

# **RH High Conviction Fund**

ARSN 615 915 869

## **Annual report**

**For the year ended 30 June 2023**

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This annual report covers RH High Conviction Fund as an individual entity.

The Responsible Entity of RH High Conviction 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, NSW 3000.

## Directors' report

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

### Principal activities

The Fund invests in a concentrated portfolio of listed companies (and unlisted companies which the Investment Manager expects will list within the next 12 months following the investment) that display attractive asymmetric payoff potential. The Fund will deploy a long only investment strategy.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Richmond Hill Capital Pty Ltd
Custodian, Administrator and Registrar	Link Fund Solutions Pty Limited
Statutory Auditor	Ernst & Young

### 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 Trust Deed.

The Fund's performance was 7.74% (net of fees) for the year ended 30 June 2023. The Fund does not operate against a benchmark.

The return is calculated as the change in market value, adjusted for incoming and outgoing payments, since the last calculation date (month-end or date of previous transfer to the fund).

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

	<b>Year ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	<b>9,073</b>	16,363
Distributions paid and payable (\$'000)	<b>7,476</b>	39,971
Distributions (cents per unit)	<b>10.7323</b>	147.6139

### **Significant changes in the state of affairs**

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

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

### **Matters subsequent to the end of the financial year**

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

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

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Trust Deed.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### **Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Trust Deed 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 13 to the financial statements.

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

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

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

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

### **Environmental regulation**

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

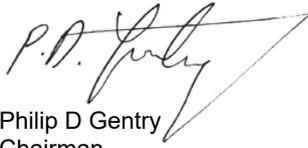
### **Rounding of amounts to the nearest thousand dollars**

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 5.

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

A handwritten signature in black ink, appearing to read 'P.D. Gentry', written over a large, thin-lined triangular shape.

Philip D Gentry  
Chairman

Melbourne  
28 September 2023



**Building a better  
working world**

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## **Auditor's independence declaration to the directors of Equity Trustees Limited as Responsible Entity for RH High Conviction Fund**

As lead auditor for the audit of the financial report of RH High Conviction 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

Luke Slater  
Partner  
28 September 2023

**RH High Conviction Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2023**

**Statement of comprehensive income**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>
Note	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>		
Interest income from financial assets at amortised cost	15	-
Dividend and distribution income	8,350	19,373
Net gains/(losses) on financial instruments at fair value through profit or loss	2,522	2,304
Management fees and costs reimbursement	13      16	23
<b>Total investment income/(loss)</b>	<b>10,903</b>	<b>21,700</b>
<b>Expenses</b>		
Management fees and costs	1,750	1,875
Performance fees	13      7	3,337
Transaction costs	62	114
Other expenses	11	11
<b>Total expenses</b>	<b>1,830</b>	<b>5,337</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>	<b>9,073</b>	<b>16,363</b>
<b>Finance costs attributable to unit holders</b>		
Distributions to unit holders	7      (7,476)	(39,971)
(Increase)/decrease in net assets attributable to unit holders	6      (1,597)	23,608
<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.*

**RH High Conviction Fund**  
**Statement of financial position**  
**As at 30 June 2023**

**Statement of financial position**

		As at	
		30 June	30 June
		2023	2022
	Note	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	8	1,276	2,620
Receivables	10	928	928
Due from brokers - receivable for securities sold		62	4,655
Financial assets at fair value through profit or loss	5	99,036	88,455
<b>Total assets</b>		<b>101,302</b>	<b>96,658</b>
<b>Liabilities</b>			
Distributions payable	7	7,476	33,717
Payables	11	1,042	2,681
Due to brokers - payable for securities purchased		138	2,143
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>8,656</b>	<b>38,541</b>
<b>Net assets attributable to unit holders - liability</b>	6	<b>92,646</b>	<b>58,117</b>

