

# **L1 Capital Long Short Fund**

ARSN 615 353 556

## **Annual report**

**For the year ended 30 June 2023**

# L1 Capital Long Short Fund

ARSN 615 353 556

## Annual report For the year ended 30 June 2023

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This annual report covers L1 Capital Long Short Fund as an individual entity.

The Responsible Entity of L1 Capital Long Short 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 the L1 Capital Long Short 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 predominantly in a diversified portfolio of listed Australian and foreign securities in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund may also invest in derivatives and may use gearing and shorting.

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 services providers of the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	L1 Capital Pty Ltd
Custodians	Credit Suisse Securities (Europe) Limited (terminated on 6 December 2022) Goldman Sachs International plc Morgan Stanley & Co. International plc Merrill Lynch International (agreement signed on 29 September 2022)
Administrator and Registrar	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 provisions of the Fund's Constitution.

The Fund's performance was 12.55% (net of fees) for the year ended 30 June 2023 (2022: 10.36% (net of fees)). The Fund does not operate against a benchmark.

The Fund's performance is calculated based on the percentage change in the redemption price in the Fund over the period (with any distributions paid during the period reinvested). Returns are disclosed after fees and expenses, but before taxes.

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) before finance costs attributable to unit holders for the year (\$'000)	108,550	59,694
<i>L1CLSF - Class A</i>		
Distributions paid and payable (\$'000)	-	18,857
Distributions (cents per unit)	-	74.0751
<i>L1CLSF - Daily Class</i>		
Distributions paid and payable (\$'000)	-	124,943
Distributions (cents per unit)	-	50.9918

**Directors' report (continued)**

**Review and results of operations (continued)**

	Year ended	
	30 June 2023	30 June 2022
<i>L1CLSF - Series 01 (Lead Series)</i>		
Distributions paid and payable (\$'000)	-	5,016
Distributions (cents per unit)	-	74.3453
<i>L1CLSF - Monthly Class</i>		
Distributions paid and payable (\$'000)	-	99,399
Distributions (cents per unit)	-	83.1965
<i>L1CLSF - Monthly Class 2021 06</i>		
Distributions paid and payable (\$'000)	-	156
Distributions (cents per unit)	-	82.8621
<i>L1CLSF - Monthly Class 2021 08</i>		
Distributions paid and payable (\$'000)	-	2,229
Distributions (cents per unit)	-	87.8273
<i>L1CLSF - Monthly Class 2021 09</i>		
Distributions paid and payable (\$'000)	-	420
Distributions (cents per unit)	-	78.2160
<i>L1CLSF - Monthly Class 2021 11</i>		
Distributions paid and payable (\$'000)	-	367
Distributions (cents per unit)	-	65.8080
<i>L1CLSF - Monthly Class 2021 12</i>		
Distributions paid and payable (\$'000)	-	1,250
Distributions (cents per unit)	-	65.8189
<i>L1CLSF - Monthly Class 2022 01</i>		
Distributions paid and payable (\$'000)	-	342
Distributions (cents per unit)	-	64.3180
<i>L1CLSF - Monthly Class 2022 02</i>		
Distributions paid and payable (\$'000)	-	107
Distributions (cents per unit)	-	58.7461
<i>L1CLSF - Monthly Class 2022 03</i>		
Distributions paid and payable (\$'000)	-	437
Distributions (cents per unit)	-	46.3596
<i>L1CLSF - Monthly Class 2022 04</i>		
Distributions paid and payable (\$'000)	-	323
Distributions (cents per unit)	-	24.8190
<i>L1CLSF - Monthly Class 2022 05</i>		
Distributions paid and payable (\$'000)	-	552
Distributions (cents per unit)	-	20.5660
<i>L1CLSF - Monthly Class 2022 06</i>		
Distributions paid and payable (\$'000)	-	250
Distributions (cents per unit)	-	9.4451

## 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.

The Fund entered into a Custodian agreement with Merrill Lynch International on 29 September 2022. The Fund's Custodian agreement with Credit Suisse Securities (Europe) Limited was terminated on 6 December 2022.

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 the insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of the 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 16 of the financial statements.

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

The number of interests in the Fund held by the Responsible Entity and its associates as at the end of the financial year are disclosed in Note 16 of the financial statements.

### Interests in the Fund

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

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

## Directors' report (continued)

### Environmental regulation

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

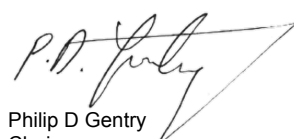
### Rounding of amounts to the nearest thousand dollars

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 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 L1 Capital Long Short Fund**

As lead auditor for the audit of the financial report of L1 Capital Long Short 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

Jonathan Hall  
Partner  
Sydney  
14 September 2023

**L1 Capital Long Short 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
<b>Investment income</b>			
Interest income from financial assets at amortised cost		13,361	232
Dividend income		32,010	34,351
Unit trust distribution income		347	681
Net gains/(losses) on financial instruments at fair value through profit or loss		160,203	97,795
Expense reimbursement from Investment Manager	16	832	754
Net foreign exchange gain/(loss)		(12,798)	(17,606)
Other income		11	49
<b>Total investment income/(loss)</b>		<b>193,966</b>	<b>116,256</b>
<b>Expenses</b>			
Management fees and costs		12,829	11,789
Performance fees	16	23,368	17,384
Interest expense		20,248	5,878
Transaction costs		8,984	7,249
Stock loan fees		3,408	3,143
Withholding tax on foreign dividends		1,685	2,141
Short dividend expense		14,841	8,916
Other expenses		53	62
<b>Total expenses</b>		<b>85,416</b>	<b>56,562</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<b>108,550</b>	<b>59,694</b>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	10	-	(254,648)
(Increase)/decrease in net assets attributable to unit holders	9	(108,550)	194,954
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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



