7	<u>(1,400)</u>	<u>(543)</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 December 31, 2020

Statement of financial position

		As at	
		December 31, 2020	June 30, 2020
		\$'000	\$'000
	Notes		
Assets			
Cash and cash equivalents		4,590	895
Dividends and distributions receivable		14	78
GST receivable		28	38
Due from brokers - receivable for securities sold		4,697	3,754
Applications receivable		13	8
Financial assets at fair value through profit or loss	5	<u>65,176</u>	<u>43,601</u>
Total assets		<u>74,518</u>	<u>48,374</u>
Liabilities			
Distributions payable		-	295
Performance fees payable		3	431
Management fees payable		62	36
Dividend payable		17	-
Other payables		14	9
Due to brokers - payable for securities purchased		7,281	2,642
Financial liabilities at fair value through profit or loss	6	<u>18,121</u>	<u>15,963</u>
Total liabilities		<u>25,498</u>	<u>19,376</u>
Net assets attributable to unitholders – liability	7	<u>49,020</u>	<u>28,998</u>

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 December 31, 2020

Statement of changes in equity

	Half-year ended	
Notes	December 31, 2020 \$'000	December 31, 2019 \$'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.

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 December 31, 2020

Statement of cash flows

	Half-year ended	
Notes	December 31, 2020	December 31, 2019
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	(10,735)	(4,362)
Payments for purchase of financial instruments at fair value through profit or loss	(3,644)	(13,547)
Dividends received	723	518
Other income received	5	15
Management fees paid	(259)	(128)
Performance fees paid	(615)	(108)
Dividend paid	(45)	(203)
Other expenses paid	(57)	(51)
Net cash inflow/(outflow) from operating activities	(14,627)	(17,866)
Cash flows from financing activities		
Proceeds from applications by unitholders	20,246	19,115
Payments for redemptions by unitholders	(1,740)	(434)
Distributions paid	(184)	(121)
Net cash inflow/(outflow) from financing activities	18,322	18,560
Net increase/(decrease) in cash and cash equivalents	3,695	694
Cash and cash equivalents at the beginning of the half-year	895	304
Cash and cash equivalents at the end of the half-year	4,590	998
Non-cash financing activities		
Issue of units under the distribution reinvestment plan	111	222

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 April 28, 2016 and commenced operations on June 17, 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) 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 investment manager of the Fund is Australian Eagle Asset Management Pty Limited (the "Investment Manager").

The Responsible Entity is incorporated and domiciled in Australia.

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 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 March 10, 2021. 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 June 30, 2020 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 liabilities.

(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 June 30, 2020.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning July 1, 2020 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);
- 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.

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 December 31, 2020 and June 30, 2020.

As at December 31, 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	62,353	-	-	62,353
Listed unit trusts	2,823	-	-	2,823
Total financial assets at fair value through profit or loss	65,176	-	-	65,176
Financial liabilities at fair value through profit or loss				
Listed equities	15,676	-	-	15,676
Listed unit trusts	2,445	-	-	2,445
Total financial liabilities at fair value through profit or loss	18,121	-	-	18,121

3 Fair value measurement (continued)

Recognised fair value measurements (continued)

As at June 30, 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	41,810	-	-	41,810
Listed unit trusts	1,791	-	-	1,791
Total financial assets at fair value through profit or loss	43,601	-	-	43,601
Financial liabilities at fair value through profit or loss				
Listed equities	14,552	-	-	14,552
Listed unit trusts	1,411	-	-	1,411
Total financial liabilities at fair value through profit or loss	15,963	-	-	15,963

(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 during the reporting period.

(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 as at December 31, 2020 or at June 30, 2020.

(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 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	
	December 31, 2020 \$'000	December 31, 2019 \$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	1,261	545
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	5,694	1,409
Total net gains/(losses) on financial assets at fair value through profit or loss	6,955	1,954
Financial liabilities		
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	(1,883)	(498)
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	(3,730)	(1,037)
Total net gains/(losses) on financial liabilities at fair value through profit or loss	(5,613)	(1,535)
Total net gains/(losses) on financial instruments at fair value through profit or loss	1,342	419

5 Financial assets at fair value through profit or loss

	As at	
	December 31,	June 30,
	2020	2020
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Listed equities	62,353	41,810
Listed unit trusts	2,823	1,791
Total financial assets at fair value through profit or loss	65,176	43,601

6 Financial liabilities at fair value through profit or loss

	As at	
	December 31,	June 30,
	2020	2020
	\$'000	\$'000
Financial liabilities at fair value through profit or loss		
Listed equities	15,676	14,552
Listed unit trusts	2,445	1,411
Total financial liabilities at fair value through profit or loss	18,121	15,963

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 December 31, 2020 and June 30, 2020, 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			
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
	No. '000	No. '000	\$'000	\$'000
Opening balance	16,824	5,979	28,998	9,939
Applications	11,012	11,313	20,251	19,115
Reinvestments	65	133	111	222
Redemptions	(953)	(260)	(1,740)	(434)
Increase/(decrease) in net assets attributable to unitholders	-	-	1,400	543
Closing balance	26,948	17,165	49,020	29,385

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 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 paid during the half-year ended December 31, 2020 and December 31, 2019.

9 Auditor's remuneration

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

	Half-year ended	
	December 31, 2020	December 31, 2019
	\$	\$
Fees to Ernst & Young (Australia)		
Fees for assurance services that are required by legislation to be provided by the auditor	7,500	-
Total fees to Ernst & Young (Australia)	7,500	-
Total auditor's remuneration	7,500	-

The auditor's remuneration is borne by the Investment Manager.

10 Significant events during the half-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 half-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.

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

11 Events occurring after the reporting period

On February 1, 2021, Glenn Foster was appointed as a Non-executive Director of the Trust Company (RE Services) Limited.

The Directors are not aware of any other event or circumstance since the end of the financial half-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.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at December 31, 2020 and June 30, 2020.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 6 to 15 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 December 31, 2020 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
March 10, 2021



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Australian Eagle Trust (the "Fund") which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
10 March 2021