

TORICA ABSOLUTE RETURN INCOME FUND

ARSN 162 055 512

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

TORICA ABSOLUTE RETURN INCOME FUND

ARSN 162 055 512

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

CONTENTS

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Torica Absolute Return Income Fund

This annual report covers Torica Absolute Return Income Fund as an individual entity.

The Responsible Entity of Torica Absolute Return Income 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 Torica Absolute Return Income 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 interest rate securities for the benefit of unit-holders across a spectrum of such products in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited**
Investment Manager	Torica Capital Pty Ltd (Torica Capital)
Custodian and Prime Broker	BNP Paribas
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)***
Statutory Auditor	BDO Audit Pty Ltd*

*On 18 July 2023, BDO Audit Pty Ltd replaced Grant Thornton Audit Pty Ltd as auditor of the Fund.

**On 2 August 2023 Mason Stevens Limited retired as Responsible Entity and Equity Trustees Limited was appointed on 3 August 2023.

***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 Mason Stevens Limited from 1 July 2022 to 2 August 2023:

Ronald Robert Erdos
Stephen James Rickwood
Timothy Ian Yule
Andrew Leslie Walsh (appointed 1 February 2023)

The following persons held office as Directors of Equity Trustees Limited from 3 August 2023 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

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 4.07% (net of fees) for the year ended 30 June 2023. The Fund's benchmark, the RBA (Interbank Overnight) Cash Rate returned 2.94% for the same period.

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

DIRECTORS' REPORT (CONTINUED)

Review and results of operations (continued)

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

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	3,614	(1,219)
Distributions paid and payable (\$'000)	4,458	1,607
Distributions (cents per unit)	4.60	1.2875

Significant changes in the state of affairs

On 2 August 2023 Mason Stevens Limited retired as Responsible Entity and Equity Trustees Limited was appointed on 3 August 2023.

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

Matters subsequent to the end of the financial year

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

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers

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

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

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

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

Interests in the Fund

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

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

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.

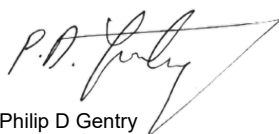
Rounding of amounts to the nearest thousand dollars

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 5.

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



Philip D Gentry
Chairman

Melbourne
21 September 2023

DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF EQUITY TRUSTEES LIMITED AS RESPONSIBLE ENTITY FOR TORICA ABSOLUTE RETURN INCOME FUND

As lead auditor of Torica Absolute Return Income Fund for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



James Dixon
Director

BDO Audit Pty Ltd

Melbourne, 21 September 2023

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Interest income from financial assets at fair value through profit or loss		4,677	3,245
Net gains/(losses) on financial instruments at fair value through profit or loss		235	(2,298)
Net foreign exchange gain/(loss)		(534)	(962)
Other income		1	-
Total investment income/(loss)		4,379	(15)
Expenses			
Management fees and costs		693	1,127
Transaction costs		17	9
Interest expense		31	57
Withholding taxes		-	7
Other expenses		24	4
Total expenses		765	1,204
Profit/(loss) before finance costs attributable to unit holders for the year		3,614	(1,219)
Finance costs attributable to unit holders			
Distributions to unit holders	9	(4,458)	(1,607)
(Increase)/decrease in net assets attributable to unit holders	8	844	2,826
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

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

STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	10	863	4,946
Receivables	12	705	538
Financial assets at fair value through profit or loss	5	96,813	80,550
Due from brokers		2,986	-
Margin accounts		10	421
Total assets		101,377	86,455
Liabilities			
Distributions payable	9	1,501	175
Payables	13	63	55
Financial liabilities at fair value through profit or loss	6	24	653
Due to brokers		2,983	-
Total liabilities (excluding net assets attributable to unit holders)		4,571	883
Net assets attributable to unit holders – liability	8	96,806	85,572

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

STATEMENT OF CHANGES IN EQUITY

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

*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.

STATEMENT OF CASH FLOWS

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		244,297	160,138
Payments for purchase of financial instruments at fair value through profit or loss		(260,957)	(105,985)
Transaction costs paid		(17)	(9)
Net movement in margin accounts		411	(421)
Interest income received from financial assets at fair value through profit or loss		4,511	3,302
Other income received		1	-
Net foreign exchange gain/(loss)		(537)	(973)
Management fees and costs paid		(687)	(1,153)
Reduced input tax credit received/(paid)		(1)	31
Interest paid		(31)	(57)
Other expenses paid		(22)	(36)
Net cash inflow/(outflow) from operating activities	11(a)	(13,032)	54,837
Cash flows from financing activities			
Proceeds from applications by unit holders		37,928	6,078
Payments for redemptions by unit holders		(26,550)	(56,345)
Distributions paid to unit holders		(2,432)	(3,628)
Net cash inflow/(outflow) from financing activities		8,946	(53,895)
Net increase/(decrease) in cash and cash equivalents		(4,086)	942
Cash and cash equivalents at the beginning of the year		4,946	3,993
Effect of foreign currency exchange rate changes on cash and cash equivalents		3	11
Cash and cash equivalents at the end of the year	10	863	4,946
Non-cash operating and financing activities	11(b)	700	1,691

