

# **Dalton Street Market Neutral Trust**

ARSN 603 495 692

## **Annual report**

**For the year ended 30 June 2022**

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**For the year ended 30 June 2022**

### **Contents**

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Dalton Street Market Neutral Trust

This annual report covers Dalton Street Market Neutral Trust as an individual entity.

The Responsible Entity of Dalton Street Market Neutral Trust 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 Dalton Street Market Neutral Trust (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2022.

### **Principal activities**

The Fund invests in, or short sells, shares of companies listed on exchanges including, but not limited to, the Australian Securities Exchange (ASX) in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Mantis Funds Pty Ltd
Sub-Investment Manager	Dalton Street Capital Pty Ltd
Prime Brokers	Morgan Stanley & Co. International plc
Custodian	Morgan Stanley & Co. International plc
Administrator and Registrar	Link Fund Solutions Pty Limited
Statutory Auditor	Pitcher Partners Sydney

### **Directors**

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

Philip D Gentry (Chairman)  
Michael J O'Brien  
Russell W Beasley  
Mary A O'Connor (appointed 24 May 2022)

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

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

The Fund's performance was 9.56% for Class A and 9.55% for Class C for the year ended 30 June 2022. The Fund's benchmark, the Reserve Bank of Australia (RBA) cash rate returned 0.30% for the same period.

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

	<b>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
Profit/(loss) before finance costs attributable to unit holders for the year (\$)	<b>267,800</b>	1,533,555

**Review and results of operations (continued)**

	<b>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
<i>Distributions - Class A</i>		
Distributions paid and payable (\$)	<b>345,285</b>	1,645,883
Distributions (cents per unit)	<b>15.5957</b>	18.6663
<i>Distributions - Class C</i>		
Distributions paid and payable (\$)	<b>9,016</b>	5,337
Distributions (cents per unit)	<b>11.7640</b>	6.9635

There were no distributions declared for Class B for the year ended 30 June 2021.

**Significant changes in the state of affairs**

Mary A O'Connor was appointed as a director of Equity Trustees Limited on 24 May 2022.

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 2022 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 regards 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 auditors**

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

**Fees paid to and interests held in the Fund by the Responsible Entity 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 in 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 Commonwealth, State or Territory law.

**Rounding of amounts to the nearest dollar**

Amounts in the Directors' report have been rounded to the nearest dollar 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  
29 September 2022

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

**Auditor's Independence Declaration  
To the Directors of Equity Trustees Limited  
As Responsible Entity of Dalton Street Market Neutral Trust  
ARSN 603 495 692**

In relation to the independent audit of Dalton Street Market Neutral Trust for the year ended 30 June 2022, I declare to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



**S M Whiddett**  
Partner

**Pitcher Partners**  
Sydney

29 September 2022

**Dalton Street Market Neutral Trust**  
**Statement of comprehensive income**  
**For the year ended 30 June 2022**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Investment income</b>			
Interest income from financial assets at amortised cost		964	18,532
Dividend income		169,988	192,402
Unit trust distribution income		32,291	26,421
Net gains/(losses) on financial instruments at fair value through profit or loss		350,584	2,170,582
Expense reimbursement income		-	104,975
Net foreign exchange gain/(loss)		1,410	44,316
Other income		27,717	11,271
<b>Total investment income/(loss)</b>		<b>582,954</b>	<b>2,568,499</b>
<b>Expenses</b>			
Management fees	15	50,485	223,880
Performance fees	15	70,590	131,297
Administration fees		-	32,292
Interest expense		23,955	44,421
Transaction costs		13,826	142,900
Stock loan fees		23,603	61,910
Remuneration of auditors		26,195	25,960
Short dividend expense		99,359	334,300
Other expenses		7,141	37,984
<b>Total expenses</b>		<b>315,154</b>	<b>1,034,944</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<b>267,800</b>	<b>1,533,555</b>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	9	(354,301)	(1,651,220)
(Increase)/decrease in net assets attributable to unit holders	8	86,501	117,665
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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

