

Harvest Lane Asset Management Absolute Return Fund

ARSN 614 662 627

Annual report For the year ended 30 June 2023

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This annual report covers Harvest Lane Asset Management Absolute Return Fund as an individual entity.

The Responsible Entity of Harvest Lane Asset Management Absolute Return 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 Harvest Lane Asset Management Absolute Return 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 utilises a variety of instruments to achieve its investment outcomes including Australian and international equities, derivative instruments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. Derivative instruments are used to gain an intended exposure or manage a particular risk.

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	Harvest Lane Asset Management Pty Ltd
Custodian & Prime Broker	J.P. Morgan Securities plc
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company) *
Statutory Auditor	Ernst & Young

*Effective on 21 October 2022, Mainstream Fund Services Pty Ltd changed its name to Apex Fund Services Pty Ltd.

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 and results of operations

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provision of the Fund's Constitution.

The Fund's performance was 13.81% (net of fees) for the year ended 30 June 2023. The Fund's benchmark, the RBA Cash Rate, returned 2.98% for the same year.

Performance is calculated based on the movement in the Fund's unit price over the course of the year. The benchmark return is calculated in a similar manner.

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)	2,576	375
Distributions paid and payable (\$'000)	1,916	-
Distributions (cents per unit)	12.8388	-

There were no distributions declared for the year ended 30 June 2022.

Directors' report (continued)

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.

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 are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain 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 and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 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 15 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 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.

Rounding of amounts to the nearest thousand dollars

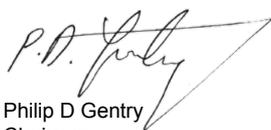
Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

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 Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
28 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 Harvest Lane Asset Management Absolute Return Fund

As lead auditor for the audit of the financial report of Harvest Lane Asset Management Absolute Return 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.

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

Ernst & Young

A handwritten signature in black ink that reads "Luke Slater".

Luke Slater
Partner
28 September 2023

Harvest Lane Asset Management Absolute Return Fund
Statement of comprehensive income
For the year ended 30 June 2023

Statement of comprehensive income

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Interest income from financial assets at fair value through profit or loss		88	55
Dividend and distribution income		4,605	732
Net foreign exchange gain/(loss)		(79)	(12)
Net gains/(losses) on financial instruments at fair value through profit or loss		(982)	160
Other income		20	-
Total investment income/(loss)		3,652	935
Expenses			
Dividend expense		53	8
Management fees and costs		288	177
Performance fees	15(g)	588	293
Transaction and brokerage fees		115	75
Other expenses		32	7
Total expenses		1,076	560
Profit/(loss) for the year		2,576	375
Other comprehensive income		-	-
Total comprehensive income for the year		2,576	375

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

Harvest Lane Asset Management Absolute Return Fund
Statement of financial position
As at 30 June 2023

Statement of financial position

	Note	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	10	7,407	186
Receivables	12	199	367
Due from brokers - receivable for securities sold		739	3,712
Financial assets at fair value through profit or loss	5	19,495	16,013
Total assets		27,840	20,278
Liabilities			
Distributions payable	9	1,916	-
Borrowings		-	401
Payables	13	1,245	180
Due to brokers - payable for securities purchased		554	972
Financial liabilities at fair value through profit or loss	6	4,290	794
Total liabilities		8,005	2,347
Net assets attributable to unit holders - equity	8	19,835	17,931

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

Harvest Lane Asset Management Absolute Return Fund
Statement of changes in equity
For the year ended 30 June 2023

Statement of changes in equity

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the financial year		17,931	8,798
Comprehensive income for the financial year			
Profit/(loss) for the year		2,576	375
Other comprehensive income		-	-
Total comprehensive income		2,576	375
Transactions with unit holders			
Applications	8	4,621	9,470
Redemptions	8	(3,377)	(713)
Reinvestment of distributions	8	-	1
Distributions paid and payable		(1,916)	-
Total transactions with unit holders		(672)	8,758
Total equity at the end of the financial year		19,835	17,931