**L1 Capital Long Short Fund**  
**Statement of financial position**  
**As at 30 June 2023**

**Statement of financial position**

		As at	
	Note	30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	612,276	678,540
Prepaid expenses		7	7
Receivables	13	1,996	3,297
Due from brokers - receivable for securities sold		14,293	35,554
Financial assets at fair value through profit or loss	6	1,761,735	1,413,267
<b>Total assets</b>		<b>2,390,307</b>	<b>2,130,665</b>
<b>Liabilities</b>			
Broker advances		568,266	854,251
Distributions payable		-	254,648
Payables	14	24,867	13,240
Due to brokers - payable for securities purchased		97,337	32,563
Financial liabilities at fair value through profit or loss	7	615,726	389,263
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>1,306,196</b>	<b>1,543,965</b>
<b>Net assets attributable to unit holders - liability</b>	9	<b>1,084,111</b>	<b>586,700</b>

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

**L1 Capital Long Short Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

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**Statement of changes in equity**

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Total equity at the beginning of the financial year*</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year*</b>	<u>-</u>	<u>-</u>

\*Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

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

**L1 Capital Long Short Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

**Statement of cash flows**

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sales of financial instruments at fair value through profit or loss		3,481,930	2,786,570
Payments for purchase of financial instruments at fair value through profit or loss		(3,357,700)	(2,725,158)
Interest income from financial assets at amortised cost		13,516	84
Dividends received		31,505	31,668
Distributions received		347	1,226
Expense reimbursement income received		821	737
Other income received		11	49
Management fees and costs paid		(12,704)	(11,552)
Performance fees paid		(18,612)	(42,327)
Stock loan fees paid		(4,060)	(2,452)
Transaction costs paid		(8,832)	(7,121)
Short dividends paid		(14,819)	(7,946)
Interest expense paid		(19,897)	(5,550)
Other expenses paid		(224)	(188)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>91,282</b>	<b>18,040</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		367,404	244,247
Payments for redemptions by unit holders		(83,838)	(127,995)
Distributions paid to unit holders		(142,329)	(7,212)
Broker advances received/(paid)		(285,985)	366,417
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(144,748)</b>	<b>475,457</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(53,466)</b>	<b>493,497</b>
Cash and cash equivalents at the beginning of the year		678,540	202,649
Effects of foreign currency exchange rate changes on cash and cash equivalents		(12,798)	(17,606)
<b>Cash and cash equivalents at the end of the year</b>	11	<b>612,276</b>	<b>678,540</b>
Non-cash operating and financing activities	12(b)	<b>112,319</b>	<b>4,970</b>

*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 L1 Capital Long Short Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 11 June 2014 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 invests predominantly in a diversified portfolio of listed Australian and foreign securities in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund may also invest in derivatives and may use gearing and shorting.

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 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.

### 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 debt securities, the contractual cash flows of these instruments do not represent 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, these 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 flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. 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 (broker advances, distribution payable, payables and due to brokers).

#### *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 profit or loss.

#### *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.

## **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, distributions payable, payables and broker advances 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 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 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 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.

Financial assets and liabilities offset have been 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 are classified as financial liabilities.

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 unit back to the Fund.

### **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, 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 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.

Cash and cash equivalents as of 30 June 2023 includes amount of \$41,085,000 held as collateral with Morgan Stanley for futures holdings (30 June 2022: \$55,006,000).

### **e. Broker advances**

Broker advances comprise cash paid by brokers on behalf of the Fund under the facility in the prime brokerage agreement for the day-to-day settlement of Fund's sales and purchases of financial instruments in foreign currencies.

## **2. Summary of significant accounting policies (continued)**

### **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 relevant 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 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.

### **g. Expenses**

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

Interest expense from financial liability at amortised cost is recognised using the effective interest method and includes interest expenses from the credit facility.

The management fees and costs cover certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, administration, audit fees and other operating expenses.

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.

### **h. 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.

### **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 comprehensive income.

### **j. Increase/decrease in net assets attributable to unit holders**

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

### **k. 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)**

### **k. 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 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.

### **l. 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.

### **m. Receivables**

Receivables may include amounts for interest, dividends 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.

### **n. 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.

The Fund usually distributes income semi-annually at the end of June and at the end of December.

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.

### **o. Applications and redemptions**

Unit application and redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue, adjusted for buy/sell spreads.

### **p. 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 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.

### **q. 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)**

### **q. Use of estimates and judgements (continued)**

For financial instruments measured at amortised cost, 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 please refer to Note 5 to the financial statements.

### **r. 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.

### **s. 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, 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 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 securities is limited to the fair value of those positions. The maximum loss of capital on long and short futures and swaps 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, L1 Capital Pty Ltd, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and investment guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

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 listed or quoted on recognised securities exchanges. Price risk 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 seeking to diversify the Fund's investment as it deems appropriate and consistent with the Fund's investment objective.

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 move by +/-10% (2022: +/- 10%).

