

# Ausbil Long Short Focus Fund

ARSN 642 635 498

## Annual report for the year ended 30 June 2023

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## Directors' report

The directors of Ausbil Investment Management Limited, the Responsible Entity of Ausbil Long Short Focus Fund, present their report together with the financial statements of Ausbil Long Short Focus Fund ("the Scheme") for the year ended 30 June 2023 ("the year").

The Scheme is an Australian registered scheme as defined in the *Corporations Act 2001*.

### Responsible Entity

The Responsible Entity of the Scheme is Ausbil Investment Management Limited (ABN 26 076 316 473). The Responsible Entity's registered office is Level 27, Grosvenor Place, 225 George Street, Sydney 2000.

### Principal activities

The Scheme takes long and short positions in listed and unlisted global securities including, but not limited to, pre-IPO securities, equity swaps, options and convertible securities, in accordance with the provisions of the Scheme's Constitution.

The aim of the Scheme is to benefit from the volatility within global financial markets by employing a long/short approach to equity markets with a focus on generating positive returns in both rising and falling markets over rolling 3 years. The Fund aims to achieve this by investing in high quality companies which are expected to have sustainable earnings and cash flows, and to short sell equities which have declining earnings/cash flows.

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

The Scheme did not have any employees during the year.

### Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Frank Harte  
 Jae Yoon  
 Jay Giacco  
 John Grace  
 Mark Knight  
 Naim Abou-Jaoudé  
 Paul Xiradis  
 Ross Youngman (resigned 31 July 2023)  
 Yie-Hsin Hung (resigned 14 October 2022)  
 Vicki Gemisis (appointed 31 July 2023)  
 Morgan Glaser (appointed 23 August 2023)

### Review and results of operations

Market disruptions associated with current economic volatility and geopolitical events have had a global impact and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Scheme and thus performance of the Scheme. Management is continuing to monitor this development and evaluate its impact on the Scheme.

There have been no significant changes to the operations of the Scheme during the year. The Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	<b>For the year ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Total comprehensive (loss)/income for the year (\$'000)	<b>(5,118)</b>	2,717
Distributions paid and payable (\$'000)	-	2,682
Distributions (cents per unit - CPU)	-	3.5425

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

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

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

### **Events occurring after the financial year**

Except as disclosed in note 18 in the financial statements, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

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

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme 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 and auditors**

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Ausbil Investment Management Limited or the auditors of the Scheme. So long as the officers of Ausbil Investment Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

### **Fees paid to and interests held in the Scheme by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 16 of the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 16 of the financial statements.

### **Interests in the Scheme**

The movements in units on issue in the Scheme during the year are disclosed in note 5 of the financial statements.

The value of the Scheme's assets and liabilities are disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

### **Environmental regulation**

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

Environmental, social and governance (ESG) risks, including climate change, are identified, measured, monitored, reported and overseen in accordance with the Scheme's Risk Management Framework.

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

The Scheme is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated.

## Directors' report (continued)

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Mark Knight  
Director

Sydney  
27 September 2023



## Auditor's Independence Declaration

As lead auditor for the audit of Ausbil Long Short Focus Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'BSS Tompsett'.

BSS Tompsett  
Partner  
PricewaterhouseCoopers

Sydney  
27 September 2023

**Statement of comprehensive income**

	Notes	<b>For the year ended</b>	
		<b>30 June 2023 \$'000</b>	<b>30 June 2022 \$'000</b>
<b>Investment income</b>			
Interest income		1,361	-
Dividend income		378	93
Trust distributions		19	17
Net (losses)/gains on financial instruments at fair value through profit or loss	3	(5,521)	4,185
Net (losses) on foreign exchange		(66)	(30)
Other operating income		<u>413</u>	<u>2</u>
<b>Total net investment (loss)/income</b>		<u><b>(3,416)</b></u>	<u><b>4,267</b></u>
<b>Expenses</b>			
Management fees	16(f)	969	385
Performance fees	16(f)	-	813
Interest expense		1	11
Transaction costs		731	266
Other operating expenses		<u>1</u>	<u>75</u>
<b>Total operating expenses</b>		<u><b>1,702</b></u>	<u><b>1,550</b></u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss)/income for the year</b>		<u><b>(5,118)</b></u>	<u><b>2,717</b></u>

