

# **Allan Gray Australia Balanced Fund**

**ARSN 615 145 974**

## **Annual report**

**For the year ended 30 June 2024**

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ARSN 615 145 974

## Annual report For the year ended 30 June 2024

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This annual report covers Allan Gray Australia Balanced Fund as an individual entity.

The Responsible Entity of Allan Gray Australia Balanced 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 Allan Gray Australia Balanced Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

## Principal activities

The Fund invests in cash, Australian Securities Exchange listed securities, global equity securities, equity linked securities and bonds 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:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Allan Gray Australia Pty Limited
Administrator	Citigroup Pty Limited
Custodian	Citibank N.A. Sydney and Hong Kong Branches
Statutory Auditor	Ernst & Young
Unit Registry	SS&C Solutions Pty Ltd (Effective on 1 October 2023 SS&C Technologies Holdings, Inc acquired the managed funds administration business of Iress Limited and the entity name was changed to SS&C Solutions Pty Ltd)

## 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 (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 year, the Fund continued to invest its funds in accordance with its investment objectives and approach as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

### Results

	Fund net return %	Custom benchmark %
Net of fee return for the year ended 30 June 2024	9.53	9.33

Net returns are calculated gross of all income, net of fees and expenses, assume reinvestment of distributions and before any buy/sell spread on applications/redemptions.

The custom benchmark adopted by the Fund comprises: 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX Australian Government Bond Index; 24% MSCI World Index (net dividends reinvested) expressed in AUD; and 16% JPMorgan Global Government Bond Index expressed in AUD.

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

	Year ended	
	30 June 2024	30 June 2023
Profit/(loss) for the year (\$'000)	15,035	15,880
Distributions paid and payable (\$'000)	7,519	7,357
Distributions (cents per unit)	5.5929	6.1070
Redemption price per unit (\$)	1.2820	1.2214

### Indirect cost ratio (ICR)

	Year ended	
	30 June 2024 %	30 June 2023 %
Indirect cost ratio (ICR)	0.77	0.79

The ICR calculation includes fees charged to the Fund during the financial year, including management fees and costs and performance fees (if any).

Expenses excluded from the ICR calculation are those that would have ordinarily been incurred by a direct investment in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.



## **Indirect cost ratio (ICR) (continued)**

To determine the ICR, the fees are expressed as a percentage of the average net assets of the respective class during the financial year under review.

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

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on the 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 year.

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

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 were paid out of the assets of the Fund in regard to insurance cover provided to the officers of Equity Trustees Limited. As long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

## **Indemnification of auditor**

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

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

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in Note 14 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 14 to the financial statements.

## **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 9 to the financial statements.

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

## **Environmental regulation**

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

## **Rounding of amounts to the nearest thousand dollars**

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

## **Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

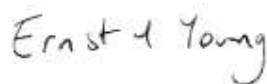


Andrew P Godfrey  
Director  
Melbourne  
19 September 2024

## **Auditor's independence declaration to the directors of Equity Trustees Limited as Responsible Entity for Allan Gray Australia Balanced Fund**

As lead auditor for the audit of the financial report of Allan Gray Australia Balanced Fund for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Rohit Khanna  
Partner  
19 September 2024

# Statement of comprehensive income

	Notes	Year ended	
		30 June 2024	30 June 2023
		\$'000	\$'000
<b>Income</b>			
Dividend and trust distribution income		3,906	4,058
Interest income from financial assets at amortised cost		47	24
Interest income from financial assets at fair value through profit or loss		794	525
Net foreign exchange gain/(loss)		(20)	32
Net gains/(losses) on financial instruments at fair value through profit or loss		11,853	12,612
Other income		—	1
<b>Total income/(loss)</b>		<b>16,580</b>	<b>17,252</b>
<b>Expenses</b>			
Management fees and costs	14	1,224	1,039
Performance fees		—	10
Transaction costs		102	102
Dividend withholding taxes		180	193
Other expenses		39	28
<b>Total expenses</b>		<b>1,545</b>	<b>1,372</b>
<b>Profit/(loss) for the year</b>		<b>15,035</b>	<b>15,880</b>
Other comprehensive income for the year		—	—
<b>Total comprehensive income for the year</b>		<b>15,035</b>	<b>15,880</b>

