

# **Alpha Alternatives Fund**

ARSN 155 001 013

## **Annual report**

**For the year ended 30 June 2021**

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### **For the year ended 30 June 2021**

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This annual report covers Alpha Alternatives Fund as an individual entity.

The Responsible Entity of Alpha Alternatives 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 Alpha Alternatives Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2021.

### Principal activities

The Fund invests in underlying funds with exposure to absolute returns 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	Alpha Fund Managers Pty Ltd
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	Deloitte Touche Tohmatsu

### 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
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

### Review and results of operations

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

The Fund's performance was 12.54% (net of fees) for the year ended 30 June 2021. The Fund's benchmark, the Bloomberg AusBond Bank Bill Index +1% returned 1.06% for the same period.

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) for the year (\$)	688,814	803,721
Distributions paid and payable (\$)	498,369	764,556
Distributions (cents per unit)	7.95	9.19

## **Directors' report (continued)**

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

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

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.

### **Covid-19**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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

No matter or circumstance has arisen since 30 June 2021 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.

## Directors' report (continued)

### 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 19 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 19 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 10 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 dollar

Amounts in the Directors' report have been rounded to the nearest dollar 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  
18 October 2021

The Board of Directors  
Equity Trustees Limited  
Level 1, 575 Bourke Street  
MELBOURNE VIC 3000

18 October 2021

Dear Board Members,

**Independence Declaration – Alpha Alternatives Fund**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of Alpha Alternatives Fund (the "Fund").

As lead audit partner for the audit of the financial statements of the Fund for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Chester Hii  
Partner  
Chartered Accountants

## Statement of comprehensive income

		<b>Year ended</b>	
		<b>30 June 2021</b>	<b>30 June 2020</b>
	Note	\$	\$
<b>Investment income</b>			
Interest income from financial assets at amortised cost		-	4,189
Distribution income		<b>160,258</b>	245,812
Net foreign exchange gain/(loss)		<b>(97,749)</b>	(63,680)
Net gains/(losses) on financial instruments at fair value through profit or loss		<b>822,822</b>	1,630,333
Other income	17	<b>2,174</b>	12,288
<b>Total investment income/(loss)</b>		<b>887,505</b>	1,828,942
<b>Expenses</b>			
Management fees	19	<b>52,700</b>	79,829
Custody and administration fees		<b>3,422</b>	22,944
Transaction costs		<b>96,215</b>	218,838
Other expenses	18	<b>46,354</b>	703,610
<b>Total expenses</b>		<b>198,691</b>	1,025,221
<b>Profit/(loss) for the year</b>		<b>688,814</b>	803,721
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>688,814</b>	803,721

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

## Statement of financial position

		<b>As at</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	Note	\$
<b>Assets</b>		
Cash and cash equivalents	12	<b>1,966,867</b>
Receivables	14	<b>173,372</b>
Financial assets at fair value through profit or loss	6	<b>4,547,802</b>
Margin accounts		<b>13,320</b>
<b>Total assets</b>		<b>6,701,361</b>
<b>Liabilities</b>		
Distributions payable	11	<b>498,369</b>
Payables	15	<b>48,814</b>
Financial liabilities at fair value through profit or loss	7	<b>-</b>
<b>Total liabilities</b>		<b>547,183</b>
<b>Net assets attributable to unit holders - equity</b>	10	<b>6,154,178</b>
		<b>7,947,361</b>

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

### **Statement of changes in equity**

	<b>Year ended</b>		
	<b>30 June 2021</b>	<b>30 June 2020</b>	
	Note	\$	\$
<b>Total equity at the beginning of the financial year</b>		<b>7,947,361</b>	12,136,167
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		688,814	803,721
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>688,814</b>	<b>803,721</b>
 <b>Transactions with unit holders</b>			
Applications	10	1,223,892	486,654
Redemptions	10	(3,207,520)	(4,714,625)
Distributions paid and payable	10	(498,369)	(764,556)
<b>Total transactions with unit holders</b>		<b>(2,481,997)</b>	<b>(4,992,527)</b>
 <b>Total equity at the end of the financial year</b>		<b>6,154,178</b>	<b>7,947,361</b>