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

1. General information
2. Summary of significant accounting policies
3. Financial risk management
4. Fair value measurement
5. Financial assets at fair value through profit or loss
6. Financial liabilities at fair value through profit or loss
7. Derivative financial instruments
8. Net assets attributable to unit holders - liability
9. Distributions to unit holders
10. Cash and cash equivalents
11. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
12. Receivables
13. Payables
14. Remuneration of auditors
15. Related party transactions
16. Events occurring after the reporting period
17. Contingent assets and liabilities and commitments

1. GENERAL INFORMATION

These financial statements cover the Torica Absolute Return Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 21 January 2013 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

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

The Fund invests in interest rate securities for the benefit of unit-holders across a spectrum of such products in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and 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 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial instruments (continued)

i. Classification (continued)

- Financial assets (continued)

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

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

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. Derivative contracts that have a negative fair value are also included in this category. Financial liabilities other than those measured at fair value through profit or loss, are measured at amortised cost. These include bank overdrafts, amounts due to brokers and other short term 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 liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Measurement

- Financial instruments at fair value through profit or loss

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

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

For further details on how the fair values of financial instruments are 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 and receivables are carried at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial instruments (continued)

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 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.

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 Constitution.

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

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

d. Cash and cash equivalents

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

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

e. Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

f. Investment income

i. Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investment income (continued)

i. Interest income (continued)

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

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

g. Expenses

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

h. 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.

i. Distributions

The Fund distributes 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 as finance costs attributable to unit holders.

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

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

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.

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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Receivables

Receivables may include amounts for interest and dividends. Dividends 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 and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

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

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

o. 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.

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 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.

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

For all of the Fund's financial instruments, quoted market prices are readily available.

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 refer to Note 4 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 period.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

All investments present a risk of loss of capital. The maximum loss of capital on long debt securities is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Torica Capital Pty Ltd (Torica Capital) 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 debt securities. 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 through diversification, careful selection of securities, hedging strategies and other financial instruments within specific limits.

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

ii. Foreign exchange risk

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

Foreign exchange risk is managed by predominantly hedging foreign currency exposure into Australian dollars with the goal of reducing the impact of adverse movements in overseas currencies.

However, for accounting purposes, the Fund does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

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

	USD A\$'000	All other foreign currencies A\$'000
As at 30 June 2023		
Cash and cash equivalents	17	-
Receivables	5	-
Net exposure	22	-
Net increase/(decrease) in exposure from forward currency contracts	(24)	-
Net exposure including forward currency contracts	(2)	-
As at 30 June 2022		
Cash and cash equivalents	(17)	-
Receivables	52	-
Financial assets at fair value through profit or loss	4,202	-
Net exposure	4,237	-
Net increase/(decrease) in exposure from forward currency contracts	(174)	-
Net exposure including forward currency contracts	4,063	-

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 1% (2022: +/-1%) 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 is exposed to cash flow interest rate risk on financial instruments with fixed interest rates.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of 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 debt securities.

Interest rate risk is managed using financial instruments including interest rate derivatives to alter the Fund's sensitivity to movements in interest rates.

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

	Floating interest rate \$'000	Fixed interest \$'000	Non-interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	863	-	-	863
Receivables	-	-	705	705
Financial assets at fair value through profit or loss	88,957	7,819	37	96,813
Due from brokers	2,986	-	-	2,986
Margin accounts	10	-	-	10
Total financial assets	92,816	7,819	742	101,377
Financial liabilities				
Distributions payable	-	-	1,501	1,501
Payables	-	-	63	63
Due to brokers	2,983	-	-	2,983
Financial liabilities at fair value through profit or loss	-	-	24	24
Total financial liabilities	2,983	-	1,588	4,571
Net exposure	89,833	7,819	(846)	96,806
As at 30 June 2022				
Financial assets				
Cash and cash equivalents	4,946	-	-	4,946
Receivables	-	-	538	538
Financial assets at fair value through profit or loss	37,849	42,273	428	80,550
Margin accounts	421	-	-	421
Total financial assets	43,216	42,273	966	86,455
Financial liabilities				
Distributions payable	-	-	175	175
Payables	-	-	55	55
Financial liabilities at fair value through profit or loss	-	-	653	653
Total financial liabilities	-	-	883	883
Net exposure	43,216	42,273	83	85,572

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	+10% \$'000	-10% \$'000	+1% \$'000	-1% \$'000	+100bps \$'000	-100bps \$'000
As at 30 June 2023	9,679	(9,679)	0	(0)	62	(62)
As at 30 June 2022	7,990	(7,990)	1	(1)	80	(80)

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 the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due to and from brokers and other receivables.