#### *ii. Foreign exchange risk*

The Fund 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 will 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. AU dollars), 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.

### 3. Financial risk management (continued)

a. Market risk (continued)

ii. Foreign exchange risk (continued)

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.

As at 30 June 2023	US Dollar A\$'000	Hong Kong Dollar A\$'000	Euro A\$'000	Canadian Dollar A\$'000	All other foreign currencies A\$'000
<b>Monetary</b>					
Cash and cash equivalents	-	-	-	-	3,735
Receivables	465	-	-	-	-
Due from brokers - receivable for securities sold	83	-	5	-	448
Broker advances	(217,211)	(67,075)	(49,253)	(33,217)	(98,773)
Due to brokers - payable for securities purchased	(22,546)	(839)	(8,207)	(1,662)	(1,463)
<b>Total Monetary</b>	<b>(239,209)</b>	<b>(67,914)</b>	<b>(57,455)</b>	<b>(34,879)</b>	<b>(96,053)</b>
<b>Non-monetary</b>					
Financial assets at fair value through profit or loss	317,958	26,681	58,392	184,471	79,743
Financial liabilities at fair value through profit or loss	(189,415)	-	-	-	(26,749)
<b>Total Non-monetary</b>	<b>128,543</b>	<b>26,681</b>	<b>58,392</b>	<b>184,471</b>	<b>52,994</b>
<b>Net exposure</b>	<b>(110,666)</b>	<b>(41,233)</b>	<b>937</b>	<b>149,592</b>	<b>(43,059)</b>
Net increase/(decrease) in exposure from forward currency contracts	-	-	-	-	-
<b>Net exposure including forward currency contracts</b>	<b>(110,666)</b>	<b>(41,233)</b>	<b>937</b>	<b>149,592</b>	<b>(43,059)</b>
<b>As at 30 June 2022</b>					
<b>Monetary</b>					
Cash and cash equivalents	-	-	5,351	-	13,964
Receivables	563	18	-	-	34
Due from brokers - receivable for securities sold	19,887	-	1,147	-	-
Broker advances	(203,971)	(66,037)	(103,307)	-	(193,847)
Due to brokers - payable for securities purchased	(4,586)	(262)	(1,298)	-	(2,060)
<b>Total Monetary</b>	<b>(188,107)</b>	<b>(66,281)</b>	<b>(98,107)</b>	<b>-</b>	<b>(181,909)</b>
<b>Non-monetary</b>					
Financial assets at fair value through profit or loss	155,837	36,799	91,760	-	236,387
Financial liabilities at fair value through profit or loss	(92,242)	-	-	-	(512)
<b>Total Non-monetary</b>	<b>63,595</b>	<b>36,799</b>	<b>91,760</b>	<b>-</b>	<b>235,875</b>
<b>Net exposure</b>	<b>(124,512)</b>	<b>(29,482)</b>	<b>(6,347)</b>	<b>-</b>	<b>53,966</b>
Net increase/(decrease) in exposure from forward currency contracts	-	-	-	-	-
<b>Net exposure including forward currency contracts</b>	<b>(124,512)</b>	<b>(29,482)</b>	<b>(6,347)</b>	<b>-</b>	<b>53,966</b>

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.

### 3. Financial risk management (continued)

#### a. Market risk (continued)

##### iii. Interest rate risk

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investments in cash holdings, net of broker advances. Interest income from cash holdings is earned at variable interest rates.

It is not possible for the Fund to manage interest rate risks (by fixing rates) as the Fund may need to draw on the cash at any point in time.

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

#### As at 30 June 2023

	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Financial assets</b>			
Cash and cash equivalents	612,276	-	612,276
Prepaid expenses	-	7	7
Receivables	-	1,996	1,996
Due from brokers - receivable for securities sold	-	14,293	14,293
Financial assets at fair value through profit or loss	-	1,761,735	1,761,735
<b>Total financial assets</b>	<b>612,276</b>	<b>1,778,031</b>	<b>2,390,307</b>
<b>Financial liabilities</b>			
Broker advances	568,266	-	568,266
Payables	-	24,867	24,867
Due to broker - payable for securities purchased	-	97,337	97,337
Financial liabilities at fair value through profit or loss	-	615,726	615,726
<b>Total financial liabilities</b>	<b>568,266</b>	<b>737,930</b>	<b>1,306,196</b>
<b>Net exposure</b>	<b>44,010</b>	<b>1,040,101</b>	<b>1,084,111</b>

#### As at 30 June 2022

<b>Financial assets</b>			
Cash and cash equivalents	678,540	-	678,540
Prepaid expenses	-	7	7
Receivables	-	3,297	3,297
Due from brokers - receivable for securities sold	-	35,554	35,554
Financial assets at fair value through profit or loss	-	1,413,267	1,413,267
<b>Total financial assets</b>	<b>678,540</b>	<b>1,452,125</b>	<b>2,130,665</b>
<b>Financial liabilities</b>			
Broker advances	854,251	-	854,251
Distributions payable	-	254,648	254,648
Payables	-	13,240	13,240
Due to brokers - payable for securities purchased	-	32,563	32,563
Financial liabilities at fair value through profit or loss	-	389,263	389,263
<b>Total financial liabilities</b>	<b>854,251</b>	<b>689,714</b>	<b>1,543,965</b>
<b>Net exposure</b>	<b>(175,711)</b>	<b>762,411</b>	<b>586,700</b>

### 3. Financial risk management (continued)

#### a. Market risk (continued)

##### iii. Interest rate risk (continued)

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit/(loss) 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 change by +/- 100 basis points (2022: +/- 75 basis points) from the year end rates with all other variables held constant.

