

Montaka Global Extension Fund (Quoted Managed Hedge Fund)

ARSN 639 565 807

Annual report

For the year ended June 30, 2023

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These financial statements cover Montaka Global Extension Fund (Quoted Managed Hedge Fund) as an individual entity.

The Responsible Entity of Montaka Global Extension Fund (Quoted Managed Hedge Fund) is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Directors' report

Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648) is the responsible entity (the "Responsible Entity") of Montaka Global Extension Fund (Quoted Managed Hedge Fund) (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended June 30, 2023.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund seeks to invest in a portfolio of high quality global equities listed on major global exchanges (the Long Portfolio) purchased at a discount to our estimate of their intrinsic value. The Fund also seeks to profit through borrowing and short selling (the Short Portfolio) the securities of companies it believes are, for example, deteriorating, misperceived and overvalued. Typically, the Fund seeks to hold 15 to 30 long positions and partially offsets these with 25 to 40 short positions in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund was constituted on March 4, 2020 and commenced operations on June 23, 2020. The Fund is an Exchange Traded Managed Fund ("ETMF") issued under the AQUA rules and admitted to trading status on ASX with official quotation of its securities commencing on June 24, 2020 (ASX: MKAX).

The Fund did not have any employees during the year.

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

Directors

The Directors of Perpetual Trust Services Limited during the year and up to the date of this report are shown below. The Directors were in office for the entire year except where stated otherwise:

Glenn Foster	
Phillip Blackmore	
Richard McCarthy	
Vicki Riggio	Alternative Director for Phillip Blackmore

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

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

	Year ended	
	June 30, 2023	June 30, 2022
Profit/(loss) for the year (\$'000)	4,460	(11,504)
Distributions paid and payable (\$'000)	1,496	1,836
Distributions (cents per unit)	12.20	16.65

Significant changes in 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 year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since June 30, 2023 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Directors' report (continued)

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

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

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the year.

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

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 10 of 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 of 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 *Australian Securities and Investments Commission 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 the *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 Perpetual Trust Services Limited.



Phillip Blackmore, Director
Perpetual Trust Services Limited

Sydney
September 20, 2023

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**Building a better
working world**

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Auditor's independence declaration to the directors of Perpetual Trust Services Limited as Responsible Entity for Montaka Global Extension Fund (Quoted Managed Hedge Fund)

As lead auditor for the audit of the financial report of Montaka Global Extension Fund (Quoted Managed Hedge Fund) for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Rita Da Silva
Partner
20 September 2023

Montaka Global Extension Fund (Quoted Managed Hedge Fund)
Statement of comprehensive income
For the year ended June 30, 2023

Statement of comprehensive income

		Year ended	
		June 30, 2023	June 30, 2022
	Notes	\$'000	\$'000
Investment income			
Dividend income		544	554
Net gains/(losses) on financial instruments at fair value through profit or loss	6	5,069	(10,075)
Net foreign currency gains/(losses)		32	4
Other income		1	-
Total investment income/(loss)		<u>5,646</u>	<u>(9,517)</u>
Expenses			
Management fees	15	74	222
Performance fees	15	-	486
Responsible Entity's fees	15	92	75
Administration and custody fees		144	112
Interest expense		364	383
Dividend expense		311	450
Transaction costs		99	111
Other operating expenses		102	148
Total operating expenses		<u>1,186</u>	<u>1,987</u>
Profit/(loss) for the year		<u>4,460</u>	<u>(11,504)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>4,460</u>	<u>(11,504)</u>

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

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Montaka Global Extension Fund (Quoted Managed Hedge Fund)
Statement of financial position
As at June 30, 2023

Statement of financial position

	Notes	As at June 30, 2023 \$'000	As at June 30, 2022 \$'000
Assets			
Cash and cash equivalents	12	401	858
GST receivable		3	2
Due from brokers - receivable for securities sold		102	64
Financial assets at fair value through profit or loss	7	<u>47,376</u>	<u>38,111</u>
Total assets		<u>47,882</u>	<u>39,035</u>
Liabilities			
Distributions payable		837	644
Management fees payable	15	19	65
Administration and custody fees payable		24	-
Responsible Entity's fees payable	15	22	22
Dividends payable		-	3
Other payables		45	43
Financial liabilities at fair value through profit or loss	8	<u>12,913</u>	<u>12,563</u>
Total liabilities		<u>13,860</u>	<u>13,340</u>
Net assets attributable to unitholders – equity	10	<u>34,022</u>	<u>25,695</u>