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

Statement of cash flows

	Note	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		153,140	58,474
Payments for purchase of financial instruments at fair value through profit or loss		(151,555)	(67,491)
Interest income received from financial assets at fair value through profit or loss		135	10
Other income received		20	-
Dividends received		4,533	674
Dividend expense paid on short position securities		(53)	(8)
Management fees and costs paid		(167)	(171)
Performance fees paid		(179)	(672)
Transaction and brokerage fees paid		(115)	(79)
Interfund closure received/paid		-	(194)
Other expenses received/paid		185	(18)
Net cash inflow/(outflow) from operating activities	11(a)	5,944	(9,475)
Proceeds from applications by unit holders		4,549	9,565
Payments for redemptions by unit holders		(2,792)	(1,371)
Distributions paid to unit holders		-	(1)
Net cash inflow/(outflow) from financing activities		1,757	8,193
Net increase/(decrease) in cash and cash equivalents		7,701	(1,282)
Cash and cash equivalents at the beginning of the year		(215)	1,079
Effect of foreign currency exchange rate changes on cash and cash equivalents		(79)	(12)
Cash and cash equivalents at the end of the year	10	7,407	(215)
Non-cash operating and financing activities	11(b)	-	1

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 Harvest Lane Asset Management Absolute Return Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 30 January 2013 and will terminate in accordance with the provisions of 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 utilises a variety of instruments to achieve its investment outcomes including Australian and international equities, derivative instruments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. Derivative instruments are used to gain an intended exposure or manage a particular risk.

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 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 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 holders' 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 years.

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.

2. Summary of significant accounting policies (continued)

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. 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 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 flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

Derivative contracts 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 (management fee and costs payable, performance fees payable, redemptions payable, intefund payable and subscriptions received in advance).

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 the 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 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the year in which they arise.

For further details on how the fair values of financial instruments are determined are disclosed in Note 4 to the financial statements.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

iii. Measurement (continued)

- 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, receivables, due to brokers, payables and subscriptions received in advance are carried at amortised cost.

iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on financial assets carried at amortised cost (cash and cash equivalents, due from broker 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.

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 year, 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 is 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.

As at the end of the reporting year, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

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 are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

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. Bank overdrafts are shown within borrowings are shown in the statement of financial position.

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. 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 or liability. 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 on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments 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 distributions are recognised on an entitlement basis.

f. Expenses

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

Dividend expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognised in profit or loss when the shareholders' right to receive payment is established.

Management fees and costs covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees and other operating expense.

g. Income tax

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

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

h. 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.

i. 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.

2. Summary of significant accounting policies (continued)

i. Foreign currency translation (continued)

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/(losses) on financial instruments at fair value through profit or loss.

j. Due from/to brokers

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

k. Receivables

Receivables may include amounts for interest, dividends and trust distributions and GST claims. 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.

l. Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

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.

m. Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

n. 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 on to 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). Amount payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

o. Use of estimates 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 are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. 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 and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2. Summary of significant accounting policies (continued)

o. Use of estimates and judgements (continued)

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.

p. Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* 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.

q. Comparative revisions

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

3. Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price 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 Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund's overall market positions are monitored on a periodic basis, at least monthly, by the Investment Manager. Compliance with the Fund's investment guideline is also monitored on an ongoing basis by the Investment Manager.

Throughout the year the Fund invested in equity swaps. In undertaking these contracts the Fund does not have an interest in the underlying securities, however the swap positions provides the Fund with exposure to the movement in the underlying holding.

These contracts are traded through a Broker. The Fund provides the Broker a certain amount of "margin" for each trade and the Broker provides the "loan to value" (LVR) component. These contracts are reset on a monthly basis and at that date, cash will be moved from or to the Fund. This cash movement will be based on the realised gain/loss of the underlying securities within the swap, and dividend income or expenses, any interest income or expense, and commissions that must be paid.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

a. Market risk

i. Price risk

The Fund is exposed to price risk on equity securities at fair value through profit or loss and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Price risk is managed by the Investment Manager and the Fund seeks to mitigate price risk by ensuring the Fund is managed in line with its IMA. The Investment Manager monitors the Fund on a regular basis.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/-10% (2022: +/-10%).

