

Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio)

ARSN 163 142 292

Annual report For the year ended 30 June 2024

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This annual report covers Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) as an individual entity.

The Responsible Entity of Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) 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 Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) (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 unlisted managed investment schemes 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	Clearwater Portfolio Management Pty Limited
Custodian and Administrator	Citigroup Pty Limited
Statutory Auditor	Ernst & Young

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 the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 7.57% (net of fees) for the year ended 30 June 2024. The Fund's objective is to achieve, over rolling 10-year periods, returns after fees of 4.14% per annum above the RBA one month average for bank accepted bills/ negotiated certificates of deposit, which returned 4.04% for the same period.

The Fund's NAV unit price is used for the purposes of performance return calculation methodology and represents the combined income and capital returns. The returns are pre-tax, net of fees and costs and assume the reinvestment of distributions.

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)	12,304	13,718
Distributions paid and payable (\$'000)	11,812	8,687
Distributions (cents per unit)	7.9733	5.0147

Directors' report (continued)

Significant changes in the state of affairs

The Fund changed its name to Clearwater Diversified Fund from DMG Diversified Portfolio effective 12 April 2024.

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

Philip D Gentry resigned as 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 year ended 30 June 2024.

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

Indemnification of auditor

The 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.

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 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 7 to the financial statements.

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

Directors' report (continued)

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

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

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



Andrew P Godfrey
Director

Melbourne
30 September 2024



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Auditor's independence declaration to the directors of Equity Trustees Limited as Responsible Entity for Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio)

As lead auditor for the audit of the financial report of Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) 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

Jonathan Hall
Partner
Sydney
30 September 2024

Clearwater Diversified Fund
Statement of comprehensive income
For the year ended 30 June 2024

Statement of comprehensive income

		Year ended	
		30 June	30 June
	Note	2024	2023
		\$'000	\$'000
Income			
Interest income from financial assets at amortised cost		131	111
Dividend and distribution income		4,135	5,761
Net gains/(losses) on financial instruments at fair value through profit or loss		8,947	8,800
Other income		31	8
Total income/(loss)		13,244	14,680
Expenses			
Management fees and costs	14	918	952
Transaction costs		22	10
Total expenses		940	962
Profit/(loss) for the year		12,304	13,718
Other comprehensive income		—	—
Total comprehensive income for the year		12,304	13,718

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

Clearwater Diversified Fund
Statement of financial position
As at 30 June 2024

Statement of financial position

		As at	
		30 June	30 June
		2024	2023
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents	9	1,026	1,987
Receivables	11	480	3,478
Due from brokers - receivables for securities sold		1,000	—
Financial assets at fair value through profit or loss	5	163,316	182,102
Total assets		<u>165,822</u>	<u>187,567</u>
Liabilities			
Distributions payable	8	8,012	6,050
Payables	12	867	105
Due to brokers - payables for securities purchased		500	—
Total liabilities		<u>9,379</u>	<u>6,155</u>
Net assets attributable to unit holders - equity	7	<u>156,443</u>	<u>181,412</u>

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

Clearwater Diversified Fund
Statement of changes in equity
For the year ended 30 June 2024

Statement of changes in equity

		Year ended	
		30 June	30 June
		2024	2023
	Note	\$'000	\$'000
Total equity at the beginning of the financial year		181,412	195,609
Comprehensive income for the financial year			
Profit/(loss) for the year		12,304	13,718
Other comprehensive income		—	—
Total comprehensive income		12,304	13,718
Transactions with unit holders			
Applications	7	12,084	19,502
Redemptions	7	(41,345)	(41,367)
Reinvestment of distributions	7	3,800	2,637
Distribution paid and payable	7	(11,812)	(8,687)
Total transactions with unit holders		(37,273)	(27,915)
Total equity at the end of the financial year		156,443	181,412

The above statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 2c and 7.

