

**Auscap Ex-20 Australian Equities Fund**

ARSN 671 901 821

**ANNUAL REPORT  
FOR THE PERIOD 17 OCTOBER 2023 TO 30 JUNE 2024**

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This Annual Report covers Auscap Ex-20 Australian Equities Fund as an individual entity.

The Responsible Entity of Auscap Ex-20 Australian Equities Fund is Auscap Asset Management Limited (ABN 11 158 929 143) (AFSL 428014).

The Responsible Entity's registered office and place of business is:

Level 30, 9 Castlereagh Street,  
Sydney NSW 2000.

## **DIRECTORS' REPORT**

The Directors of Auscap Asset Management Limited, the Responsible Entity of Auscap Ex-20 Australian Equities Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 17 October 2023 to 30 June 2024.

### **Principal activities**

The Fund was constituted on 12 October 2023, registered with the Australian Securities and Investments Commission (ASIC) on 17 October 2023 and commenced operations on 30 November 2023.

The Fund invests in a portfolio of between 40 and 60 Australian securities with an objective to outperform the S&P/ASX 300 Index excluding securities in the S&P/ASX 20 Index. The Fund aims to generate returns in excess of the Benchmark, after fees, over the suggested minimum investment timeframe of 5 years in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Auscap Asset Management Limited
Investment Manager	Auscap Asset Management Limited
Custodian and Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	Ernst & Young

### **Directors**

The following persons held office as directors of Auscap Asset Management Limited during or since the end of the period and up to the date of this report:

Timothy James Carleton  
Phillip James Carleton  
Steven Ivak  
Sarah Lappan (Company Secretary)

### **Review and results of operations**

During the period, the Fund invested its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

	<b>For the period 17 October 2023 to 30 June 2024</b>
Profit/(loss) for the period (\$'000)	<b>1,991</b>
Distributions paid and payable (\$'000)	<b>314</b>
Distributions (cents per unit)	<b>1.3739</b>

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

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the period ended 30 June 2024.

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

No matter or circumstance has arisen since 30 June 2024 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.

## DIRECTORS' REPORT (CONTINUED)

### 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.

### 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 Auscap Asset Management Limited. Insurance premiums for such cover are paid by Auscap Asset Management Limited. So long as the officers of Auscap Asset Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### Indemnification of auditor

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

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

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 12 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 12 to the financial statements.

### Interests in the Fund

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

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

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a 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 Corporations Instrument, 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 4.

This report is made in accordance with a resolution of the directors of Auscap Asset Management Limited.



Timothy James Carleton  
Director

Sydney  
16 September 2024



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working world**

## **Auditor's independence declaration to the directors of Auscap Asset Management Limited as Responsible Entity for Auscap Ex-20 Australian Equities Fund**

As lead auditor for the audit of the financial report of Auscap Ex-20 Australian Equities Fund for the financial period ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

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

Jonathan Hall  
Partner  
16 September 2024

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	For the period 17 October 2023 to 30 June 2024 \$'000
<b>Investment income</b>		
Interest income from financial assets at amortised cost		14
Dividend and distribution income		298
Net gains/(losses) on financial instruments at fair value through profit or loss		1,985
<b>Total investment income/(loss)</b>		<b>2,297</b>
<b>Expenses</b>		
Management fees	13	119
Performance fees	13	150
Withholding taxes		1
Transaction costs		30
Other operating expenses		6
<b>Total expenses</b>		<b>306</b>
<b>Profit/(loss) for the period</b>		<b>1,991</b>
Other comprehensive income		-
<b>Total comprehensive income for the period</b>		<b>1,991</b>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 June 2024 \$'000
<b>Assets</b>		
Cash and cash equivalents	8	1,486
Receivables	10	66
Due from brokers - receivable for securities sold		58
Financial assets at fair value through profit or loss	5	25,126
<b>Total assets</b>		<b>26,736</b>
<b>Liabilities</b>		
Distributions payable	7	314
Payables	11	21
Due to brokers - payable for securities purchased		984
<b>Total liabilities</b>		<b>1,319</b>
<b>Net assets attributable to unitholders – equity</b>	6	<b>25,417</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**STATEMENT OF CHANGES IN EQUITY**

