

ALLAN GRAY AUSTRALIA BALANCED FUND

ARSN 615 145 974

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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This annual report covers Allan Gray Australia Balanced Fund as an individual entity.

The Responsible Entity of Allan Gray Australia Balanced Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street
Melbourne VIC 3000.

DIRECTORS' REPORT

The directors of Equity Trustees Limited, the Responsible Entity of Allan Gray Australia Balanced Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023.

Principal activities

The Fund invests in cash, Australian Securities Exchange listed securities, global equity securities, equity linked securities and bonds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Allan Gray Australia Pty Limited
Administrator	Citigroup Pty Limited
Custodian	Citibank N.A. Sydney and Hong Kong Branches
Statutory Auditor	Ernst & Young
Unit Registry	Iress Limited

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

Review of results and operations

During the year, the Fund continued to invest its funds in accordance with its investment objectives and approach as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

Results

	Fund net return	Custom benchmark
	%	%
Net of fee return for the year ended 30 June 2023	13.05	10.66

Net returns are calculated gross of all income, net of fees and expenses, assume reinvestment of distributions and before any buy/sell spread on applications/redemptions.

The custom benchmark adopted by the Fund comprises: 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX Australian Government Bond Index; 24% MSCI World Index (net dividends reinvested) expressed in AUD; and 16% JPMorgan Global Government Bond Index expressed in AUD.

DIRECTORS' REPORT (CONTINUED)

Review of results and operations (continued)

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

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) for the year (\$'000)	15,880	1,866
Distributions paid and payable (\$'000)	7,357	9,437
Distributions (cents per unit)	6.1070	10.0074
Redemption price per unit (\$)	1.2214	1.1342

Indirect cost ratio (ICR)

	Year ended	
	30 June 2023 %	30 June 2022 %
Indirect cost ratio (ICR)	0.79	0.78

The ICR calculation includes fees charged to the Fund during the financial year, including management fees and costs and performance fees (if any).

Expenses excluded from the ICR calculation are those that would have ordinarily been incurred by a direct investment in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.

To determine the ICR, the fees are expressed as a percentage of the average net assets of the respective class during the financial year under review.

Significant changes in the state of affairs

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

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

DIRECTORS' REPORT (CONTINUED)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

- 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 Product Disclosure Statement and 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

No insurance premiums were paid out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. As long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnification of auditor

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

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 14 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 9 to 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 to the financial statements.

Environmental regulation

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

DIRECTORS' REPORT (CONTINUED)

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
14 September 2023



**Building a better
working world**

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Auditor's independence declaration to the directors of Equity Trustees Limited as Responsible Entity for Allan Gray Australia Balanced Fund

As lead auditor for the audit of the financial report of Allan Gray Australia Balanced Fund for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young
Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
14 September 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Dividend and trust distribution income		4,058	3,205
Interest income from financial assets at amortised cost		24	1
Interest income from financial assets at fair value through profit or loss		525	303
Net foreign exchange gain/(loss)		32	2
Net gains/(losses) on financial instruments at fair value through profit or loss		12,612	(493)
Other income		1	-
Total investment income/(loss)		17,252	3,018
Expenses			
Management fees and costs	14	1,039	896
Performance fees		10	-
Transaction costs		102	89
Dividend withholding taxes		193	161
Other expenses		28	6
Total expenses		1,372	1,152
Profit/(loss) for the year		15,880	1,866
Other comprehensive income for the year		-	-
Total comprehensive income for the year		15,880	1,866

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

STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	11	4,280	3,131
Interest receivable		84	69
Due from brokers - receivable for securities sold		100	211
Dividends receivable		241	212
Other receivables		26	21
Receivable for unit holder applications		93	6
Financial assets at fair value through profit or loss	6	151,251	113,906
Total assets		156,075	117,556
Liabilities			
Distributions payable	10	7,357	9,437
Due to brokers - payable for securities purchased		69	59
Management fees and costs payable	14	96	76
Payable for unit holder redemptions		49	-
Other payables		16	6
Financial liabilities at fair value through profit or loss	7	1,068	797
Total liabilities		8,655	10,375
Net assets attributable to unit holders - equity	9	147,420	107,181