Clearwater Diversified Fund
Statement of cash flows
For the year ended 30 June 2024

Statement of cash flows

		Year ended	
		30 June	30 June
		2024	2023
	Note	\$'000	\$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		74,248	77,310
Payments for purchase of financial instruments at fair value through profit or loss		(45,877)	(89,504)
Dividends and distributions received		5,507	9,047
Interest received from financial assets at amortised cost		131	111
Other income received		31	8
Management fees and costs paid		(918)	(959)
RITC received/(paid)		(2)	1
Transaction costs paid		(22)	(10)
Net cash inflow/(outflow) from operating activities	10(a)	<u>33,098</u>	<u>(3,996)</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		12,574	19,784
Payments for redemptions by unit holders		(40,583)	(42,501)
Distributions paid to unit holders		(6,050)	(5,908)
Net cash inflow/(outflow) from financing activities		<u>(34,059)</u>	<u>(28,625)</u>
Net increase/(decrease) in cash and cash equivalents		(961)	(32,621)
Cash and cash equivalents at the beginning of the year		1,987	34,608
Cash and cash equivalents at the end of the year	9	<u>1,026</u>	<u>1,987</u>
Non-cash operating and financing activities	10(b)	4,938	2,637

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 Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 17 April 2013 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 changed its name to Clearwater Diversified Fund from DMG Diversified Portfolio effective 12 April 2024.

The Fund invests in unlisted managed investment schemes 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 the period presented, unless otherwise stated in the following text.

(a) Basis of preparation

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

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

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

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.

2 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Fund (continued)

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.

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, 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 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

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 (distributions payable, redemption payable, due to broker and management fees payable).

(ii) Recognition and derecognition

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

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition and derecognition (continued)

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 liabilities are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets 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 and receivables are carried at amortised cost.

(iv) Impairment

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

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

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

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(v) Offsetting financial instruments

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

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

(c) Net assets attributable to unit holders

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

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

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

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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) 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.

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

2 Summary of material accounting policies (continued)

(e) Income (continued)

(i) Interest income (continued)

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

(ii) Dividends and distributions

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

Trust distributions are recognised on an entitlement basis.

(f) Expenses

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

Management fees and costs covers certain ordinary expenses such as management fees, Responsible Entity fees, custodian fees and audit fees.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

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

(h) Distributions

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

(i) 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.

2 Summary of material accounting policies (continued)

(i) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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.

(j) Due from/to brokers

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

(k) Receivables

Receivables may include amounts for interest and trust distributions. 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.

(l) Payables

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

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

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

(m) Applications and redemptions

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

(n) Goods and Services Tax (GST)

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

(o) Use of estimates and judgements

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments 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.

2 Summary of material accounting policies (continued)

(o) Use of estimates and judgements (continued)

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

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

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

(p) Rounding of amounts

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

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 Funds' 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 and unit trusts is limited to the fair value of those positions.

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

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

(a) Market risk

(i) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. 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.

The Portfolio Investment Committee monitors markets globally, undertaking its own research as well as analysing leading market research, and uses tools to model Portfolio behaviour under various conditions. The Portfolio is diversified across markets and is repositioned strategically as considered appropriate.

The table at Note 3 (b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/- 10% (2023: +/- 10%).

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Fund's interest bearing financial instruments expose them to risks associated with the effects of fluctuation in the prevailing market interest rate on its financial positions and cash flows. The impact of interest rate risk on the profit and net assets attributable to unit holders is considered immaterial to the Fund.

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

(b) Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unit holders	
	+10%	-10%
	\$'000	\$'000
As at 30 June 2024	16,332	(16,332)
As at 30 June 2023	18,210	(18,210)

(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 of these balances 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 2024 and 30 June 2023, all receivables, cash and short-term deposits are held with counterparties with a credit rating of AA- 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)

(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 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.

Maturities of non-derivative financial liabilities

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

4 Fair value measurement

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

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

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

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

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

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

(a) Valuation using level 2 inputs

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all material inputs required to fair value an instrument are observable, the instrument is included in level 2.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Specific valuation techniques using observable inputs used to value financial instruments include:

- Investments in unlisted unit trusts are valued at the redemption price per unit as reported by the underlying fund's investment manager

4 Fair value measurement (continued)

(b) Valuation using level 3 inputs

The fair value of financial instruments that are determined using valuation techniques that rely on material inputs that are not observable are included in level 3 and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Specific valuation techniques using observable inputs used to value financial instruments include:

- Private market securities are valued using valuation techniques such as reference to the current fair value or recent transaction prices of substantially similar instruments, market multiples techniques using the applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer or discounted cash flow techniques.
- Securities which are suspended from trading are valued using the last traded price or other valuation techniques (described above) where the investment manager determines that the last traded price no longer reflects the fair value of the securities.
- Unlisted unit trusts are recorded at the redemption price per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

(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 2024 and 30 June 2023.