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

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Montaka Global Extension Fund (Quoted Managed Hedge Fund)
Statement of changes in equity
For the year ended June 30, 2023

Statement of changes in equity

	Notes	Year ended	
		June 30, 2023 \$'000	June 30, 2022 \$'000
Total equity at the beginning of the year		25,695	39,999
Comprehensive income/(loss) for the year			
Profit/(loss) for the year		4,460	(11,504)
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year		<u>4,460</u>	<u>(11,504)</u>
Transactions with unitholders			
Applications	10	5,278	1,707
Redemptions	10	(1,055)	(4,797)
Units issued upon reinvestment of distributions	10	1,140	2,126
Distributions paid and payable	10	(1,496)	(1,836)
Total transactions with unitholders		<u>3,867</u>	<u>(2,800)</u>
Total equity at the end of the year		<u>34,022</u>	<u>25,695</u>

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

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Montaka Global Extension Fund (Quoted Managed Hedge Fund)
Statement of cash flows
For the year ended June 30, 2023

Statement of cash flows

	Notes	Year ended	
		June 30, 2023 \$'000	June 30, 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		16,687	25,030
Payments for re-purchase of financial liabilities at fair value through profit or loss		(13,944)	(26,333)
Payments for purchase of financial instruments at fair value through profit or loss		(23,168)	(23,957)
Proceeds from short sale of financial liabilities at fair value through profit or loss		16,541	32,648
Dividends received		499	512
Other income received		1	-
Interest expense paid		(364)	(383)
Dividend expense paid on short position securities		(314)	(455)
Management fees paid		(120)	(240)
Performance fees paid		-	(1,184)
Responsible Entity's fees paid		(92)	(53)
Administration and custody fees paid		(120)	(112)
Other operating expenses paid		(155)	(143)
Net cash inflow/(outflow) from operating activities	13 (a)	(4,549)	5,330
Cash flows from financing activities			
Proceeds from applications by unitholders		5,278	1,707
Payments for redemptions by unitholders		(1,055)	(4,797)
Distributions paid		(163)	(87)
Net cash inflow/(outflow) from financing activities		4,060	(3,177)
Net increase/(decrease) in cash and cash equivalents		(489)	2,153
Cash and cash equivalents at the beginning of the year		858	(1,299)
Effects of foreign currency exchange rate changes on cash and cash equivalents		32	4
Cash and cash equivalents at the end of the year	12	401	858
Non-cash financing activities			
Issue of units under the distribution reinvestment plan	13 (b)	1,140	2,126

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 Montaka Global Extension Fund (Quoted Managed Hedge Fund) (the "Fund") as an individual entity. The Fund was constituted on March 4, 2020 and commenced operations on June 23, 2020. The Fund is an Exchange Traded Managed Fund ("ETMF") issued under the AQUA rules and admitted to trading status on ASX with official quotation of its securities commencing on June 24, 2020 (ASX: MKAX). The Fund will terminate in accordance with the provisions of the Fund's Constitution.

Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Fund is Montaka Global Pty Ltd (the "Investment Manager").

The Fund seeks to invest in a portfolio of high quality global equities listed on major global exchanges (the Long Portfolio) purchased at a discount to our estimate of their intrinsic value. The Fund also seeks to profit through borrowing and short selling (the Short Portfolio) the securities of companies it believes are, for example, deteriorating, misperceived and overvalued. Typically, the Fund seeks to hold 15 to 30 long positions and partially offsets these with 25 to 40 short positions in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements of the Fund are for the year ended June 30, 2023. The financial statements are presented in Australian dollar currency, which is the functional and presentation currency of the Fund.

The financial statements were authorised for issue by the Directors of the Responsible Entity (the "Directors of the Responsible Entity") on September 20, 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 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 are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit or loss.

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 twelve months, however, an estimate of that amount cannot be determined as at year end.

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

(i) Compliance with International Financial Reporting Standards ("IFRS")

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(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 year beginning July 1, 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after July 1, 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after July 1, 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the 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 derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

- Liabilities:

The Fund 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.