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

**Statement of financial position**

	Notes	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	81,976	61,686
Receivables	8	237	4,869
Financial assets at fair value through profit or loss	9	<u>22,709</u>	<u>18,700</u>
<b>Total assets</b>		<u><b>104,922</b></u>	<u><b>85,255</b></u>
<b>Liabilities</b>			
Borrowings	10	3,045	964
Distributions payable	6	-	2,100
Payables	11	5,334	2,639
Financial liabilities at fair value through profit or loss	12	<u>30,187</u>	<u>13,562</u>
<b>Total liabilities</b>		<u><b>38,566</b></u>	<u><b>19,265</b></u>
<b>Net assets attributable to unitholders - equity</b>	5	<u><b>66,356</b></u>	<u><b>65,990</b></u>

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

**Statement of changes in equity**

	<b>For the year ended</b>	
	<b>30 June 2023 \$'000</b>	<b>30 June 2022 \$'000</b>
<b>Total equity at the beginning of the year</b>	<b>65,990</b>	8,148
<b>Comprehensive (loss)/income for the year</b>		
(Loss)/profit for the year	<u>(5,118)</u>	<u>2,717</u>
<b>Total comprehensive (loss)/income for the year</b>	<b>(5,118)</b>	2,717
<b>Transactions with unitholders</b>		
Applications	<b>37,647</b>	63,284
Redemptions	<b>(32,228)</b>	(5,517)
Units issued upon reinvestment of distributions	<b>65</b>	40
Distributions paid and payable	<u>-</u>	<u>(2,682)</u>
<b>Total transactions with unitholders</b>	<b>5,484</b>	55,125
<b>Total equity at the end of the year</b>	<b>66,356</b>	65,990

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



## Statement of cash flows

		<b>For the year ended</b>	
		<b>30 June</b>	30 June
		<b>2023</b>	2022
	Notes	<b>\$'000</b>	\$'000
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of financial instruments at fair value through profit or loss		<b>465,454</b>	180,900
Purchase of financial instruments at fair value through profit or loss		<b>(450,763)</b>	(184,159)
Transaction costs on financial instruments at fair value through profit or loss		<b>(783)</b>	(282)
Dividends received		<b>356</b>	88
Trust distributions received		<b>26</b>	1
Other income received		<b>413</b>	2
Interest received/(paid)		<b>1,361</b>	(11)
Management fees paid		<b>(1,448)</b>	(351)
Performance fees paid		-	(464)
Other expenses paid		-	(74)
RITC received		<b>149</b>	48
<b>Net cash inflow/(outflow) from operating activities</b>	17(a)	<b><u>14,765</u></b>	<b><u>(4,302)</u></b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from applications by unitholders		<b>37,728</b>	63,197
Payments for redemptions by unitholders		<b>(32,127)</b>	(5,350)
Distributions paid		<b>(2,035)</b>	(1,748)
<b>Net cash inflow from financing activities</b>		<b><u>3,566</u></b>	<b><u>56,099</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>18,331</b>	51,797
Cash and cash equivalents at the beginning of the year		<b>60,722</b>	8,943
Effects of foreign currency exchange rate changes on cash and cash equivalents		<b>(122)</b>	(18)
<b>Cash and cash equivalents at the end of the year</b>	7,17(b)	<b><u>78,931</u></b>	<b><u>60,722</u></b>

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

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## 1 General information

These financial statements cover Ausbil Long Short Focus Fund ("the Scheme") as an individual entity. The Scheme was constituted on 13 July 2020. The Scheme will terminate on 12 July 2100 unless terminated earlier in accordance with the provision of the Scheme's Constitution. The Scheme invests in listed equities, listed unit trusts, listed property trusts and derivatives in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Ausbil Investment Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 27, Grosvenor Place, 225 George Street, Sydney 2000.

The Scheme is an Australian registered scheme as defined in the *Corporations Act 2001*.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2022 to 30 June 2023 ("the year").

The financial statements were authorised for issue by the directors on 27 September 2023. 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.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The Scheme is a for-profit entity for the purposes 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 are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the year cannot be reliably determined. The Scheme 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 balance date.

#### *Compliance with Australian Accounting Standards and International Financial Reporting Standards*

The financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASB") and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *New and Amended standards and Interpretations adopted by the Scheme*

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.

#### *New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted*

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. These standards, amendments or interpretations are not expected to have a material impact on the Scheme in the current or future reporting periods and on foreseeable future transactions.

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

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

#### ***(i) Classification***

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

#### ***(i) Classification (continued)***

##### *Assets*

The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Scheme's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives such as futures and options, 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.

The Scheme holds listed equities, listed unit trusts and listed property trusts at fair value through profit or loss in accordance with AASB 9.

The Scheme holds derivatives which are classified as fair value through profit or loss in accordance with AASB 9.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the solely payments of principal and interest ("SPPI") criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

##### *Liabilities*

The Scheme makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss.

