

# **Kardinia Long Short Fund**

(formerly known as "Bennelong Kardinia Absolute Return Fund")

ARSN 156 292 625

## **Annual report**

**For the year ended 30 June 2023**

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## Annual report For the year ended 30 June 2023

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This annual report covers Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund") as an individual entity.

The Responsible Entity of Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund") is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of the Kardinia Long Short Fund (formerly Bennelong Kardinia Absolute Return Fund) (the 'Fund'), present their report together with the financial statements of the Fund, for the year ended 30 June 2023.

### Principal activities

The Fund aims to achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited*
Investment Manager	Kardinia Capital Pty Ltd
Custodian and Prime Broker	UBS AG Australia Branch
Cash Custodian	Equity Trustees Limited
Administrator	Apex Fund Services Pty Ltd**
Statutory Auditor	Deloitte Touche Tohmatsu

\*Effective from 8 May 2023, the Fund's Responsible Entity changed from Bennelong Funds Management Limited to Equity Trustees Limited.

\*\*Effective 21 October 2022, Mainstream Fund Services Pty Ltd changed its name to Apex Fund Services Pty Ltd.

### Directors

Until 7 May 2023, Bennelong Fund Management Ltd acted as the Fund's Responsible Entity. The following persons held office as directors of Bennelong Funds Management Ltd until date of registration.

Michael Dwyer	Chairman
Craig Bingham	
Vicki Allen	
Lincon McMahon	
Adam Tindall	
Andrea Waters	
John Burke	

From 8 May 2023, Equity Trustees Limited was appointed to act as the Responsible Entity to the Fund. The following persons held office as directors of Equity Trustees Limited since the appointment and up to the date of this report:

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

## Directors' report (continued)

### Review and results of operations

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

The Fund's performance was a loss of 3.93% (net of fees and costs) for the year ended 30 June 2023. The Fund does not operate against a benchmark, but the performance fee hurdle is the daily RBA Official Cash Rate plus 2%.

The Fund's net annual rate of return is calculated based on the movement in unit price for the year and includes any distribution proceeds.

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

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) for the year (\$'000)	(697)	(1,173)
Distributions paid and payable (\$'000)	209	1,135
Distributions (cents per unit)	0.97	4.67

### Significant changes in the state of affairs

Effective 8 May 2023, the Fund's Responsible Entity was changed from Bennelong Funds Management Limited to Equity Trustees Limited.

Effective 10 May 2023, the Fund's name was changed from Bennelong Kardinia Absolute Return Fund to Kardinia Long Short Fund.

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

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

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

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

### Likely developments and expected results of operations

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

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

## Directors' report (continued)

### Indemnification and insurance of officers

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

### Indemnity of auditor

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

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

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

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

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

### Interests in the Fund

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

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

### Environmental regulation

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


### Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

  
Philip D Gentry  
Chairman

Melbourne  
28 September 2023

28 September 2023

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

Dear Board Members,

**Independence Declaration – Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund")**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund") (the "Fund").

As lead audit partner for the audit of the financial statements of the Fund for the financial period ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Kuziow  
Partner  
Chartered Accountants

## Statement of comprehensive income

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		277	9
Dividend income		433	471
Net gains/(losses) on financial instruments at fair value through profit or loss		(858)	(1,007)
Other income		12	30
<b>Total investment income/(loss)</b>		<u>(136)</u>	<u>(497)</u>
<b>Expenses</b>			
Dividend expense		53	45
Management fees and costs	15	463	524
Performance fees	15	-	98
Other expenses		45	9
<b>Total expenses</b>		<u>561</u>	<u>676</u>
<b>Profit/(loss) for the year</b>		<b>(697)</b>	<b>(1,173)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><b>(697)</b></u>	<u><b>(1,173)</b></u>

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

## Statement of financial position

		As at	
	Note	30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	10	305	8,487
Receivables	12	42	60
Financial assets at fair value through profit or loss	5	<u>19,808</u>	<u>16,700</u>
<b>Total assets</b>		<u>20,155</u>	<u>25,247</u>
<b>Liabilities</b>			
Margin accounts		1,867	-
Redemptions pending		-	13
Distributions payable		52	928
Payables	13	85	89
Financial liabilities at fair value through profit or loss	6	<u>702</u>	<u>2,545</u>
<b>Total liabilities</b>		<u>2,706</u>	<u>3,575</u>
<b>Net assets attributable to unit holders – equity</b>	8	<u>17,449</u>	<u>21,672</u>