For financial liabilities that are not classified and measured at fair value through profit and loss, these are classified as financial liabilities at amortised cost (Responsible Entity's fees payable, performance fees payable, management fees payable and other payables).

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in 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 the Fund has transferred substantially all risks and rewards of ownership.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Measurement

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

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

Further details on how the fair value of financial instruments are determined are disclosed in Note 5.

(iv) Offsetting financial instruments

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

As at the end of the reporting period, there are financial assets or liabilities which could be offset in the Statement of financial position. Refer to Note 4 for further discussion

(v) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses ("ECL") 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 ECL. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

2 Summary of significant accounting policies (continued)

(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.

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

The Fund's units have been classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

(d) Cash and cash equivalents

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank overdrafts are classified as liabilities 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 Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on an accrual 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 when the Fund's right to receive payments is established.

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

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

Dividend expense on short sales of securities, which have been classified at fair value through profit or loss, are presented as a separate line item in the Statement of comprehensive income.

All other expenses, including management fees, performance fees, Responsible Entity's fees, administration and custody fees, transaction costs, interest expense from financial asset at amortised cost and other operating expenses are recognised in the Statement of comprehensive income on an accrual 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.

(h) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

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 Fund is not subject to capital gains tax.

2 Summary of significant accounting policies (continued)

(h) Distributions (continued)

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

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

(i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Assets and liabilities in foreign currencies are translated into the functional currency at the prevailing exchange rate at the valuation date. Transactions denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. 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. The Fund's income earned and expense incurred on foreign denominated balances are translated into the functional currency at the prevailing exchange rate on the date of such activity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(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.

(k) Receivables

Receivables may include amounts for interest and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credit ("RITC").

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the expected credit losses, receivables have been grouped based on days overdue.

The amount of the impairment loss, if any, 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.

(l) Payables

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

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the Statement of financial position.

(m) Applications and redemptions

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

(n) Goods and services tax ("GST")

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 55% or 75%, hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates 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, please refer to Note 5 to the financial statements.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* 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 the *ASIC Corporations Instrument*, unless otherwise indicated.

(q) Comparative revisions

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

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Fund is exposed to equity securities listed or quoted on recognised securities exchanges price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of financial position as financial assets at fair value through profit or loss.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

The Fund uses derivatives (including but not limited to forward foreign currency exchange contracts) in order to implement the investment strategy of the Fund and to manage the risk associated with the fair value of certain investments. The notional or contractual amount of derivatives provides only a measure of the involvement in these types of transactions and does not represent the amounts subject to market price risk. The Fund manages market price risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Fund monitors the fluctuation in its value and compares these fluctuations to its risk objective.

As at year end, the overall market exposures were as follows:

	Fair value \$'000	% of net asset attributable to unitholders
As at June 30, 2023		
Financial assets at fair value through profit or loss		
Listed equities	46,707	137.28%
Forward foreign currency exchange contracts	120	0.35%
Options	549	1.61%
Total Financial Assets	47,376	139.24%
Financial liabilities at fair value through profit or loss		
Listed equities	12,769	37.53%
Forward foreign currency exchange contracts	144	0.42%
Total Financial Liabilities	12,913	37.95%

As at June 30, 2022

Financial assets at fair value through profit or loss		
Listed equities	38,094	148.25%
Forward foreign currency exchange contracts	17	0.07%
Total Financial Assets	38,111	148.32%
Financial liabilities at fair value through profit or loss		
Listed equities	12,393	48.23%
Forward foreign currency exchange contracts	170	0.66%
Total Financial Liabilities	12,563	48.89%

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's profit/(loss) for the year and net assets attributable to unitholders. The analysis is based on the reasonably possible shift that the underlying investment prices changed by +/- 10% (2022: +/- 10%) from the year end prices with all other variables held constant.

The Fund has investments in derivative financial instruments that were susceptible to the universal risks of securities markets and associated uncertainties of future prices and rates. The derivative positions primarily held by the Fund resulted in exposure to foreign exchange rates and equity prices.