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

#### ***(ii) Impairment***

AASB 9 requires the Scheme to record an allowance for expected credit loss ("ECL") for all financial assets not held at fair value through profit or loss.

The 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 Scheme expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, the Scheme has applied the standard's general approach and has calculated ECLs based on lifetime expected credit losses. The Scheme has established a provision matrix that is based on the Scheme's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Scheme considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme.

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

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

#### ***(iii) Recognition/derecognition***

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

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all of the risks and rewards of ownership.

#### ***(iv) Measurement***

##### *Financial assets and liabilities at fair value through profit or loss*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. 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 the financial assets or financial 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.

##### *Fair value in an active market*

The fair value of financial assets and financial liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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.

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to derivatives, where applicable.

#### ***(v) Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is currently 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.

### **(c) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if unitholders were to exercise their right to put the unit back to the Scheme. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when 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 Scheme'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 Scheme, and it is not a contract settled in the Scheme'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

The Scheme classifies the net assets attributable to unitholders as equity as they satisfy the above criteria.

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

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

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

### **(e) Investment income**

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income and trust distributions when the Scheme's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

### **(f) Expenses**

All expenses, including Responsible Entity fees, are recognised in the statement of comprehensive income on an accruals basis.

The dividends paid during the year on short sales of \$1,214,551 are included in Net (losses)/gains on financial assets and liabilities at fair value through profit and loss in the statement of comprehensive income.

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

Under current legislation, the Scheme is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income and capital gains. Such income is recorded net of withholding tax in the statement of comprehensive income.

### **(h) Distributions**

The Scheme may distribute its distributable income, in accordance with the Scheme's Constitution and/or Scheme's Product Disclosure Statement ("PDS"), to unitholders by cash or reinvestment. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Scheme.

### **(i) Foreign currency translation**

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

Items included in the Scheme 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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme'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.

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

### **(i) Foreign currency translation (continued)**

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

The Scheme does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

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

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on amounts due from broker 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 Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross 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.

### **(k) Receivables**

Receivables may include amounts for dividends, interest, trust distributions, Reduced Input Tax Credits (RITC) and application monies receivable from unitholders. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Trades are recorded on trade date, and normally settled within two business days. Sales of financial instruments that are unsettled at the end of the year are included in receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on 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 Scheme 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 a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross 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 amount of the impairment loss is recognised in profit or loss within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### **(l) Payables**

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

Trades are recorded on trade date, and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of the year are included in payables.

The distribution amount payable to unitholders as at the end of each year is recognised separately in the statement of financial position.

Amounts are generally paid within 30 days of being recorded as payables.

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

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

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

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

Expenses of various services provided to the Scheme by third parties such as investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables 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**

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates 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 certain other financial instruments, including amounts due from/to brokers, accounts payable and accounts receivable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

For the years ended 30 June 2023 and 30 June 2022, the fair values of the majority of the Scheme's financial assets and financial liabilities were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

### **(p) New accounting standards, interpretations and other authoritative pronouncements**

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Scheme.

### **(q) Other legislative/government developments**

#### *Climate related and other emerging risk disclosure*

The need to provide a global, consistent and comparable sustainability framework continues to gain momentum. In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Both standards will become effective for annual reporting periods beginning on or after 1 January 2024.

### **(r) Rounding of amounts**

The Scheme is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

### **(s) Comparatives**

Where relevant, prior year comparatives have been restated to conform with current year presentation.



### 3 Net (losses)/gains on financial instruments at fair value through profit or loss

Net (losses)/gains recognised in relation to financial instruments at fair value through profit or loss:

	For the year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Net unrealised (losses) on derivatives at fair value through profit or loss	(40)	(75)
Net unrealised gains on financial instruments at fair value through profit or loss	736	19
Net realised (losses)/gains on derivatives at fair value through profit or loss	(3,383)	1,355
Net realised (losses)/gains on financial instruments at fair value through profit or loss	<u>(2,834)</u>	<u>2,886</u>
<b>Total net (losses)/gains on financial instruments at fair value through profit or loss</b>	<b><u>(5,521)</u></b>	<b><u>4,185</u></b>

### 4 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Scheme:

	For the year ended	
	30 June 2023 \$	30 June 2022 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	27,819	18,820
Other services under the <i>Corporations Act 2001</i>	<u>3,170</u>	<u>3,019</u>
Total remuneration for audit and other assurance services	<b><u>30,989</u></b>	<b><u>21,839</u></b>
<b>Total auditor's remuneration</b>	<b><u>30,989</u></b>	<b><u>21,839</u></b>

Total remuneration is paid directly by the Responsible Entity.