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



# Statement of financial position

		As at	
		30 June 2024	30 June 2023
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	11	3,365	3,218
Margin accounts		1,175	1,062
Interest receivable		88	84
Due from brokers – receivable for securities sold		379	100
Dividends receivable		306	241
Other receivables		32	26
Receivable for unit holder applications		137	93
Financial assets at fair value through profit or loss	6	175,720	151,251
<b>Total assets</b>		<b>181,202</b>	<b>156,075</b>
<b>Liabilities</b>			
Distributions payable	10	7,519	7,357
Due to brokers – payable for securities purchased		310	69
Management fees and costs payable	14	104	96
Payable for unit holder redemptions		16	49
Other payables		48	16
Financial liabilities at fair value through profit or loss	7	513	1,068
<b>Total liabilities</b>		<b>8,510</b>	<b>8,655</b>
<b>Net assets attributable to unit holders – equity</b>	9	<b>172,692</b>	<b>147,420</b>

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

# Statement of changes in equity

		Year ended	
		30 June 2024	30 June 2023
	Notes	\$'000	\$'000
Total equity at the beginning of the year		147,420	107,181
Comprehensive income for the year			
Profit/(loss) for the year		15,035	15,880
Other comprehensive income		—	—
<b>Total comprehensive income</b>		<b>15,035</b>	<b>15,880</b>
Transactions with unit holders			
Applications	9	23,786	32,752
Redemptions	9	(11,352)	(7,289)
Reinvestment of distributions	9	5,322	6,253
Distributions paid and payable	9	(7,519)	(7,357)
<b>Total transactions with unit holders</b>		<b>10,237</b>	<b>24,359</b>
<b>Total equity at the end of the year</b>		<b>172,692</b>	<b>147,420</b>

*The above Statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 1, 2c and 9.*

# Statement of cash flows

	Notes	Year ended	
		30 June 2024	30 June 2023
		\$'000	\$'000
Cash flows from operating activities			
Proceeds from maturity of financial instruments at fair value through profit or loss		55,414	65,032
Payments for purchase of financial instruments at fair value through profit or loss		(68,581)	(83,292)
Net change in margin accounts		(113)	(853)
Dividends and trust distributions received (net of dividend withholding taxes)		3,590	3,836
Other income received		–	1
Interest income received from financial assets at amortised cost		47	24
Interest income received from financial assets at fair value through profit or loss		819	534
Management fees and costs paid		(1,216)	(1,019)
Performance fees paid		–	(10)
Transaction costs paid		(102)	(102)
Other expenses paid		(13)	(21)
Net cash inflow/(outflow) from operating activities	12(a)	(10,155)	(15,870)
Cash flows from financing activities			
Proceeds from applications by unit holders		23,742	26,558
Payments for redemptions by unit holders		(11,385)	(7,240)
Distributions paid to unit holders		(2,035)	(3,184)
Net cash inflow/(outflow) from financing activities		10,322	16,134
Net increase/(decrease) in cash and cash equivalents		167	264
Cash and cash equivalents at the beginning of the year		3,218	2,922
Effects of foreign currency exchange rate changes on cash and cash equivalents		(20)	32
Cash and cash equivalents at the end of the year	11	3,365	3,218
Non–cash operating and financing activities	12(b)	5,393	12,360

*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 Allan Gray Australia Balanced Fund as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 17 October 2016 and will terminate in accordance with 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 cash, Australian Securities Exchange listed securities, global equity securities, equity linked securities and bonds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

## 2 Summary of material accounting policies

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

### (a) Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and financial liabilities at fair value through profit or loss 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.

## 2 Summary of material accounting policies (continued)

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

#### *(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*

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments have had an impact on the Fund's disclosures of accounting policies, including the requirement to disclose 'material' rather than 'significant' accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### *(iii) New standards and interpretations not yet adopted*

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

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 debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities 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 flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The Fund invests in derivative financial instruments such as forward currency contracts and futures. These derivative financial instruments 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. The Fund includes short-term payables in this category including due to brokers, other payables, distributions payable and management fees and costs 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 fair value of the financial assets or financial liabilities from this date.

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

## 2 Summary of material accounting policies (continued)

### (b) Financial instruments (continued)

#### *(iii) Measurement*

- Financial instruments at fair value through profit or loss

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

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

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

- Financial instruments at amortised cost

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

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

#### *(iv) Impairment*

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



## 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 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.

Financial assets and liabilities that have been offset are disclosed in Note 4 to the financial statements.

### (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.

## 2 Summary of material 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.

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 with brokers as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. This is disclosed separately from 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.