	Note	For the period 17 October 2023 to 30 June 2024 \$'000
<b>Total equity at the beginning of the financial period</b>		-
<b>Comprehensive income for the financial period</b>		
Profit/(loss) for the period		1,991
Other comprehensive income		-
<b>Total comprehensive income</b>		<b>1,991</b>
<b>Transactions with unitholders</b>		
Applications	6	23,740
Distributions paid and payable	6	(314)
<b>Total transactions with unitholders</b>		<b>23,426</b>
<b>Total equity at the end of the financial period</b>		<b>25,417</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



**STATEMENT OF CASH FLOWS**

	For the period 17 October 2023 to 30 June 2024 \$'000
	Note
<b>Cash flows from operating activities</b>	
Proceeds from sale of financial instruments at fair value through profit or loss	6,973
Payments for purchase of financial instruments at fair value through profit or loss	(29,188)
Dividends and distributions received	252
Interest income received from financial assets at amortised cost	14
Management fees paid	(99)
Performance fees paid	(150)
Transactions costs paid	(30)
Other expenses paid	(26)
<b>Net cash inflow/(outflow) from operating activities</b>	9(a) (22,254)
<b>Cash flows from financing activities</b>	
Proceeds from applications by unitholders	23,740
<b>Net cash inflow/(outflow) from financing activities</b>	23,740
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,486
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	8 1,486

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 Auscap Ex-20 Australian Equities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 12 October 2023 and will terminate in accordance with the provisions of the Fund's Constitution.

The Responsible Entity and Investment Manager of the Fund is Auscap Asset Management Limited (ABN 11 158 929 143) (AFSL 428014) (the "Responsible Entity"). The Responsible Entity's registered office is Level 30, 9 Castlereagh Street, Sydney NSW 2000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in a portfolio of between 40 and 60 Australian securities with an objective to outperform the S&P/ASX 300 Index excluding securities in the S&P/ASX 20 Index. The Fund aims to generate returns in excess of the Benchmark, after fees, over the suggested minimum investment timeframe of 5 years in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

## 2. SUMMARY OF MATERIAL 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 the period 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 unitholders.

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 the reporting date.

In the case of net assets attributable to unitholders, the units are redeemable 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 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).

AASB 18 Presentation and Disclosure in Financial Statements (application date 1 January 2027)

Other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024, 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.

### 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 2023 that or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been early adopted in preparing these financial statements.

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

### b. Financial instruments

#### i. Classification

- Financial assets

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

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

The Fund classifies its assets based on its business model for managing those financial assets.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

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

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

- Financial assets (continued)

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 Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and listed property trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

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

- Financial liabilities

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

#### **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

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of '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 4 to the financial statements.

- Financial instruments at amortised cost

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

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

#### **iv. Impairment**

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

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

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a 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.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **v. Offsetting financial instruments**

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

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

### **c. Net assets attributable to 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 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 unitholders.

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, cash held at broker, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### **e. Investment income**

#### **i. Interest income**

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset 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.

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

#### **ii. Dividends and distributions**

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on an entitlement basis.

### **f. Expenses**

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

### **g. Income tax**

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders. The Fund is not subject to income tax. The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are included in the Statement of Comprehensive Income as an expense.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **h. Distributions**

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity.

### **i. Foreign currency translation**

#### **i. Functional and presentation currency**

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

#### **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 period. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

### **k. Receivables**

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables. Receivables also included Reduced Input Tax Credits (RITC).

### **l. Payables**

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

Distributions payable is recognised in the Statement of Financial Position as at the end of the reporting period where this amount remains unpaid as at the end of the reporting period.

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

### **m. Applications and redemptions**

Applications received for units in the Fund are recorded net of any buy spread prior to the issue of units in the Fund. Redemptions from the Fund are recorded net of any sell spread payable after the cancellation of units redeemed.

### **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 period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

For more information on how fair value is calculated refer to Note 4 to the financial statements.