**Dalton Street Market Neutral Trust**  
**Statement of financial position**  
**As at 30 June 2022**

**Statement of financial position**

		As at	
		30 June 2022	30 June 2021
	Note	\$	\$
<b>Assets</b>			
Cash and cash equivalents	10	152,255	428,414
Receivables	12	94,314	73,609
Due from brokers - receivable for securities sold		287,003	266,971
Financial assets at fair value through profit or loss	5	6,139,548	6,113,101
<b>Total assets</b>		<u>6,673,120</u>	<u>6,882,095</u>
<b>Liabilities</b>			
Borrowings	10	1,620,342	1,468,592
Distributions payable	9	354,301	272,532
Payables	13	191,133	267,536
Due to brokers - payable for securities purchased		24,194	263,081
Financial liabilities at fair value through profit or loss	6	1,629,697	1,259,255
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>3,819,667</u>	<u>3,530,996</u>
<b>Net assets attributable to unit holders - liability</b>	8	<u>2,853,453</u>	<u>3,351,099</u>

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

**Dalton Street Market Neutral Trust**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

**Statement of changes in equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the financial year*</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year*</b>	-	-

\* Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

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

**Dalton Street Market Neutral Trust**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
Note	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial assets at fair value through profit or loss	<b>14,978,773</b>	84,156,426
Payments for purchase of financial assets at fair value through profit or loss	<b>(15,476,383)</b>	(70,557,808)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss	<b>6,969,925</b>	49,922,542
Payments for settlement of financial liabilities at fair value through profit or loss	<b>(6,036,655)</b>	(65,075,035)
Interest income received from financial assets at amortised cost	<b>964</b>	20,746
Dividends received	<b>166,862</b>	228,617
Distributions received	<b>32,291</b>	26,421
Expense reimbursement fees received	<b>-</b>	101,909
Other income received	<b>27,717</b>	11,271
Management fees paid	<b>(50,692)</b>	(233,769)
Performance fees paid	<b>(139,711)</b>	-
Interest expense paid	<b>(23,955)</b>	(48,060)
Transaction costs paid	<b>(13,826)</b>	(142,900)
Stock loan fees paid	<b>(23,603)</b>	(75,414)
Dividend expense paid on short position securities	<b>(102,426)</b>	(353,017)
Net GST amounts received	<b>42,009</b>	183,254
Other expenses paid	<b>(89,748)</b>	(132,018)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>11(a) 261,542</b>	(1,966,835)
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	<b>1,121,963</b>	173,113
Payments for redemptions by unit holders	<b>(1,557,088)</b>	(35,530,673)
Distributions paid to unit holders	<b>(255,736)</b>	(1,378,688)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(690,861)</b>	(36,736,248)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(429,319)</b>	(38,703,083)
Cash and cash equivalents at the beginning of the year	<b>(1,040,178)</b>	37,618,589
Effects of foreign currency exchange rate changes on cash and cash equivalents	<b>1,410</b>	44,316
<b>Cash and cash equivalents at the end of the year</b>	<b>10(a) (1,468,087)</b>	(1,040,178)
Non-cash operating and financing activities	<b>11(b) 16,796</b>	46,936

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

## **Notes to the financial statements**

### **Contents**

1	General information
2	Summary of significant accounting policies
3	Financial risk management
4	Fair value measurement
5	Financial assets at fair value through profit or loss
6	Financial liabilities at fair value through profit or loss
7	Derivative financial instruments
8	Net assets attributable to unit holders - liability
9	Distributions to unit holders
10	Cash and cash equivalents
11	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
12	Receivables
13	Payables
14	Remuneration of auditors
15	Related party transactions
16	Events occurring after the reporting period
17	Contingent assets and liabilities and commitments

## **1 General information**

These financial statements cover Dalton Street Market Neutral Trust (the "Fund"), as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 24 May 2012 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 invests in, or short sells, shares of companies listed on exchanges including, but not limited to, the Australian Securities Exchange (ASX) 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 significant accounting policies**

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

### **(a) Basis of preparation**

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and 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 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 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 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.



## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### *(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 2022 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.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the 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 (due to brokers, distributions payable, management fees payable, redemptions payable, short dividends payable and other payables).

#### *(ii) Recognition and derecognition*

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

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

## 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 financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

For further details on how the fair value of financial instruments is determined, please see Note 4 to the financial statements.

- Financial instruments at amortised cost

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

Cash and cash equivalents, due from brokers 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 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.