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

## Statement of cash flows

		<b>Year ended</b>	
		<b>30 June 2021</b>	<b>30 June 2020</b>
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		3,573,868	5,533,596
Payments for purchase of financial instruments at fair value through profit or loss		(4,627,600)	(379,482)
Net foreign exchange gain/(loss)		(97,749)	(63,677)
Net movement in margin accounts		3,033,301	1,450,730
Interest income received from financial assets at amortised cost		-	4,463
Distributions received		251,874	105,060
Management fees paid		(9,920)	(72,840)
Custody and administration fees paid		(1,638)	(4,429)
Other expenses paid		<u>(777,803)</u>	<u>(304,340)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<u>1,344,333</u>	<u>6,269,081</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		1,211,365	486,654
Payments for redemptions by unit holders		(3,258,463)	(4,685,045)
Distributions paid to unit holders		<u>(764,556)</u>	<u>-</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(2,811,654)</u>	<u>(4,198,391)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,467,321)</b>	<b>2,070,690</b>
Cash and cash equivalents at the beginning of the year		3,434,188	1,363,501
Effect of foreign currency exchange rate changes on cash and cash equivalents		-	(3)
<b>Cash and cash equivalents at the end of the year</b>	12	<b>1,966,867</b>	<b>3,434,188</b>
Non-cash operating and financing activities	13(b)	11,079	67,932

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 Alpha Alternatives Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 23 December 2011 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 underlying funds with exposure to absolute returns in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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).

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

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

#### *(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 2020 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 2021 and have not been early adopted in preparing these financial statements.

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

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

#### *(i) Classification*

- Financial assets

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

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

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

The Fund's portfolio of financial assets is managed and 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 unit trusts and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

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

- Financial liabilities

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

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable 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. 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

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement (continued)

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

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

- Financial instruments at amortised cost

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

Cash and cash equivalents, receivables and margin accounts 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, receivables and margin accounts) 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 counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

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

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial assets and liabilities that have been offset are disclosed in Note 4.

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

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

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

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

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

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

The Fund's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

### **(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.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense 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.

#### *(ii) Distributions*

Trust distributions are recognised on an entitlement basis.

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

### **(g) Expenses**

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

### **(h) Income tax**

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

### **(i) Distributions**

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

### **(j) 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.

#### *(i) 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) Receivables**

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

### **(l) Payables**

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

### **(m) Applications and redemptions**

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

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

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

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

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

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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(c) for more information on credit risk.

### **(p) Rounding of amounts**

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

## **3 Financial risk management**

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

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

All investments present a risk of loss of capital. The maximum loss of capital on unit trusts 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, Alpha Fund Managers Pty Ltd ("Alpha") under an Investment Management Agreement (the "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.

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

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 its investments in unlisted unit trusts. 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.

Alpha manages price risk for the Fund by selecting and investing in underlying managed investment schemes that are deemed most appropriate to achieve the investment objectives of the Fund. This process involves extensive due diligence and ongoing monitoring of the selected schemes. The underlying managed investment schemes are diversified to further mitigate price risk.

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% (2020: +/-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 the exposure of all foreign currency denominated assets and liabilities.

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

<b>As at 30 June 2021</b>	<b>US Dollars</b>	<b>Euro</b>	<b>Great Britain Pounds</b>	<b>Canadian Dollars</b>	<b>All other foreign currencies</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Cash and cash equivalents	32	-	-	-	-
Margin accounts	13,320	-	-	-	-
Receivables	1,859	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
<b>Net exposure</b>	<b>15,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3 Financial risk management (continued)

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

##### (ii) Foreign exchange risk (continued)

	US Dollars A\$	Euro A\$	Great Britain Pounds A\$	Canadian Dollars A\$	All other foreign currencies A\$
As at 30 June 2020					
Cash and cash equivalents	35	-	-	-	-
Margin accounts	798,052	610,244	38,217	(256)	14,318
Receivables	1,859	-	-	-	-
Financial assets at fair value through profit or loss	43,319	2,268	1,357	-	538
Financial liabilities at fair value through profit or loss	(9,699)	(8,785)	(1,256)	(1,621)	(16,883)
Net exposure	<u>833,566</u>	<u>603,727</u>	<u>38,318</u>	<u>(1,877)</u>	<u>(2,027)</u>

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2020: +/-10%) against the material foreign currencies to which the Fund is exposed.