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



## Statement of changes in equity

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Total equity at the beginning of the financial year</b>	8	<b>21,672</b>	34,366
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		(697)	(1,173)
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u>(697)</u>	<u>(1,173)</u>
<b>Transactions with unit holders</b>			
Applications	8	979	7,625
Redemptions	8	(4,832)	(19,534)
Reinvestment of distributions	8	536	1,523
Distribution paid and payable	8	(209)	(1,135)
<b>Total transactions with unit holders</b>		<u>(3,526)</u>	<u>(11,521)</u>
<b>Total equity at the end of the financial year</b>		<u>17,449</u>	<u>21,672</u>

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

## Statement of cash flows

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		112,149	147,116
Payments for purchase of financial instruments at fair value through profit or loss		(117,958)	(125,482)
Net movement in margin accounts		1,867	-
Dividends and distributions received		456	511
Interest income from financial assets at fair value through profit or loss		267	3
GST (paid)/received		(12)	4
Management fees and costs paid		(474)	(520)
Performance fees paid		-	(108)
Dividend expense paid		(53)	(45)
Other expenses paid		(21)	(7)
Other income received		12	30
<b>Net cash inflow/(outflow) from operating activities</b>	11(a)	<u>(3,767)</u>	<u>21,502</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		979	7,525
Payments for redemptions by unit holders		(4,845)	(19,589)
Distributions paid to unit holders		(549)	(3,307)
<b>Net cash inflow/(outflow) financing activities</b>		<u>(4,415)</u>	<u>(15,371)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,182)</b>	<b>6,131</b>
Cash and cash equivalents at the beginning of the year		<u>8,487</u>	<u>2,356</u>
<b>Cash and cash equivalents at the end of the year</b>	10	<u>305</u>	<u>8,487</u>
Non-cash operating and financing activities	11(b)	<u>536</u>	<u>1,523</u>

*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 the Kardinia Long Short Fund (formerly Bennelong Kardinia Absolute Return Fund) (the "Fund") as an individual entity. The Fund was constituted on 29 November 2005. The Fund commenced operations on 1 May 2006.

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

The Fund aims to achieve consistent positive returns through an investment cycle, with an overarching philosophy of capital protection.

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

## 2. Summary of significant accounting policies

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

### a. Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

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

### i. *Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

### ii. *New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### iii. *New standards and interpretations not yet adopted*

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

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

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

### **b. Financial instruments**

- Financial assets

#### *i. Classification*

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

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

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

The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

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

- Financial liabilities

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 or loss, these are classified as financial liabilities at amortised cost (payables, distributions payable, applications pending, redemption pending).

#### *ii. Recognition and derecognition*

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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

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

#### *iii. Measurement*

- Financial instruments at fair value through profit or loss

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

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

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

- Financial instruments at amortised cost

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

Cash and cash equivalents and receivables are carried at amortised cost.

#### *iv. Impairment*

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

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

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

#### *v. Offsetting financial instruments*

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

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the consolidated statement of financial position.

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

### **c. Net assets attributable to unit holders**

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

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

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

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable 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.

### **d. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, the short term overdraft facility with the prime broker, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are not subject to a significant risk of change in value.

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**

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

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

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

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

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

### **e. Investment income (continued)**

#### *ii. Dividends*

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

### **f. Expenses**

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

Management fees and costs covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees and other operating expense.

Dividend expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognised in profit or loss when the shareholders' right to receive payment is established

### **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 unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income as an expense.

### **h. Distributions**

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

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

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

### **j. Due from/to brokers**

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

### **k. Receivables**

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

### **l. Payables**

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

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

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



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

### **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 management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **o. Use of estimates and judgements**

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model has not materially impacted the Fund. Please see Note 3(c) for more information on credit risk.