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

## 2 Summary of material accounting policies (continued)

### (f) Income (continued)

#### *(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 distribution income is recognised on an entitlement basis.

### (g) Expenses

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

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

### (h) Income tax

Under current legislation, the Fund is not subject to income tax on the basis that the Responsible Entity has attributed the determined taxable components to the unit holders on a fair and reasonable basis in accordance with the constituent documents of the Fund.

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

## 2 Summary of material accounting policies (continued)

### **(j) Foreign currency translation (continued)**

#### *(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 or 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 year end. 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 dividends, interest 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, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

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

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

### **(n) Applications and redemptions**

The application price of each unit is based on the net asset value plus an allowance for transaction costs (the buy/sell spread) required for acquiring investments. The redemption price of each unit is based on the net asset value less the buy/sell spread required for selling investments. The buy/sell spread is paid to the Fund and is currently set at 0.20%.

## 2 Summary of material accounting policies (continued)

### (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 onto 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 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 5 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 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: market risk (including price risk, foreign exchange risk, 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 Constitution, the Product Disclosure Statement and the investment guidelines of the Fund. The investments of the Fund are managed by a specialist Investment Manager under an Investment Management Agreement ("the IMA") that contains the investment strategy and investment guidelines of the Fund consistent with those stated in the Product Disclosure Statement. The Fund seeks to balance capital growth, income generation and risk of loss using a diversified portfolio.

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

#### **(a) Market risk**

##### *(i) Price risk*

The Fund's investment portfolio consists of Australian and global equity securities and derivatives, the fair value of which will fluctuate as a result of changes in market prices. Equity securities are classified in the statement of financial position as held at fair value through profit or loss. All securities held present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Where 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.

The Investment Manager attempts to mitigate price risk through the use of a consistent and carefully considered investment approach based on extensive proprietary investment research, appropriate diversification of investment and equity selection in accordance with the investment guidelines of the Fund. In constructing the portfolio, the Investment Manager assesses not only each equity's perceived risk and reward but also, in order to manage risk further by appropriate diversification, its correlation with the rest of the portfolio. The Investment Manager also takes into account the composition of the Fund's Custom Benchmark and monitors the Fund's risk of underperforming its benchmark by comparing the Fund's weighting in each industry, stock market and currency with that in the benchmark. The Investment Manager ensures that deviations in such weightings, which are prompted by detailed "bottom up" research, are not inconsistent with the Investment Manager's "top down" macroeconomic views.

The Investment Manager also uses short positions in index futures contracts and purchased equity put options to manage price risk. Where the Investment Manager's research suggests that stock markets are overvalued the Investment Manager will reduce the exposure to the price risk through these exchange-traded derivatives.

In assessing the impact of anticipated changes in market prices, the Investment Manager considers a price movement of  $\pm 15\%$  (2023:  $\pm 15\%$ ) to be reasonably possible. The impact of such a price movement on the Fund's operating profit/(loss) and net assets attributable to unit holders at 30 June is set out in Note 3(b). The impact mainly arises from the possible change in the fair value of listed equities.

### 3 Financial risk management (continued)

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

##### (ii) Foreign exchange risk

The Fund holds equity securities denominated in foreign currencies, and receives foreign dividend income from these securities. Foreign exchange risk arises as the value of equity securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's currency exposure is not hedged into Australian dollars. For this reason, part of the Investment Manager's research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Investment Manager actively reviews the Fund's currency exposure. Those currencies held but considered vulnerable may to some extent be sold in favour of those considered more attractive, generally using forward currency contracts. The Fund's currency deployment therefore frequently differs significantly from the geographic deployment of its selected equities. The Fund does not designate any forward currency contracts as hedges in a hedging relationship and hence these derivative financial instruments are classified as held at fair value through profit or loss.

The table below summarises the Fund's assets and liabilities which are denominated in these main foreign currencies.