#### b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) 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/(loss)/net assets attributable to unit holders					
	Price risk		Interest rate risk		Foreign exchange risk	
	+10%	-10%	+100bps/+75bps	-100bps/-75bps	+10%	-10%
	Hong Kong Dollar	Hong Kong Dollar			Hong Kong Dollar	Hong Kong Dollar
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
As at 30 June 2023	114,601	(114,601)	440	(440)	(6,791)	6,791
As at 30 June 2022	102,401	(102,401)	(1,318)	1,318	(6,628)	6,628

	Impact on operating profit/(loss)/net assets attributable to unit holders					
	Foreign exchange risk					
	+10%	-10%	+10%	-10%	+10%	-10%
	US Dollar	US Dollar	Euro	Euro	CAD	CAD
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
As at 30 June 2023	(23,921)	23,921	(5,746)	5,746	(3,488)	3,488
As at 30 June 2022	(18,811)	18,811	(9,811)	9,811	-	-

	Impact on operating profit/(loss)/net assets attributable to unit holders	
	Foreign exchange risk	
	+10%	-10%
	All other foreign currencies	All other foreign currencies
	A\$'000	A\$'000
As at 30 June 2023	(9,605)	9,605
As at 30 June 2022	(18,191)	18,191

#### 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 main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents, amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk is the carrying of these balances at the reporting date.

##### i. Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of cash and cash equivalents and amounts due from brokers.

### 3. Financial risk management (continued)

#### c. Credit risk (continued)

##### ii. 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 the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

##### iii. Financial assets subject to AASB 9's impairment requirements

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. The Responsible Entity considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, all receivables, amount due from brokers and cash are held with counterparties with a credit rating of AA/Aa/BBB+ or higher and are either callable on demand or due to be settled within 1 week. The Responsible Entity considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The Fund manages credit risk by only entering into agreements with credit worthy parties.

At 30 June 2023, the long term credit ratings of the Fund's bank and prime brokers as per Standard and Poor's were as follows:

	<b>2023</b>	<b>2022</b>
Australia and New Zealand Bank	AA-	AA-
Morgan Stanley & Co. International plc	A-	A+
Merrill Lynch	A+	A+
Goldman Sachs International	A+	A+

##### iv. Financial assets not subject to AASB 9's impairment requirements

The Fund is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to AASB 9's impairment requirements as they are measured at fair value through profit or loss. The carrying value of these assets, under both AASB 139 (2018) and AASB 9 (2019) represents the Fund's maximum exposure to credit risk on financial instruments not subject to the AASB 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

For derivative financial instruments, the Investment Manager has established limits such that transactions only take place with counterparties with a good reputation and a good credit rating as shown in the table above.

The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. In case of significant unrealised (net) results on the currency forward transactions, we will mitigate counterparty risk by requiring collateral as outlined in the collateral agreements.

For debt instruments, under the arrangements which the Fund has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Fund may not recover all of the collateral that the Fund gave to the counterparty. The collateral on securities sold short is set at 100% of the borrowed stock.

#### 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 manages liquidity risk by monitoring the asset size of the Fund as a whole on executing transactions.

The assets of the Fund are largely in the form of readily tradeable securities which can be sold on-market if necessary. Accordingly, the Fund is not considered to be exposed to material liquidity risk.

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 redemption 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 and prior year have maturities of less than one month. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

##### 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 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.

### 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 first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amounts not offset	
	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	Collateral received/ pledged	Net amount
			\$'000		
<b>As at 30 June 2023</b>					
<b>Derivative assets</b>					
Morgan Stanley & Co. International plc	425	-	425	-	425
<b>Total</b>	<b>425</b>	<b>-</b>	<b>425</b>	<b>-</b>	<b>425</b>
<b>As at 30 June 2023</b>					
<b>Derivative liabilities</b>					
Morgan Stanley & Co. International plc	(5,014)	-	(5,014)	41,085	36,071
<b>Total</b>	<b>(5,014)</b>	<b>-</b>	<b>(5,014)</b>	<b>41,085</b>	<b>36,071</b>
<b>As at 30 June 2022</b>					
<b>Derivative assets</b>					
Goldman Sachs International	593	-	593	-	593
Morgan Stanley & Co. International plc	10,084	-	10,084	55,006	65,090
<b>Total</b>	<b>10,677</b>	<b>-</b>	<b>10,677</b>	<b>55,006</b>	<b>65,683</b>
<b>As at 30 June 2022</b>					
<b>Derivative liabilities</b>					
Morgan Stanley & Co. International plc	(512)	-	(512)	-	(512)
<b>Total</b>	<b>(512)</b>	<b>-</b>	<b>(512)</b>	<b>-</b>	<b>(512)</b>

Financial assets and financial liabilities are presented net in the statement of financial position where the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting arrangement. The ISDA agreements in place meet the criteria for offsetting in the statement of financial position as the Fund has a currently legally enforceable right of the payment netting to net same day, same currency payments by derivative transaction type.

In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a net amount is payable in settlement of all transactions.

## **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 and 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);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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) is based on their 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 held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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 period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. 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.