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 (for those brokers and counterparties whom possess an external credit rating) and are either callable on demand or due to be settled within 3 weeks. 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. Debt securities

The Fund invests into debt securities subject to its limits as set out in the Product Disclosure Statement. The overall credit risk of the debt securities held is actively monitored by the Investment Manager. The credit rating used for debt securities is based on the following order, where available: Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings. Where credit rating is not provided by credit rating agencies, the security issuer's own credit rating may be used, or otherwise the security is treated as unrated.

An analysis of debt by rating is set out in the tables below.

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Australian debt securities rating		
Rating		
AAA to A-	38,459	26,158
BBB+ to BBB-	58,317	46,815
Not rated	-	3,376
Total	96,776	76,349
International debt securities rating		
Rating		
BBB+ to Baa2	-	3,773
Total	-	3,773

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Credit risk (continued)

iii. Cash and cash equivalents

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

iv. Other

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

v. 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 the financial assets. None of these assets are impaired nor past due but not impaired.

d. Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests.

Liquidity is managed through the Fund's investment in financial instruments (which under normal market conditions are convertible to cash in a timely manner) and access to borrowing capacity.

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

i. Maturities of non-derivative financial liabilities

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

ii. Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
Net settled derivatives					
Futures	37	-	-	-	37
Forward currency contracts	24	-	-	-	24
Total net settled derivatives	61	-	-	-	61
As at 30 June 2022					
Net settled derivatives					
Futures	479	-	-	-	479
Forward currency contracts	174	-	-	-	174
Total net settled derivatives	653	-	-	-	653

4. FAIR VALUE MEASUREMENT

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

- Financial assets/liabilities at fair value through profit or loss (see Note 5 and Note 6)
- Derivative financial instruments (see Note 7)

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

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) are 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 last traded 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 2)

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.

The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

c. Recognised fair value measurements

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Fixed interest securities	7,819	-	-	7,819
Floating rate notes	69,021	-	-	69,021
Mortgage backed securities	19,936	-	-	19,936
Futures	37	-	-	37
Total financial assets at fair value through profit or loss	96,813	-	-	96,813
Financial liabilities				
Forward currency contracts	-	24	-	24
Total financial liabilities at fair value through profit or loss	-	24	-	24

4. FAIR VALUE MEASUREMENT (CONTINUED)

c. Recognised fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2022				
Financial assets				
Fixed interest securities	42,273	-	-	42,273
Floating rate notes	29,488	-	-	29,488
Mortgage backed securities	8,361	-	-	8,361
Credit Default Swaps	-	428	-	428
Total financial assets at fair value through profit or loss	80,122	428	-	80,550
Financial liabilities				
Futures	479	-	-	479
Forward currency contracts	-	174	-	174
Total financial liabilities at fair value through profit or loss	479	174	-	653

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.

e. 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.

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 unit holders approximates their fair value.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Fixed interest securities	7,819	42,273
Floating rate notes	69,021	29,488
Mortgage backed securities	19,936	8,361
Credit Default Swaps	-	428
Futures	37	-
Total financial assets at fair value through profit or loss	96,813	80,550

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

6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Futures	-	479
Forward currency contracts	24	174
Total financial liabilities at fair value through profit or loss	24	653

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

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

The Fund holds the following derivatives:

a. Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

b. 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 futures contracts values are usually settled net daily with the exchange.

7. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

c. Swaps

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principal, to another counterparty in return for security against default by the underlying loan or asset.

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2023			
Futures	(10,177)	37	-
Forward currency contracts	4,445	-	24
Total derivatives	(5,732)	37	24
As at 30 June 2022			
Credit Default Swaps	294	428	-
Futures	(20,441)	-	479
Forward currency contracts	3,710	-	174
Total derivatives	(16,437)	428	653

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.

8. 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:

	Year ended		Year ended	
	30 June 2023 Units '000	30 June 2023 \$'000	30 June 2022 Units '000	30 June 2022 \$'000
Opening balance	87,745	85,572	137,305	136,765
Applications	38,922	37,928	5,846	5,818
Redemptions	(27,308)	(26,550)	(57,106)	(55,876)
Reinvestment of distributions	724	700	1,700	1,691
Increase/(decrease) in net assets attributable to unit holders	-	(844)	-	(2,826)
Closing balance	100,083	96,806	87,745	85,572

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

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed 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 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 that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a 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.