Economic risks taken by the Fund are monitored and managed by two independent groups within the Investment Manager: the portfolio management team and the risk management team. The Fund has explicit risk limits for each asset class which take into account correlations within and across asset classes to estimate the risk of the whole portfolio. The Fund also explicitly caps the risk the portfolio will take as a whole by actively targeting the volatility of the Fund at predefined levels. Further, the Fund risk weights the asset classes to avoid concentrated bets by asset or asset class. The Fund's bottom up risk management approach involves diversification across trading models and markets, exercising stringent risk control regarding the size of positions and applying stop loss and stop gain limits to all positions.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

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3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risk.

As at June 30, 2023	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	401	-	-	401
GST receivable	-	-	3	3
Due from brokers - receivable for securities sold	-	-	102	102
Financial assets at fair value through profit or loss	-	-	47,376	47,376
Total financial assets	401	-	47,481	47,882
Liabilities				
Distributions payable	-	-	837	837
Management fees payable	-	-	19	19
Administration and custody fees payable	-	-	24	24
Responsible Entity's fees payable	-	-	22	22
Other payables	-	-	45	45
Financial liabilities at fair value through profit or loss	-	-	12,913	12,913
Total financial liabilities	-	-	13,860	13,860
Net exposure	401	-	33,621	34,022
As at June 30, 2022				
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	858	-	-	858
GST receivable	-	-	2	2
Due from brokers - receivable for securities sold	-	-	64	64
Financial assets at fair value through profit or loss	-	-	38,111	38,111
Total financial assets	858	-	38,177	39,035
Liabilities				
Distributions payable	-	-	644	644
Management fees payable	-	-	65	65
Responsible Entity's fees payable	-	-	22	22
Dividends payable	-	-	3	3
Other payables	-	-	43	43
Financial liabilities at fair value through profit or loss	-	-	12,563	12,563
Total financial liabilities	-	-	13,340	13,340
Net exposure	858	-	24,837	25,695

The table in Note 3(c) below summarises the impact of an increase/decrease of interest rates on the Fund's profit/(loss) for the year and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 10% (2022: +/- 10%) from the year end rates with all other variables held constant.

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager may enter into forward foreign currency exchange contracts from time to time to hedge against the fluctuation in exchange rates.

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the Fund's net exposure to different major currencies including the notional value of forward foreign currency exchange contracts.

	June 30, 2023 \$'000	June 30, 2022 \$'000
United States Dollar	25,901	14,683
Euro Currency	(4,761)	(4,425)
British Pound	(1,569)	(1,685)
Hong Kong Dollar	3,999	6,657
Chinese Yuan	(3,026)	(3,167)

The table below summarises the impact on net assets attributable to unitholders and profit/(loss) for the year as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage with all other variables held constant.

	June 30, 2023 Impact \$'000		June 30, 2022 Impact \$'000	
	Change %	+/-	Change %	+/-
United States Dollar	10%	2,590/(2,590)	10%	1,468/(1,468)
Euro Currency	10%	(476)/476	10%	(443)/443
British Pound	10%	(157)/157	10%	(169)/169
Hong Kong Dollar	10%	399/(399)	10%	666/(666)
Chinese Yuan	10%	(303)/303	10%	(317)/317

This represents the Investment Manager's best estimate of a reasonably possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to unitholders arises mainly from a change in the fair value of financial assets and liabilities at fair value through profit or loss that are denominated in other currencies.

The table at Note 3(c) below summarises the sensitivities of the Fund's assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by +/- 10% (2022: +/- 10%) against the material foreign currencies to which the Fund is exposed.

(c) 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 the Investment Manager's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on profit/(loss) for the year attributable to unitholders					
	Interest rate risk		Price risk		Currency risk	
	+100% \$'000	-100% \$'000	+10% \$'000	-10% \$'000	+10% \$'000	-10% \$'000
As at June 30, 2023	4	(4)	3,446	(3,446)	2,054	(2,054)
As at June 30, 2022	86	(86)	2,555	(2,555)	1,205	(1,205)

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

(i) Bank deposits, assets held with the custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

3 Financial risk management (continued)

(d) Credit risk (continued)

(i) *Bank deposits, assets held with the custodian and derivative financial instruments (continued)*

The table below summarises these assets as at June 30, 2023:

As at June 30, 2023

	\$'000	Credit rating	Source of credit rating
Banks, Brokers and Custodian			
Morgan Stanley	47,386	A-1	Standard & Poor's
Apex Fund Services Pty Ltd	391	B-	Standard & Poor's

As at June 30, 2022

	\$'000	Credit rating	Source of credit rating
Banks, Brokers and Custodian			
Morgan Stanley	38,794	A-1	Standard & Poor's
Apex Fund Services Pty Ltd	175	B-	Standard & Poor's

The custody balance with Morgan Stanley includes investments in equities and derivatives totalling \$47,375,246 (2022: \$38,111,055).

