

ALC Active Australian Equities Fund

ARSN 668 391 302

Annual report For the period 13 June 2023 to 30 June 2024

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This annual report covers ALC Active Australian Equities Fund as an individual entity.

The Responsible Entity of ALC Active Australian Equities 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 ALC Active Australian Equities Fund (the "Fund") present their report together with the financial statements of the Fund for the period 13 June 2023 to 30 June 2024.

Principal activities

The Fund was constituted on 25 May 2023, registered with the Australian Securities and Investments Commission on 13 June 2023 and commenced operations on 28 July 2023.

The Fund's investment strategy is to invest in a portfolio of Australian-listed equities. The portfolio consists of a high-conviction, long-term part, augmented by a shorter-term trading portfolio. The high-conviction part contains stocks that the investment team has identified as being undervalued over the long term (3-4 years). The trading portfolio takes advantage of short-term dislocations in the stock market, and additionally is used to control risk in the portfolio through the use of shorting stocks, so as to achieve a desired net exposure to the market in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	AL Capital Holding Pty Ltd
Custodian & Prime Broker	UBS AG Australia
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	PricewaterhouseCoopers

Directors

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

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

Review and results of operations

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

The Fund's performance was -11.21% (net of fees) for the period ended 30 June 2024. The Fund's benchmark, the RBA Cash rate, returned 4.33% for the same period

The funds performance is calculated based on the percentage change in the funds Net Asset Value over the period (with any distributions paid during the period reinvested). Returns are disclosed after fees and expenses.

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

	For the period 13 June 2023 to 30 June 2024
Profit/(loss) for the period (\$'000)	(3,260)
Distributions paid and payable (\$'000)	140
Distributions (cents per unit)	0.6327

Directors' report (continued)

Significant changes in the state of affairs

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on 1 May 2024.

Philip D Gentry resigned as a director of Equity Trustees Limited on 6 June 2024.

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 period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in 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.

Indemnification of auditor

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

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

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

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

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

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 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.

Directors' report (continued)

Auditor's independence declaration

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



Andrew P Godfrey
Director

Melbourne
30 September 2024



Auditor's Independence Declaration

As lead auditor for the audit of ALC Active Australian Equities Fund for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'CJ Cummins', written over a horizontal line.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
30 September 2024

Statement of comprehensive income

	Note	For the period 13 June 2023 to 30 June 2024 \$'000
Income		
Interest income from financial assets at amortised cost		988
Dividend income		793
Net gains/(losses) on financial instruments at fair value through profit or loss		(2,251)
Other income		52
Total income/(loss)		<u>(418)</u>
Expenses		
Dividend expenses on short positions		1,005
Interest expense on Interest expense from Margin accounts		176
Management fees and costs	15	467
Withholding taxes		14
Transaction costs		1,069
Other expenses		111
Total expenses		<u>2,842</u>
Profit/(loss) for the period		<u>(3,260)</u>
Other comprehensive income		-
Total comprehensive income for the period		<u>(3,260)</u>

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

Statement of financial position

	Note	As at 30 June 2024 \$'000
Assets		
Cash and cash equivalents	10	14,085
Receivables	12	83
Due from brokers - receivable for securities sold		4,362
Financial assets at fair value through profit or loss	5	<u>24,810</u>
Total assets		<u>43,340</u>
Liabilities		
Distributions payable	9	140
Payables	13	121
Due to brokers - payable for securities purchased		4,560
Financial liabilities at fair value through profit or loss	6	<u>18,942</u>
Total liabilities		<u>23,763</u>
Net assets attributable to unit holders - equity	8	<u>19,577</u>

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

Statement of changes in equity

	Note	For the period 13 June 2023 to 30 June 2024 \$'000
Total equity at the beginning of the financial period		-
Comprehensive income for the financial period		
Profit/(loss) for the period		(3,260)
Other comprehensive income		-
Total comprehensive income		<u>(3,260)</u>
Transactions with unit holders		
Applications	8	40,696
Redemptions	8	(17,719)
Distributions paid and payable	8	(140)
Total transactions with unit holders		<u>22,837</u>
Total equity at the end of the financial period		<u>19,577</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 2c and 8.