## 5 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

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

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

	<b>For the year ended</b>			
	<b>30 June 2023</b>	30 June 2022	<b>30 June 2023</b>	30 June 2022
	<b>No. '000</b>	No. '000	<b>\$'000</b>	\$'000
Balance as at 1 July	<b>59,268</b>	7,920	<b>65,990</b>	8,148
Applications	<b>34,942</b>	56,748	<b>37,647</b>	63,284
Redemptions	<b>(30,693)</b>	(5,440)	<b>(32,228)</b>	(5,517)
Units issued upon reinvestment of distributions	<b>59</b>	40	<b>65</b>	40
Distributions paid and payable	-	-	-	(2,682)
(Loss)/profit for the year	-	-	<b>(5,118)</b>	2,717
<b>Closing balance at 30 June</b>	<b><u>63,576</u></b>	<u>59,268</u>	<b><u>66,356</u></b>	<u>65,990</u>

### Capital risk management

The Scheme considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Scheme's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. As such, the Scheme will meet any capital requirements from the liquidation of liquid assets which include cash and cash equivalents, listed equities and listed property trusts. Under the terms of the Scheme'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 unitholders.

## 6 Distributions to unitholders

The distributions for the year were as follows:

	<b>For the year ended</b>			
	<b>30 June 2023</b>	<b>30 June 2023</b>	30 June 2022	30 June 2022
	<b>\$'000</b>	<b>CPU</b>	\$'000	CPU
<b>Distributions</b>				
Single investor distribution paid*	-	-	582	-
30 June distribution payable	-	-	<u>2,100</u>	<u>3,5425</u>
<b>Total distributions</b>	<u>-</u>	<u>-</u>	<u>2,682</u>	<u>3,5425</u>

\* This represents the distribution paid to a single investor on redemption to ensure that any tax consequences go with the redeeming investor. This is excluded from the CPU calculation.

## 7 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	81,261	58,996
Term deposits	467	1,405
Deposit held with brokers for margin	248	1,285
	<u>81,976</u>	<u>61,686</u>

## 8 Receivables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Due from brokers	152	4,692
Accrued income	44	29
Applications receivable	6	87
RITC receivable	35	61
	<u>237</u>	<u>4,869</u>

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

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Derivatives (note 13)	37	809
Listed equities	20,995	16,257
Listed unit trusts	-	332
Listed property trusts	1,677	1,302
<b>Total financial assets at fair value through profit or loss</b>	<u>22,709</u>	<u>18,700</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 14.

## 10 Borrowings

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Bank overdraft	3,045	964
	<u>3,045</u>	<u>964</u>

## 11 Payables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Due to brokers	4,991	1,991
Accrued expenses	75	481
Redemptions payable	<u>268</u>	<u>167</u>
	<u><b>5,334</b></u>	<u><b>2,639</b></u>

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

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Derivatives (note 13)	-	14
Listed equities sold short	27,564	12,457
Listed property trusts sold short	<u>2,623</u>	<u>1,091</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><b>30,187</b></u>	<u><b>13,562</b></u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 14.

## 13 Derivative financial instruments

In the normal course of business the Scheme may enter into transactions in various derivative financial instruments with 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 Scheme'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 Scheme against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- 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 Scheme.

The Scheme holds the following derivative instruments:

### (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.

## 13 Derivative financial instruments (continued)

### (b) Options

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

The Scheme's derivative financial instruments at year end are detailed below:

	Contract/ notional \$	Fair Value	
		Assets \$'000	Liabilities \$'000
<b>As at 30 June 2023</b>			
Options	77,668	37	-
<b>Closing balance</b>		37	-

	Contract/ notional \$	Fair Values	
		Assets \$'000	Liabilities \$'000
<b>As at 30 June 2022</b>			
Futures	5,834,875	20	-
Options	6,618,301	789	14
<b>Closing balance</b>		809	14

## 14 Financial risk management

### (a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's PDS and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by Ausbil Investment Management Limited, as Investment Manager, under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price and interest rate risks, and maturity analysis for liquidity risk.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign exchange risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

Market disruptions associated with current economic volatility and geopolitical events have had a global impact and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Scheme and thus performance of the Scheme. Management is continuing to monitor this development and evaluate its impact on the Scheme.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in the Scheme.

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

### **(b) Market risk (continued)**

#### *(i) Price risk*

The Scheme is exposed to equity securities price risk. This arises from investments held by the Scheme for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than Australian dollar, the price will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital and the maximum risk resulting from financial assets is determined by the fair value of the financial instruments.