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

STATEMENT OF CHANGES IN EQUITY

	Notes	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the year		107,181	112,675
Comprehensive income for the year			
Profit/(loss) for the year		15,880	1,866
Other comprehensive income		-	-
Total comprehensive income		15,880	1,866
Transactions with unit holders			
Applications	9	32,752	8,584
Redemptions	9	(7,289)	(6,846)
Reinvestment of distributions	9	6,253	339
Distributions paid and payable	9	(7,357)	(9,437)
Total transactions with unit holders		24,359	(7,360)
Total equity at the end of the year		147,420	107,181

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 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		65,032	49,584
Proceeds from sale of financial instruments at amortised cost		-	2,000
Payments for purchase of financial instruments at fair value through profit or loss		(83,292)	(51,860)
Payments for purchase of financial instruments at amortised cost		-	(1,000)
Dividends and trust distributions received (net of dividend withholding taxes)		3,836	2,694
Other income received		1	-
Interest income received from financial assets at amortised cost		24	1
Interest income received from financial assets at fair value through profit or loss		534	285
Management fees and costs paid		(1,019)	(892)
Performance fees paid		(10)	-
Transaction costs paid		(102)	(89)
Other expenses paid		(21)	(18)
Net cash inflow/(outflow) from operating activities	12(a)	(15,017)	705
Cash flows from financing activities			
Proceeds from applications by unit holders		26,558	8,578
Payments for redemptions by unit holders		(7,240)	(6,959)
Distributions paid to unit holders		(3,184)	(180)
Net cash inflow/(outflow) from financing activities		16,134	1,439
Net increase/(decrease) in cash and cash equivalents		1,117	2,144
Cash and cash equivalents at the beginning of the year		3,131	985
Effects of foreign currency exchange rate changes on cash and cash equivalents		32	2
Cash and cash equivalents at the end of the year	11	4,280	3,131
Non-cash operating and financing activities	12(b)	12,360	678

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 Allan Gray Australia Balanced Fund as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 17 October 2016 and will terminate in accordance with the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in cash, Australian Securities Exchange listed securities, global equity securities, equity linked securities and bonds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. 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 12 months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to unit holders.

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 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

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

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(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 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, 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.

(b) Financial instruments

(i) *Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets 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 its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy as outlined in the Product Disclosure Statement. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, 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.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The Fund invests in derivative financial instruments such as forward currency contracts, futures and warrants. These derivative financial instruments that have a negative fair value are presented as 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. The Fund includes short-term payables in this category including due to brokers, other payables, distributions payable and management fees and costs payable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and 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 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 liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, due from brokers, receivables and short-term payables are carried at amortised cost.

(iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, due from brokers and receivables) at an amount equal to the lifetime expected credit losses 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 expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iv) Impairment (continued)

The expected credit loss ("ECL") approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Fund has 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.

Financial assets and liabilities that have been offset are disclosed in Note 4 to the financial statements.

(c) Net assets attributable to unit holders

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

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund's units are classified as equity as 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Margin accounts

Margin accounts comprise cash held with brokers as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. It is included as a component of cash and cash equivalents.

(f) Investment income

(i) Interest income

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income from financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income and is disclosed as interest income from financial assets at fair value through profit or loss. Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends and distributions

Dividend 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.

Trust distribution income is recognised on an entitlement basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

The Fund does not incur expenses for any costs relating to the operation of a managed investment scheme including responsible entity fees, unit registry fees, fees relating to the custody of assets or audit fees. These costs are borne by the Investment Manager.

(h) Income tax

Under current legislation, the Fund is not subject to income tax on the basis that the Responsible Entity has attributed the determined taxable components to the unit holders on a fair and reasonable basis in accordance with the constituent documents of the Fund.

The Fund currently incurs withholding and capital gains taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded gross of withholding and capital gains taxes in the statement of comprehensive income. Withholding taxes and capital gains taxes are included in the statement of comprehensive income as an expense.

(i) Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(j) Foreign currency translation

(i) *Functional and presentation currency*

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains or losses on financial instruments at fair value through profit or loss.

(k) 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 year end. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(n) Applications and redemptions

The application price of each unit is based on the net asset value plus an allowance for transaction costs (the buy/sell spread) required for acquiring investments. The redemption price of each unit is based on the net asset value less the buy/sell spread required for selling investments. The buy/sell spread is paid to the Fund and is currently set at 0.20%.