As at 30 June 2024	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Unlisted management investment schemes	–	120,530	42,786	163,316
Total financial assets	<u>–</u>	<u>120,530</u>	<u>42,786</u>	<u>163,316</u>
 As at 30 June 2023				
 Financial assets				
Unlisted management investment schemes	–	131,373	50,729	182,102
Total financial assets	<u>–</u>	<u>131,373</u>	<u>50,729</u>	<u>182,102</u>

4 Fair value measurement (continued)

(d) Transfer between levels

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

There were no transfers between levels during the financial year ended 30 June 2024.

The following table presents the transfers between levels for the year 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
As at 30 June 2023			
Transfer between level 2 and 3			
Unlisted management investment schemes	—	(29,739)	29,739

At the end of the current reporting period, management have transferred the Fund's investments in unlisted management investment schemes from level 2 to level 3 on the fair value hierarchy on the basis that they invest in illiquid assets. There were no other transfers between levels in the fair value hierarchy at the end of the reporting period.

(e) 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 and 30 June 2023 by class of financial instrument.

	Unlisted management investment schemes \$'000
Opening balance – 1 July 2023	50,729
Transfer into/(out) from level 3	—
Purchases	3,000
Sales	(2,649)
Gains/(losses) recognised in the statement of comprehensive income	(8,294)
Closing balance – 30 June 2024	42,786
	Unlisted management investment schemes \$'000
Opening balance – 1 July 2022	—
Transfer into/(out) from level 3	29,739
Purchases	20,322
Gains/(losses) recognised in the statement of comprehensive income	668
Closing balance – 30 June 2023	50,729

4 Fair value measurement (continued)

(f) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the material unobservable inputs used in level 3 fair value measurements. See Note 4(b) above for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of Unobservable input to fair value
As at 30 June 2024				
Barwon Global Private Fund	10,788	0.99	N/A	Direct
Barwon Healthcare Property Fund	14,755	1.11	N/A	Direct
Barwon Disability Accommodation Fund	2,999	1.03	N/A	Direct
PAC Global Esports Fund – Retail Class	1,188	0.25	N/A	Direct
PAC Private 1 Fund – Class B	11,490	1.03	N/A	Direct
PAC Global Innovation Fund – Retail Class	1,566	0.31	N/A	Direct
As at 30 June 2023				
Barwon Global Private Fund	10,316	0.79	N/A	Direct
Barwon Healthcare Property Fund	15,394	1.18	N/A	Direct
PAC Global Esports Fund – Retail Class	5,532	1.17	N/A	Direct
PAC Private 1 Fund – Class B	13,923	1.16	N/A	Direct
PAC Global Innovation Fund – Retail Class	5,564	1.11	N/A	Direct

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

(g) Valuation processes

Portfolio reviews are undertaken regularly by the Investment Manager to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. The Fund's investment in the underlying funds is recorded at the net asset value per unit as reported by PAC Capital Pty Ltd, the Investment Manager of the underlying funds.

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

(h) Financial instruments not carried at fair value

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

5 Financial assets at fair value through profit or loss

	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
Unlisted management investment schemes	163,316	182,102
Total financial assets at fair value through profit or loss	163,316	182,102

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 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in unlisted managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and/or earning investment income.

The exposure to investments in related party Schemes at fair value, and any related party amounts recognised in the statement of comprehensive income is disclosed at Note 14(i) to the financial statements.

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

	Fair Value Investment	
	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
International equity pooled trusts	10,684	14,799
Investment trusts	106,886	113,381
Other schemes	42,992	42,826
Total unrelated schemes	160,562	171,006

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme it ceases to be exposed to any risk from that Scheme.

During the year ended 30 June 2024, total gains/(losses) incurred on investments in the Schemes were \$8,947,484 (30 June 2023: gain \$8,800,567). The Fund also earned distribution income of \$4,134,810 (30 June 2023: \$5,761,497) as a result of its interests in the Schemes.

7 Net assets attributable to unit holders - equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be 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 set out in Note 2(c). 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	Year ended		
	30 June 2024	30 June 2024	30 June 2023	30 June 2023
	Units '000	\$'000	Units '000	\$'000
Opening balance	175,786	181,412	194,363	195,609
Applications	7,867	12,084	18,797	19,502
Redemptions	(39,202)	(41,345)	(39,929)	(41,367)
Units issued upon reinvestment of distributions	3,688	3,800	2,555	2,637
Distributions paid and payable	—	(11,812)	—	(8,687)
Profit/(loss) for the year	—	12,304	—	13,718
Closing balance	148,139	156,443	175,786	181,412

7 Net assets attributable to unit holders - equity (continued)

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

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

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

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.