3. Financial risk management (continued)

a. Market risk (continued)

ii. Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Fund generally seeks to hedge its respective foreign currency exposure on financial assets but will necessarily be subject to foreign exchange risks.

The Investment Manager monitors this risk on an on-going basis. The Investment Manager manages risk on an absolute return basis in the reporting currency (i.e. Australian dollar), rather than the underlying currencies. Foreign exchange rate risk is managed by depositing surplus foreign currency in a foreign currency account for later use, or by borrowing foreign currency to pay for foreign currency purchases, and then using the foreign currency to repay the borrowing.

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	Canadian Dollar A\$'000	Pound Sterling A\$'000	New Zealand Dollar A\$'000	United States Dollar A\$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	-	-	-	9
Financial assets at fair value through profit or loss	543	-	159	180
Total financial assets	543	-	159	189
Financial liabilities				
Distributions payable	-	-	-	-
Payables	-	-	(21)	-
Financial liabilities at fair value through profit or loss	(543)	-	-	-
Total financial liabilities	(543)	-	(21)	-
Net exposure	-	-	138	189

As at 30 June 2022

Financial assets

Cash and cash equivalents	-	(1)	(380)	(21)
Receivables	-	-	(19)	47
Due from brokers - receivable for securities sold	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	1,418
Total financial assets	-	(1)	(399)	1,444
Net exposure	-	(1)	(399)	1,444

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2022: +/-10%) against the material foreign currencies to which the Fund is exposed.

iii. Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial instruments expose them to risks associated with the effects of fluctuation in the prevailing market interest rate on its financial positions and cash flows. The impact of interest rate risk on the profit and net assets attributable to unit holders is considered immaterial to the Fund.

3. Financial risk management (continued)

a. Market risk (continued)

iii. Interest rate risk (continued)

Interest rate risk is managed as a part of price risk and measured using the sensitivity analysis at Note 3(b).

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

	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	7,407	-	-	7,407
Receivables	-	-	199	199
Due from brokers - receivable for securities sold	-	-	739	739
Financial assets at fair value through profit or loss	-	-	19,495	19,495
Total financial assets	7,407	-	20,433	27,840
Financial liabilities				
Distributions payable	-	-	1,916	1,916
Payables	-	-	1,245	1,245
Due to brokers - payable for securities purchased	-	-	554	554
Financial liabilities at fair value through profit or loss	-	-	4,290	4,290
Total financial liabilities	-	-	8,005	8,005
Net exposure	7,407	-	12,428	19,835
As at 30 June 2022				
Financial assets				
Cash and cash equivalents	186	-	-	186
Receivables	47	-	320	367
Due from brokers - receivable for securities sold	-	-	3,712	3,712
Financial assets at fair value through profit or loss	-	1,277	14,736	16,013
Total financial assets	233	1,277	18,768	20,278
Financial liabilities				
Payables	-	-	180	180
Borrowings	-	-	401	401
Due to brokers - payable for securities purchased	-	-	972	972
Financial liabilities at fair value through profit or loss	-	-	794	794
Total financial liabilities	-	-	2,347	2,347
Net exposure	233	1,277	16,421	17,931

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that interest rates changed by +/- 100 basis points (2022: +/- 100 basis points) from the year end rates with all other variables held constant.

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 market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the 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 less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Interest rate risk		Currency risk	
	10%	-10%	+100bps	-100bps	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2023	1,521	(1,521)	74	(74)	(10)	10
As at 30 June 2022	1,522	(1,522)	2	(2)	(144)	144

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.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents, receivables and amounts due from brokers balances. The maximum exposure to credit risk is the carrying of these balances as at the reporting date.

Credit risk refers to a risk of loss arising from the failure of a borrower or other party to a contract to meet its obligations. This may arise in derivatives, fixed interest securities and mortgage securities. Entry into transactions, such as derivatives, may give rise to counterparty risk. Substantial losses could be incurred if a counterparty fails to deliver on its contractual obligations, or experiences financial difficulties.