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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.

(p) Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and 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. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss ("ECL") derived from using impairment model, has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(r) 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 year.

3 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Constitution, the Product Disclosure Statement and the investment guidelines of the Fund. The investments of the Fund are managed by a specialist Investment Manager under an Investment Management Agreement ("the IMA") that contains the investment strategy and investment guidelines of the Fund consistent with those stated in the Product Disclosure Statement. The Fund seeks to balance capital growth, income generation and risk of loss using a diversified portfolio.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risks, ratings analysis for credit risk.

(a) Market risk

(i) Price risk

The Fund's investment portfolio consists of Australian and global equity securities and derivatives, the fair value of which will fluctuate as a result of changes in market prices. Equity securities are classified in the statement of financial position as held at fair value through profit or loss. All securities held present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Where financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates.

The Investment Manager attempts to mitigate price risk through the use of a consistent and carefully considered investment approach based on extensive proprietary investment research, appropriate diversification of investment and equity selection in accordance with the investment guidelines of the Fund. In constructing the portfolio, the Investment Manager assesses not only each equity's perceived risk and reward but also, in order to manage risk further by appropriate diversification, its correlation with the rest of the portfolio. The Investment Manager also takes into account the composition of the Fund's Custom Benchmark and monitors the Fund's risk of underperforming its benchmark by comparing the Fund's weighting in each industry, stock market and currency with that in the benchmark. The Investment Manager ensures that deviations in such weightings, which are prompted by detailed "bottom up" research, are not inconsistent with the Investment Manager's "top down" macroeconomic views.

The Investment Manager also uses short positions in index futures contracts and purchased equity put options to manage price risk. Where the Investment Manager's research suggests that stock markets are overvalued the Investment Manager will reduce the exposure to the price risk through these exchange-traded derivatives.

In assessing the impact of anticipated changes in market prices, the Investment Manager considers a price movement of +/- 15% (2022: +/-15%) to be reasonably possible. The impact of such a price movement on the Fund's operating profit/(loss) and net assets attributable to unit holders at 30 June is set out in Note 3(b). The impact mainly arises from the possible change in the fair value of listed equities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Fund holds equity securities denominated in foreign currencies, and receives foreign dividend income from these securities. Foreign exchange risk arises as the value of equity securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's currency exposure is not hedged into Australian dollars. For this reason, part of the Investment Manager's research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Investment Manager actively reviews the Fund's currency exposure. Those currencies held but considered vulnerable may to some extent be sold in favour of those considered more attractive, generally using forward currency contracts. The Fund's currency deployment therefore frequently differs significantly from the geographic deployment of its selected equities. The Fund does not designate any forward currency contracts as hedges in a hedging relationship and hence these derivative financial instruments are classified as held at fair value through profit or loss.

The table below summarises the Fund's assets and liabilities which are denominated in these main foreign currencies.

	JPY A\$'000	EUR A\$'000	GBP A\$'000
As at 30 June 2023			
Cash and cash equivalents	219	292	417
Due from brokers - receivable for securities sold	-	-	100
Receivables	18	36	29
Financial assets at fair value through profit or loss	6,220	7,755	9,055
Due to brokers - payable for securities purchased	-	-	(5)
Financial liabilities at fair value through profit or loss	-	(47)	-
Net exposure	6,457	8,036	9,596
Notional exposure from forward currency contracts			
- Buy foreign currency	9,441	-	-
- Sell foreign currency	-	-	-

	JPY A\$'000	EUR A\$'000	USD A\$'000
As at 30 June 2022			
Cash and cash equivalents	60	251	118
Receivables	20	15	17
Financial assets at fair value through profit or loss	4,918	6,884	31,433
Payables	-	-	(5)
Net exposure	4,998	7,150	31,563
Notional exposure from forward currency contracts			
- Buy foreign currency	6,150	-	-
- Sell foreign currency	-	-	(19,191)

The summarised sensitivity analysis in Note 3(b) shows the impact of a reasonable possible change of +/-10% (2022: +/-10%) change in the value of the Australian dollar relative to the main foreign currencies on the Fund's operating profit and net assets attributable to unit holders at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk

The Fund's investment portfolio contains fixed income securities, the fair value of which will fluctuate as a result of changes in the prevailing levels of market interest rates. Fixed income securities are classified in the statement of financial position as held at fair value through profit or loss. All fixed income securities held present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments.