##### (iii) Interest rate risk

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

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

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

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
	\$	\$	\$	\$
<b>As at 30 June 2021</b>	<b>454,780</b>	<b>(454,780)</b>	<b>1,521</b>	<b>(1,521)</b>
As at 30 June 2020	265,789	(265,789)	146,247	(146,247)

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

#### **(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 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 2021 and 30 June 2020, all receivables, cash and short-term deposits are held with counterparties with a credit rating of A-1 or higher 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.

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 of these balances as at the reporting date.

#### **(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, margin calls on derivative transactions.

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 Responsible Entity did not reject or withhold any redemptions during 2021 and 2020.

##### *(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.

	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>As at 30 June 2021</b>	\$	\$	\$	\$	\$
Net settled derivatives	-	-	-	-	-
Futures contracts	-	-	-	-	-
<b>Total net settled derivatives</b>	-	-	-	-	-

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

#### **(d) Liquidity risk (continued)**

##### *(ii) Maturities of net settled derivative financial instruments (continued)*

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
As at 30 June 2020	\$	\$	\$	\$	\$
Net settled derivatives					
Futures contracts	(3,775)	19,874	-	-	16,099
Total net settled derivatives	<u>(3,775)</u>	<u>19,874</u>	<u>-</u>	<u>-</u>	<u>16,099</u>

#### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below.

Effects of offsetting on the statement of financial position			Related amounts not offset		
Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/received	Net amount
	\$	\$	\$	\$	\$
<b>As at 30 June 2021</b>					
<b>Financial assets</b>					
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Financial liabilities</b>					
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 As at 30 June 2020					
Financial assets					
Derivative financial instruments	54,343	-	54,343	(38,244)	16,099
<b>Total</b>	<u>54,343</u>	<u>-</u>	<u>54,343</u>	<u>(38,244)</u>	<u>16,099</u>
 Financial liabilities					
Derivative financial instruments	38,244	-	38,244	(38,244)	-
<b>Total</b>	<u>38,244</u>	<u>-</u>	<u>38,244</u>	<u>(38,244)</u>	<u>-</u>

##### (a) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only when certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position but have been presented separately in the above table.

## 5 Fair value measurement

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

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

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

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

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

When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

### **(b) Fair value in an inactive or unquoted market (level 2)**

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2021 and 30 June 2020.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Warrants	<b>257,026</b>	-	-	<b>257,026</b>
Unit trusts	<b>4,290,776</b>	-	-	<b>4,290,776</b>
<b>Total financial assets</b>	<b>4,547,802</b>	-	-	<b>4,547,802</b>

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2020</b>				
<b>Financial assets</b>				
Futures contracts	54,343	-	-	54,343
Unit trusts	-	2,641,790	-	2,641,790
<b>Total financial assets</b>	<b>54,343</b>	<b>2,641,790</b>	-	<b>2,696,133</b>
<b>Financial liabilities</b>				
Futures contracts	38,244	-	-	38,244
<b>Total financial liabilities</b>	<b>38,244</b>	<b>-</b>	-	<b>38,244</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.

### (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.

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

	As at	
	30 June 2021	30 June 2020
	\$	\$
Derivatives (Note 8)	257,026	54,343
Unit trusts	<u>4,290,776</u>	<u>2,641,790</u>
<b>Total financial assets at fair value through profit or loss</b>	<b><u>4,547,802</u></b>	<b><u>2,696,133</u></b>

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

## 7 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	\$	\$
Derivatives (Note 8)	-	38,244
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>38,244</b>

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

## 8 Derivative financial instruments

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

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

Derivative transactions include many different instruments such as 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.