### (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 are classified as financial liabilities.

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.

## 2 Summary of significant accounting policies (continued)

### (d) Cash and cash equivalents

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

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

#### (ii) Dividends and distributions

Dividends 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.

### (f) Expenses

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

Dividends declared on securities sold short are recorded as short dividend expense on the ex-dividend date.

### (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.

## 2 Summary of significant accounting policies (continued)

### (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 comprehensive income as finance costs attributable to unit holders.

### (i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. When the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### (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 year 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.

### (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 year. 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 distributions payable is recognised in the statement of financial position.

The Fund usually distributes income semi-annually at the end of June and at the end of December.

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)**

### **(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). 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.

### **(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 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.

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.

For more information on how fair value is calculated, please 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 dollar, unless otherwise indicated.

### **(r) Comparative revisions**

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 securities 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, Mantis Funds Pty Ltd together with Dalton Street Capital Pty Ltd, as Sub-Investment Manager, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and investment guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

### 3 Financial risk management (continued)

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 debt securities measured at fair value. 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 investing in well diversified portfolios across sectors and industries in line with the guidelines of the IMA. The Fund will typically hold between 40-80 positions in each of the long and short portfolios. The Fund may also hold up to 20% of its gross exposure in international securities.

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 +/- 5% (2021: +/- 5%).

##### (ii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies 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.

Foreign exchange risk is managed by the Investment Manager through its treasury management framework. Where the Investment Manager invests in international securities, it will aim to broadly manage the Fund's exposure to currency movements by balancing long and short exposures in foreign currencies.

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	<b>Pound Sterling</b>	<b>New Zealand Dollars</b>	<b>Hong Kong Dollars</b>	<b>Japanese Yen</b>	<b>Other currencies</b>
<b>As at 30 June 2022</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Cash and cash equivalents	-	-	5,759	7,482	12,121
Receivables	-	-	1,560	2,998	-
Financial assets at fair value through profit or loss	33,556	97,305	304,026	830,536	-
Financial liabilities held at fair value through profit or loss	-	-	-	(38,499)	-
Borrowings	(47,032)	(57,319)	(310,520)	(732,627)	-
<b>Net exposure</b>	<b>(13,476)</b>	<b>39,986</b>	<b>825</b>	<b>69,890</b>	<b>12,121</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

	Pound Sterling A\$	New Zealand Dollars A\$	Hong Kong Dollars A\$	Japanese Yen A\$	Other currencies A\$
At at 30 June 2021					
Cash and cash equivalents	-	-	-	-	29,519
Due from brokers - receivable for securities sold	-	-	-	3,483	-
Financial assets at fair value through profit or loss	-	328,405	544,123	592,486	-
Borrowings	-	(312,796)	(553,663)	(569,294)	(17,714)
Financial liabilities held at fair value through profit or loss	-	-	-	-	(3,483)
Due to brokers - payable for securities purchased	-	-	(5,172)	-	-
Net exposure	-	15,609	(14,712)	26,675	8,322

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2021: +/- 10%) against the material foreign currencies to which the Fund is exposed.

##### (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.

Interest rate risk is actively managed by the Investment Manager. The majority of the Fund's interest bearing assets are held on term deposit with an Australian bank. These investments are actively managed to ensure the Fund obtains competitive rates of return while ensuring sufficient liquidity to meet cash flow requirements. Cash may also be held with the Prime Broker as margin collateral. The Investment Manager has negotiated favourable terms with the Prime Broker in respect of interest earned on the Fund's cash.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

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

	Floating interest rate	Non- interest bearing	Total
	\$	\$	\$
<b>As at 30 June 2022</b>			
<b>Financial assets</b>			
Cash and cash equivalents	152,255	-	152,255
Receivables	-	94,314	94,314
Due from brokers - receivable for securities sold	-	287,003	287,003
Financial assets at fair value through profit or loss	-	6,139,548	6,139,548
<b>Total financial assets</b>	<b>152,255</b>	<b>6,520,865</b>	<b>6,673,120</b>
<b>Financial liabilities</b>			
Borrowings	1,620,342	-	1,620,342
Distributions payable	-	354,301	354,301
Payables	-	191,133	191,133
Due to brokers - payable for securities purchased	-	24,194	24,194
Financial liabilities at fair value through profit or loss	-	1,629,697	1,629,697
<b>Total financial liabilities</b>	<b>1,620,342</b>	<b>2,199,325</b>	<b>3,819,667</b>
<b>Net exposure</b>	<b>(1,468,087)</b>	<b>4,321,540</b>	<b>2,853,453</b>



### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

	Floating interest rate \$	Non- interest bearing \$	Total \$
As at 30 June 2021			
Financial assets			
Cash and cash equivalents	428,414	-	428,414
Receivables	-	73,609	73,609
Due from brokers - receivable for securities sold	-	266,971	266,971
Financial assets at fair value through profit or loss	-	6,113,101	6,113,101
Total financial assets	428,414	6,453,681	6,882,095
Financial liabilities			
Borrowings	1,468,592	-	1,468,592
Distributions payable	-	272,532	272,532
Payables	-	267,536	267,536
Due to brokers - payable for securities purchased	-	263,081	263,081
Financial liabilities at fair value through profit or loss	-	1,259,255	1,259,255
Total financial liabilities	1,468,592	2,062,404	3,530,996
Net exposure	(1,040,178)	4,391,277	3,351,099

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit/(loss) 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 +/- 75 basis points (2021: +/- 75 basis points) from the year 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/(loss) 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/(loss)/ net assets attributable to unit holders							
	Price risk		Interest rate risk		Foreign exchange risk			
	+5%	-5%	+75bps	-75bps	+10%	-10%	+10%	-10%
					GBP	GBP	NZD	NZD
	\$	\$	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2022</b>	<b>225,493</b>	<b>(225,493)</b>	<b>(11,011)</b>	<b>11,011</b>	<b>(4,703)</b>	<b>4,703</b>	<b>(5,732)</b>	<b>5,732</b>
As at 30 June 2021	242,692	(242,692)	(7,801)	7,801	-	-	(31,280)	31,280

  

	Foreign exchange risk					
	+10%	-10%	+10%	-10%	+10%	-10%
	HKD	HKD	JPY	JPY	Other currencies	Other currencies
	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2022</b>	<b>(30,320)</b>	<b>30,320</b>	<b>(72,215)</b>	<b>72,215</b>	<b>1,212</b>	<b>(1,212)</b>
As at 30 June 2021	(55,884)	55,884	(56,581)	56,581	1,181	(1,181)

There is no risk impact on the profit or loss for the year.

#### (c) Credit risk

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

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

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2022 and 30 June 2021, all receivables, amounts due from brokers and cash are held with counterparties with a credit rating of A- or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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

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

##### *(i) Settlement of securities transactions*

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

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

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A- (2021: BBB+) (as determined by Standard and Poor's) or higher.

##### *(iii) Other*

The Fund is not materially exposed to credit risk on other financial assets.

#### **(d) Liquidity risk**

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

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

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 any 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 redemption during 2022 and 2021.

##### *(i) Maturities of non-derivative financial liabilities*

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

##### *(ii) Maturities of net settled derivative financial instruments*

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

	<b>Less than 1 month \$</b>	<b>1 to 6 months \$</b>	<b>6 to 12 months \$</b>	<b>Over 12 months \$</b>
<b>As at 30 June 2022</b>				
Net settled derivatives				
Australian share price index futures	-	10,750	-	-
International share price index futures	-	16,538	-	-
<b>Total net settled derivatives</b>	-	27,288	-	-
 <b>As at 30 June 2021</b>				
Net settled derivatives				
Australian share price index futures	-	4,724	-	-
International share price index futures	(3,483)	-	-	-
<b>Total net settled derivatives</b>	(3,483)	4,724	-	-

## **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 and Note 6)
- 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 period.

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

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

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

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

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) is 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)*

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.

#### 4 Fair value measurement (continued)

(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 2022 and 30 June 2021.