The Investment Manager attempts to mitigate interest rate risk through the use of a consistent and carefully considered investment approach similar to that employed for the management of price risk for global equity securities. Characteristics such as yield, liquidity, duration, and potential diversification benefits are viewed in the context of the risk and reward of the portfolio as a whole.

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period:

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	4,280	-	-	4,280
Due from brokers - receivable for securities sold	-	-	100	100
Interest receivable	-	-	84	84
Dividends receivable	-	-	241	241
Other receivables	-	-	26	26
Receivable for unit holder applications	-	-	93	93
Financial assets at fair value through profit or loss	-	40,712	110,539	151,251
Total financial assets	4,280	40,712	111,083	156,075
Financial liabilities				
Distributions payable	-	-	7,357	7,357
Due to brokers - payable for securities purchased	-	-	69	69
Management fees and costs payable	-	-	96	96
Other payables	-	-	16	16
Payable for unit holder redemptions	-	-	49	49
Financial liabilities at fair value through profit or loss	-	-	1,068	1,068
Total financial liabilities	-	-	8,655	8,655
Net exposure	4,280	40,712	102,428	147,420

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2022				
Financial assets				
Cash and cash equivalents	3,131	-	-	3,131
Due from brokers - receivable for securities sold	-	-	211	211
Interest receivable	-	-	69	69
Dividends receivable	-	-	212	212
Other receivables	-	-	21	21
Receivable for unit holder applications	-	-	6	6
Financial assets at fair value through profit or loss	-	20,340	93,566	113,906
Total financial assets	3,131	20,340	94,085	117,556
Financial liabilities				
Distributions payable	-	-	9,437	9,437
Due to brokers - payable for securities purchased	-	-	59	59
Management fees and costs payable	-	-	76	76
Other payables	-	-	6	6
Financial liabilities at fair value through profit or loss	-	-	797	797
Total financial liabilities	-	-	10,375	10,375
Net exposure	3,131	20,340	83,710	107,181

In assessing the impact of anticipated changes in interest rates, the Investment Manager considers an interest rate movement of +/-100 basis points (2022: +200/-50bps) to be reasonably possible. The impact of such a price movement on the Fund's operating profit/(loss) and net assets attributable to unit holders at 30 June is set out in Note 3(b). The impact mainly arises from the possible change in the fair value of fixed income securities.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Summarised sensitivity analysis

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

	Impact on operation profit/Net assets attributable to unit holders									
	Price risk		Interest rate risk				Foreign exchange currency risk			
	+15%	-15%	+100bps	-100bps	+10%	-10%	+10%	-10%	+10%	-10%
				JPY	JPY	EUR	EUR	GBP	GBP	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30										
June 2023	14,502	(14,502)	(776)	776	(968)	968	(33)	33	(54)	54
	+15%	-15%	+200bps	-50bps	+10%	-10%	+10%	-10%	+10%	-10%
					JPY	JPY	EUR	EUR	USD	USD
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30										
June 2022	12,601	(12,601)	(843)	211	(623)	623	(27)	27	1,906	(1,906)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

Credit risk arises from the Fund's investment in fixed income securities and also from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The Investment Manager seeks to reduce the Fund's contractual risk to the extent practicable, for example, by managing exposure to counterparties, through the selection of derivatives and derivatives dealers, and by instructing the Custodian to arrange for equity transactions to be settled "delivery versus payment" wherever possible.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired. An analysis of fixed income securities by credit rating is set out in the table below:

Rating	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
AAA	36,337	17,047
BBB-	807	-
BB+	472	106
BB	1,292	789
BB-	1,061	988
B+	-	860
B	179	288
B-	376	262
D	188	-
Total	40,712	20,340

(d) 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 or can only do so on terms that are materially disadvantageous. Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

The Fund manages its liquidity risk by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of. It invests only a limited proportion of its assets in investments not actively traded on a stock exchange.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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 unit holders. The Fund did not reject or withhold any redemptions during 2023 and 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current period have maturities of less than one month.