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

### **p. Rounding of amounts**

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

### **q. Comparative revision**

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

### **3. Financial risk management**

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

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

All investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions. The maximum loss of capital on long futures is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Kardinia Capital Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

#### **a. Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

##### *i. Price risk*

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Price risk is managed by Kardinia Capital Pty Ltd, the Investment Manager of the Fund.

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

##### *ii. Foreign exchange risk*

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar (AUD) 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.

The Fund has the right to invest in non-AUD denominated listed equities, therefore exposing the Fund to foreign exchange risk.

Any non-AUD denominated investments are translated using the spot rate at balance sheet date. Non-AUD denominated income is translated at the prevailing spot rate on the date of receipt.

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

### 3. Financial risk management(continued)

#### a. Market risk (continued)

##### iii. Interest rate risk

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

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The impact of the interest rate risk on profit and net assets attributable to unit holders is considered immaterial to the Fund.

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

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				<b>305</b>
Cash and cash equivalents	305	-	-	-
Receivables	-	-	42	42
Financial assets at fair value through profit or loss	-	-	19,808	19,808
<b>Total financial assets</b>	<b>305</b>	<b>-</b>	<b>19,850</b>	<b>20,155</b>
<b>Financial liabilities</b>				
Margin accounts	1,867	-	-	1,867
Distributions payable	-	-	52	52
Payables	-	-	85	85
Financial liabilities at fair value through profit or loss	-	-	702	702
<b>Total financial liabilities</b>	<b>1,867</b>	<b>-</b>	<b>839</b>	<b>2,706</b>
<b>Net exposure</b>	<b>(1,562)</b>	<b>-</b>	<b>19,011</b>	<b>17,449</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Cash and cash equivalents	8,487	-	-	8,487
Receivables	-	-	60	60
Financial assets at fair value through profit or loss	-	-	16,700	16,700
<b>Total financial assets</b>	<b>8,487</b>	<b>-</b>	<b>16,760</b>	<b>25,247</b>
<b>Financial liabilities</b>				
Applications pending	-	-	-	-
Redemptions pending	-	-	13	13
Distributions payable	-	-	928	928
Payables	-	-	89	89
Financial liabilities at fair value through profit or loss	-	-	2,545	2,545
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>3,575</b>	<b>3,575</b>
<b>Net exposure</b>	<b>8,487</b>	<b>-</b>	<b>13,185</b>	<b>21,672</b>

### 3. Financial risk management(continued)

#### a. Market risk (continued)

##### iii. Interest rate risk (continued)

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

#### b. Summarised sensitivity analysis

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

#### Impact on operating profit/net assets attributable to unitholders

	Price risk		Interest rate risk	
	+10% \$'000	-10% \$'000	+1% \$'000	-1% \$'000
<b>As at 30 June 2023</b>	<b>1,911</b>	<b>(1,911)</b>	<b>(16)</b>	<b>16</b>
As at 30 June 2022	1,416	(1,416)	85	(85)

#### c. Credit risk

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

The Fund's maximum credit risk exposure at reporting date in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but represents the current maximum exposure at the reporting date.

In relation to equity and derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges or, where applicable, ensuring that transactions are undertaken with a large number of counterparties.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. There are no financial assets that are past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties on a regular basis as deemed appropriate. At 30 June 2023, the Fund's counterparties had the following ratings (based on the S&P indices):

	30 June 2023	As at	30 June 2022
UBS AG Australia Branch		A-	A-
National Australia Bank		AA-	AA-

### 3. Financial risk management (continued)

#### d. Liquidity risk

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

These risks are controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Fund comprise prime broker overdraft facility, trade and other payables, distributions payable, short sold listed equities and derivative instruments. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising. Payment obligations in respect of derivative financial instruments arise and are met pursuant to their terms of issue.

#### 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 at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2023</b>					
Margin accounts	1,867	-	-	-	1,867
Distributions payable	52	-	-	-	52
Payables	85	-	-	-	85
Financial liabilities at fair value through profit or loss	-	702	-	-	702
<b>Contractual cash flows</b>	<b>2,004</b>	<b>702</b>	-	-	<b>2,706</b>
<b>As at 30 June 2022</b>					
Redemptions pending	13	-	-	-	13
Distributions payable	928	-	-	-	928
Payables	89	-	-	-	89
Financial liabilities at fair value through profit or loss	-	2,545	-	-	2,545
<b>Contractual cash flows</b>	<b>1,030</b>	<b>2,545</b>	-	-	<b>3,575</b>

### 4. Fair value measurement

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

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

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

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

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

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

#### 4. Fair value measurement (continued)

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

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

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

##### b. Fair value in an inactive or unquoted market (level 2 and level 3)

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

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

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.