For this reason, the Fund engages with counterparties believed to exhibit suitable creditworthiness at the time of execution. In addition, such transactions are appropriately documented; this may include provision for credit protection measures.

i. Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchased on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

ii. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- (as determined by the Standard and Poor's) or higher.

iii. Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting year is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

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 Investment Manager reasonably expects that the Fund will be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in the most recent calculation of the NAV of the Fund, within 10 days, and monitors the portfolio along with daily application and redemptions to ensure the Fund is managed in accordance with the Product Disclosure Statement.

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)

The Investment Manager monitors the level of daily applications and redemptions relative to the liquid assets in the Fund.

The Fund invests mostly in Australian listed companies, Derivative instruments and some cash.

i. Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current and prior year have maturities of less than 1 month.

ii. Maturities of net settled derivative financial instruments

All net settled derivative financial instruments of the Fund have maturities of 1 to 6 months.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holders' option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

As at 30 June 2023	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Financial liabilities					
Distributions payable	-	1,916	-	-	1,916
Payables	-	-	-	-	-
Borrowings	-	1,245	-	-	1,245
Due to brokers - payable for securities purchased	-	554	-	-	554
Financial liabilities at fair value through profit or loss	-	4,290	-	-	4,290
Net assets attributable to unit holders - equity	-	19,835	-	-	19,835
Contractual cash flows (excluding derivatives)	-	27,840	-	-	27,840
As at 30 June 2022					
Distributions payable	-	-	-	-	-
Payables	-	401	-	-	401
Borrowings	-	180	-	-	180
Due to brokers - payable for securities purchased	-	972	-	-	972
Financial liabilities at fair value through profit or loss	-	794	-	-	794
Net assets attributable to unit holders - equity	-	-	-	-	-
Contractual cash flows (excluding derivatives)	-	2,347	-	-	2,347

4. 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 5 and Note 6)
- Derivative financial instruments (see Note 7)

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value 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).

4. 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 year without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current last price; the appropriate quoted market price for financial liabilities is the current asking 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.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting year applicable for an instrument with similar terms and conditions.

Investments in unlisted fixed interests are valued cost of investment and tested annually for impairment. Where applicable, interest is capitalised against the carrying value, else interest is recognised as and when received. As at 30 June 2023, no capitalised interest is reflected in the carrying value.

For other pricing models, inputs are based on market data at the end of the reporting year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

The Investment Manager's approach to the valuation of level 3 investments takes into account market convention.

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.

When selecting a valuation technique, the Investment Manager gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

4. Fair value measurement (continued)

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

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

c. Recognised fair value measurements

The table below presents the Fund's financial assets measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Financial assets held for trading:				
Listed equity securities	17,962	-	-	17,962
Unlisted equity securities	-	-	1,533	1,533
Total financial assets	17,962	-	1,533	19,495
Financial liabilities				
Listed equity securities	4,290	-	-	4,290
Total financial liabilities	4,290	-	-	4,290
As at 30 June 2022				
Financial assets				
Financial assets held for trading:				
Unlisted bonds	-	-	982	982
Listed equity securities	13,040	-	-	13,040
Listed bonds	-	295	-	295
Unlisted equity securities	-	-	1,639	1,639
Contract for differences	-	57	-	57
Total financial assets	13,040	352	2,621	16,013
Financial liabilities				
Listed equity securities	794	-	-	794
Total financial liabilities	794	-	-	794

d. Transfer 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.

4. 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 and 30 June 2022.

	Financial assets at fair value through profit or loss \$'000
Opening balance - 1 July 2021	522
Purchases	1,372
Sales	(579)
Transfer into/(out) from level 3	(3)
Gains/(losses) recognised in the statement of comprehensive income	1,309
Closing balance - 30 June 2022*	<u>2,621</u>
Purchases	6,559
Sales	(6,709)
Transfer into/(out) from level 3	(65)
Gains/(losses) recognised in the statement of comprehensive income	(873)
Closing balance - 30 June 2023*	<u>1,533</u>

* Includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting year.

i. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(b) for the valuation techniques adopted.