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. It is expected that the Fund will settle these derivatives net, even if they are not offset for presentation purposes in the financial statements (Refer to Note 4). The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
Net settled derivatives					
Forward currency contracts	-	(628)	-	-	(628)
Index futures	(3)	(400)	-	-	(403)
Total net settled derivatives	(3)	(1,028)	-	-	(1,031)
As at 30 June 2022					
Net settled derivatives					
Forward currency contracts	-	(797)	-	-	(797)
Index futures	16	542	-	-	558
Warrants	-	-	-	18	18
Total net settled derivatives	16	(255)	-	18	(221)

4 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the table below.

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position
	\$'000	\$'000	\$'000
As at 30 June 2023			
Financial assets			
Forward currency contracts	196	(159)	37
Total	196	(159)	37
Financial liabilities			
Forward currency contracts	824	(159)	665
Total	824	(159)	665
As at 30 June 2022			
Financial assets			
Forward currency contracts	-	-	-
Total	-	-	-
Financial liabilities			
Forward currency contracts	797	-	797
Total	797	-	797

Master netting arrangement

Forward currency contracts are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting agreement. The ISDA agreements in place meet the criteria for offsetting in the statement of financial position as, under the agreement, the Fund has a current legally enforceable right to offset recognised amounts under all circumstances. Accordingly, those contracts that meet the criteria have been offset in the statement of financial position.

5 FAIR VALUE MEASUREMENT

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 6 and Note 7)
- Derivative financial instruments (see Note 8)

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 measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

5 FAIR VALUE MEASUREMENT (CONTINUED)

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

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

The fair value of financial assets and liabilities traded in active markets such as publicly traded derivatives and listed equity securities are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last trade price.

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.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over the counter derivatives and fixed income securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Financial assets classified as level 3 investments are valued using proprietary pricing models developed from recognised valuation methods. Some or all of the inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that use unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows for the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

5 FAIR VALUE MEASUREMENT (CONTINUED)

(c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Forward currency contracts	-	37	-	37
Fixed interest securities	-	40,712	-	40,712
Listed equity securities	110,435	-	-	110,435
Unlisted equity securities	-	-	67	67
Total financial assets	110,435	40,749	67	151,251
Financial liabilities				
Index futures	403	-	-	403
Forward currency contracts	-	665	-	665
Total financial liabilities	403	665	-	1,068
As at 30 June 2022				
Financial assets				
Index futures	558	-	-	558
Warrants	18	-	-	18
Fixed interest securities	-	20,340	-	20,340
Listed equity securities	92,931	-	-	92,931
Unlisted equity securities	-	-	59	59
Total financial assets	93,507	20,340	59	113,906
Financial liabilities				
Forward currency contracts	-	797	-	797
Total financial liabilities	-	797	-	797

(d) Transfers between levels

Management'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 levels in the fair value hierarchy at the end of the reporting period.

5 FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2023:

	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance	59	35
Purchases	-	-
Transfers in/(out) of level 3	-	-
Gains and losses recognised in the statement of comprehensive income	8	24
Closing balance	67	59

(f) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the unobservable inputs used in level 3 fair value measurements. See (a) and (b) above for the valuation techniques adopted.

Description	Fair value at 30 June 2023 \$'000	Unobservable inputs*	Range of inputs	Relationship of unobservable inputs to fair value
Unlisted equities	67 (2022: 59)	Discount rate	5% to 30% (15%)	Increasing the discount rate by 15% would decrease the fair value by \$5,000 (2022: \$8,000). Decreasing the discount rate by 10% would increase the fair value by \$5,000 (2022: \$8,000).
		Commodity futures curve movements	-25% to +25% (0%)	A +/-25% price increase/ (decrease) in the commodity futures curve would increase/(decrease) the fair value by \$27,000/(\$39,000) (2022: \$11,000/(\$12,000)).

*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(g) Valuation processes

The Investment Manager performs a daily review of underlying security prices for listed equities and fixed income securities to determine if there are any valuations that may need to be reviewed due to potential stale prices or other market events. Valuations that need to be reviewed are escalated to the Investment Manager's Pricing Committee and the Responsible Entity for assessment and approval.

The Investment Manager reviews valuations for level 3 fair values on a quarterly basis. Any changes in fair value need to be approved by the Investment Manager's Pricing Committee and the Responsible Entity before the valuation is applied to the portfolio.