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. The fair value of an option contract is determined by applying the Black Scholes option valuation mode.

##### c. Recognised fair value measurements

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

<b>As at 30 June 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Listed equity securities	19,802	-	-	19,802
Futures	-	6	-	6
<b>Total financial assets</b>	<b>19,802</b>	<b>6</b>	<b>-</b>	<b>19,808</b>
<b>Financial liabilities</b>				
Listed equities	-	-	702	702
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>702</b>	<b>702</b>

#### 4. Fair value measurement (continued)

##### c. Recognised fair value measurements (continued)

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed equity securities	16,691	-	-	16,691
Futures	-	9	-	9
Total financial assets	<u>16,691</u>	<u>9</u>	<u>-</u>	<u>16,700</u>
Financial liabilities				
Listed equities	1,843	702	-	2,545
Total financial liabilities	<u>1,843</u>	<u>702</u>	<u>-</u>	<u>2,545</u>

##### d. Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table presents the transfers between levels for the year ended 30 June 2023 (30 June 2022: nil)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Year ended 30 June 2023</b>			
Transfer between levels 2 and 3			
Listed equities	-	(702)	702

At the end of the current reporting period, management have transferred the investments in Listed equities from level 2 to level 3 on the fair value hierarchy on the basis that the security has been suspended. There were no other transfers between levels in the fair value hierarchy at the end of the reporting period.

##### e. Financial instruments not carried at fair value

The carrying value of cash and cash equivalents, receivables and payables are assumed to approximate their fair values due to their short-term nature.

Descriptions	Fair Value \$'000	Unobservable input	Range of Inputs (probability- Weighted average)	Relationship Of Unobservable inputs of fair value \$'000
<b>As at 30 June 2023</b>				
Equity securities	702	Last market price	10%/(10%)	70/(70)

## 5. Financial assets at fair value through profit or loss

	<b>30 June</b>	<b>As at</b>
	<b>2023</b>	<b>30 June</b>
	<b>\$'000</b>	<b>2022</b>
		<b>\$'000</b>
Listed equity securities	<b>19,802</b>	16,691
Futures	<b>6</b>	9
<b>Total financial assets at fair value through profit or loss</b>	<b>19,808</b>	16,700

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

## 6. Financial liabilities at fair value through profit or loss

	<b>30 June</b>	<b>As at</b>
	<b>2023</b>	<b>30 June</b>
	<b>\$'000</b>	<b>2022</b>
		<b>\$'000</b>
Listed equity securities	<b>702</b>	2,545
<b>Total financial liabilities at fair value through profit or loss</b>	<b>702</b>	2,545

## 7. Derivatives financial instruments

Derivative financial instruments are classified as fair value through profit or loss. The Fund does not designate any derivatives as a hedging instrument for hedge accounting purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivative financial instruments are recognised as assets when their fair value is positive, and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivative financial instruments are taken directly to the statement of comprehensive Income.

Where the Fund's derivative assets and liabilities are traded on an exchange, they are fair valued based on quoted market prices or binding dealer quotations at the balance date.

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

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

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

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

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.



## 7. Derivatives financial instruments (continued)

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

The Fund holds the following derivatives:

### Futures

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. Equity and interest rate futures contracts are fair valued according to the last quoted sale price in the relevant futures exchange at balance date.

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2023</b>	<b>(6,982)</b>	<b>6</b>	<b>-</b>
As at 30 June 2022	2,423	-	9

Information about the Fund's exposure to credit risk, 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 instruments disclosed above.