The Investment Manager aims to mitigate the price risk by careful selection of securities and other financial instruments, within specified limits and within the investment objectives, set by the Investment Committee in accordance with mandates and overall investment strategy.

As at 30 June 2023, if the equity prices had increased by 10% (2022: 10%) with all other variables held constant, this would have (decreased)/increased net assets attributable to unitholders (and net operating profit/(loss)) by (\$747,802) (2022: \$513,746). Conversely, if the equity prices had (increased)/decreased by 10%, this would have (increased)/decreased net assets attributable to unitholders (and net operating profit/(loss)) by (\$747,802) (2022: \$513,746). The analysis is performed on the same basis for 2023 and 2022.

#### *(ii) Foreign exchange risk*

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The Scheme's policy is to hedge direct foreign currency exposure on amounts payable to, or receivable from brokers in non-Australian dollar denominated currency. The Scheme does not hedge its exposure to non-monetary financial assets.

## 14 Financial risk management (continued)

### (b) Market risk (continued)

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

The table below summarises the Scheme's financial assets and financial liabilities, monetary and non-monetary, which are denominated in a currency including the Australian dollar.

As at 30 June 2023	Australian Dollars A\$'000	US Dollars A\$'000	New Zealand Dollars A\$'000	British Pounds A\$'000	Total A\$'000
<b>Monetary assets</b>					
Cash and cash equivalents	81,937	39	-	-	81,976
<b>Non-monetary assets</b>					
Financial assets at fair value through profit or loss					
Derivatives	-	37	-	-	37
Listed equities	19,877	-	-	1,118	20,995
Listed unit trusts	-	-	-	-	-
Listed property trusts	1,677	-	-	-	1,677
	<u>103,491</u>	<u>76</u>	<u>-</u>	<u>1,118</u>	<u>104,685</u>
<b>Monetary liabilities</b>					
Bank overdraft	-	2,424	-	621	3,045
<b>Non-monetary liabilities</b>					
Financial liabilities at fair value through profit or loss					
Listed equities sold short	27,564	-	-	-	27,564
Listed property trusts sold short	2,623	-	-	-	2,623
	<u>30,187</u>	<u>2,424</u>	<u>-</u>	<u>621</u>	<u>33,232</u>
As at 30 June 2022	Australian Dollars A\$'000	US Dollars A\$'000	New Zealand Dollars A\$'000	British Pounds A\$'000	Total A\$'000
<b>Monetary assets</b>					
Cash and cash equivalents	61,351	335	-	-	61,686
<b>Non-monetary assets</b>					
Financial assets at fair value through profit or loss					
Derivatives	393	416	-	-	809
Listed equities	16,257	-	-	-	16,257
Listed unit trusts	332	-	-	-	332
Listed property trusts	1,302	-	-	-	1,302
	<u>79,635</u>	<u>751</u>	<u>-</u>	<u>-</u>	<u>80,386</u>
<b>Monetary liabilities</b>					
Bank overdraft	-	962	2	-	964
<b>Non-monetary liabilities</b>					
Financial liabilities at fair value through profit or loss					
Derivatives	14	-	-	-	14
Listed equities sold short	12,457	-	-	-	12,457
Listed property trusts sold short	1,091	-	-	-	1,091
	<u>13,562</u>	<u>962</u>	<u>2</u>	<u>-</u>	<u>14,526</u>

## 14 Financial risk management (continued)

### (b) Market risk (continued)

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

As at 30 June 2023 and 30 June 2022, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Scheme is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		AUD Strengthened	
	Increase/(decrease) in net assets attributable to unitholders (and profit/(loss))			
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000
AUD/USD 2023: 5% (2022: 5%)	(117)	(11)	117	11

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For the years ended 30 June 2023 and 30 June 2022, the Scheme did not hold fixed interest securities and therefore the Scheme's financial position was not exposed to interest rate movements. The impact of interest rate movements on cash deposits is not considered material.

### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme's exposure to credit risk arises from amounts due from brokers, cash deposited with Morgan Stanley & Co International plc (Morgan Stanley) and cash deposited with National Australia Bank (NAB). Morgan Stanley has a Standard & Poor's investment rating of A- (2022: A-). NAB has a Standard & Poor's investment rating of AA- (2022: AA-). The credit risk arising from amounts due from brokers is mitigated by the contractual settlement arrangement with Morgan Stanley and NAB, the Scheme's custodians.