The custody balance with Apex Fund Services Pty Ltd includes cash and cash equivalents of \$391,188 (2022: \$175,700).

There is risk that derivative counterparties may not perform in accordance with the contractual provisions. The counterparties to the Fund's derivative investments may include affiliates of the Fund's clearing brokers and other major financial institutions. The Fund's exposure to credit risk associated with a counterparty with which it trades OTC derivatives is limited to the balance of the collateral pledged to that counterparty, plus the net unrealised gains on the OTC derivative contracts with such counterparty. In the case of exchange-traded and centrally cleared derivatives, the central clearing house acts as the counterparty to each transaction, and therefore the credit risk associated with the derivative contract and any related collateral amounts pledged is limited to the failure of the clearing house.

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for year ended June 30, 2023.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Fund's derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Fund's capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

(e) 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 and can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust 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 2023 and 2022.

3 Financial risk management (continued)

(e) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at June 30, 2023	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Distributions payable	837	-	-	-	-
Management fees payable	19	-	-	-	-
Responsible Entity's fees payable	22	-	-	-	-
Administration and custody fees payable	24	-	-	-	-
Other payables	45	-	-	-	-
Financial liabilities at fair value through profit or loss	12,913	-	-	-	-
Total financial liabilities	13,860	-	-	-	-

As at June 30, 2022	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Distributions payable	644	-	-	-	-
Management fees payable	65	-	-	-	-
Responsible Entity's fees payable	22	-	-	-	-
Dividends payable	3	-	-	-	-
Other payables	43	-	-	-	-
Financial liabilities at fair value through profit or loss	12,563	-	-	-	-
Total financial liabilities	13,340	-	-	-	-

(ii) Maturities of net settled derivative financial instruments

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

As at June 30, 2023	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Forward currency contracts assets/(liabilities)	-	(24)	-	-	(24)
Total	-	(24)	-	-	(24)

As at June 30, 2022	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Forward currency contracts assets/(liabilities)	-	(153)	-	-	(153)
Total	-	(153)	-	-	(153)

(f) Market Making risk

To assist with the liquidity of the Fund's units on ASX, the Responsible Entity has appointed Macquarie Securities (Australia) Limited (Macquarie) to provide market-making services with respect to the Fund. At the end of each business day, Macquarie will create or cancel units by applying for or redeeming its net position in units bought or sold on ASX. Market making risk comprises:

- i) the risk that the market making agents makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and
- ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

In order to mitigate this risk, Macquarie has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

4 Offsetting financial assets and financial liabilities

The following tables present the Fund's gross OTC derivative assets and liabilities, by counterparty and contract type, net of amounts available for offset under netting arrangements and any related collateral received or pledged by the Fund as of June 30, 2023 and June 30, 2022.

Financial assets

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets	Gross amounts set off in the Statement of financial position	Net amount of financial assets presented in the Statement of financial position	Amounts subject to master netting arrangement	Collateral received/pledged	Net amount
As at June 30, 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Morgan Stanley						
Forward foreign currency exchange contracts	120	-	120	(120)	-	-
Total Morgan Stanley	120	-	120	(120)	-	-

As at June 30, 2022

Morgan Stanley						
Forward foreign currency exchange contracts	17	-	17	(17)	-	-
Total Morgan Stanley	17	-	17	(17)	-	-

Financial liabilities

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the Statement of financial position	Net amount of financial liabilities presented in the Statement of financial position	Amounts subject to master netting arrangement	Collateral received/pledged	Net amount
As at June 30, 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Morgan Stanley						
Forward foreign currency exchange contracts	144	-	144	(120)	-	24
Total Morgan Stanley	144	-	144	(120)	-	24

As at June 30, 2022

Morgan Stanley						
Forward foreign currency exchange contracts	170	-	170	(17)	-	153
Total Morgan Stanley	170	-	170	(17)	-	153

Master Agreements

The Fund is a party to master netting arrangements with counterparties ("Master Agreements"). Master Agreements govern the terms of certain like transactions, and reduce the counterparty risk associated with relevant transactions by specifying payment netting mechanisms across multiple transactions and providing standardisation that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded by different legal entities of a particular counterparty organisation, each type of transaction may be covered by a different Master Agreement, resulting in the need for multiple Master Agreements with a counterparty and its affiliates. As the Master Agreements are specific to unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty.