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.



## 5. Fair value measurements (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 and 30 June 2022:

As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Options	-	425	-	425
Australian listed equity securities	1,094,065	-	-	1,094,065
International listed equity securities	667,245	-	-	667,245
<b>Total financial assets</b>	<b>1,761,310</b>	<b>425</b>	<b>-</b>	<b>1,761,735</b>
<b>Financial liabilities</b>				
Australian share price index futures	5,014	-	-	5,014
Australian listed equity securities	394,548	-	-	394,548
International listed equity securities	216,164	-	-	216,164
<b>Total financial liabilities</b>	<b>615,726</b>	<b>-</b>	<b>-</b>	<b>615,726</b>

As at 30 June 2022

<b>Financial assets</b>				
Swaps	-	593	-	593
Options	-	4,361	-	4,361
Australian share price index futures	5,723	-	-	5,723
Australian listed equity securities	885,812	-	-	885,812
International listed equity securities	516,778	-	-	516,778
<b>Total financial assets</b>	<b>1,408,313</b>	<b>4,954</b>	<b>-</b>	<b>1,413,267</b>
<b>Financial liabilities</b>				
Swaps	-	512	-	512
Australian listed equity securities	296,509	-	-	296,509
International listed equity securities	92,242	-	-	92,242
<b>Total financial liabilities</b>	<b>388,751</b>	<b>512</b>	<b>-</b>	<b>389,263</b>

### 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 fair value hierarchy during the reporting period.

### 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 by class of financial instrument.

As at 30 June 2023	Australian listed equity securities \$'000	International unlisted equity securities \$'000	Total \$'000
Opening balance - 1 July 2022	-	-	-
Transfers into level 1	-	-	-
<b>Closing balance - 30 June 2023*</b>	<b>-</b>	<b>-</b>	<b>-</b>
As at 30 June 2022			
Opening balance - 1 July 2021	-	24,775	24,775
Transfers into level 1	-	(24,775)	(24,775)
<b>Closing balance - 30 June 2022*</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## 5. Fair value measurements (continued)

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

i. *Valuation inputs as relationships to fair value*

As at 30 June 2023 and 30 June 2022, there were no financial instruments in level 3.

ii. *Valuation processes*

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. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period and are discussed in Note 5(d) above.

f. **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 and receivables/payables under sale and repurchase agreements. 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. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value.

## 6. Financial assets at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Australian share price index futures	-	5,723
Swaps	-	593
Options	425	4,361
Australian listed equity securities	1,094,065	885,812
International listed equity securities	667,245	516,778
<b>Total financial assets at fair value through profit or loss</b>	<b>1,761,735</b>	<b>1,413,267</b>

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
Australian share price index futures	5,014	-
Swaps	-	512
Australian listed equity securities	394,548	296,509
International listed equity securities	216,164	92,242
<b>Total financial liabilities at fair value through profit or loss</b>	<b>615,726</b>	<b>389,263</b>

When the Fund sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Fund is required to return those borrowed securities at a later date.

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 investment 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:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values 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.

The Fund holds the following derivatives:

### a. 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 or marketable securities. Changes in the futures contract's values are usually settled net daily with the exchange.

### b. Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

### c. Equity swaps

An equity swap is an agreement between counterparties to exchange a set of payments, determined by a stock or index return, with another set of payments (usually an interest-bearing (fixed or floating rate) instrument, but they can also be the return on another stock or index). Equity swaps are used to substitute for a direct transaction in stock. The two cash flows are usually referred to as "legs". As with other swaps, the difference in the payment streams is netted.

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

#### As at 30 June 2023

	<b>Contractual/ notional \$'000</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>
Australian share price index futures	(437,358)	-	5,014
Options	8,201	425	-
<b>Total derivatives</b>	<b>(429,157)</b>	<b>425</b>	<b>5,014</b>
As at 30 June 2022			
Australian share price index futures	(357,852)	5,723	-
Options	36,293	4,361	-
Swaps	(18,728)	593	512
<b>Total derivatives</b>	<b>(340,287)</b>	<b>10,677</b>	<b>512</b>

Information about the Fund's exposure to credit risk, foreign exchange risk, 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 - liability

The Fund's units are classified as a liability as they do not meet the definition of a financial instrument to be classified as equity.

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Opening balances	586,700	668,174
Applications	360,943	189,712
Redemptions	(84,401)	(81,159)
Units issued upon reinvestment of distributions	112,319	4,927
Increase/(decrease) in net assets attributable to unit holders	108,550	(194,954)
<b>Closing balance</b>	<b>1,084,111</b>	<b>586,700</b>