## **8 Derivative financial instruments (continued)**

The Fund holds the following derivatives:

### **(a) Futures**

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

### **(b) Warrants**

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

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

#### **As at 30 June 2021**

	<b>Contractual/ notional</b>	<b>Assets</b>	<b>Liabilities</b>
	\$	\$	\$
Warrants	<b>274,679</b>	<b>257,026</b>	-
<b>Total derivatives</b>	<b>274,679</b>	<b>257,026</b>	-

#### **As at 30 June 2020**

	<b>Contractual/ notional</b>	<b>Assets</b>	<b>Liabilities</b>
	\$	\$	\$
Futures contracts	67,565,861	54,343	38,244
<b>Total derivatives</b>	<b>67,565,861</b>	<b>54,343</b>	<b>38,244</b>

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

## 9 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and/or earning investment income.

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

	<b>Fair value of investment</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Legg Mason Global Macro Opportunities Bond Fund	-	1,013,702
<b>Total unrelated Schemes</b>	<b>-</b>	<b>1,013,702</b>

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme, it ceases to be exposed to any risk from that Scheme.

During the year ended 30 June 2021, total gains/(losses) incurred on investments in the unrelated Schemes were \$22,508 (2020: \$(180,455)). The Fund also earned distribution income of \$12,219 (2020: \$64,456) as a result of its interests in the unrelated Schemes.

## 10 Net assets attributable to unit holders - equity

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	<b>Year ended</b>			
	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
Opening balance	8,319,426	7,947,361	12,549,897	12,136,167
Applications	1,254,175	1,223,892	499,465	486,654
Redemptions	(3,303,304)	(3,207,520)	(4,729,936)	(4,714,625)
Distributions paid and payable	-	(498,369)	-	(764,556)
Profit/(loss) for the year	-	688,814	-	803,721
<b>Closing balance</b>	<b>6,270,297</b>	<b>6,154,178</b>	<b>8,319,426</b>	<b>7,947,361</b>

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

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

## **10 Net assets attributable to unit holders - equity (continued)**

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 redemption of units if the exercise of such discretion is in the best interests of unit holders.

## **11 Distributions to unit holders**

The distributions declared during the year were as follows:

	<b>Year ended</b>			
	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	\$	CPU	\$	CPU
<b>Distributions</b>				
June (payable)	<b>498,369</b>	<b>7.95</b>	764,556	9.19
<b>Total distributions</b>	<b>498,369</b>		764,556	

## **12 Cash and cash equivalents**

	<b>As at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
<b>Cash at bank</b>		
Cash at bank	<b>1,966,867</b>	3,434,188
<b>Total cash and cash equivalents</b>	<b>1,966,867</b>	3,434,188

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	<b>688,814</b>	803,721
Proceeds from sale of financial instruments at fair value through profit or loss	3,573,868	5,533,596
Payments for purchase of financial instruments at fair value through profit or loss	(4,627,600)	(379,482)
Net (gains)/losses on financial instruments at fair value through profit or loss	(822,822)	(1,630,333)
Net foreign exchange (gain)/loss	-	3
Distribution income reinvested	(12,219)	(64,456)
Net movement in margin accounts	3,033,301	1,450,730
Net change in receivables	12,547	10,630
Net change in payables	(500,416)	548,148
Management fee rebate reinvestment	(1,140)	(3,476)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,344,333</b>	6,269,081
<b>(b) Non-cash operating and financing activities</b>		
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	12,219	64,456
Management fee rebate reinvestment	(1,140)	3,476
<b>Total non-cash operating and financing activities</b>	<b>11,079</b>	67,932

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

### 14 Receivables

	As at	
	30 June 2021	30 June 2020
	\$	\$
Distributions receivable	-	103,835
Applications receivable	12,527	-
GST receivable	23,858	30,787
Management fee rebates receivable	-	8,813
Management fee reimbursement receivable	-	29,791
Other receivables	136,987	166
<b>Total receivables</b>	<b>173,372</b>	173,392

## 15 Payables

	<b>As at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Management fees payable	45,783	3,003
Sub investment manager fees payable	-	544,980
Redemptions payable	-	50,943
Custody and administration fees payable	<u>3,031</u>	<u>1,247</u>
<b>Total payables</b>	<b><u>48,814</u></b>	<b><u>600,173</u></b>