Prime Broker Agreements may be entered into to facilitate execution and/or clearing of equities, bonds, equity option transactions or short sales of securities between certain Funds and selected counterparties. These arrangements provide financing arrangements for such transactions and include guidelines surrounding the rights, obligations, and other events, including, but not limited to, margin, execution, and settlement. These agreements maintain provisions for, among other things, payments, maintenance of collateral, events of default, and termination. Cash and other assets delivered as collateral are typically in the possession of the prime broker and would offset any obligations due to the prime broker.

4 Offsetting financial assets and financial liabilities (continued)

Master Agreements (continued)

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern over-the-counter ("OTC") derivative transactions entered into between certain Funds and a counterparty. ISDA Master Agreements maintain provisions for general obligations, representations, netting of settlement payments, agreements to deliver supporting documents, collateral transfer and events of default or termination. ISDA Master Agreements contain termination events applicable to the Fund or the counterparty. Such events may include a decline in the Fund's net assets below a specified threshold over a certain period of time or a decline in the counterparty's long-term and short-term credit ratings below a specified level, respectively. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all OTC swap and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by a party to elect early termination could impact the Fund's future derivative activity.

For financial reporting purposes, derivative assets and liabilities are presented within the Statement of financial position as a component of Financial assets at fair value through profit or loss and Financial liabilities at fair value through profit or loss on a gross basis, which reflects the full risks and exposures prior to netting under certain circumstances.

5 Fair value measurement

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

- Financial assets and liabilities at fair value through profit or loss (FVTPL) (see Note 7 and 8)
- Derivative financial instruments (see Note 9)

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 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).
- (i) *Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the bid 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.

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.

(ii) *Valuation techniques used to derive level 2 and level 3 fair value*

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and managed funds with suspended applications and withdrawals.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Investment Manager's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

5 Fair value measurement (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Investment Manager. The Investment Manager 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.

Recognised fair value measurements

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

As at June 30, 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Forward foreign currency exchange contracts	-	120	-	120
Listed equities	46,707	-	-	46,707
Options	549	-	-	549
Total	47,256	120	-	47,376
Financial liabilities at fair value through profit or loss				
Forward foreign currency exchange contracts	-	144	-	144
Listed equities	12,769	-	-	12,769
Total	12,769	144	-	12,913
As at June 30, 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Forward foreign currency exchange contracts	-	17	-	17
Listed equities	38,094	-	-	38,094
Total	38,094	17	-	38,111
Financial liabilities at fair value through profit or loss				
Forward foreign currency exchange contracts	-	170	-	170
Listed equities	12,393	-	-	12,393
Total	12,393	170	-	12,563

(i) Transfers between levels

The Fund'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 the levels in the fair value hierarchy for the year ended June 30, 2023.

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

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended June 30, 2023 or the year ended June 30, 2022.

(iii) Valuation processes

Portfolio reviews are undertaken regularly by the Investment Manager to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, the Investment Manager performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

5 Fair value measurement (continued)

Recognised fair value measurements (continued)

(iv) *Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position.