8 Distributions to unit holders

The distributions declared and paid during the period were as follows:

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2024	2024	2023	2023
	\$'000	CPU	\$'000	CPU
June (reinvested)	3,800	7.9733	2,637	5.0147
June (payable)	8,012	7.9733	6,050	5.0147
Total distributions	11,812		8,687	

9 Cash and cash equivalents

	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
Cash and cash equivalents	1,026	1,987
Total cash and cash equivalents	1,026	1,987

10 Reconciliation of profit/(loss) to net cash flow from operating activities

	Year ended	
	30 June	30 June
	2024	2023
	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	12,304	13,718
Net (gains)/losses on financial instruments at fair value through profit or loss	(8,947)	(8,800)
Proceeds from sale of financial instruments at fair value through profit or loss	74,248	77,310
Payments for purchase of financial investments at fair value through profit or loss	(45,877)	(89,504)
Distribution income reinvested	(1,138)	—
Net change in receivables	2,508	3,287
Net change in payables	—	(7)
Net cash inflow/(outflow) from operating activities	33,098	(3,996)
(b) Non-cash operating and financing activities		
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	1,138	—
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	3,800	2,637
Total non-cash operating and financing activities	4,938	2,637

11 Receivables

	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
Distributions receivable	462	2,972
Applications receivable	—	490
RITC receivable	18	16
Total receivables	480	3,478

12 Payables

	As at	
	30 June	30 June
	2024	2023
	\$'000	\$'000
Management fees and costs payable	75	75
Redemptions payable	792	30
Total payables	867	105

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	30 June
	2024	2023
	\$	\$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<u>21,939</u>	24,720
Total remuneration for audit and other assurance services	<u>21,939</u>	<u>24,720</u>
<i>Taxation services</i>		
Taxation compliance services	<u>9,120</u>	8,514
Total remuneration for taxation services	<u>9,120</u>	<u>8,514</u>
Total remuneration of Ernst & Young	<u>31,059</u>	<u>33,234</u>
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of compliance plan	<u>2,400</u>	2,346
Total remuneration of audit and other assurance services	<u>2,400</u>	<u>2,346</u>
Total remuneration of PricewaterhouseCoopers	<u>2,400</u>	<u>2,346</u>

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

14 Related party transactions

The Responsible Entity of Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) 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 Clearwater Portfolio Management Pty Limited to act as Investment Manager. The Responsible Entity has appointed Citigroup Pty Limited to provide the custody, unit registry and administration services to the Fund.

(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.

14 Related party transactions (continued)

(a) Key management personnel (continued)

(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 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.

(e) Key management personnel loans

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

(f) Other transactions within the Fund

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

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

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

	Year ended	
	30 June	30 June
	2024	2023
	\$	\$
Management fees for the year	917,904	951,867
Management fees payable at year end	74,630	74,562

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

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2024 (30 June 2023: nil).

(i) Investments

The Fund held investments in the following schemes which are also managed by Equity Trustees Limited or its related parties:

	Fair value of investment \$	Interest held %	Return of capital \$
As at 30 June 2024			
PAC Global Esports Fund - Retail Class	1,187,669	3.19	4,127,659
PAC Global Innovation Fund Retail class	1,565,786	3.39	3,917,824
As at 30 June 2023			
PAC Global Esports Fund - Retail Class	5,532,152	9.99	—
PAC Global Innovation Fund Retail class	5,563,626	10.14	—

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

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 28 are in *accordance* with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 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 the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Andrew P Godfrey
Director

Melbourne
30 September 2024



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Independent Auditor's Report to the unit holders of Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio)

Qualified Opinion

We have audited the financial report of Clearwater Diversified Fund (formerly known as DMG Diversified Portfolio) (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, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, 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 Qualified Opinion

The Fund's financial statements include an investment in PAC Private Fund 1, valued at \$11,490,206, whose fair values have been estimated by management due to the absence of readily ascertainable market values. We were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of the investment in PAC Private Fund 1 as of 30 June 2024, and its overall exposure in the total portfolio of the Fund is 9%. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 qualified opinion.

Information other than the Financial Report and Auditor's Report Thereon

The directors of the Equity Trustees Limited (the 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 of the Responsible Entity for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.



- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the directors of the Responsible Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Jonathan Hall' in a cursive script.

Jonathan Hall
Partner
Sydney
30 September 2024