	Opening balance Units '000	Applications Units '000	Redemptions Units '000	Series roll - up Units '000	Reinvestment of distributions Units '000	Closing balance Units '000
<b>Year ended 30 June 2023</b>						
<b>Class*</b>						
L1CLSF-Class A	25,457	15,241	(596)	-	10,427	50,529
L1CLSF-Daily Class	245,026	198,951	(47,517)	-	24,327	420,787
L1CLSF-Series 01 (Lead Series)	6,747	-	(117)	-	2,885	9,515
L1CLSF-Monthly Class	119,473	136	(8,576)	5,299	-	116,332
L1CLSF-Monthly Class 2021 06	188	-	-	(188)	-	-
L1CLSF-Monthly Class 2021 08	2,538	-	-	(2,538)	-	-
L1CLSF-Monthly Class 2021 09	538	-	-	(538)	-	-
L1CLSF-Monthly Class 2021 11	558	-	-	-	-	558
L1CLSF-Monthly Class 2021 12	1,899	-	-	(1,899)	-	-
L1CLSF-Monthly Class 2022 01	531	-	-	-	-	531
L1CLSF-Monthly Class 2022 02	183	-	-	-	-	183
L1CLSF-Monthly Class 2022 03	942	-	-	-	-	942
L1CLSF-Monthly Class 2022 04	1,300	-	(382)	-	-	918
L1CLSF-Monthly Class 2022 05	2,683	-	(349)	-	-	2,334
L1CLSF-Monthly Class 2022 06	2,648	187	(616)	-	-	2,219
L1CLSF-Monthly Class 2022 07	-	4,717	(1,784)	-	35,513	38,446
L1CLSF-Monthly Class 2022 08	-	6,609	-	-	-	6,609
L1CLSF-Monthly Class 2022 09	-	5,763	(118)	-	-	5,645
L1CLSF-Monthly Class 2022 10	-	2,506	(5)	-	-	2,501
L1CLSF-Monthly Class 2022 11	-	1,519	(70)	-	-	1,449
L1CLSF-Monthly Class 2022 12	-	2,540	(13)	-	-	2,527

**9. Net assets attributable to unit holders - liability (continued)**

	Opening balance Units '000	Applications Units '000	Redemptions Units '000	Series roll - up Units '000	Reinvestment of distributions Units '000	Closing balance Units '000
L1CLSF-Monthly Class 2023 01	-	2,570	-	-	-	2,570
L1CLSF-Monthly Class 2023 02	-	3,030	-	-	-	3,030
L1CLSF-Monthly Class 2023 03	-	2,527	(2)	-	-	2,525
L1CLSF-Monthly Class 2023 04	-	3,484	-	-	-	3,484
L1CLSF-Monthly Class 2023 05	-	2,447	-	-	-	2,447
L1CLSF-Monthly Class 2023 06	-	4,923	-	-	-	4,923
<b>Total</b>	<b>410,711</b>	<b>257,150</b>	<b>(60,145)</b>	<b>136</b>	<b>73,152</b>	<b>681,004</b>

Year ended  
30 June 2022

Class*	Opening balance Units '000	Applications Units '000	Redemptions Units '000	Series roll - up Units '000	Reinvestment of distributions Units '000	Closing balance Units '000
L1CLSF-Class A	20,001	7,199	(1,937)	-	194	25,457
L1CLSF-Daily Class	203,254	70,855	(29,928)	-	845	245,026
L1CLSF-Series 01 (Lead Series)	6,241	-	(696)	1,099	103	6,747
L1CLSF-Series 01 2018 07	764	-	-	(764)	-	-
L1CLSF-Series 01 2019 07	181	-	-	(181)	-	-
L1CLSF-Series 01 2020 01	111	-	-	(111)	-	-
L1CLSF-Series 01 2020 07	79	-	-	(79)	-	-
L1CLSF-Monthly Class	105,797	526	(7,353)	19,220	1,283	119,473
L1CLSF-Monthly Class 2018 02	2,506	-	-	(2,506)	-	-
L1CLSF-Monthly Class 2018 03	1,768	-	-	(1,768)	-	-
L1CLSF-Monthly Class 2018 04	739	-	-	(739)	-	-
L1CLSF-Monthly Class 2018 05	367	-	(27)	(340)	-	-
L1CLSF-Monthly Class 2018 06	2,273	-	-	(2,273)	-	-
L1CLSF-Monthly Class 2018 07	4,850	-	-	(4,850)	-	-
L1CLSF-Monthly Class 2018 08	276	-	-	(276)	-	-
L1CLSF-Monthly Class 2018 09	218	-	-	(218)	-	-
L1CLSF-Monthly Class 2018 10	2	-	-	(2)	-	-
L1CLSF-Monthly Class 2018 11	18	-	-	(18)	-	-
L1CLSF-Monthly Class 2019 02	36	-	-	(36)	-	-
L1CLSF-Monthly Class 2019 03	6	-	-	(6)	-	-
L1CLSF-Monthly Class 2019 05	6	-	-	(6)	-	-