#### **Collateral pledged under securities lending agreement**

The Scheme provides securities or cash collateral equal to the value of the securities borrowed plus a margin. In the event that the value of the securities borrowed plus a margin exceeds the collateral provided, further collateral will need to be delivered so that the collateral equals the value of securities borrowed plus the margin.

Securities borrowed are transferred into the name of the Scheme whilst title to collateral lodged is transferred to the Lenders. The Scheme's credit exposure is therefore limited to the difference in value between the securities borrowed to cover the short positions and the amount of security or cash collateral that the Scheme lodges with the Lenders.

The Responsibility Entity has sought to mitigate credit exposure to the Lenders by exercising care in the selection of reputable providers of securities lending services, including a due diligence process on the Lenders.

The carrying amounts of the assets pledged as security for stock borrowings at the end of the year is \$Nil (2022: \$Nil).

The ECL model under AASB 9 applies to the financial assets classified at amortised cost and measured at FVOCI, contract asset, lease receivable, loan commitments and certain financial guarantee contracts. Financial assets are assessed for indicators of expected credit losses at each balance sheet date. The Scheme has concluded that there are no impairment indicators subject to the impairment requirements of AASB 9 and thus the impact on credit risk is immaterial.



## 14 Financial risk management (continued)

### (d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's Constitution provides for the daily application and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time. The Scheme's Constitution allows the Responsible Entity to delay a redemption by up to 28 days after the date of receiving the redemption notice, if within 14 days of receiving the notice, the Responsible Entity receives, over a period of two consecutive business days, request for redemption in respect of 10% or more of the units issued in the Scheme, or, there is a fall in the All Ordinaries of the Australian Securities Exchange Limited of 5% or more compared to the level of that index at the date of receipt of the notice.

#### (i) Maturity analysis of non-derivative financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1-3 months \$'000	4-12 months \$'000	More than 12 months \$'000
<b>As at 30 June 2023</b>				
Bank overdraft	3,045	-	-	-
Distributions payable	-	-	-	-
Due to brokers	4,991	-	-	-
Accrued expenses	75	-	-	-
Redemptions payable	268	-	-	-
Financial liabilities at fair value through profit or loss	<u>30,187</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>38,566</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

	Less than 1 month \$'000	1-3 months \$'000	4-12 months \$'000	More than 12 months \$'000
<b>As at 30 June 2022</b>				
Bank overdraft	964	-	-	-
Distributions payable	2,100	-	-	-
Due to brokers	1,991	-	-	-
Accrued expenses	481	-	-	-
Redemptions payable	167	-	-	-
Financial liabilities at fair value through profit or loss	<u>13,562</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>19,265</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## 14 Financial risk management (continued)

### (d) Liquidity risk (continued)

#### (ii) Maturity of derivative financial liabilities

The table below analyses the Scheme's net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The Scheme, 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	1-3 months \$'000	4-12 months \$'000	More than 12 months \$'000
<b>As at 30 June 2023</b>				
Options	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-
	Less than 1 month \$'000	1-3 months \$'000	4-12 months \$'000	More than 12 months \$'000
<b>As at 30 June 2022</b>				
Options	-	14	-	-
<b>Total financial liabilities</b>	-	14	-	-

### (e) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the year approximated their fair values as all financial assets and financial liabilities not fair valued are short-term in nature.

The fair values of the Scheme's financial assets and financial liabilities for the years then ended was determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

### (f) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

## 14 Financial risk management (continued)

### (f) Fair value hierarchy (continued)

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets measured at fair value according to the fair value hierarchy at the end of the year.

<b>As at 30 June 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Options	37	-	-	37
Listed equities	20,995	-	-	20,995
Listed property trusts	1,677	-	-	1,677
<b>Total</b>	<b>22,709</b>	<b>-</b>	<b>-</b>	<b>22,709</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Listed equities sold short	27,441	-	123	27,564
Listed property trusts sold short	2,623	-	-	2,623
<b>Total</b>	<b>30,064</b>	<b>-</b>	<b>123</b>	<b>30,187</b>
<b>As at 30 June 2022</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Futures	20	-	-	20
Options	789	-	-	789
Listed equities	16,257	-	-	16,257
Listed unit trusts	332	-	-	332
Listed property trusts	1,302	-	-	1,302
<b>Total</b>	<b>18,700</b>	<b>-</b>	<b>-</b>	<b>18,700</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Options	14	-	-	14
Listed equities sold short	12,457	-	-	12,457
Listed property trusts sold short	1,091	-	-	1,091
<b>Total</b>	<b>13,562</b>	<b>-</b>	<b>-</b>	<b>13,562</b>

Investments, the values of which are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include options, active listed equities, listed unit trusts and listed property trusts.