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

**RH High Conviction Fund  
Statement of changes in equity  
For the year ended 30 June 2023**

**Statement of changes in equity**

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

\* 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.*

**RH High Conviction Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>
Note	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	<b>26,667</b>	69,054
Payments for purchase of financial instruments at fair value through profit or loss	<b>(32,138)</b>	(57,273)
Dividends and distributions received	<b>7,794</b>	18,879
Expense reimbursement fees received	<b>19</b>	22
Interest income received from financial assets at amortised cost	<b>15</b>	-
Other income received	<b>73</b>	-
Management fees and costs paid	<b>(1,661)</b>	(1,712)
Performance fees paid	<b>(1,947)</b>	(5,095)
Transaction costs paid	<b>(62)</b>	(114)
Other expenses paid	<b>-</b>	(304)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,240)</b>	23,457
	9(a)	
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	<b>3,744</b>	1,855
Payments for redemptions by unit holders	<b>(1,600)</b>	(16,690)
Distributions paid to unit holders	<b>(2,248)</b>	(6,177)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(104)</b>	(21,012)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,344)</b>	2,445
Cash and cash equivalents at the beginning of the year	<b>2,620</b>	175
<b>Cash and cash equivalents at the end of the year</b>	<b>1,276</b>	2,620
	8	
Non-cash operating and financing activities	<b>31,470</b>	403
	9(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 RH High Conviction Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 20 November 2014 and will terminate in accordance with the provisions of the Fund's Trust Deed 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, NSW 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in a concentrated portfolio of listed companies (and unlisted companies which the Investment Manager expects will list within the next 12 months following the investment) that display attractive asymmetric payoff potential. The Fund will deploy a long only investment strategy.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of significant accounting policies**

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

### **(a) Basis of preparation**

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

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

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

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

#### *(ii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future 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.

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

### **(a) Basis of preparation (continued)**

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

None of these are expected to have a material effect on the financial statements of the Fund.

### **(b) Financial instruments**

#### *(i) Classification*

- Financial assets

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

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

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. 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 property trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

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

- Financial liabilities

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 (due to brokers, management fees payable, redemptions payable, applications received in advance and other payables).

#### *(ii) Recognition and derecognition*

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

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

#### *(iii) Measurement*

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets 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 at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

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

### **(b) Financial instruments (continued)**

#### *(iii) Measurement (continued)*

For further details on how the fair value of financial instruments is determined, please see Note 4 to the financial statements.

- Financial instruments at amortised cost

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

Cash and cash equivalents, due from brokers and receivables are carried at amortised cost.

#### *(iv) Impairment*

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

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 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.

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

### **(c) Net assets attributable to unit holders**

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

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

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

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

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

### **(d) Cash and cash equivalents**

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

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

### **(e) 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.

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

Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### *(ii) Dividends and distributions*

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

Trust distributions are recognised on an entitlement basis.

### **(f) Expenses**

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

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

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax provided it distributes the entirety of its taxable income to its unit holders on present entitlement basis.

### **(h) Distributions**

The Fund distributes its distributable income, in accordance with the Fund's Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### **(i) Increase/decrease in net assets attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. As the Funds 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.

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

### **(j) Foreign currency translation**

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

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

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

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

### **(k) Due from/to brokers**

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

### **(l) 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.

### **(m) Payables**

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

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

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

### **(n) Applications and redemptions**

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

### **(o) Goods and services tax (GST)**

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

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

### **(p) Use of estimates and judgements**

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and 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.

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 4 to the financial statements.

### **(q) Rounding of amounts**

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

### **(r) Comparative revisions**

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

## **3 Financial risk management**

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

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

The Fund 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 exchange. Price risk arises from investments held by the Fund for which prices in the future are uncertain.

### **3 Financial risk management (continued)**

#### **(a) Market risk (continued)**

##### *(i) Price risk (continued)*

The Investment Manager intends to diversify the Fund's investments as it deems appropriate and consistent with the Fund's investment objective. However, a key investment strategy for the Fund is to concentrate on a small number of investments, which is likely to subject the portfolio to a greater level of volatility than a more broadly focused investment strategy.

While continuing to follow their respective investment objectives, price risk is managed by the Investment Manager taking into account the asset allocation of the portfolio holdings, investing in Australian and New Zealand listed securities, limiting investments in unlisted securities to a maximum weighting of 10% of the value of the portfolio and holding cash reserves in times of market volatility.

The Fund has not made any other changes to the methods or assumptions used to determine its sensitivity to the market risk compared to the comparative period.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/- 25% (2022: +/- 25%).

##### *(ii) Interest rate risk*

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

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The impact of the interest rate risk on profit/(loss) and net assets attributable to unit holders is considered immaterial to the Fund.

#### **(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. 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 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.

	<b>Impact on operating profit/(loss)/ net assets attributable to unit holders</b>	
	<b>Price risk</b>	
	<b>+ 25%</b>	<b>- 25%</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2023</b>	<b>24,759</b>	<b>(24,759)</b>
As at 30 June 2022	22,114	(22,114)

#### **(c) Credit risk**

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

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

### **3 Financial risk management (continued)**

#### **(c) Credit risk (continued)**

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. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A+ or higher and are either callable on demand or due to be settled within 1 week. Management consider 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.