Statement of cash flows

	Note	For the period 13 June 2023 to 30 June 2024 \$'000
Cash flows from operating activities		
Proceeds from sale of financial assets at fair value through profit or loss		236,234
Payments for purchase of financial assets at fair value through profit or loss		(263,727)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss		360,038
Payments for settlement of financial liabilities at fair value through profit or loss		(340,466)
Interest income received from financial assets at amortised cost		927
Other income received		40
Dividends received		769
Dividend expenses paid on short position securities		(979)
Interest expense paid on broker account overdrafts		(157)
Management fees and costs paid		(397)
Transaction costs paid		(1,069)
Other expenses paid		(105)
Net cash inflow/(outflow) from operating activities	11	<u>(8,892)</u>
Cash flow from financing activities		
Proceeds from applications by unit holders		40,696
Payments for redemptions by unit holders		(17,719)
Net cash inflow/(outflow) from financing activities		<u>22,977</u>
Net increase/(decrease) in cash and cash equivalents		14,085
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	10	<u>14,085</u>

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

Notes to the financial statements

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1. General information

These financial statements cover ALC Active Australian Equities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 25 May 2023 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund's investment strategy is to invest in a portfolio of Australian-listed equities. The portfolio consists of a high-conviction, long-term part, augmented by a shorter-term trading portfolio. The high-conviction part contains stocks that the investment team has identified as being undervalued over the long term (3-4 years). The trading portfolio takes advantage of short-term dislocations in the stock market, and additionally is used to control risk in the portfolio through the use of shorting stocks, so as to achieve a desired net exposure to the market in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

2. Summary of material accounting policies

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

a. Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to 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 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 2024 and have not been early adopted in preparing these financial statements.

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

b. Financial instruments

i. Classification

- Financial assets

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

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

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

2. Summary of material accounting policies (continued)

b. Financial instruments (continued)

i. Classification (continued)

- Financial assets (continued)

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

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows. 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.

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 (management fee and costs payable, interest payable).

ii. Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. 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.

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 values of financial instruments are determined are disclosed in Note 4 to the financial statements.

- Financial instruments at amortised cost

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

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

iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on financial assets carried at amortised cost (cash and cash equivalents, due from broker 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.

2. Summary of material accounting policies (continued)

b. Financial instruments (continued)

iv. Impairment (continued)

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 statement of financial position.

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 unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

d. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings are shown 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 trading of these securities represents the Fund's main income generating activity.

e. Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

f. 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.

2. Summary of material accounting policies (continued)

f. Income (continued)

i. Interest income (continued)

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.

Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

ii. Dividends and distributions

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

Trust distributions are recognised on an entitlement basis.

g. Expenses

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

Interest expenses from margin account is recognised using the effective interest method.

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.

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.

h. 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.

i. Distributions

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

j. Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

2. Summary of material accounting policies (continued)

k. Due from/to brokers

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

l. Receivables

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

m. 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 period.

n. 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.

o. 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). Amount 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.

p. Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

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.

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 for more information on credit risk.

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.

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

q. Rounding of amounts

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

r. Comparative period

The Fund was constituted on 25 May 2023, registered with the Australian Securities and Investments Commission on 13 June 2023 and commenced operations on 28 July 2023. The reporting period covers the period 13 June 2023 to 30 June 2024, hence there is no comparative information.

3. Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk and cash flow and fair value 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. 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 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

i. Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and derivatives. This arises from investments held by the Fund for which prices in the future are uncertain.

Price risk is managed by the Investment Manager, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

ii. Cash flow and fair value interest rate risk

The Fund is exposed to cash flow and fair value interest rate risk on financial instruments with variable interest rates.

The Fund's interest bearing financial instruments expose them to risks associated with the effects of fluctuation in the prevailing market interest rate on its financial positions and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from the potential movement in asset prices as interest rates change. The investment manager manages this risk by carefully selecting securities that either have low exposure, or are offsetting each other (e.g. by shorting certain securities). The direct impact of changes in interest rates on the cash and cash equivalents is immaterial relative to the value of the Fund.

The Fund's main interest rate risk arises from its investments in cash and cash equivalents and broker accounts.