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

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

	Year ended	
	June 30, 2023	June 30, 2022
	\$'000	\$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	980	2,909
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	7,834	(12,265)
Net gains/(losses) on financial assets at fair value through profit or loss	8,814	(9,356)
Financial liabilities		
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	(2,015)	(2,589)
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	(1,730)	1,870
Net gains/(losses) on financial liabilities at fair value through profit or loss	(3,745)	(719)
Total net gains/(losses) on financial instruments at fair value through profit or loss	5,069	(10,075)

7 Financial assets at fair value through profit or loss

	As at June 30, 2023	As at June 30, 2022
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Forward foreign currency exchange contracts	120	17
Listed equities	46,707	38,094
Options	549	-
Total financial assets at fair value through profit or loss	47,376	38,111

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

8 Financial liabilities at fair value through profit or loss

	As at June 30, 2023	As at June 30, 2022
	\$'000	\$'000
Financial liabilities at fair value through profit or loss		
Forward foreign currency exchange contracts	144	170
Listed equities	12,769	12,393
Total financial liabilities at fair value through profit or loss	12,913	12,563

An overview of the risk exposure relating to financial liabilities at fair value through profit or loss is included in Note 3.

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9 Derivative financial instruments

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

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

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

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

Certain derivative transactions provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. The Investment Manager targets a level of volatility and sets leverage accordingly.

The Fund holds the following derivative instruments:

(a) Forward foreign currency exchange contracts

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

(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 Fund are exchange-traded. The Fund 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 Fund's derivative financial instruments at year-end are detailed below:

As at June 30, 2023

	Contractual/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Forward foreign currency exchange contracts	12,663	120	144
Options	36,095	549	-
Total	48,758	669	144

As at June 30, 2022

Forward foreign currency exchange contracts	11,913	17	170
Total	11,913	17	170

As at the reporting date, the Fund hedged \$12,663,345 (2022: \$11,912,977) comprising of purchase \$12,663,345 (2022: \$11,912,977) and sale \$12,687,733 (2022: \$12,066,836) of its foreign currency exposure.

Risk exposures and fair value measurement

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

10 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the Attribution Managed Investment Trust ("AMIT") tax regime as specified in the Fund's constitution. The Fund does not have a contractual obligation to pay distribution to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

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

	Year ended		Year ended	
	June 30, 2023	June 30, 2022	June 30, 2022	June 30, 2021
	No. '000	\$'000	No. '000	\$'000
Opening balance	10,394	25,695	10,940	39,999
Applications	2,154	5,278	437	1,707
Redemptions	(383)	(1,055)	(1,548)	(4,797)
Units issued upon reinvestment of distributions	523	1,140	565	2,126
Distributions paid/payable	-	(1,496)	-	(1,836)
Profit/(loss) for the year	-	4,460	-	(11,504)
Closing balance	12,688	34,022	10,394	25,695
Closing balance		34,022		25,695

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

Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. 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.

11 Distributions to unitholders

Distributions are paid semi-annually and are paid at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

	Year ended		Year ended	
	June 30, 2023	June 30, 2023	June 30, 2022	June 30, 2022
	\$'000	CPU	\$'000	CPU
December	659	5.60	1,192	10.45
June (payable)	837	6.60	644	6.20
Total distributions	1,496	12.20	1,836	16.65

12 Cash and cash equivalents

	As at June 30, 2023	As at June 30, 2022
	\$'000	\$'000
Cash at bank and custodian	401	858
Total cash and cash equivalents	401	858

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

	Year ended	
	June 30, 2023 \$'000	June 30, 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	4,460	(11,504)
Proceeds from sale of financial instruments at fair value through profit or loss	16,687	25,030
Payments for re-purchase of financial liabilities at fair value through profit or loss	(13,944)	(26,333)
Payments for purchase of financial instruments at fair value through profit or loss	(23,168)	(23,957)
Proceeds from short sale of financial liabilities at fair value through profit or loss	16,541	32,648
Net (gains)/losses on financial instruments at fair value through profit or loss	(5,069)	10,075
Effects of foreign currency exchange rate changes on cash and cash equivalents	(32)	(4)
Net change in receivables	(1)	31
Net change in payables	(23)	(656)
Net cash inflow/(outflow) from operating activities	(4,549)	5,330
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	1,140	2,126

14 Remuneration of auditors

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

	Year ended	
	June 30, 2023 \$	June 30, 2022 \$
Ernst & Young (Australia)		
Audit and other assurance services		
Audit and review of financial statements	26,100	23,700
Total remuneration for audit and other assurance services	26,100	23,700
Taxation services		
Taxation services	12,700	-
Total remuneration for taxation services	12,700	-
Total remuneration of Ernst & Young (Australia)	38,800	23,700
PricewaterhouseCoopers (Australia)		
Audit and other assurance services		
Audit of compliance plan	2,690	2,380
Total remuneration for audit and other assurance services	2,690	2,380
Total remuneration of PricewaterhouseCoopers (Australia)	2,690	2,380
Total auditor's remuneration	41,490	26,080

The auditor's remuneration is borne by the Fund, fees are stated exclusive of GST.