As at 30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Australian share price index futures	27,288	-	-	27,288
Australian listed equity securities	4,482,165	-	-	4,482,165
Australian listed property trusts	347,970	-	-	347,970
Australian listed unit trusts	33,240	-	-	33,240
International listed equity securities	1,206,464	42,421	-	1,248,885
<b>Total financial assets</b>	<b>6,097,127</b>	<b>42,421</b>	<b>-</b>	<b>6,139,548</b>

**Financial liabilities**

Australian listed equity securities	1,548,598	-	-	1,548,598
Australian listed property trusts	42,600	-	-	42,600
International listed equity securities	38,499	-	-	38,499
<b>Total financial liabilities</b>	<b>1,629,697</b>	<b>-</b>	<b>-</b>	<b>1,629,697</b>

As at 30 June 2021

**Financial assets**

Australian share price index futures	4,724	-	-	4,724
Australian listed equity securities	2,589,759	442,082	-	3,031,841
Australian listed property trusts	899,611	-	-	899,611
International listed equity securities	2,137,664	39,261	-	2,176,925
<b>Total financial assets</b>	<b>5,631,758</b>	<b>481,343</b>	<b>-</b>	<b>6,113,101</b>

**Financial liabilities**

International share price index futures	3,483	-	-	3,483
Australian listed equity securities	543,859	-	-	543,859
International listed equity securities	711,913	-	-	711,913
<b>Total financial liabilities</b>	<b>1,259,255</b>	<b>-</b>	<b>-</b>	<b>1,259,255</b>

The investments included in level 2 of the hierarchy as at 30 June 2022 and 30 June 2021 represent amounts in relation to equity securities suspended from official quotation on listed stock exchanges as at year end. The Fund's investment in international equity securities in level 2, Brilliance China Automotive Holdings Ltd (1114.HK), was valued based on internal valuations determined by the Responsible Entity and Investment Manager. From May 2021, the security is valued at HKD5.45 derived by using the median price from brokers' consensus. As the security is still suspended, the Investment Manager considers the valuation to be appropriate at reporting date. The Responsible Entity and Investment Manager will continue to assess the valuation noting that the risk of lack of reporting by 1114.HK could mean that the value could be lower or nil. The Fund's investments in Australian listed equity securities in the prior year were valued at last traded price.

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

##### *(d) Transfers 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 for the year ended 30 June 2022. The following table presents the transfers between levels for the year ended 30 June 2021.

Year ended 30 June 2021

	Level 1 \$	Level 2 \$	Level 3 \$
Transfer between levels 1 and 2:			
Australian listed equity securities	-	442,082	-

At the end of the prior reporting period, management has transferred the Fund's investments amounting to 442,082 from level 1 to level 2 on the fair value hierarchy as a result of suspension of these securities from official quotation on the ASX. 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 values of receivables and payables approximate their fair values due to their short-term nature.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

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

	As at 30 June 2022 \$	30 June 2021 \$
Australian share price index futures	27,288	4,724
Australian listed equity securities	4,482,165	3,031,841
Australian listed property trusts	347,970	899,611
Australian listed unit trusts	33,240	-
International listed equity securities	1,248,885	2,176,925
<b>Total financial assets at fair value through profit or loss</b>	<b>6,139,548</b>	<b>6,113,101</b>

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

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

	As at	
	30 June	30 June
	2022	2021
	\$	\$
International share price index futures	-	3,483
Australian listed equity securities	1,548,598	543,859
Australian listed property trusts	42,600	-
International listed equity securities	38,499	711,913
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,629,697</b>	<b>1,259,255</b>

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 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 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.

### Futures

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

## 7 Derivative financial instruments (continued)

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

<b>As at 30 June 2022</b>	<b>Contractual/ notional \$</b>	<b>Assets \$</b>	<b>Liabilities \$</b>
Australian share price index futures	807,625	10,750	-
International share price index futures	14,076	16,538	-
<b>Total</b>	<b>821,701</b>	<b>27,288</b>	<b>-</b>

As at 30 June 2021

Australian share price index futures	541,725	4,724	-
International share price index futures	1,789	-	3,483
<b>Total</b>	<b>543,514</b>	<b>4,724</b>	<b>3,483</b>

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 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 - liability