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
As at 30 June 2024				
Financial assets				
Cash and cash equivalents	14,085	-	-	14,085
Receivables	-	-	83	83
Due from brokers - receivable for securities sold	-	-	4,362	4,362
Financial assets at fair value through profit or loss	-	-	24,810	24,810
Total financial assets	14,085	-	29,255	43,340
Financial liabilities				
Distributions payable	-	-	140	140
Payables	-	-	121	121
Due to brokers - payable for securities purchased	-	-	4,560	4,560
Financial liabilities at fair value through profit or loss	-	-	18,942	18,942
Total financial liabilities	-	-	23,763	23,763
Net exposure	14,085	-	5,492	19,577

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 interest rates changed by +/- 100 basis points from the period end rates with all other variables held constant.

3. Financial risk management (continued)

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

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	+10%	-10%	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2024	587	(587)	141	(141)

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 credit risk primarily arises from cash and cash equivalents, investments and due from broker balances. These are facilitated through the Prime Brokers, UBS AG Australia, under an Australian Securities Lending Agreement ("ASLA"). Under the terms of the ASLA, the Fund delivers the required collateral in the form of security with certain investments, cash and other assets to UBS AG Australia. At 30 June 2024, the net exposure to balances held with the prime brokers was \$19,268,349 for UBS AG Australia. UBS AG Australia have Standard & Poors credit rating of A-1. The Investment Manager monitors the Prime Brokers' credit ratings on an annual basis.

As security for the performance of its obligation under the prime brokerage agreement, the responsible entity has granted a charge to UBS AG Australia, over the Fund's assets held by UBA AG Australia. UBS AG Australia, as the prime broker, has certain rights, including the right to take possession of, and sell the relevant Fund's assets if an event of default occurs in relation to the Fund. An event of default includes, (i) failure by the Fund to make any payment or delivery due under the agreement or transactions (ii) Margin shortfall (iii) breach of material term of the prime brokerage agreement that is not remedied by the end of the next business day after receiving notice of the breach (iv) breach of representations and warranties by the Fund (v) insolvency of the Fund (vi) the Responsibility Entity ceasing to be qualified to be the Responsible Entity of the Fund (vii) the change in investment manager (viii) the invalidity of security, among other conditions.

As per the PDS of the Fund, the Fund employs leverage, which is usually created as the proceeds from short selling borrowed securities are reinvested in the long portfolio. Leverage in the form of short selling is used to hedge the market risk of the long portfolio. The Fund's expected level of leverage is generally between 150% and 250%, and will not exceed 300%. As of 30 June 2024, the Fund's leverage is 222.14%.

i. Settlement of securities transactions

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

ii. Cash and cash equivalents

As at 30 June 2024, cash and cash equivalents held by the Fund was held in accounts with National Australian Bank ("NAB") and with Union Bank of Switzerland ("UBS"). The Fund monitors the credit quality and financial position of its bankers and brokers and if there is a significant deterioration in either, the Investment Manager will move the cash holdings to another bank and/or brokers.

As at 30 June 2024, the Fund's banker NAB is rated as Aa2 as per Moody's and UBS is rated as A+ as per Fitch's.

iii. Maximum exposure to credit risk

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

d. Liquidity risk

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

Liquidity risk is managed by restricting investments to only instruments that have ample liquidity in the market, and maintaining ample buffers above and beyond to the minimum cash levels as required by the prime brokers.

3. Financial risk management (continued)

d. Liquidity risk (continued)

Exposure to liquidity risk for the Fund may arise from the requirement to meet weekly unit holder redemption requests.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during the period ended 30 June 2024.

i. Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

4. Fair value measurement

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

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

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

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

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

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

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

a. Valuations using level 1 inputs

The fair value of financial instruments traded in active markets (such as publicly 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 last traded price; the appropriate quoted market price for financial liabilities is the current asking price.

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

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

b. Recognised fair value measurements

The table below presents the Fund's financial assets measured and recognised at fair value as at 30 June 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2024				
Financial assets				
Listed equity securities	24,810	-	-	24,810
Total financial assets	24,810	-	-	24,810
Financial liabilities				
Listed equity securities	18,940	-	-	18,940
Options	2	-	-	2
Total financial liabilities	18,942	-	-	18,942

c. Transfer between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

d. Financial instruments not carried at fair value

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

5. Financial assets at fair value through profit or loss

	As at 30 June 2024 \$'000
Listed equity securities	24,810
Total financial assets at fair value through profit or loss	24,810

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

	As at 30 June 2024 \$'000
Listed equity securities	18,940
Options	2
Total financial liabilities at fair value through profit or loss	18,942

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

7. Derivative financial instruments

In the normal course of business, the Fund may trade futures 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 instruments such as futures. 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.

