

# **Somerset Emerging Markets Dividend Growth Fund**

ARSN 159 702 360

## **Annual report**

**For the period 1 July 2023 to 18 March 2024**

# Somerset Emerging Markets Dividend Growth Fund

ARSN 159 702 360

## Annual report For the period 1 July 2023 to 18 March 2024

### Contents

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Somerset Emerging Markets Dividend Growth Fund

This annual report covers Somerset Emerging Markets Dividend Growth Fund as an individual entity.

The Responsible Entity of Somerset Emerging Markets Dividend Growth 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 Somerset Emerging Markets Dividend Growth Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 1 July 2023 to 18 March 2024.

### Principal activities

Until its termination on 18 March 2024, the Fund invested in an underlying fund which in turn invested in a relatively concentrated, global portfolio of transferable equity and equity-related securities of companies established, or conducting the predominant part of their business activity, in the economically emerging countries of Latin America, Asia, Europe, Africa and the Middle East, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund is an Australian Feeder Fund, which invests primarily in MI Somerset Emerging Markets Dividend Growth Fund managed by Somerset Capital Management LLP.

During the period, all assets of the Fund were liquidated and returned to unit holders.

The Fund did not have any employees during the period.

Apart from the termination, there were no other significant changes in the nature of the Fund's activities during the period.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Somerset Capital Management LLP
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)
Custodian	JPMorgan Chase Bank, N.A.
Statutory Auditor	Deloitte Touche Tohmatsu

### Directors

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

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 9 October 2024)

### Review and results of operations

These are the final financial statements of the Fund, which has been terminated.

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

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

	For the period 1 July 2023 to 18 March 2024	Year ended 30 June 2023
Profit/(loss) before finance costs attributable to unit holders for the period (\$)	(557,244)	3,125,918

There were no distributions declared for the period ended 18 March 2024 and year ended 30 June 2023.

## Directors' report (continued)

### Significant changes in the state of affairs

The Fund was terminated on 18 March 2024 when all unit holders' entitlements were redeemed.

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

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

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

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

On 9 October 2024, Russell W Beasley resigned as a director of Equity Trustees Limited, with Johanna E Platt being appointed as director on the same date.

The Fund had a residual cash balance as at the termination date representing amounts payable to the auditor of the Fund, which has been paid subsequent to the period end.

No other matter or circumstance has arisen since 18 March 2024 that has significantly affected, or may have a significant effect on:

- i. the operations of the Fund; or
- ii. the results of those operations; or
- ii. the state of affairs of the Fund.

### Likely developments and expected results of operations

The Fund has been terminated and redemption of unit holders entitlements was completed on 17 May 2024.

Until its termination, the Fund continued 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.

### Indemnification and insurance of officers

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 14 to the financial statements.

### Interests in the Fund

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

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

### Environmental regulation

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

## Directors' report (continued)

### Rounding of amounts to the nearest dollar

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

### Auditor's independence declaration

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

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



Andrew P Godfrey  
Director

Melbourne  
13 November 2024

13 November 2024

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

Dear Board Members,

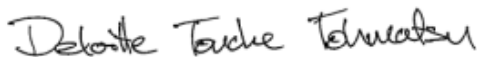
## **Auditor's Independence Declaration - Somerset Emerging Markets Dividend Growth Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of Somerset Emerging Markets Dividend Growth Fund (the "Fund").

As lead audit partner for the audit of the financial report of the Fund for the financial period ended 15 March 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett  
Partner  
Chartered Accountants

Somerset Emerging Markets Dividend Growth Fund  
Statement of comprehensive income  
For the period 1 July 2023 to 18 March 2024

Statement of comprehensive income

	Note	For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
<b>Income</b>			
Interest income		1,427	3,215
Net gains/(losses) on financial instruments at fair value through profit or loss		(467,385)	3,326,997
Management fees and costs reimbursement		61,063	-
Other income		28	-
<b>Total income/(loss)</b>		<b>(404,867)</b>	<b>3,330,212</b>
<b>Expenses</b>			
Management fees and costs		152,377	204,294
<b>Total expenses</b>		<b>152,377</b>	<b>204,294</b>
<b>Profit/(loss) before finance costs attributable to unit holders for the period</b>		<b>(557,244)</b>	<b>3,125,918</b>
<b>Finance costs attributable to unit holders</b>			
(Increase)/decrease in net assets attributable to unit holders	7	557,244	(3,125,918)
<b>Profit/(loss) for the period</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>

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

Statement of financial position

		As at	
	Note	18 March 2024 \$	30 June 2023 \$
<b>Assets</b>			
Cash and cash equivalents	9	21,599	947,195
Receivables	11	-	2,545
Financial assets at fair value through profit or loss	5	-	17,285,950
<b>Total assets</b>		<b>21,599</b>	<b>18,235,690</b>
<b>Liabilities</b>			
Payables	12	21,599	43,104
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>21,599</b>	<b>43,104</b>
<b>Net assets attributable to unit holders - liability</b>	7	-	18,192,586