9. 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
Distributions				
September	574	0.7000	949	0.6875
December	986	1.0000	277	0.2000
March	1,397	1.4000	206	0.2000
June (payable)	1,501	1.5000	175	0.2000
Total distributions	4,458	4.6000	1,607	1.2875

10. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	863	4,946
Total cash and cash equivalents	863	4,946

11. 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
Increase/(decrease) in net assets attributable to unit holders	(844)	(2,826)
Distributions to unit holders	4,458	1,607
Proceeds from sale of financial instruments at fair value through profit or loss	244,297	160,138
Payments for purchase of financial instruments at fair value through profit or loss	(260,957)	(105,985)
Net (gains)/losses on financial instruments at fair value through profit or loss	(235)	2,298
Net foreign exchange (gain)/loss	(3)	(11)
Net movement in margin accounts	411	(421)
Net change in receivables	(167)	88
Net change in payables	8	(51)
Net cash inflow/(outflow) from operating activities	(13,032)	54,837

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.

	700	1,691
Total non-cash operating and financing activities	700	1,691

12. RECEIVABLES

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Interest receivable	690	524
GST receivable	15	14
Total receivables	705	538

13. PAYABLES

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Management fees and costs payable	52	46
Fund accounting and administration fees payable	11	9
Total payables	63	55

14. REMUNERATION OF AUDITORS

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

	Year ended	
	30 June 2023 \$	30 June 2022 \$
Grant Thornton Audit Pty Ltd		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	-	23,100
Audit of compliance plan	-	3,975
Total auditor remuneration and other assurance services	-	27,075
Total remuneration of Grant Thornton Audit Pty Ltd	-	27,075
BDO Audit Pty Limited*		
<i>Audit and other assurance services</i>		
Audit of financial statements	21,000	-
Total auditor remuneration and other assurance services	21,000	-
<i>Taxation services</i>		
Tax compliance services	6,000	-
Total remuneration for taxation services	6,000	-
Total remuneration of BDO Audit Pty Limited	27,000	-
PricewaterhouseCoopers		
<i>Taxation services</i>		
Tax compliance services	2,346	-
Total remuneration for taxation services	2,346	-
Total remuneration of PricewaterhouseCoopers	2,346	-

*On 18 July 2023, BDO Audit Pty Ltd replaced Grant Thornton Audit Pty Ltd as auditor of the Fund.

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

15. RELATED PARTY TRANSACTIONS

The Responsible Entity of Torica Absolute Return Income 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 Torica Capital Pty Ltd (Torica Capital) to act as Investment Manager for the Fund, BNP Paribas to act as Custodian for the Fund and Apex Fund Services Pty Ltd to act as Administrator for the Fund. The contracts are on normal commercial terms and conditions.

a. Key management personnel

i. Directors

Key management personnel include persons who were Directors of Mason Stevens Limited from 1 July 2022 to 2 August 2023.

Ronald Robert Erdos
Stephen James Rickwood
Timothy Ian Yule
Andrew Leslie Walsh

15. RELATED PARTY TRANSACTIONS (CONTINUED)

a. Key management personnel (continued)

i. Directors (continued)

Key management personnel include persons who were Directors of Equity Trustees Limited from 3 August 2023 during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	

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 management personnel's interests existing at year end.

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

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive fees.

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees and costs for the year	692,695	1,126,877
Management fees and cost payable at year end	62,649	55,792

Under the terms of the Fund's Constitution and Product Disclosure Statement, the investment management fee is 0.64% and administration fee is 0.13% per annum of the net asset value of the Fund was applied in the prior reporting period.

From the 1st July 2023, the Fund removed the 0.13% Administration fee, reducing the total management fees and costs to 0.64% per annum of the net asset value of the Fund was applied in the current reporting period.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The management fees component of management fees and costs is payable to the Responsible Entity of the Fund for managing the assets and overseeing the operation of the Fund. The management fees component covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Since the change of the Responsible Entity, the administration fee which covers expenses related to the ordinary expenses of the fund including administrator fees and fund related accounting, tax, auditor and ASIC fees is paid by the Investment Manager.

h. Related party unit holdings

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

	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Unit holder							
As at 30 June 2023							
Torica Capital Pty Ltd	-	179,582	-	0.179%	179,582	-	3,313

i. Investments

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

16. EVENTS OCCURRING AFTER THE REPORTING 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.

17. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS


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

DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 27 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
21 September 2023

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Torica Absolute Return Income Fund

Report on the Audit of the Financial Report

Opinion

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

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

- (i) Giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) 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 Scheme in accordance with 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Scheme, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report but does not include the financial report and our auditor's report thereon.

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 on the other information obtained prior to the date of this auditor's report, 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 of the Responsible Entity 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 are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO



James Dixon
Director

Melbourne, 21 September 2023