## 14 Financial risk management (continued)

### (f) Fair value hierarchy (continued)

Level 3 instruments could include distressed debt instruments, certain private equity and real estate investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also include those that have a stale price that is, where the pricing for a particular security has remained static for an extended period of time.

Level 3 valuations are reviewed quarterly by the relevant management. The management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary. There have been no changes to the valuation techniques used for financial instruments classified as level 2 and level 3.

As at 30 June 2023 and 30 June 2022, there were no financial assets classified as level 2.

There were no transfers between levels for the Scheme for the year ended 30 June 2022.

The following table presents the transfers between levels as at 30 June 2023.

<b>As at 30 June 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities</b>			
Transfers into/(out of) level 3			
Listed equities sold short	(123)	-	123

A sensitivity analysis for level 3 positions is not presented as it is deemed that the impact of reasonable changes in level 3 inputs would not be significant.

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

<b>As at 30 June 2023</b>	<b>Opening</b>	<b>Purchases</b>	<b>Sales</b>	<b>Transfers</b>	<b>Transfers</b>	<b>Gains/</b>	<b>Closing</b>	<b>Gains/(losses)</b>
	<b>balance</b>	<b>\$'000</b>	<b>\$'000</b>	<b>into</b>	<b>out of</b>	<b>recognised</b>	<b>balance</b>	<b>included in the</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>level 3</b>	<b>level 3</b>	<b>in profit or</b>	<b>\$'000</b>	<b>statement of</b>
				<b>\$'000</b>	<b>\$'000</b>	<b>loss</b>		<b>comprehensive</b>
						<b>\$'000</b>		<b>income for</b>
								<b>financial</b>
								<b>assets/liabilities</b>
								<b>held at year end</b>
								<b>\$'000</b>
<b>Financial liabilities</b>								
Listed equities sold short	-	-	-	123	-	-	123	-

## 15 Offsetting financial assets and financial liabilities

None of the financial instruments is offset in the statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to enforceable master netting agreements (or similar).

Financial assets - 30 June 2023	Gross amounts \$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Cash collateral \$'000	Marketable security collateral \$'000	Net amount \$'000
Options	37	-	37	-	-	37
Financial assets at fair value through profit or loss	<u>22,672</u>	<u>-</u>	<u>22,672</u>	<u>-</u>	<u>(30,187)</u>	<u>(7,515)</u>
<b>Closing balance</b>	<b><u>22,709</u></b>	<b><u>-</u></b>	<b><u>22,709</u></b>	<b><u>-</u></b>	<b><u>(30,187)</u></b>	<b><u>(7,478)</u></b>

Financial liabilities - 30 June 2023	Gross amounts \$'000	Gross amounts of recognised financial assets set off in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Cash collateral \$'000	Marketable security collateral \$'000	Net amount \$'000
Financial liabilities at fair value through profit or loss	<u>(30,187)</u>	<u>-</u>	<u>(30,187)</u>	<u>-</u>	<u>30,187</u>	<u>-</u>
<b>Closing balance</b>	<b><u>(30,187)</u></b>	<b><u>-</u></b>	<b><u>(30,187)</u></b>	<b><u>-</u></b>	<b><u>30,187</u></b>	<b><u>-</u></b>

## 15 Offsetting financial assets and financial liabilities (continued)

Financial assets - 30 June 2022	Gross amounts \$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Cash collateral \$'000	Marketable security collateral \$'000	Net amount \$'000
Futures	20	-	20	-	-	20
Options	789	-	789	-	-	789
Financial assets at fair value through profit or loss	<u>17,891</u>	<u>-</u>	<u>17,891</u>	<u>-</u>	<u>(13,548)</u>	<u>4,343</u>
Closing balance	<u>18,700</u>	<u>-</u>	<u>18,700</u>	<u>-</u>	<u>(13,548)</u>	<u>5,152</u>

  

Financial liabilities - 30 June 2022	Gross amounts \$'000	Gross amounts of recognised financial assets set off in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Cash collateral \$'000	Marketable security collateral \$'000	Net amount \$'000
Options	(14)	-	(14)	-	-	(14)
Financial liabilities at fair value through profit or loss	<u>(13,548)</u>	<u>-</u>	<u>(13,548)</u>	<u>-</u>	<u>13,548</u>	<u>-</u>
Closing balance	<u>(13,562)</u>	<u>-</u>	<u>(13,562)</u>	<u>-</u>	<u>13,548</u>	<u>(14)</u>

Under the terms of the agreements with the counterparties, only where 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 Scheme does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

## 16 Related party transactions

### (a) Responsible Entity

The Responsible Entity of Ausbil Long Short Focus Fund is Ausbil Investment Management Limited.