	JPY A\$'000	NOK A\$'000	GBP A\$'000
<b>As at 30 June 2024</b>			
Cash and cash equivalents	68	–	22
Margin accounts	–	–	–
Due from brokers – receivable for securities sold	–	–	–
Receivables	16	–	50
Financial assets at fair value through profit or loss	7,142	913	10,676
Due to brokers – payable for securities purchased	–	–	–
Financial liabilities at fair value through profit or loss	–	–	–
<b>Net exposure</b>	<b>7,226</b>	<b>913</b>	<b>10,748</b>
Notional exposure from forward currency contracts			
– Buy foreign currency	11,834	7,103	–
– Sell foreign currency	–	–	(3,510)
<b>Net exposure including forward currency contracts</b>	<b>19,060</b>	<b>8,016</b>	<b>7,238</b>

### 3 Financial risk management (continued)

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

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

	JPY A\$'000	EUR A\$'000	GBP A\$'000
As at 30 June 2023			
Cash and cash equivalents	219	85	417
Margin accounts	–	207	–
Due from brokers – receivable for securities sold	–	–	100
Receivables	18	36	29
Financial assets at fair value through profit or loss	6,220	7,755	9,055
Due to brokers – payable for securities purchased	–	–	(5)
Financial liabilities at fair value through profit or loss	–	(47)	–
Net exposure	6,457	8,036	9,596
Notional exposure from forward currency contracts			
– Buy foreign currency	9,441	–	–
– Sell foreign currency	–	–	–
Net exposure including forward currency contracts	15,898	8,036	9,596

The summarised sensitivity analysis in Note 3(b) shows the impact of a reasonable possible change of +/- 10% (2023: +/-10%) change in the value of the Australian dollar relative to the main foreign currencies on the Fund's operating profit and net assets attributable to unit holders at the end of the reporting period.

##### (iii) Cash flow and fair value interest rate risk

The Fund's investment portfolio contains fixed income securities, the fair value of which will fluctuate as a result of changes in the prevailing levels of market interest rates. Fixed income securities are classified in the statement of financial position as held at fair value through profit or loss. All fixed income securities held present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments.

The Investment Manager attempts to mitigate interest rate risk through the use of a consistent and carefully considered investment approach similar to that employed for the management of price risk for global equity securities. Characteristics such as yield, liquidity, duration, and potential diversification benefits are viewed in the context of the risk and reward of the portfolio as a whole.



### 3 Financial risk management (continued)

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

##### (iii) Cash flow and fair value 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 \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>As at 30 June 2024</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3,365	–	–	3,365
Margin accounts	1,175	–	–	1,175
Due from brokers – receivable for securities sold	–	–	379	379
Interest receivable	–	–	88	88
Dividends receivable	–	–	306	306
Other receivables	–	–	32	32
Receivable for unit holder applications	–	–	137	137
Financial assets at fair value through profit or loss	–	51,083	124,637	175,720
<b>Total financial assets</b>	<b>4,540</b>	<b>51,083</b>	<b>125,579</b>	<b>181,202</b>
<b>Financial liabilities</b>				
Distributions payable	–	–	7,519	7,519
Due to brokers – payable for securities purchased	–	–	310	310
Management fees and costs payable	–	–	104	104
Other payables	–	–	48	48
Payable for unit holder redemptions	–	–	16	16
Financial liabilities at fair value through profit or loss	–	–	513	513
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>8,510</b>	<b>8,510</b>
<b>Net exposure</b>	<b>4,540</b>	<b>51,083</b>	<b>117,069</b>	<b>172,692</b>

### 3 Financial risk management (continued)

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

##### (iii) Cash flow and fair value interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	3,218	–	–	3,218
Margin accounts	1,062	–	–	1,062
Due from brokers – receivable for securities sold	–	–	100	100
Interest receivable	–	–	84	84
Dividends receivable	–	–	241	241
Other receivables	–	–	26	26
Receivable for unit holder applications	–	–	93	93
Financial assets at fair value through profit or loss	–	40,712	110,539	151,251
<b>Total financial assets</b>	<b>4,280</b>	<b>40,712</b>	<b>111,083</b>	<b>156,075</b>
Financial liabilities				
Distributions payable	–	–	7,357	7,357
Due to brokers – payable for securities purchased	–	–	69	69
Management fees and costs payable	–	–	96	96
Other payables	–	–	16	16
Payable for unit holder redemptions	–	–	49	49
Financial liabilities at fair value through profit or loss	–	–	1,068	1,068
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>8,655</b>	<b>8,655</b>
<b>Net exposure</b>	<b>4,280</b>	<b>40,712</b>	<b>102,428</b>	<b>147,420</b>

In assessing the impact of anticipated changes in interest rates, the Investment Manager considers an interest rate movement of +/-100 basis points (2023: +/-100bps) to be reasonably possible. The impact of such a price movement on the Fund's operating profit/(loss) and net assets attributable to unit holders at 30 June is set out in Note 3(b). The impact mainly arises from the possible change in the fair value of fixed income securities.