Description	Fair value (\$'000)	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 June 2023			
Unlisted equity securities			
PHM unlisted	735	Equity book value per share	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$73,500.
Votiro Cybersec Global Pty Ltd	180	Capital infusion price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$18,000.
Cymra Life Science Limited	154	Conversion price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$15,400.
Cradle Resource Ltd	114	Capital infusion price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$11,400.
Lukin Resources	65	Initial Public offering (IPO) price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$6,500.
Slater & Gordon Ltd	76	Last trade price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$7,600.
IntelliHR Ltd Common Stock Aud	140	Last trade price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$14,000.
New Energy Solar Ltd	69	Last trade price	Increased/(decreased) equity book value per share by 10% would (decrease)/increase fair value by \$6,900.

4. Fair value measurement (continued)

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

i. Valuation inputs and relationships to fair value (continued)

Description	Fair value (\$'000)	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 June 2022			
Unlisted fixed interests			
Creative 12 Months FCN	982	At par	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$98,200.
Unlisted equity securities			
Creative Mass Incorporated	328	At par	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$32,800.
Edge Minerals Pty Ltd	39	At carrying value	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$3,900.
Lukin Resources Pty Ltd	130	At carrying value	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$13,000.
Evergreen Lithium Pty Ltd	120	At par	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$12,000.
PHM unlisted	525	At carrying value	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$52,500.
Votiro Cybersec Global Pty Ltd	109	At par	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$10,900.
Cymra Life Science Limited	154	At carrying value	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$15,400.
Cradle Resource Ltd	234	At carrying value	Increased/(decreased) discount rate (+/- 10%) would (decrease)/increase fair value by \$23,400.

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

4. Fair value measurement (continued)

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

ii. Valuation processes

The Fund's investment in an unlisted equity security is generally valued using either recent transactions (capital raising subscription prices or last active trade prices within the last 12 months) or based on internal valuations if a recent market transaction has not occurred and/or the Investment Manager has determined that the last transaction does not appropriately reflect fair value.

Portfolio reviews are undertaken regularly by management 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. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification.

f. Financial instruments not carried at fair value

The carrying values of receivables and payables approximate their fair values due to their short-term nature.

5. Financial assets at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Listed equity securities	17,962	13,040
Unlisted equity securities	1,533	1,639
Listed bonds	-	295
Unlisted bonds	-	982
Contract for differences	-	57
Total financial assets at fair value through profit or loss	19,495	16,013

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 4 to the financial statements.

6. Financial liabilities at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Listed equity securities	4,290	794
Total financial liabilities at fair value through profit or loss	4,290	794

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 4 to the financial statements.

7. 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 forwards, 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:

7. Derivative financial instruments (continued)

- 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 and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

As at 30 June 2023, the Fund does not have any derivative financial instruments measured at fair value and 30 June 2022 are detailed below:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2022			
Contract for differences	30	57	-
Total derivatives	30	57	-

8. 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. The Fund's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

Movements in the net assets attributable to unit holders during the year were as follows:

	Year ended		Year ended	
	30 June 2023 Units '000	30 June 2023 \$'000	30 June 2022 Units '000	30 June 2022 \$'000
Opening balance	14,036	17,931	7,176	8,798
Applications	3,393	4,621	7,433	9,470
Redemptions	(2,503)	(3,377)	(573)	(713)
Reinvestment of distributions	-	-	-	1
Distribution paid and payable	-	(1,916)	-	-
Increase/(decrease) in net assets attributable to unit holders	-	-	-	-
Profit/(loss) for the year	-	2,576	-	375
Closing balance	14,926	19,835	14,036	17,931

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in 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.

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 year cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unit holders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a monthly 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 a redemption of units if the exercise of such discretion is in the best interests of unit holders.