## 16 Remuneration of auditors

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

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
<b>Deloitte Touche Tohmatsu</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	11,000	4,133
Audit of compliance plan	-	2,354
Total auditor remuneration and other assurance services	<u>11,000</u>	<u>6,487</u>
<i>Taxation services</i>		
Tax compliance services	7,120	3,033
Total remuneration for taxation services	<u>7,120</u>	<u>3,033</u>
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b><u>18,120</u></b>	<b><u>9,520</u></b>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,342	-
Total auditor remuneration and other assurance services	<u>2,342</u>	<u>-</u>
<b>Total remuneration of PricewaterhouseCoopers</b>	<b><u>2,342</u></b>	<b><u>-</u></b>

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

## 17 Other income

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Management fee rebate income	1,140	-
Management fee reimbursement	-	3,476
Reimbursement income from Responsible Entity	-	8,812
Other income	<u>1,034</u>	-
<b>Total other income</b>	<b><u>2,174</u></b>	<b>12,288</b>

## 18 Other expenses

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
Audit fees	9,562	6,847
Sub investment manager fees*	-	683,666
Other expenses	<u>36,792</u>	13,097
<b>Total other expenses</b>	<b><u>46,354</u></b>	<b>703,610</b>

\*Sub investment manager fees are incurred by the Fund based on an agreement with Steppenwolf Capital, a non-related party sub-investment manager. The Fund has an investment mandate with Steppenwolf Capital where they are entitled to a fee of 25% of investment returns, subject to a high water mark. The investment mandate agreement was signed in 2017. Steppenwolf Capital manages a portion of the Fund's assets in the market. Sub-investment manager performance fees earned by Steppenwolf Capital were historically captured as management fees.

As a result of a remediation exercise undertaken throughout the period, it was determined that Steppenwolf Capital performance fees were to be borne directly by the Fund. As such, the balance of Steppenwolf Capital performance fees that were carried as a management fee reimbursement receivable at the 30 June 2020 year end were expensed in the current year.

## 19 Related party transactions

The Responsible Entity of Alpha Alternatives 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 Alpha Fund Managers Pty Ltd to act as Investment Manager for the Fund and State Street Australia Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

## 19 Related party transactions (continued)

### (a) Key management personnel

#### (i) Directors

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

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

#### (ii) Responsible Entity

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

#### (iii) Other key management personnel

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

### (b) Transactions with key management personnel

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

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2021 (30 June 2020: 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 management fees.

The Investment Manager is also entitled to a performance fee of 20.5% of the investment return above the Fund's benchmark.

## 19 Related party transactions (continued)

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

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 2021	30 June 2020
	\$	\$
Management fees for the year	48,594	73,609
Responsible Entity fees for the year	4,106	6,220
Reimbursement income from Responsible Entity for the year	-	8,813
Management fees payable at year end	43,971	-
Responsible Entity fees payable at year end	1,812	3,003
Reimbursement receivable from Responsible Entity at year end	-	8,813

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

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

### (h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2021 (30 June 2020: nil).

### (i) Investments

The Fund held investments in the following schemes which are also managed by Equity Trustees Limited or its related parties:

	Fair value of investment	Interest held	Distributions received	Distributions receivable	Units acquired during the year	Units disposed during the year
<b>As at 30 June 2021</b>	\$	%	\$	\$		
Premium Asia Income Fund	-	-	76,468	-	-	1,506,152

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

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

	Fair value of investment	Interest held	Distributions received	Distributions receivable	Units acquired during the year	Units disposed during the year
As at 30 June 2020	\$	%	\$	\$		
Dalton Street Capital Absolute Return Fund	-	-	-	-	-	(580,261)
L1 Capital Long Short Fund	-	-	-	-	-	-
Premium Asia Income Fund	1,628,088	3.94	77,520	103,835	-	-

## **20 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 2021 or on the results and cash flows of the Fund for the year ended on that date.

## **21 Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 33 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 2021 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  
18 October 2021

## Independent Auditor's Report to the Unit Holders of Alpha Alternatives Fund

### *Opinion*

We have audited the financial report of Alpha Alternatives Fund (the "Fund") which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended; 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 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to 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 are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2021, 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 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 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 ability of the Fund 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 Fund 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**Deloitte.**

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Chester Hii  
Partner  
Chartered Accountants

Melbourne, 18 October 2021