### **p. Comparative period**

The Fund was constituted on 12 October 2023, registered with the Australian Securities and Investments Commission on 17 October 2023 and commenced operations on 30 November 2023. The reporting period covers the period 17 October 2023 to 30 June 2024, hence there is no comparative information.

### **q. Rounding of amounts**

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, 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.

All investments present a risk of loss of capital. The maximum loss of capital on long equities is limited to the fair value of those positions.

The investments of the Fund and associated risks are managed by Auscap Asset Management Limited ("Responsible Entity/Investment Manager"), under the Fund's Constitution and the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risk.

#### a. Market risk

##### i. Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. The value of the long investments in the Fund's portfolio may decrease in response to the activities of an individual company or in response to general market, business or economic conditions.

The Responsible Entity/Investment Manager attempts to mitigate this price risk through disciplined investing and risk management, with the intention of preserving capital and generating long-term compounding returns. Risk management is a key focus and includes daily monitoring of risk via internal control systems using aggregate, sector and single name exposure and various other risk management tools, monitoring of hard risk limits and a quarterly review of risk management processes by the Investment Manager's board. The Responsible Entity/Investment Manager may or may not be successful in its attempt to mitigate price risk.

Price risk is managed by the combined effects of diversification of the underlying investments that comprise the Fund portfolio and investment selection which reflects the knowledge and experience of the Investment Manager.

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%.

##### ii. Interest rate risk

Interest rate risk is small. The impact of fluctuations in interest rates will be limited to the degree of interest earned on cash balances. The Fund operates within the bounds of the cash limits detailed in the Product Disclosure Statement.

#### b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to 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 unitholders	
	Price risk	
	+10%	-10%
	\$'000	\$'000
<b>As at 30 June 2024</b>	<b>2,513</b>	<b>(2,513)</b>

#### c. Credit risk

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

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk is the carrying of these balances as at the reporting date.

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 considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2024, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of B or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### **3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

##### **i. Settlement of securities transactions**

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

##### **ii. Cash and cash equivalents**

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of B (as determined by the Standard & Poors) or higher.

##### **iii. Maximum exposure to credit risk**

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

#### **d. Liquidity risk**

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unitholder redemption requests or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by investing in securities tradeable on various stock exchanges. The investment manager monitors the size of investments in less liquid securities in order to manage liquidity risk associated with redemption.

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 unitholders. The Fund did not reject or withhold any redemptions during the period.

##### **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.

### **4. 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 at fair value through profit or loss (see Note 5)

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

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

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

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

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

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

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

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

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



#### 4. FAIR VALUE MEASUREMENT (CONTINUED)

##### b. 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 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2024</b>				
<b>Financial assets</b>				
Listed equity securities	22,956	-	-	22,956
Listed property trusts	2,170	-	-	2,170
<b>Total financial assets</b>	<b>25,126</b>	<b>-</b>	<b>-</b>	<b>25,126</b>

##### c. 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.

##### d. 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 unitholders' 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 period.

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 \$'000
Listed equity securities	22,956
Listed property trusts	2,170
<b>Total financial assets at fair value through profit or loss</b>	<b>25,126</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 4 to the financial statements.

#### 6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain criteria are met. 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). The Fund's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

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

	For the period	
	17 October 2023 to 30 June 2024 Units '000	17 October 2023 to 30 June 2024 Units '000
Opening balance	-	-
Applications	22,829	23,740
Distributions paid and payable	-	(314)
Profit/(loss) for the period	-	1,991
<b>Closing balance</b>	<b>22,829</b>	<b>25,417</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.

Units are redeemed on demand at the unitholders' 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.

## 6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY (CONTINUED)

### Capital risk management

The Fund 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 Fund is subject to daily applications and redemptions at the discretion of unitholders.

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 unitholders.