### (b) Directors

Key management personnel includes persons who were directors of Ausbil Investment Management Limited at any time during the financial year.

### (c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the financial year.

## 16 Related party transactions (continued)

### (d) Related party Schemes' unitholdings

Parties related to the Scheme (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity), held units in the Scheme as follows:

<b>30 June 2023</b>	<b>No. of units held opening</b>	<b>No. of units acquired</b>	<b>No. of units disposed</b>	<b>No. of units held closing</b>	<b>Fair value of investment</b>	<b>Interest held</b>	<b>Distributions paid/payable by the Scheme</b>
<b>Unitholder</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
New York Life Insurance and Annuity Corporation	<b>6,874,422</b>	-	-	<b>6,874,422</b>	<b>7,169,507</b>	<b>10.81</b>	-
	Number of units held opening	No. of units acquired	No. of units disposed	No. of units held closing	Fair value of investment	Interest held	Distributions paid/payable by the Scheme
<b>30 June 2022</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
New York Life Insurance and Annuity Corporation	6,874,422	-	-	6,874,422	7,640,130	11.60	243,525

### (e) Other transactions within the Scheme

From time to time directors of the Responsible Entity of the Scheme, or their director-related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

Apart from those details disclosed in this note, no key management personnel of the Responsible Entity have entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving director's interests at the end of the year.

The following transactions occurred with key management personnel during the year:

	<b>30 June 2023</b>	30 June 2022
	<b>\$</b>	<b>\$</b>
Application for units	<b>14,205</b>	220,775

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

### (f) Responsible entity's/manager's fees and other transactions

Under the terms of the Schemes PDS, the Responsible Entity is entitled to receive management fees of 1.25%, calculated by reference to the net asset value of the Scheme.

In addition to the management fee, the Responsible entity is entitled to receive performance fees of 20.5% of the difference between the Scheme's performance and the performance hurdle multiplied by the Scheme's net asset value. The performance fee Hurdle is the Reserve Bank of Australia Cash Rate plus a hurdle of 1.25% p.a.

The Responsible Entity does not charge any contribution fees to the Scheme.

## 16 Related party transactions (continued)

### (f) Responsible entity's/manager's fees and other transactions (continued)

The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	30 June 2023 \$	30 June 2022 \$
Management fees for the year paid by the Scheme to the Responsible Entity	969,048	385,034
Performance fees for the year paid/payable by the Scheme to the Responsible Entity	-	813,362
Aggregate amounts payable to the Responsible Entity at the end of the year	<b>74,744</b>	481,295

### (g) Investments

The Scheme did not hold any investments in Ausbil Investment Management Limited or its related parties during the year (2022: Nil).

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

	For the year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>(a) Reconciliation of (loss)/profit to net cash inflow/(outflow) from operating activities</b>		
(Loss)/profit for the year	(5,118)	2,717
Proceeds from sale of financial instruments at fair value through profit or loss	465,454	180,900
Purchase of financial instruments at fair value through profit or loss	(450,763)	(184,159)
Net losses/(gains) on financial instruments at fair value through profit or loss	5,521	(4,185)
Net losses on foreign exchange	66	30
Net change in receivables and other assets	11	(76)
Net change in payables and other liabilities	(406)	471
<b>Net cash inflow/(outflow) from operating activities</b>	<b>14,765</b>	<b>(4,302)</b>
<b>(b) Components of cash and cash equivalents</b>		
Cash as at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	81,976	61,686
Bank overdraft	(3,045)	(964)
	<b>78,931</b>	<b>60,722</b>
<b>(c) Non-cash operating and financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<b>65</b>	<b>40</b>



## **18 Events occurring after the year end**

There are no items, transactions or events of a material and unusual nature have arisen between the end of the financial period and the date of this report, which are likely, in the opinion of the Directors, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

## **19 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and 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 5 - 32 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 Scheme's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.
- (d) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Mark Knight  
Director

Sydney  
27 September 2023



## Independent auditor's report

To the unitholders of Ausbil Long Short Focus Fund

### Our opinion

In our opinion:

The accompanying financial report of Ausbil Long Short Focus Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors of the Responsible Entity's declaration.

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

### *Independence*

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

### Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 through our opinion on the financial report.

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

If, based on the work we have performed on the other information that we 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 of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme 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 of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'BSS Tompsett' in a cursive script.

BSS Tompsett  
Partner

Sydney  
27 September 2023