##### *(i) Settlement of securities transactions*

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

##### *(ii) Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A+ (2022: A+) (as determined by the Standard and Poor's) or higher.

##### *(iii) Other*

The Fund is not materially exposed to credit risk on other financial assets.

#### **(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 monthly unit holder redemption requests.

Liquidity risk is managed by investing the majority of its assets in investments that can be readily disposed of.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust any redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2023 and 2022.

##### *Maturities of non-derivative financial liabilities*

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

### **4 Fair value measurement**

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

- Financial assets at fair value through profit or loss (see Note 5)

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

#### 4 Fair value measurement (continued)

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

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

*(b) Fair value in an inactive or unquoted market (level 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 (preferred method), use of applicable valuation multiples of similar listed companies adjusted to reflect the specific circumstances of the issuer and/or a discounted cash flow model.

*(c) Recognised fair value measurements*

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Australian listed equity securities	90,812	-	-	90,812
Australian listed property trusts	7,974	-	-	7,974
Australian unlisted equity securities	-	-	250	250
<b>Total financial assets</b>	<b>98,786</b>	<b>-</b>	<b>250</b>	<b>99,036</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Australian listed equity securities	78,817	-	-	78,817
Australian listed property trusts	9,388	-	-	9,388
Australian unlisted equity securities	-	-	250	250
<b>Total financial assets</b>	<b>88,205</b>	<b>-</b>	<b>250</b>	<b>88,455</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 the fair value hierarchy at the end of the reporting period.

#### 4 Fair value measurement (continued)

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 and 30 June 2022 by class of financial instrument.

	<b>Australian unlisted equity securities \$'000</b>
<b>Opening balance - 1 July 2022</b>	<b>250</b>
Gains/(losses) recognised in the statement of comprehensive income	-
<b>Closing balance - 30 June 2023*</b>	<b>250</b>
Opening balance - 1 July 2021	500
Gains/(losses) recognised in the statement of comprehensive income	(250)
Closing balance - 30 June 2022*	250

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

(i) Valuation inputs and relationships to fair value

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

Description	Fair value \$'000	Unobservable inputs*	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
<b>As at 30 June 2023</b>				
Australian unlisted equity securities	250	Market multiples	N/A	N/A
As at 30 June 2022				
Australian unlisted equity securities	250	Market multiples	Enterprise Value/Revenue	Increased/ (decreased) market multiples (+/- 10%) would increase/(decrease) fair values by \$28,000

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

#### **4 Fair value measurement (continued)**

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

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

(ii) *Valuation processes*

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

As at 30 June 2023, the Mobile Tyre Shop holding in the RH High Conviction Fund was valuation was retained at \$250,000.00. During the financial year, MobileTyreShop completed a internal funding round at \$0.5828 per security (raising a total of \$1,827,077.08) with no new external investors participating, the IM determined it prudent to retain the valuation of last year of \$0.25. Note that this investment represents 0.3% of the Fund's NAV (below the 1% materiality threshold).

(f) *Financial instruments not carried at fair value*

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

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

#### **5 Financial assets at fair value through profit or loss**

	<b>As at</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Australian listed equity securities	<b>90,812</b>	78,817
Australian listed property trusts	<b>7,974</b>	9,388
Australian unlisted equity securities	<b>250</b>	250
<b>Total financial assets at fair value through profit or loss</b>	<b>99,036</b>	88,455

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

#### **6 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 liability to be classified as equity.

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

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

	Year ended		Year ended	
	30 June 2023	30 June 2023	30 June 2022	30 June 2022
	Units '000	\$'000	Units '000	\$'000
Opening balance	45,387	58,117	54,432	96,652
Applications	2,210	3,062	826	1,686
Redemptions	(1,122)	(1,600)	(9,905)	(16,690)
Reinvestment of distributions	23,181	31,470	34	77
Increase/(decrease) in net assets attributable to unit holders	-	1,597	-	(23,608)
<b>Closing balance</b>	<b>69,656</b>	<b>92,646</b>	45,387	58,117

As stipulated within the Fund's Trust Deed, 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 no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, 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 monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unit holders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a monthly basis by the Responsible Entity. Under the terms of the Fund's Trust Deed, the Responsible Entity has the discretion to reject an application for units and to defer or adjust any redemption of units if the exercise of such discretion is in the best interests of unit holders.