### 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 price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on the Investment Manager's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, 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 lower than anticipated due to a number of factors, including unusually large market shocks 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 operation profit/Net assets attributable to unit holders									
	Price risk		Interest rate risk		Foreign exchange currency risk					
	+15%	-15%	+100bps	-100bps	+10%	-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	JPY	JPY	NOK	NOK	GBP	GBP
As at 30 June 2024	16,171	(16,171)	(765)	765	(1,192)	1,192	(710)	710	344	(344)

	Impact on operation profit/Net assets attributable to unit holders									
	Price risk		Interest rate risk		Foreign exchange currency risk					
	+15%	-15%	+100bps	-100bps	+10%	-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	JPY	JPY	EUR	EUR	GBP	GBP
As at 30 June 2023	14,502	(14,502)	(776)	776	(968)	968	(33)	33	(54)	54

### 3 Financial risk management (continued)

#### (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.

Credit risk arises from the Fund's investment in fixed income securities and also from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The Investment Manager seeks to reduce the Fund's contractual risk to the extent practicable, for example, by managing exposure to counterparties, through the selection of derivatives and derivatives dealers, and by instructing the Custodian to arrange for equity transactions to be settled "delivery versus payment" wherever possible.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired. An analysis of fixed income securities by credit rating is set out in the table below:

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Rating		
AAA	33,691	36,337
AA+	12,456	—
A	1,263	—
BBB—	—	807
BB+	—	472
BB	1,363	1,292
BB—	2,084	1,061
B+	—	—
B	—	179
B—	—	376
D	—	188
Not Rated	226	—
<b>Total</b>	<b>51,083</b>	<b>40,712</b>

### 3 Financial risk management (continued)

#### (d) Liquidity risk

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

The Fund manages its liquidity risk by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of. It invests only a limited proportion of its assets in investments not actively traded on a stock exchange.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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 2024 and 2023.

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

All non-derivative financial liabilities of the Fund in the current period have maturities of less than one 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. It is expected that the Fund will settle these derivatives net, even if they are not offset for presentation purposes in the financial statements (Refer to Note 4). The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1–6 months \$'000	6–12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2024</b>					
<b>Net settled derivatives</b>					
Forward currency contracts	81	(102)	–	–	(21)
Index futures	3	(171)	–	–	(168)
<b>Total net settled derivatives</b>	<b>84</b>	<b>(273)</b>	<b>–</b>	<b>–</b>	<b>(189)</b>
<b>As at 30 June 2023</b>					
<b>Net settled derivatives</b>					
Forward currency contracts	–	(628)	–	–	(628)
Index futures	(3)	(400)	–	–	(403)
<b>Total net settled derivatives</b>	<b>(3)</b>	<b>(1,028)</b>	<b>–</b>	<b>–</b>	<b>(1,031)</b>

## 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the table below.

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position
	\$'000	\$'000	\$'000
<b>As at 30 June 2024</b>			
<b>Financial assets</b>			
Forward currency contracts	800	(493)	307
<b>Total</b>	<b>800</b>	<b>(493)</b>	<b>307</b>
<b>Financial liabilities</b>			
Forward currency contracts	821	(493)	328
<b>Total</b>	<b>821</b>	<b>(493)</b>	<b>328</b>
<b>As at 30 June 2023</b>			
<b>Financial assets</b>			
Forward currency contracts	196	(159)	37
<b>Total</b>	<b>196</b>	<b>(159)</b>	<b>37</b>
<b>Financial liabilities</b>			
Forward currency contracts	824	(159)	665
<b>Total</b>	<b>824</b>	<b>(159)</b>	<b>665</b>

### *Master netting arrangement*

Forward currency contracts are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting agreement. The ISDA agreements in place meet the criteria for offsetting in the statement of financial position as, under the agreement, the Fund has a current legally enforceable right to offset recognised amounts under all circumstances. Accordingly, those contracts that meet the criteria have been offset in the statement of financial position.

## 5 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 6 and Note 7)
- Derivative financial instruments (see Note 8)

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 instruments traded in active markets such as publicly traded derivatives and listed equity securities are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last trade 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.

## 5 Fair value measurement (continued)

### (b) Fair value in an inactive market (level 2)

The fair value of financial instruments 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. Debt instruments are valued using quoted market prices or dealer quotes for similar instruments.