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 derivative:

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.

7. Derivative financial instruments (continued)

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2024			
Options	1,335	-	2
Total derivatives	1,335	-	2

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 and Note 4 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.

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.

Movements in the net assets attributable to unit holders during the period were as follows:

	For the period	
	13 June 2023 to 30 June 2024 Units	13 June 2023 to 30 June 2024 \$'000
Opening balance	-	-
Applications	41,369	40,696
Redemptions	(19,162)	(17,719)
Distribution paid and payable	-	(140)
Profit/(loss) for the period	-	(3,260)
Closing balance	22,207	19,577

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 holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital which is classified as equity. The amount of net assets attributable to unit holders can change significantly on a weekly basis as the Fund is subject to weekly applications and redemptions at the discretion of unit holders.

Weekly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a weekly 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 a redemption of units if the exercise of such discretion is in the best interests of unit holders.

9. Distributions to unit holders

	For the period	
	13 June 2023 to 30 June 2024 2024 \$'000	13 June 2023 to 30 June 2024 2024 CPU
Distributions		
June (payable)	140	0.6327
Total distributions	140	0.6327

10. Cash and cash equivalents

	As at 30 June 2024 \$'000
Cash at bank	487
Cash at broker	13,598
Total cash and cash equivalents	14,085

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

	For the period 13 June 2023 to 30 June 2024 \$'000
Profit/(loss) for the period	(3,260)
Proceeds from sale of financial assets at fair value through profit or loss	236,234
Payments for purchase of financial assets at fair value through profit or loss	(263,727)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss	360,038
Payments for settlement of financial liabilities at fair value through profit or loss	(340,466)
Net (gains)/losses on financial instruments at fair value through profit or loss	2,251
Net change in receivables	(83)
Net change in payables	121
Net cash inflow/(outflow) from operating activities	(8,892)

12. Receivables

	As at 30 June 2024 \$
Dividends receivable	10
Interest receivable	61
GST receivable	12
Total receivables	83

13. Payables

	As at 30 June 2024 \$
Management fees and costs payable	70
Dividends payable	26
Interest payable	19
Other expense payable	6
Total payables	121

14. Remuneration of auditor

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

	For the period 13 June 2023 to 30 June 2024 \$
PricewaterhouseCoopers	
<i>Audit and other assurance services</i>	
Audit of financial statements	25,150
Audit of compliance plan	2,400
Total auditor remuneration and other assurance services	27,550
<i>Taxation services</i>	
Tax compliance services	11,730
Total remuneration for taxation services	11,730
Total remuneration of PricewaterhouseCoopers	39,280

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

15. Related party transactions

The Responsible Entity of ALC Active Australian Equities 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 AL Capital Holding Pty to act as Investment Manager for the Fund. Apex Fund Services Pty Ltd to act as Fund Administrator for the Fund and UBS AG Australia as Custodian and Prime Broker for the Fund. The contracts are on normal commercial terms and conditions.

a. Key management personnel

i. Directors

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

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

ii. Responsible Entity

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

iii. Other key management personnel

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

b. Transactions with key management personnel

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

c. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2024.

d. Key management personnel compensation

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

e. Key management personnel loans

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

15. Related party transactions (continued)

f. Other transactions within the Fund

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

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

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

	For the period 13 June 2023 to 30 June 2024 \$
Management fees and costs for the period	467,488
Management fees and costs payable at period end	70,195

Equity Trustees Limited earned \$35,875 for Responsible Entity services provided to the Fund paid from management fees and costs.

Under the terms of the Fund's Constitution and Product Disclosure Statement, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

h. Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2024.

i. Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period.

16. Events occurring after the reporting period

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

17. Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the period ended on that date,
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Andrew P Godfrey
Director

Melbourne
30 September 2024



Independent auditor's report

To the unit holders of ALC Active Australian Equities Fund

Our opinion

In our opinion:

The accompanying financial report of ALC Active Australian Equities Fund (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 2024 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

Other information

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial report

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the 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 of the Responsible Entity either intends 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins
Partner

Sydney
30 September 2024