**9. Net assets attributable to unit holders - liability (continued)**

	Opening balance Units '000	Applications Units '000	Redemptions Units '000	Series roll - up Units '000	Reinvestment of distributions Units '000	Closing balance Units '000
L1CLSF-Monthly Class 2019 06	281	-	-	(281)	-	-
L1CLSF-Monthly Class 2019 07	1,099	-	-	(1,099)	-	-
L1CLSF-Monthly Class 2019 09	7	-	-	(7)	-	-
L1CLSF-Monthly Class 2019 10	413	-	-	(413)	-	-
L1CLSF-Monthly Class 2019 11	149	-	-	(149)	-	-
L1CLSF-Monthly Class 2019 12	13	-	-	(13)	-	-
L1CLSF-Monthly Class 2020 01	1,825	-	-	(1,825)	-	-
L1CLSF-Monthly Class 2020 02	102	-	-	(102)	-	-
L1CLSF-Monthly Class 2020 05	8	-	-	(8)	-	-
L1CLSF-Monthly Class 2020 07	850	-	-	(850)	-	-
L1CLSF-Monthly Class 2020 10	13	-	-	(13)	-	-
L1CLSF-Monthly Class 2020 12	5	-	-	(5)	-	-
L1CLSF-Monthly Class 2021 01	263	-	-	(263)	-	-
L1CLSF-Monthly Class 2021 02	45	-	-	(45)	-	-
L1CLSF-Monthly Class 2021 03	373	-	-	(373)	-	-
L1CLSF-Monthly Class 2021 04	524	-	-	(524)	-	-
L1CLSF-Monthly Class 2021 05	52	-	-	(52)	-	-
L1CLSF-Monthly Class 2021 06	188	-	-	-	-	188
L1CLSF-Monthly Class 2021 08	-	3,409	(871)	-	-	2,538
L1CLSF-Monthly Class 2021 09	-	538	-	-	-	538
L1CLSF-Monthly Class 2021 11	-	558	-	-	-	558
L1CLSF-Monthly Class 2021 12	-	1,899	-	-	-	1,899
L1CLSF-Monthly Class 2022 01	-	565	(34)	-	-	531
L1CLSF-Monthly Class 2022 02	-	183	-	-	-	183
L1CLSF-Monthly Class 2022 03	-	942	-	-	-	942
L1CLSF-Monthly Class 2022 04	-	1,300	-	-	-	1,300
L1CLSF-Monthly Class 2022 05	-	2,683	-	-	-	2,683
L1CLSF-Monthly Class 2022 06	-	2,648	-	-	-	2,648
<b>Total</b>	<b>355,703</b>	<b>93,305</b>	<b>(40,846)</b>	<b>124</b>	<b>2,425</b>	<b>410,711</b>

\*Classes below 1,000 are not presented

## 9. Net assets attributable to unit holders - liability (continued)

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

There are four separate classes of unit, with Monthly class having twenty series (2022: four separate classes of unit, with Monthly class having twelve series). Except for different management and performance fee rates, the four different classes have the same preferences and restrictions. Unit holders participate in distributions and the proceeds on winding up of the Fund in proportion to the number of units held.

Each series of units within the same class has the same rights as all other units within that class, except for different performances fees. In order to ensure that unit holders bear the performance fee according to the actual performance of their units, having regard to the different dates and prices at which such units were acquired, a new series of units is issued on each unit pricing date being every month end. As soon as practicable after a performance fee is payable, all units in all series with a performance fee payable will normally be consolidated into a single series.

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 12 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, notwithstanding 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 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 a 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 during the year were as follows:

	Year ended		Year ended	
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
<b>L1CLSF-Class A</b>				
June (payable)	-	-	18,857	74.0751
<b>Total distributions</b>	-	-	18,857	74.0751
<b>L1CLSF-Daily Class</b>				
June (payable)	-	-	124,943	50.9918
<b>Total distributions</b>	-	-	124,943	50.9918
<b>L1CLSF-Series 01 (Lead Series)</b>				
June (payable)	-	-	5,016	74.3453
<b>Total distributions</b>	-	-	5,016	74.3453

## 10. Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
<b>L1CLSF-Monthly Class</b>				
June (payable)	-	-	99,399	83.1965
<b>Total distributions</b>	-	-	99,399	83.1965
<b>L1CLSF-Monthly Class 2021 06</b>				
June (payable)	-	-	156	82.8621
<b>Total distributions</b>	-	-	156	82.8621
<b>L1CLSF-Monthly Class 2021 08</b>				
June (payable)	-	-	2,229	87.8273
<b>Total distributions</b>	-	-	2,229	87.8273
<b>L1CLSF-Monthly Class 2021 09</b>				
June (payable)	-	-	420	78.2160
<b>Total distributions</b>	-	-	420	78.2160
<b>L1CLSF-Monthly Class 2021 11</b>				
June (payable)	-	-	367	65.8080
<b>Total distributions</b>	-	-	367	65.8080
<b>L1CLSF-Monthly Class 2021 12</b>				
June (payable)	-	-	1,250	65.8189
<b>Total distributions</b>	-	-	1,250	65.8189
<b>L1CLSF-Monthly Class 2022 01</b>				
June (payable)	-	-	342	64.3180
<b>Total distributions</b>	-	-	342	64.3180
<b>L1CLSF-Monthly Class 2022 02</b>				
June (payable)	-	-	107	58.7461
<b>Total distributions</b>	-	-	107	58.7461
<b>L1CLSF-Monthly Class 2022 03</b>				
June (payable)	-	-	437	46.3596
<b>Total distributions</b>	-	-	437	46.3596
<b>L1CLSF-Monthly Class 2022 04</b>				
June (payable)	-	-	323	24.8190
<b>Total distributions</b>	-	-	323	24.8190
<b>L1CLSF-Monthly Class 2022 05</b>				
June (payable)	-	-	552	20.5660
<b>Total distributions</b>	-	-	552	20.5660
<b>L1CLSF-Monthly Class 2022 06</b>				
June (payable)	-	-	250	9.4451
<b>Total distributions</b>	-	-	250	9.4451
<b>Total distributions</b>	-	-	254,648	



## 11. Cash and cash equivalents

	As at	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Cash at bank	49,250	22,138
Cash at broker	563,026	656,402
<b>Total cash and cash equivalents</b>	<b>612,276</b>	<b>678,540</b>