5 FAIR VALUE MEASUREMENT (CONTINUED)

(h) Financial instruments not carried at fair value

The financial instruments not measured at fair value through profit or loss include:

- i. Cash and cash equivalents, balances due from/to brokers, distributions payable and other receivables/payables relating to fund expenses. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
- ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption or issuance of units, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying value of net assets attributable to unit holders approximates their fair value. Any difference is not material in the current year or prior year.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Derivatives	37	576
Equity securities	110,502	92,990
Fixed interest securities	40,712	20,340
Total financial assets at fair value through profit or loss	151,251	113,906
Comprising:		
Derivatives		
Forward currency contracts	37	-
International share price index futures	-	558
Warrants	-	18
Total derivatives	37	576
Equity securities		
Listed equity securities - Australian equities	49,321	40,357
Listed equity securities - Global equities excluding Australia	61,114	52,574
Unlisted equity securities - Global equities excluding Australia	67	59
Total equity securities	110,502	92,990
Fixed interest securities		
Australian fixed interest securities	24,484	16,329
International fixed interest securities	16,228	4,011
Total fixed interest securities	40,712	20,340
Total financial assets at fair value through profit or loss	151,251	113,906

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

7 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Derivatives	1,068	797
Comprising:		
Forward currency contracts	665	797
International share price index futures	403	-
Total derivatives	1,068	797
Total financial liabilities at fair value through profit or loss	1,068	797

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

8 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forward currency contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

(a) Futures

The Fund holds index futures. Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash. Changes in futures contracts' values are usually settled daily with the exchange.

The Fund may take short positions in index futures contracts for the primary purpose of reducing the Fund's exposure to the price risk associated with investing in global equity markets. The Fund may also use long positions in index futures contracts for investment efficiency purposes to gain exposure to global equity markets.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Warrants

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Fund's derivative financial instruments measured at fair value at the year end are detailed below:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2023			
Index futures	13,825	-	403
Total	13,825	-	403
As at 30 June 2022			
Index futures	8,986	558	-
Warrants	67	18	-
Total	9,053	576	-

(c) Forward currency contracts

Forward currency contracts are primarily used by the Fund to assist in managing the Fund's currency exposure. In terms of these contracts, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Fund's derivative financial instruments at the end of the reporting period are detailed below:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2023			
Forward currency contracts	13,491	37	665
Total derivatives	13,491	37	665
As at 30 June 2022			
Forward currency contracts	6,150	-	797
Total derivatives	6,150	-	797

An overview of the risk exposures relating to derivatives is included in Note 3 to the financial statements.

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

9 NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - EQUITY

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Year ended			
	30 June	30 June	30 June	30 June
	2023	2023	2022	2022
	Units '000	\$'000	Units '000	\$'000
Opening balance	94,304	107,181	92,823	112,675
Applications	26,665	32,752	6,680	8,584
Redemptions	(6,010)	(7,289)	(5,478)	(6,846)
Reinvestment of distributions	5,502	6,253	279	339
Distributions paid and payable	-	(7,357)	-	(9,437)
Profit/(loss) for the year	-	15,880	-	1,866
Closing balance	120,461	147,420	94,304	107,181

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 in the underlying assets in 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.

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

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 unit holders.

10 DISTRIBUTIONS TO UNIT HOLDERS

The distributions declared for the year were as follows:

	Year ended			
	30 June	30 June	30 June	30 June
	2023	2023	2022	2022
	\$'000	CPU	\$'000	CPU
Distributions				
June (payable)	7,357	6.1070	9,437	10.0074
Total distributions	7,357	6.1070	9,437	10.0074

11 CASH AND CASH EQUIVALENTS

	As at	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Cash at bank	4,280	3,131
Total cash and cash equivalents	4,280	3,131