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

	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>30 June 2021</b>
	<b>Units</b>	<b>\$</b>	<b>Units</b>	<b>\$</b>
<b>Class A</b>				
Opening balance	2,540,405	3,278,138	29,049,012	35,537,215
Applications	769,751	1,121,963	112,222	140,156
Redemptions	(1,109,044)	(1,549,904)	(26,620,829)	(32,189,633)
Reinvestment of distributions	12,861	16,796	-	-
Increase/(decrease) in net assets attributable to unit holders	-	(85,153)	-	(209,600)
<b>Closing balance</b>	<b>2,213,973</b>	<b>2,781,840</b>	<b>2,540,405</b>	<b>3,278,138</b>
<b>Class B</b>				
Opening balance	-	-	542,504	706,302
Redemptions	-	-	(542,504)	(730,264)
Increase/(decrease) in net assets attributable to unit holders	-	-	-	23,962
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 8 Net assets attributable to unit holders - liability (continued)

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2022	2022	2021	2021
	Units	\$	Units	\$
<b>Class C</b>				
Opening balance	76,639	72,961	2,790,858	2,512,802
Applications	-	-	35,657	32,957
Redemptions	-	-	(2,749,876)	(2,540,771)
Increase/(decrease) in net assets attributable to unit holders	-	(1,348)	-	67,973
<b>Closing balance</b>	<b>76,639</b>	<b>71,613</b>	<b>76,639</b>	<b>72,961</b>

  

	Year ended	
	30 June	30 June
	2022	2021
	\$	\$
<b>Total net assets attributable to unit holders</b>	<b>2,853,453</b>	<b>3,351,099</b>

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

There are two separate classes of units and each unit has the same rights attaching to it as all other units of the Fund. Except for different management fee rates, the two classes have the same preferences and restrictions.

### 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 any redemption of units if the exercise of such discretion is in the best interests of unit holders.

## 9 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended			
	30 June	30 June	30 June	30 June
	2022	2022	2021	2021
	\$	CPU	\$	CPU
<b>Class A</b>				
September*	-	-	1,378,688	8.1485
June (payable)	345,285	15.5957	267,195	10.5178
	<b>345,285</b>	<b>15.5957</b>	<b>1,645,883</b>	<b>18.6663</b>
<b>Class C</b>				
June (payable)	9,016	11.7640	5,337	6.9635
	<b>9,016</b>	<b>11.7640</b>	<b>5,337</b>	<b>6.9635</b>

## 9 Distributions to unit holders (continued)

	<b>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Total distributions</b>	<b>354,301</b>	<b>1,651,220</b>

\* The September distribution for Class A represents a special distribution paid by the Fund due to a unit holder redemption of greater than 5% of the net assets of the Fund. Due to this redemption, as outlined in the Product Disclosure Statement, a portion of the withdrawal proceeds represented distributable income to the redeeming unit holder. Refer to the Fund's Product Disclosure Statement for details on special distributions.

There were no distributions declared for Class B for the year ended 30 June 2021.

## 10 Cash and cash equivalents

	<b>As at</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<b>152,255</b>	<b>428,414</b>
<b>Total cash and cash equivalents</b>	<b>152,255</b>	<b>428,414</b>

### (a) Reconciliation to statement of cash flows

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the year as follows:

	<b>As at</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Balance per above	<b>152,255</b>	<b>428,414</b>
Borrowings - bank overdraft	<b>(1,620,342)</b>	<b>(1,468,592)</b>
<b>Balance per statement of cash flows</b>	<b>(1,468,087)</b>	<b>(1,040,178)</b>

## 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 2022	30 June 2021
	\$	\$
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(86,501)	(117,665)
Distributions to unit holders	354,301	1,651,220
Proceeds from sale of financial assets at fair value through profit or loss	14,978,773	84,156,426
Payments for purchase of financial assets at fair value through profit or loss	(15,476,383)	(70,557,808)
Proceeds from re-purchase of financial liabilities at fair value through profit or loss	6,969,925	49,922,542
Payments for settlement of financial liabilities at fair value through profit or loss	(6,036,655)	(65,075,035)
Net (gains)/losses on financial instruments at fair value through profit or loss	(350,584)	(2,170,582)
Net foreign exchange (gain)/loss	(1,410)	(44,316)
Short dividends reinvested	-	46,936
Net change in receivables	(20,706)	216,112
Net change in payables	(69,218)	5,335
<b>Net cash inflow/(outflow) from operating activities</b>	<b>261,542</b>	<b>(1,966,835)</b>

### (b) Non-cash operating and financing activities

The following short sale of investments were satisfied by the participation in distribution reinvestment plan