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

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

	Year ended	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	108,550	(194,954)
Distributions to unit holders	-	254,648
Proceeds from sale of financial assets at fair value through profit or loss	3,481,930	2,786,570
Payments for purchase of financial assets at fair value through profit or loss	(3,357,700)	(2,725,158)
Net (gains)/losses on financial instruments at fair value through profit or loss	(160,203)	(97,795)
Dividend income reinvested	-	43
Net foreign exchange (gain)/loss	12,798	17,606
Net change in receivables	1,301	(300)
Net change in payables	4,606	(22,620)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>91,282</b>	<b>18,040</b>

### 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

112,319                      4,927

The following short sale of investments were satisfied by the participation in distribution reinvestment plan

-                                      43

### **Total non-cash operating and financing activities**

**112,319                      4,970**

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

## 13. Receivables

	As at	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Dividends and distributions receivable	811	1,973
Interest receivable	-	155
GST receivable	446	423
Management fees and costs reimbursement receivable	84	73
Withholding tax receivables	655	673
<b>Total receivables</b>	<b>1,996</b>	<b>3,297</b>

## 14. Payables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Management fees and costs payable	1,389	1,262
Performance fees payable	4,863	107
Interest payable	925	574
Subscriptions received in advance	15,529	9,067
Short dividends payable	949	927
Redemptions payable	1,040	481
Other payables	172	822
<b>Total payables</b>	<b>24,867</b>	<b>13,240</b>

## 15. 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 \$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	31,400	29,200
Total remuneration for audit and other assurance services	<u>31,400</u>	<u>29,200</u>
<i>Taxation services</i>		
Tax compliance services	17,397	16,258
Total remuneration for taxation services	<u>17,397</u>	<u>16,258</u>
<b>Total remuneration for Ernst &amp; Young</b>	<u>48,797</u>	<u>45,458</u>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,346
Total remuneration for audit and other assurance services	<u>2,346</u>	<u>2,346</u>
<b>Total remuneration for PricewaterhouseCoopers</b>	<u>2,346</u>	<u>2,346</u>
<b>Total remuneration of auditors</b>	<u>51,143</u>	<u>47,804</u>

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

## 16. Related party transactions

The Responsible Entity of L1 Capital Long Short 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 L1 Capital Pty Ltd, to act as Investment Manager, Credit Suisse Group AG, Goldman Sachs International plc, Morgan Stanley & Co. International plc and Merrill Lynch International to act as Custodian and Apex Fund Services Pty Ltd (an Apex Group Company) to act as Administrator and Registrar for the Fund. The contracts are on normal commercial terms and conditions.

### a. Key management personnel

#### i. Directors

Key management personnel include Equity Trustees Limited as Responsible Entity of the Fund. Directors of Responsible Entity at any time during or since the end of the financial year up to the date of this report are as follows:

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

**16. Related party transactions (continued)**

(ii) *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 period.

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 or their personally related entities at any time during the reporting period.

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**

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:

	<b>Year ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year	<b>11,995,200</b>	11,036,210
Performance fees for the year	<b>23,367,687</b>	17,383,513
Responsible Entity fees for the year	<b>355,472</b>	322,950
Management fees reimbursement for the year	<b>(832,487)</b>	(753,566)
Management fees payable at year end	<b>1,173,000</b>	1,009,753
Performance fees payable at year end	<b>4,862,820</b>	106,610
Responsible Entity fees payable at year end	<b>131,930</b>	169,056
Management fees reimbursement receivable at year end	<b>(83,788)</b>	(72,667)

Under the terms of the Fund's Constitution and Product Disclosure Statement, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Investment Manager is also entitled to receive a performance fee in relation to the performance of the fund.

## 16. Related party transactions (continued)

### h. Related party unit holdings

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

#### As at 30 June 2023

Unit holders	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Equity Trustees Limited ATF L1 Employees Remuneration Trust	1,427,819	1,183,528	0.20	-	(244,291)	-
Annaeus Pty Ltd ATF Mark Landau Family Trust	5,664,136	20,883,604	3.51	15,219,468	-	-
Shomron Pty Ltd ATF Lamm FM Family Trust	40,000	-	-	20,275	(60,275)	-
Equity Trustees Limited ATF L1 Staff Remuneration Trust	-	1,345,592	0.23	1,345,592	-	-

#### As at 30 June 2022

Unit holders	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Equity Trustees Limited ATF L1 Employees Remuneration Trust	690,261	1,427,819	0.39	800,650	(63,092)	1,057,658
Annaeus Pty Ltd ATF Mark Landau Family Trust	5,664,136	5,664,136	1.55	-	-	4,195,714
Shomron Pty Ltd ATF Lamm FM Family Trust	40,000	40,000	0.01	-	-	29,630

### i. Investments

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

## 17. 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.

## 18. Contingent assets and liabilities and commitments

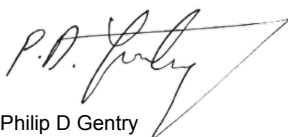
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 35 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 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  
14 September 2023



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## **Independent Auditor's Report to Unitholders of L1 Capital Long Short Fund**

### **Opinion**

We have audited the financial report of L1 Capital Long Short 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 declaration of the directors of Equity Trustees Limited (the directors), the Responsible Entity of the Fund.

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 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.



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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 and fair presentation of the financial report 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 and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Jonathan Hall'.

Jonathan Hall  
Partner  
Sydney  
14 September 2023