12 RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended	
	30 June	30 June
	2023	2022
	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	15,880	1,866
Proceeds from sale of financial instruments at fair value through profit or loss	65,032	49,584
Proceeds from sale of financial instruments at amortised cost	-	2,000
Payments for purchase of financial instruments at fair value through profit or loss	(83,292)	(51,860)
Payments for purchase of financial instruments at amortised cost	-	(1,000)
Dividend income reinvested	-	(339)
Net (gains)/losses on financial instruments at fair value through profit or loss	(12,612)	493
Net foreign exchange (gain)/loss	(32)	(2)
Net change in receivables	(25)	(22)
Net change in payables	32	(15)
Net cash inflow/(outflow) from operating activities	(15,017)	705
(b) Non-cash operating and financing activities		
Applications satisfied by in specie transfers	6,107	-
Purchases of investments satisfied by the participation in dividend reinvestment plans	-	339
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	6,253	339
Total non-cash operating and financing activities	12,360	678

13 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 2023	30 June 2022
	\$	\$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	23,636	22,090
Total remuneration for audit and other assurance services	23,636	22,090
<i>Taxation services</i>		
Tax compliance services	14,662	13,702
Total remuneration for taxation services	14,662	13,702
Total remuneration of Ernst & Young	38,298	35,792
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,346
Total remuneration for audit and other assurance services	2,346	2,346
Total remuneration of PricewaterhouseCoopers	2,346	2,346

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

14 RELATED PARTY TRANSACTIONS

The Responsible Entity of Allan Gray Australia Balanced Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Allan Gray Australia Pty Limited to act as Investment Manager for the Fund, and Citibank N.A. Sydney and Hong Kong Branches to act as Custodian, Iress Limited to act as Unit Registry for the Fund and Citigroup Pty Limited to act as Administrator for the Fund. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report:

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

14 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Key management personnel (continued)

(ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

(iii) Other key management personnel

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

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold any units in the Fund as at 30 June 2023 (2022: nil).

(d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

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 period.

(f) 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 during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

(g) Responsible Entity fees, Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and the Product Disclosure Statement for the Fund, the Investment Manager is entitled to receive a base fee, calculated at a rate of 0.76% p.a. of the Net Asset Value of the Fund, payable on a monthly basis and a performance fee, calculated at 20.30% of the extent to which the Fund outperforms its benchmark, but only once the Fund reaches a new High Water Mark.

14 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Responsible Entity fees, Investment Manager's fees and other transactions (continued)

The transactions during the year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees and costs for the year	1,039,006	896,063
Performance fees for the year	10,107	-
Management fees and costs payable at year end	95,986	75,754
Performance fees payable at year end	46	46

Equity Trustees Limited earned \$59,297 (2022: \$51,174) for the Responsible Entity services to the Fund paid from management fees and costs.

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

(h) Related party unit holdings

Allan Gray Australia Pty Limited is the Investment Manager of the Fund. Details of transactions during the year, distributions payable for the year, and holdings at the end of the year by the Investment Manager, either directly or indirectly through its associates are shown below:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held (% of total Fund)	Number of units acquired	Number of units disposed	Distributions payable by the Fund \$
As at 30 June 2023							
Allan Gray Australia Pty Ltd	13,875,245	15,097,025	18,439,507	12.53	1,221,780	-	921,975
Orbis Capital Limited	13,853,163	15,070,456	18,407,055	12.51	1,217,293	-	920,353
Allan Gray Australia Directors and Portfolio Managers	712,395	807,631	986,440	0.67	95,236	-	49,322
Orbis Investment Management Limited	44,991	48,945	59,782	0.04	3,954	-	2,989
As at 30 June 2022							
Allan Gray Australia Pty Ltd	13,811,682	13,875,245	15,737,302	14.71	63,563	-	1,388,551
Orbis Capital Limited	13,790,341	13,853,163	15,712,258	14.69	62,822	-	1,386,341
Allan Gray Australia Directors and Portfolio Managers	641,208	712,395	807,998	0.76	71,187	-	71,292
Orbis Investment Management Limited	44,786	44,991	51,029	0.05	205	-	4,502

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2022: nil).

15 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

16 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 38 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 2023 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 Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.


Philip D Gentry
Chairman

Melbourne
14 September 2023

Independent Auditor's Report to the unitholders of Allan Gray Australia Balanced Fund

Opinion

We have audited the financial report of Allan Gray Australia Balanced Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, 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 the Fund is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors 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 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

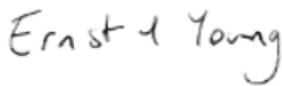
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 skepticism 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 of the Responsible Entity of the Funds' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶

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

We communicate with the Directors 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



Rohit Khanna
Partner
Sydney
14 September 2023