15 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Montaka Global Extension Fund (Quoted Managed Hedge Fund) is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236648).

Custodian

The Custodian of the Fund is Morgan Stanley & Co (as prime broker) and Apex Fund Services (as custodian of the Issuer's units in the Fund).

15 Related party transactions (continued)

(b) Other key management personnel (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	June 30, 2023 \$	June 30, 2022 \$
Responsible Entity's fees for the year paid and payable by the Fund to the Responsible Entity	92,049	75,182
Management fees for the year paid and payable by the Fund to the Investment Manager	73,962	221,503
Performance fees for the year paid and payable by the Fund to the Investment Manager	-	485,709
Aggregate amounts payable to the Investment Manager as at reporting date	19,003	64,949
Aggregate amounts payable to the Responsible Entity as at reporting date	21,929	21,699

Related party unitholdings

Parties related to the Fund (including Perpetual Trust Services Limited, its related parties and other schemes managed by Perpetual Trust Services Limited), hold units in the Fund as follows:

Unit holder	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 (\$)
As at June 30, 2023							
Montaka Global Pty Ltd	1,151,000	1,587,630	4,258,024	12.52%	436,630	-	192,498
Peter Lee CT Pty Ltd	1,445,357	1,170,775	3,140,019	9.23%	66,475	341,057	141,010
As at June 30, 2022							
Montaka Global Pty Ltd	2,358,952	1,151,000	2,844,927	11.07%	925,323	2,133,275	324,165
Peter Lee CT Pty Ltd	1,374,877	1,445,357	3,572,489	13.90%	82,375	11,895	236,357

Investments

The Fund did not hold any investments in Perpetual Trust Services Limited or of its affiliates or funds managed by Montaka Global Pty Ltd during the year.

16 Significant events during the year

There were no significant events during the year.

17 Events occurring after the reporting period

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

18 Contingent assets and liabilities and commitments

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

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Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 28 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 June 30, 2023 and of its performance, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a)(i) 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 of Perpetual Trust Services Limited.



Phillip Blackmore, Director
Perpetual Trust Services Limited

Sydney
September 20, 2023

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working world**

Independent auditor's report to the Unitholders of Montaka Global Extension Fund (Quoted Managed Hedge Fund)

Report on the audit of the financial report

Opinion

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

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

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

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment Existence and Valuation

Why significant	How our audit addressed the key audit matter
<p>The Fund has a significant investment portfolio consisting primarily of listed equity securities and forward foreign currency exchange contracts and options. As at 30 June 2023, the value of these financial assets and liabilities, was \$47,376,000 and \$12,913,000 respectively which represented 98.94% and 93.17% of the total assets and liabilities of the Fund.</p> <p>As disclosed in the Fund's accounting policy Note 2(b) to the financial report, these financial assets and liabilities are recognised at fair value through profit or loss in accordance with the requirements of Australian Accounting Standards.</p> <p>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.</p> <p>Accordingly, existence and valuation of the investment portfolio was considered a key audit matter.</p>	<p>Our audit procedures included:</p> <p>Assessed the effectiveness of the controls relating to the existence and valuation of investments.</p> <p>Obtained and assessed the assurance report on the controls of the Fund's administrator in relation to the fund administration services for the year ended 30 June 2023 and assessed the auditor's qualifications, competence, their objectivity and the results of their procedures.</p> <p>Agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2023.</p> <p>Assessed the fair value of all investments in the portfolio held at 30 June 2023. For listed equity securities and options, the values were verified against independently sourced market prices. For forward foreign currency contracts, the values were verified using independently sourced observable market inputs applied to appropriate valuation models.</p> <p>Assessed the adequacy of the disclosures included in Note 5 of the financial statements.</p>

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

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2023 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

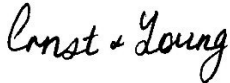
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We also provide the directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors of the Responsible Entity, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Rita Da Silva
Partner
Sydney
20 September 2023