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include over the counter derivatives and fixed income securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

### (c) Fair value in an unquoted market (level 3)

Financial assets classified as level 3 investments are valued using proprietary pricing models developed from recognised valuation methods. Some or all of the inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that use unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows for the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.



## 5 Fair value measurement (continued)

### (d) Recognised fair value measurements

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2024</b>				
<b>Financial assets</b>				
Forward currency contracts	–	307	–	307
Index futures	17	–	–	17
Fixed interest securities	–	51,083	–	51,083
Listed equity securities	124,237	–	–	124,237
Unlisted equity securities	–	–	76	76
<b>Total financial assets</b>	<b>124,254</b>	<b>51,390</b>	<b>76</b>	<b>175,720</b>
<b>Financial liabilities</b>				
Index futures	185	–	–	185
Forward currency contracts	–	328	–	328
<b>Total financial liabilities</b>	<b>185</b>	<b>328</b>	<b>–</b>	<b>513</b>

As at 30 June 2023

<b>Financial assets</b>				
Forward currency contracts	–	37	–	37
Fixed interest securities	–	40,712	–	40,712
Listed equity securities	110,435	–	–	110,435
Unlisted equity securities	–	–	67	67
<b>Total financial assets</b>	<b>110,435</b>	<b>40,749</b>	<b>67</b>	<b>151,251</b>
<b>Financial liabilities</b>				
Index futures	403	–	–	403
Forward currency contracts	–	665	–	665
<b>Total financial liabilities</b>	<b>403</b>	<b>665</b>	<b>–</b>	<b>1,068</b>

## 5 Fair value measurement (continued)

### (e) Unlisted securities

At 30 June 2024, the Fund has one unlisted security classified as a level 3 asset. This security is a privately held oil and natural gas exploration and production company based in South Texas. During 2023 the company proceeded to sell its oil and gas producing assets and is no longer considered to be an operating business. The valuation model is now based on the Fund's share of the equity value of cash and other net current assets. There is an outstanding litigation which the Fund is party to and that the result of the litigation could impact our percentage share of the equity value used in valuation model. Our valuation model currently assumes a 0% probability of a positive outcome in this litigation. Refer Note 5(g) for further information.

### (f) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2024:

	<b>30 June 2024 \$'000</b>	<b>30 June 2023 \$'000</b>
Opening balance	67	59
Purchases	–	–
Transfers in/(out) of level 3	–	–
Gains and (losses) recognised in the statement of comprehensive income	9	8
<b>Closing balance</b>	<b>76</b>	<b>67</b>

## 5 Fair value measurement (continued)

### (g) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (a), (b) and (c) above for the valuation techniques adopted.

Description	Fair value at 30 June 2024 \$'000	Unobservable inputs*	Range of inputs (Input used in valuation)	Relationship of unobservable inputs to fair value
Unlisted equities	76	Probability of positive outcome relating to ongoing litigation - shares issued in bankruptcy process	0% or 100% (0%)	If the outcome of ongoing litigation relating to issuance of shares to the Fund from the bankruptcy process is in favour of the Fund then the price per share would increase by 30% and the fair value would increase by \$23,000.
		Probability of positive outcome relating to ongoing litigation - Fund overall ownership of the company increases	0% or 100% (0%)	If the outcome of the ongoing litigation relating to the Fund's overall ownership of the company is in favour of the Fund then the price per share would increase by up to 133% and the fair value would increase by up to \$103,000. The range of increase in the fair value is dependent on the percentage of ownership awarded by the litigation.
Description	Fair value at 30 June 2023 \$'000	Unobservable inputs*	Range of inputs (Input used in valuation)	Relationship of unobservable inputs to fair value
Unlisted equities	67	Discount rate	5% to 30% (15%)	Increasing the discount rate by 15% would decrease the fair value by \$5,000. Decreasing the discount rate by 10% would increase the fair value by \$5,000.
		Commodity futures curve movements	-25% to +25% (0%)	A +/- 25% price increase/(decrease) in the commodity futures curve would increase/(decrease) the fair value by \$27,000/(\$39,000).

\*There were no significant inter-relationships between unobservable inputs that materially affect fair values.



## 5 Fair value measurement (continued)

### (h) Valuation processes

The Investment Manager performs a daily review of underlying security prices for listed equities and fixed income securities to determine if there are any valuations that may need to be reviewed due to potential stale prices or other market events. Valuations that need to be reviewed are escalated to the Investment Manager's Pricing Committee and the Responsible Entity for assessment and approval.