## 7. DISTRIBUTIONS TO UNITHOLDERS

The distributions declared during the period were as follows:

	For the period	
	17 October 2023 to 30 June 2024 \$'000	17 October 2023 to 30 June 2024 CPU
<b>Distributions</b>		
June (payable)	314	1,3739
<b>Total distributions</b>	<b>314</b>	<b>1,3739</b>

## 8. CASH AND CASH EQUIVALENTS

	As at 30 June 2024 \$'000
Cash at bank	1,486
<b>Total cash and cash equivalents</b>	<b>1,486</b>

## 9. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

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

	For the period 17 October 2023 to 30 June 2024 \$'000
Profit/(loss) for the period	1,991
Proceeds from sale of financial instruments at fair value through profit or loss	6,973
Payments for purchase of financial instruments at fair value through profit or loss	(29,188)
Net (gains)/losses on financial instruments at fair value through profit or loss	(1,985)
Net change in receivables	(66)
Net change in payables	21
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(22,254)</b>

## 10. RECEIVABLES

	As at 30 June 2024 \$'000
Dividends receivable	45
GST receivable	21
<b>Total receivables</b>	<b>66</b>

## 11. PAYABLES

	As at 30 June 2024 \$'000
Management fees payable	20
Recoverable fees payable	1
<b>Total payables</b>	<b>21</b>

## 12. REMUNERATION OF AUDITORS

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

	For the period 17 October 2023 to 30 June 2024 \$
<b>Ernst &amp; Young</b>	
<i>Audit and other assurance services</i>	
Audit of financial statements	12,000
Total auditor remuneration and other assurance services	12,000
<i>Taxation services</i>	
Tax compliance services	32,050
Total remuneration for taxation services	32,050
<i>Audit and other assurance services</i>	
Audit of compliance plan	1,791
Total auditor remuneration and other assurance services	1,791
<b>Total remuneration of Ernst &amp; Young</b>	<b>45,841</b>

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

## 13. RELATED PARTY TRANSACTIONS

The Responsible Entity of Auscap Ex-20 Australian Equities Fund is Auscap Asset Management Limited (ABN 11 158 929 143) (AFSL 428014). Auscap Asset Management Limited is also the Investment Manager of the Fund. Accordingly, transactions with entities related to Auscap Asset Management Limited are disclosed below.

The Responsible Entity has contracted services to Apex Fund Services Pty Ltd (an Apex Group Company) to act as Administrator and Custodian for the Fund. The contracts are on arm's length.

### a. Key management personnel

#### i. Directors

Key management personnel include persons who were directors of Auscap Asset Management Limited at any time during or since the end of the financial period and up to the date of this report.

Timothy James Carleton  
Phillip James Carleton  
Steven Ivak  
Sarah Lappan (Company Secretary)

#### 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 period.

### b. Transactions with key management personnel

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

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

#### c. Key management personnel unit holdings

Parties related to the Fund including Auscap Asset Management Limited and its related parties held 1,000,000 units in the Fund as at 30 June 2024.

#### d. Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to Auscap Asset Management 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 the key management personnel or their personally related entities at any time during the reporting period.

#### f. Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving management personnel's interests existing at period 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 is entitled to receive management fees and performance fees.

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

	For the period 17 October 2023 to 30 June 2024 \$
Performance fees for the period	150,427
Management fees for the period	118,727
Management fees payable at period end	19,814

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

#### h. Related party unit holdings

Parties related to the Fund (including Auscap Asset Management Limited, its related parties and other schemes managed by Auscap Asset Management Limited) hold units in the Fund as follows:

	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
<b>Unitholders</b>							
<b>As at 30 June 2024</b>							
Auscap Asset Management Limited	-	1,000,000	1,113,400	4.38	1,000,000	-	13,739

#### i. Investments

The Fund did not hold any investments in Auscap Asset Management Limited or its related parties during the period.

### 14. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2024 or on the results and cash flows of the Fund for the period ended on that date.

### 15. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024.

## DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 5 to 19 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 2024 and of its performance for the financial period 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 Auscap Asset Management Limited.



Timothy James Carleton  
Director

Sydney  
16 September 2024



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## **Independent Auditor's Report to the Unitholders of Auscap Ex-20 Australian Equities Fund**

### **Opinion**

We have audited the financial report of Auscap Ex-20 Australian Equities Fund (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Fund's financial position as of 30 June 2024 and of its financial performance for the period ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Basis for Opinion**

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

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

### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors of Auscap Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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

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

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

Ernst & Young

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

Jonathan Hall  
Partner  
16 September 2024