	16,796	46,936
<b>Total non-cash operating and financing activities</b>	<b>16,796</b>	<b>46,936</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 12 Receivables

	As at	
	30 June 2022	30 June 2021
	\$	\$
Dividends and distributions receivable	14,734	14,058
GST receivable	19,758	58,592
Management fee reimbursement receivable	59,822	959
<b>Total receivables</b>	<b>94,314</b>	<b>73,609</b>

### 13 Payables

	<b>As at</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Management fees payable	34,594	34,801
Performance fees payable	75,096	141,042
Redemptions payable	47,407	54,591
Short dividends payable	1,440	4,507
Other payables	32,596	32,595
<b>Total payables</b>	<b>191,133</b>	<b>267,536</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>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Pitcher Partners Sydney</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	12,000	12,000
Total auditor remuneration and other assurance services	12,000	12,000
<i>Taxation services</i>		
Tax compliance services	11,000	10,500
Total remuneration for taxation services	11,000	10,500
<b>Total remuneration of Pitcher Partners Sydney</b>	<b>23,000</b>	<b>22,500</b>
 <b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,342
Total auditor remuneration and other assurance services	2,346	2,342
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,346</b>	<b>2,342</b>

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

## **15 Related party transactions**

The Responsible Entity of Dalton Street Market Neutral Trust 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 Mantis Funds Pty Limited to act as Investment Manager, together with Dalton Street Capital Pty Ltd as Sub-Investment Manager, Morgan Stanley & Co. International plc to act as Custodian and Prime Broker, Link Fund Solutions Pty Limited to act as Administrator and Registrar 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 the Responsible Entity at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry (Chairman)  
Michael J O'Brien  
Russell W Beasley  
Mary A O'Connor (appointed 24 May 2022)

#### *(ii) Responsible Entity*

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

#### *(iii) Other key management personnel*

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

### **(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 2022 (30 June 2021: nil).

### **(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 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 key 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 management fees. The Investment Manager is also entitled to a performance fee.

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

### **(g) Responsible Entity fees, Investment Manager's fees and other transactions (continued)**

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:

	<b>Year ended</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year	<b>50,485</b>	202,020
Performance fees for the year	<b>70,590</b>	131,297
Responsible Entity fees for the year	-	21,860
Management fees reimbursement received for the year	-	(104,975)
Management fees payable at year end	<b>32,183</b>	32,390
Performance fees payable at year end	<b>75,096</b>	141,042
Responsible Entity fees payable at year end	<b>2,411</b>	2,411
Management fees reimbursement payable/(receivable) at year end	<b>(38,423)</b>	20,440

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

Investment management 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. The management fees reimbursement payable/(receivable) at year end is the net amount of Receivable balance of \$59,822 (30 June 2021: \$959) and Other payable balance of \$21,399 (30 June 2021: \$21,399).

### **(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 2022 (30 June 2021: nil).

### **(i) Investments**

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2021: nil).

## **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 2022 or on the results and cash flows of the Fund for the year ended on that date.

## **17 Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2022 and 30 June 2021.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 33 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 2022 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  
29 September 2022

Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

**Independent Auditor's Report  
To the Unitholders of Dalton Street Market Neutral Trust  
ARSN 603 495 692**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Dalton Street Market Neutral Trust ("the Fund"), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and the Directors' Declaration.

In our opinion:

- a. the financial report of the Fund has been prepared 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 2022 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and *Corporation Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

*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 Responsibility *for the Audit of the Financial Report* section of our report. We are independent of the Company 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, would be in the same terms if given to the 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 of Equity Trustees Limited, the Responsible Entity of the Fund, are responsible for the other information. The other information comprises the information in the Fund's annual report for the year ended 30 June 2022, but does not include the financial report and the 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 consistent 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.

*Directors' of the Responsible Entity's Responsibility for the Financial Report*

The Directors of the Responsible Entity of the Fund 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*. In Note 2(a), the Directors of the Responsible Entity also state, in accordance with applicable Australian Accounting Standards and Interpretations that the financial statements comply with International Financial Reporting Standards. The Directors of the Responsible Entity's responsibility also include such internal control as they determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters 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 has 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 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.

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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**S M Whiddett**  
Partner



**Pitcher Partners**  
Sydney

29 September 2022