## 7 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2023	30 June 2023	30 June 2022	30 June 2022
	\$'000	CPU	\$'000	CPU
<b>Distributions</b>				
December*	-	-	6,254	73.3266
June (payable)	7,476	10.7323	33,717	74.2873
<b>Total distributions</b>	<b>7,476</b>	<b>10.7323</b>	39,971	147.6139

\* The December 2021 distribution represents a special distribution paid by the Fund due to a unit holder redemption of greater than 5% of the net assets of the Fund. Due to this redemption, as outlined in the Product Disclosure Statement, a portion of the withdrawal proceeds represented distributable income to the redeeming unit holder.

## 8 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	1,276	2,620
<b>Total cash and cash equivalents</b>	<b>1,276</b>	<b>2,620</b>

## 9 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 2023 \$'000	30 June 2022 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	1,597	(23,608)
Distributions to unit holders	7,476	39,971
Proceeds from sale of financial instruments at fair value through profit or loss	26,667	69,054
Payments for purchase of financial instruments at fair value through profit or loss	(32,138)	(57,273)
Net (gains)/losses on financial instruments at fair value through profit or loss	(2,522)	(2,304)
Dividend income reinvested	-	(326)
Net change in receivables	-	(561)
Net change in payables	(2,320)	(1,496)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,240)</b>	<b>23,457</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	31,470	77
The following purchases of investments were satisfied by the participation in dividends and distribution reinvestment plans	-	326
<b>Total non-cash operating and financing activities</b>	<b>31,470</b>	<b>403</b>

As described in Note 2(i), 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 until such time as it becomes distributable.

## 10 Receivables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Dividends receivable	724	168
GST receivable	204	757
Management fees and costs reimbursement receivable	-	3
<b>Total receivables</b>	<b>928</b>	<b>928</b>

## 11 Payables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Management fees and costs payable	154	189
Performance fees payable	-	2,287
Applications received in advance	850	169
Other payables	38	36
<b>Total payables</b>	<b>1,042</b>	<b>2,681</b>

## 12 Remuneration of auditors

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

	Year ended	
	30 June 2023 \$	30 June 2022 \$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	15,000	16,650
Total auditor remuneration and other assurance services	15,000	16,650
<i>Taxation services</i>		
Tax compliance services	10,700	8,465
Total remuneration for taxation services	10,700	8,465
<b>Total remuneration of Ernst &amp; Young</b>	<b>25,700</b>	<b>25,115</b>
<b>PricewaterhouseCoopers</b>		
Audit and other assurance services		
Audit of compliance plan	2,346	2,346
Total auditor remuneration and other assurance services	2,346	2,346
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,346</b>	<b>2,346</b>

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

### **13 Related party transactions**

The Responsible Entity of RH High Conviction 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 Richmond Hill Capital Pty Ltd to act as Investment Manager for the Fund and Link Fund Solutions Pty Limited to act as Custodian, 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 persons who were directors of Equity Trustees Limited at any time 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)

##### *(ii) Responsible Entity*

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

##### *(iii) Other key management personnel*

There were no other key management personnel with responsibility for planning, directing and controlling 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.

#### **(e) Key management personnel loans**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to 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.

### **13 Related party transactions (continued)**

#### **(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:

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees for the year	<b>1,557,912</b>	1,682,429
Performance fees for the year	<b>6,904</b>	3,337,101
Responsible Entity fees for the year	<b>67,552</b>	55,606
Management fees reimbursement received for the year	<b>(15,669)</b>	(22,564)
Management fees payable at year end	<b>138,347</b>	132,365
Performance fees payable at year end	-	2,287,217
Responsible Entity fees payable at year end	<b>16,436</b>	57,326
Management fees reimbursement receivable at year end	-	(2,547)

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

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.

#### **(h) Related party unit holdings**

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2023 (30 June 2022: nil).

#### **(i) Investments**

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

### **14 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.

### **15 Contingent assets and liabilities and commitments**

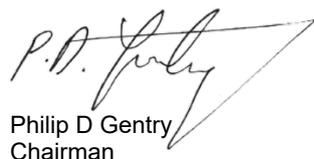
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## **Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 26 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  
28 September 2023



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## Independent Auditor's Report to the unit holders of RH High Conviction Fund

### Opinion

We have audited the financial report of RH High Conviction Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 30 June 2023, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

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

### Basis for Opinion

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

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

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the Directors of the Responsible Entity of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



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

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

*Ernst & Young*

Ernst & Young

*Luke Slater*

Luke Slater  
Partner

Melbourne  
28 September 2023