9. Distributions to unit holders

	Year ended			
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
Distributions				
June (payable)	1,916	12,8388	-	-
Total distributions	<u>1,916</u>	<u>12,8388</u>	<u>-</u>	<u>-</u>

10. Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	7,407	186
Total cash and cash equivalents	<u>7,407</u>	<u>186</u>

a. Reconciliation to statement of cash flows

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the year as follows:

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	7,407	186
Borrowings	-	(401)
Balance per statement of cash flows	<u>7,407</u>	<u>(215)</u>

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Profit/(loss) for the year	2,576	375
Proceeds from sale of financial instruments at fair value through profit or loss	153,140	58,474
Payments for purchase of financial instruments at fair value through profit or loss	(151,555)	(67,492)
Net (gains)/losses on financial instruments at fair value through profit or loss	982	(160)
Net foreign exchange (gain)/loss	79	12
Net change in receivables	(25)	(304)
Net change in payables	747	(381)
Net cash inflow/(outflow) from operating activities	<u>5,944</u>	<u>(9,476)</u>

b. Non-cash operating and financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan.

	-	1
Total non-cash operating and financing activities	<u>-</u>	<u>1</u>

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

12. Receivables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Dividends receivable	189	116
Interest receivable on convertible notes	-	47
GST receivable	5	5
Interfund receivable	-	194
Other receivable	5	5
Total receivables	199	367

13. Payables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Management fees and costs payable	154	32
Performance fees payable	409	-
Redemptions payable	637	52
Other payable	21	-
Subscriptions received in advance	24	96
Total payables	1,245	180

14. 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	15,476	14,600
Total auditor remuneration and other assurance services	15,476	14,600
<i>Taxation services</i>		
Tax compliance services	9,389	8,775
Total remuneration for taxation services	9,389	8,775
Total remuneration for Ernst & Young	24,865	23,375
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,346
Total auditor remuneration and other assurance services	2,346	2,346
Total remuneration for PricewaterhouseCoopers	2,346	2,346

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

15. Related party transactions

The Responsible Entity of Harvest Lane Asset Management Absolute Return 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 Harvest Lane Asset Management Pty Ltd to act as Investment Manager for the Fund. Apex Fund Services Pty Ltd to act as Fund Administrator for the Fund and J.P. Morgan Securities plc as Custodian and Prime Broker for the Fund. The contracts are on normal commercial terms and conditions.

15. Related party transactions (continued)

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)

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 persons with responsibility for planning, directing and controlling the 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 year.

c. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2023 (30 June 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 year.

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 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 Product Disclosure Statement for the Fund, the Responsible Entity is entitled to receive fees. The Investment Manager is entitled to receive performance fees.

The transactions during the year and amounts payable as 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 for the year	247,349	141,561
Performance fees for the year	587,743	293,036
Management fees payable at year end	153,167	25,982
Performance fees payable at year end	409,038	4

15. Related party transactions (continued)

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

Equity Trustees Limited earned \$48,000 (2022: \$36,000) for Responsible Entity services provided 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.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Expense recoveries include Responsible Entity fees, Custodian and Administrator fees and other expenses.

h. Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Fund, as follows:

Unit holder	Number units opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
As at 30 June 2023							
Harvest Lane Asset Management Pty Ltd	153	153	219	0.00	-	-	1,916
As at 30 June 2022							
Harvest Lane Asset Management Pty Ltd	153	153	192	0.00	-	-	-

i. Investments

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

16. Events occurring after the reporting year

No significant events have occurred since the end of the year which would impact on the financial position of the Fund 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.

17. 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 6 to 30 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 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;
- (c) Note 2(a) confirms that the financial statements also comply with the 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 Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
28 September 2023



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working world**

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Independent Auditor's Report to the Unit Holders of Harvest Lane Asset Management Absolute Return Fund

Opinion

We have audited the financial report of Harvest Lane Asset Management Absolute Return 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 30 June 2023, 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 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 scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the Directors of the Responsible Entity of the Fund's 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

Ernst & Young

Luke Slater

Luke Slater

Partner

Melbourne

28 September 2023