The Investment Manager reviews valuations for level 3 fair values on a quarterly basis. Any changes in fair value need to be approved by the Investment Manager's Pricing Committee and the Responsible Entity before the valuation is applied to the portfolio.

### (i) Financial instruments not carried at fair value

The carrying values of receivables, due from brokers, receivable for unit holder applications, due to brokers and payable for unit holder redemptions approximate their fair values due to their short-term nature.

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

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Derivatives	324	37
Equity securities	124,313	110,502
Fixed interest securities	51,083	40,712
<b>Total financial assets at fair value through profit or loss</b>	<b>175,720</b>	<b>151,251</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Forward currency contracts	307	37
International share price index futures	17	–
<b>Total derivatives</b>	<b>324</b>	<b>37</b>
<b>Equity securities</b>		
Listed equity securities – Australian equities	54,105	49,321
Listed equity securities – Global equities excluding Australia	70,132	61,114
Unlisted equity securities – Global equities excluding Australia	76	67
<b>Total equity securities</b>	<b>124,313</b>	<b>110,502</b>
<b>Fixed interest securities</b>		
Australian fixed interest securities	32,778	24,484
International fixed interest securities	18,305	16,228
<b>Total fixed interest securities</b>	<b>51,083</b>	<b>40,712</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>175,720</b>	<b>151,251</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 5 to the financial statements.

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

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Derivatives	513	1,068
Comprising:		
Forward currency contracts	328	665
International share price index futures	185	403
Total derivatives	513	1,068
Total financial liabilities at fair value through profit or loss	513	1,068

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 5 to the financial statements.

## 8 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 forward currency contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

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.

## 8 Derivative financial instruments (continued)

The Fund holds the following derivative instruments:

### (a) Futures

The Fund holds index 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. Changes in futures contracts' values are usually settled daily with the exchange.

The Fund may take short positions in index futures contracts for the primary purpose of reducing the Fund's exposure to the price risk associated with investing in global equity markets. The Fund may also use long positions in index futures contracts for investment efficiency purposes to gain exposure to global equity markets.

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2024</b>			
Index futures	16,504	17	185
<b>Total</b>	<b>16,504</b>	<b>17</b>	<b>185</b>
<b>As at 30 June 2023</b>			
Index futures	13,825	–	403
<b>Total</b>	<b>13,825</b>	<b>–</b>	<b>403</b>

### (b) Forward currency contracts

Forward currency contracts are primarily used by the Fund to assist in managing the Fund's currency exposure. In terms of these contracts, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Fund's derivative financial instruments at the end of the reporting period are detailed below:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2024</b>			
Forward currency contracts	38,157	307	328
<b>Total derivatives</b>	<b>38,157</b>	<b>307</b>	<b>328</b>

## 8 Derivative financial instruments (continued)

### (b) Forward currency contracts (continued)

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2023			
Forward currency contracts	13,491	37	665
Total derivatives	13,491	37	665

An overview of the risk exposures relating to derivatives is included in Note 3 to the financial statements.

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 5 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.

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

	Year ended			
	30 June 2024 Units '000	30 June 2024 \$'000	30 June 2023 Units '000	30 June 2023 \$'000
Opening balance	120,461	147,420	94,304	107,181
Applications	18,604	23,786	26,665	32,752
Redemptions	(8,977)	(11,352)	(6,010)	(7,289)
Reinvestment of distributions	4,349	5,322	5,502	6,253
Distributions paid and payable	–	(7,519)	–	(7,357)
Profit/(loss) for the year	–	15,035	–	15,880
Closing balance	134,437	172,692	120,461	147,420

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 in 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.



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

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 daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

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

## 10 Distributions to unit holders

The distributions declared for the year were as follows:

	Year ended			
	30 June 2024 \$'000	30 June 2024 CPU	30 June 2023 \$'000	30 June 2023 CPU
Distributions				
June (payable)	7,519	5.5929	7,357	6.1070
<b>Total distributions</b>	<b>7,519</b>	<b>5.5929</b>	<b>7,357</b>	<b>6.1070</b>

## 11 Cash and cash equivalents

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Cash at bank	3,365	3,218
<b>Total cash and cash equivalents</b>	<b>3,365</b>	<b>3,218</b>