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

## 8. Net assets attributable to unit holders - equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

	Year ended		Year ended	
	30 June 2023 Units '000	30 June 2023 '000	30 June 2022 Units '000	30 June 2022 '000
Opening balance	23,498	21,672	33,767	34,366
Applications	1,062	979	7,375	7,625
Redemptions	(5,257)	(4,832)	(19,111)	(19,534)
Reinvestment of distributions	570	536	1,467	1,523
Distributions paid and payable	-	(209)	-	(1,135)
Profit/(loss) for the year	-	(697)	-	(1,173)
<b>Closing balance</b>	<b>19,873</b>	<b>17,449</b>	<b>23,498</b>	<b>21,672</b>

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

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

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

## 8. Net assets attributable to unit holders – equity (continued)

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

## 9. Distribution to unit holders

	Year ended		Year ended	
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
<b>Distributions</b>				
December	157	0.71	207	0.72
June (payable)	52	0.26	928	3.95
<b>Total distributions</b>	<u>209</u>	<u>0.97</u>	<u>1,135</u>	<u>4.67</u>

## 10. Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	305	8,487
<b>Total cash and cash equivalents</b>	<u>305</u>	<u>8,487</u>

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

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Profit/(loss) for the year	(697)	(1,173)
Payments for purchase of financial instruments at fair value through profit or loss	(117,958)	(125,482)
Proceeds from sale of financial instruments at fair value through profit or loss	112,149	147,116
Net gain/(loss) on financial asset at fair value through profit or loss	858	1,007
Net change in receivables	18	38
Net change in payables	(4)	(4)
Net change in Margin accounts	1,867	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(3,767)</b>	<b>21,502</b>

### b. Non-cash operating and financing activities

The following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	536	1,523
<b>Total non-cash operating and financing activities</b>	<b>536</b>	<b>1,523</b>

## 12. Receivables

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Interest receivable	16	6
Dividends receivable	13	36
GST receivable	13	18
<b>Total receivables</b>	<b>42</b>	<b>60</b>

### 13. Payables

	<b>30 June</b>	<b>As at</b>	<b>30 June</b>
	<b>2023</b>		<b>2022</b>
	<b>\$000</b>		<b>\$'000</b>
Management fees and costs payable	53		63
Tax advisory fees payable	14		26
Stock lending fees payable	7		-
Service fee payable	11		-
<b>Total payables</b>	<b>85</b>		<b>89</b>

### 14. Remuneration of auditors

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

	<b>30 June</b>	<b>Year ended</b>	<b>30 June</b>
	<b>2023</b>		<b>2022</b>
	<b>\$</b>		<b>\$</b>
<b>Deloitte Touche Tohmatsu</b>			
<i>Audit and other assurance services</i>			
Audit of financial statements	12,463		12,100
Audit of compliance plan	-		4,320
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>12,463</b>		<b>16,420</b>
<b>PricewaterhouseCoopers</b>			
<i>Audit and other assurance services</i>			
Audit of compliance plan	2,346		-
Total auditor remuneration and other assurance services	2,346		-
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,346</b>		<b>-</b>

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

KPMG is the appointed tax agent for the fund and the cost of this are borne by the Investment Manager.

### 15. Related party transactions

The Responsible Entity of the Kardinia Long Short Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Kardinia Capital Pty Ltd, to act as Investment Manager for the Fund, Apex Fund Services Pty Ltd to act as Administrator and UBS AG Australia Branch to act as Custodian for the Fund. The contracts are on normal commercial terms and conditions.

## **15. Related party transactions (continued)**

### **a. Key management personnel**

#### *i. Directors*

Until 7 May 2023, Bennelong Funds Management Ltd acted as the Fund's Responsible Entity. The following persons held office as directors of Bennelong Funds Management Ltd.

Michael Dwyer	Chairman
Craig Bingham	
Vicki Allen	
Lincon McMahon	
Adam Tindall	
Andrea Waters	
John Burke	

From 8 May 2023, Equity Trustees Limited was appointed to act as the Responsible Entity to the Fund. The following persons held office as directors of Equity Trustees Limited since the appointment and up to the date of this report:

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

#### *ii. Responsible Entity*

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

#### *Other key management personnel*

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

### **b. Transactions with key management personnel**

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

## 15. Related party transactions (continued)

### c. Key management personnel unit holdings

Key management personnel and parties related to the Fund, including the Responsible Entity, its associates and other schemes managed by Equity Trustees Limited, held the following units in the Fund at the end of the year:

	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 30 June 2023			\$	%			\$
<b>Unit holder</b>							
I & HA Rehder ATF Rehder Superannuation Fund	1,718,036	1,804,908	1,567,517	8.96	86,872	-	12,541
Mevo Pty Ltd ATF The Burgess Family Trust	2,533,185	2,430,570	2,352,814	13.44	126,391	(229,007)	18,828
Amber Clare Rehder Rendsburg Pty Ltd ATF K & A Rehder Superannuation Fund	104,258	2,482	2,156	0.01	4,483	(106,258)	17
SDPL Pty Ltd ATF Hunter Super Fund	857,180	1,030,202	894,703	5.11	173,022	-	7,158
	105,821	111,172	96,550	0.55	5,351	-	772
 As at 30 June 2022							
<b>Unit holder</b>							
I & HA Rehder ATF Rehder Superannuation Fund	1,504,196	1,718,036	1,564,108	7.22	213,840	-	66,981
Mevo Pty Ltd ATF The Burgess Family Trust	2,217,886	2,533,185	2,583,008	11.92	315,299	-	110,614
Windward Capital Pty Ltd ATF S & L Rix Superannuation Fund	140,819	160,838	148,428	0.68	20,019	-	4,271
Amber Clare Rehder Rendsburg Pty Ltd ATF K & A Rehder Superannuation Fund	117,134	104,258	94,917	0.44	16,652	(29,528)	4,065
SDPL Pty Ltd ATF Hunter Super Fund	750,489	857,180	780,381	3.60	106,691	-	33,419
	92,650	105,821	96,340	0.44	13,171	-	4,126

### d. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

## 15. Related party transactions (continued)

### e. Key management personnel loans

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

### f. Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year end.

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

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

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees and costs for the year	<b>463,295</b>	523,396
Performance fees for the year	-	98,447
Management fees and costs payable at year end	<b>38,972</b>	24,424
Performance fees payable at year end	-	95

From the date of appointment as the Responsible Entity for Fund, Equity Trustees Limited earned \$6,217 (\$nil, 2022) for services provided to the Fund paid from management fees and costs.

The Responsible Entity until 8 May 2023, Bennelong Funds Management Limited has incurred \$15,000 (\$39,613, 2022) in reimbursable expenses in excess of the amount charged to the Fund.

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

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

Investment management fees and performance fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

## 16. Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

## 17. Prime brokerage arrangements

UBS AG Australia Branch has been appointed Prime Broker for the Fund. The services provided by the Prime Broker may include the provision to the Responsible Entity of borrowing and lending securities, settlement of transactions and cash loans. The assets of the Fund have been charged by the Responsible Entity under the Prime Brokerage Agreement for the Fund.

## 18. Contingent assets, liabilities and commitments

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's Product Disclosure Statement outlines that the Responsible Entity estimates this amount to be 0.08% per annum of the Net Asset Value (NAV) of the Fund. As at 30 June 2023 there were no outstanding contingent assets, liabilities or commitments.

	<b>30 June</b>	<b>As at</b>	<b>30 June</b>
	<b>2023</b>		<b>2022</b>
	<b>\$'000</b>		<b>\$'000</b>
Opening balance	<b>39,613</b>		13,598
New reimbursable expenses paid during the year	<b>20,507</b>		39,613
Reimbursable expenses reimbursed during the year	<b>(60,120)</b>		(13,598)
<b>Closing balance</b>	<b>-</b>		<b>39,613</b>

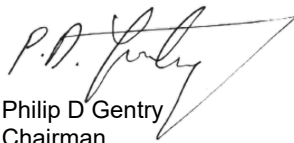


## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 31 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Philip D Gentry  
Chairman

Melbourne  
28 September 2023

## Independent Auditor's Report to the Unitholders of Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund")

### Opinion

We have audited the financial report of the Kardinia Long Short Fund (formerly known as "Bennelong Kardinia Absolute Return Fund") (the "Fund") which comprises the statement of financial position as at 30 June 2023, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the period ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of their financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to Directors as at the time of this auditor's report.

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

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the period ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audits 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 these financial report.

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

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

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Adam Kuziow*

Adam Kuziow  
Partner  
Chartered Accountants

Melbourne, 28 September 2023