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

	Year ended	
	30 June 2024 \$'000	30 June 2023 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	15,035	15,880
Proceeds from sale of financial instruments at fair value through profit or loss	55,414	65,032
Payments for purchase of financial instruments at fair value through profit or loss	(68,581)	(83,292)
Dividend income reinvested	(71)	–
Net (gains)/losses on financial instruments at fair value through profit or loss	(11,853)	(12,612)
Net foreign exchange (gain)/loss	20	(32)
Net change in receivables	(44)	(25)
Net change in payables	38	32
Net change in margin accounts	(113)	853
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(10,155)</b>	<b>(15,870)</b>
<b>(b) Non-cash operating and financing activities</b>		
Applications satisfied by in specie transfers	–	6,107
Purchases of investments satisfied by the participation in dividend reinvestment plans	71	–
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	5,322	6,253
<b>Total non-cash operating and financing activities</b>	<b>5,393</b>	<b>12,360</b>

### 13 Remuneration of auditors

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

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	25,563	24,345
Total remuneration for audit and other assurance services	25,563	24,345
<i>Taxation services</i>		
Tax compliance services	15,706	15,101
Total remuneration for taxation services	15,706	15,101
<b>Total remuneration of Ernst &amp; Young</b>	<b>41,269</b>	<b>39,446</b>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,400	2,346
Total remuneration for audit and other assurance services	2,400	2,346
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,400</b>	<b>2,346</b>

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

## 14 Related party transactions

The Responsible Entity of Allan Gray Australia Balanced 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 Allan Gray Australia Pty Limited to act as Investment Manager for the Fund, and Citibank N.A. Sydney and Hong Kong Branches to act as Custodian, SS&C Solutions Pty Ltd to act as Unit Registry for the Fund and Citigroup Pty Limited to act as Administrator 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 year 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 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 any units in the Fund as at 30 June 2024 (30 June 2023: 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.

## 14 Related party transactions (continued)

### (e) Key management personnel loans

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

### (f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial 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

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

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Management fees and costs for the year	1,224,108	1,039,006
Performance fees for the year	–	10,107
Management fees and costs payable at year end	104,397	95,986
Performance fees payable at year end	46	46

Equity Trustees Limited earned \$69,540 (2023: \$59,297) for the Responsible Entity services 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.

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Investment Manager is also entitled to receive a performance fee in relation to the performance of the fund. For information on how performance fees are calculated please refer to the Fund's Product Disclosure Statement.

## 14 Related party transactions (continued)

### (h) Related party unit holdings

Allan Gray Australia Pty Limited is the Investment Manager of the Fund. Details of transactions during the year, distributions payable for the year, and holdings at the end of the year by the Investment Manager, either directly or indirectly through its associates are shown below:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment of \$	Interest held (% of total Fund)	Number of units acquired	Number of units disposed	Distributions payable by the Fund \$
<b>As at 30 June 2024</b>							
Allan Gray Australia Pty Ltd	15,097,025	15,850,395	20,320,207	11.79	753,370	–	886,497
Orbis Capital Limited	15,070,456	15,821,853	20,283,615	11.77	751,397	–	884,900
Allan Gray Australia Directors and Portfolio Managers	807,631	927,996	1,189,692	0.69	120,365	–	51,902
Orbis Investment Management Limited	48,945	51,387	65,878	0.04	2,442	–	2,874
<b>As at 30 June 2023</b>							
Allan Gray Australia Pty Ltd	13,875,245	15,097,025	18,439,507	12.53	1,221,780	–	921,975
Orbis Capital Limited	13,853,163	15,070,456	18,407,055	12.51	1,217,293	–	920,353
Allan Gray Australia Directors and Portfolio Managers	712,395	807,631	986,440	0.67	95,236	–	49,322
Orbis Investment Management Limited	44,991	48,945	59,782	0.04	3,954	–	2,989

### (i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2023: nil).



## **15 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 2024 or on the results and cash flows of the Fund for the year ended on that date.

## **16 Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

# Directors' declaration

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In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 46 are in accordance with the *Corporations Act 2001* including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the financial 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 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 the Equity Trustees Limited's Board.



Andrew P Godfrey  
Director

Melbourne  
19 September 2024



## Independent Auditor's Report to the unitholders of Allan Gray Australia Balanced Fund

### Opinion

We have audited the financial report of Allan Gray Australia Balanced Fund (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

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

### Basis for opinion

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

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

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

The directors of the Equity Trustees Limited (Responsible Entity) are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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



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- 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.

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
19 September 2024