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



Statement of changes in equity

	For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
<b>Total equity at the beginning of the financial period*</b>	-	-
Profit/(loss) for the period/year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial period*</b>	-	-

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

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

Somerset Emerging Markets Dividend Growth Fund  
Statement of cash flows  
For the period 1 July 2023 to 18 March 2024

Statement of cash flows

		For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
	Note		
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		17,045,299	5,321,785
Payments for purchase of financial instruments at fair value through profit or loss		(226,734)	(269,403)
Management fees and costs paid		(173,882)	(254,477)
Management fees and costs reimbursement received		61,063	-
Interest income received		1,427	3,215
Other income received		28	-
GST received/(paid)		2,545	(411)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>16,709,746</b>	<b>4,800,709</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		269,555	186,736
Payments for redemptions by unit holders		(17,904,897)	(4,999,582)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(17,635,342)</b>	<b>(4,812,846)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(925,596)</b>	<b>(12,137)</b>
Cash and cash equivalents at the beginning of the period		947,195	959,332
<b>Cash and cash equivalents at the end of the period</b>	9	<b>21,599</b>	<b>947,195</b>

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

## Notes to the financial statements

### Contents

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

## 1. General information

These financial statements cover Somerset Emerging Markets Dividend Growth Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 26 July 2012. The Fund terminated its operations on 18 March 2024 when all assets of the Fund were realised and all units were redeemed out of the Fund.

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.

During the period, all assets of the Fund were liquidated and returned to the unit holders.

Until its termination on 18 March 2024, the Fund invested in an underlying fund which in turn invested in a relatively concentrated, global portfolio of transferable equity and equity-related securities of companies established, or conducting the predominant part of their business activity, in the economically emerging countries of Latin America, Asia, Europe, Africa and the Middle East, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund is an Australian Feeder Fund, which invests primarily in MI Somerset Emerging Markets Dividend Growth Fund managed by Somerset Capital Management LLP.

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 periods 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.

As the Fund was terminated on 18 March 2024, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis. The liquidation basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date. The accounting policies set up below have been applied within this context. As there were no assets or liabilities at the reporting date, adopting the liquidation basis did not change the carrying amounts of any assets or liabilities.

### 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 period 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 period beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

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

## 2. Summary of material accounting policies (continued)

### b. Financial instruments (continued)

#### i. Classification (continued)

##### • Financial assets (continued)

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

For cash and cash equivalents, receivables for units redeemed 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 (payable for units purchased, management fees and costs payable).

#### ii. Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date they become 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.

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

Cash and cash equivalents, receivables for units redeemed 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 at amortised cost (cash and cash equivalents, receivable for units redeemed 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.

## 2. Summary of material accounting policies (continued)

### b. Financial instruments (continued)

#### iv. Impairment (continued)

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.

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 are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

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.

Net assets attributable to unit holders as at 18 March 2024 was nil.

### 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 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. 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.

#### ii. Distributions

Trust distributions are recognised on an entitlements 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 investment management fees, Responsible Entity fees, custodian and administration fees and audit fees.

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

### **g. Income tax**

Under current legislation, the Fund is not subject to income tax provided it distributes the entirety of its taxable income to its unit holders on present entitlement basis.

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 distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### **i. Increase/decrease in net assets attributable to unit holders**

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

### **j. Foreign currency translation**

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

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

### **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 1 July of the following financial period.

### **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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

## 2. Summary of material accounting policies (continued)

### o. Use of estimates and judgements (continued)

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

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

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

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

### 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 dollar unless otherwise indicated.

### q. 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 period.

## 3. Financial risk management

The Fund held no assets or liabilities at the end of the period. As a result, the Fund was not exposed to market risk, credit risk and liquidity risk as at 18 March 2024.

The Fund's overall risk management programme focused on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also sought to maximise the returns derived for the level of risk to which the Fund was exposed and sought to minimise potential adverse effects on the Fund's financial performance.

All investments presented a risk of loss of capital. The maximum loss of capital on unit trusts was limited to the fair value of those positions.

The investments of the Fund were managed by a specialist Investment Manager, Somerset Capital Management LLP, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and contained the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

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

### a. Market risk

#### i. Price risk

As at 18 March 2024, the Fund was not exposed to any price risk as there were no assets or liabilities held at reporting date.

Price risk was managed by the Underlying Fund. The Underlying Fund generally holds 36-40 investments and limits its exposure to any single investment to 5% of the underlying fund's net asset value.

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%).

#### ii. Foreign exchange risk

The Fund was not exposed to material risks from movements in foreign exchange rates as there were no financial assets and liabilities denominated in foreign currencies.

The Fund held no assets or liabilities in foreign currency as at 18 March 2024.



### 3. Financial risk management (continued)

#### b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including 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 net assets attributable to unit holders	
	Price risk	
	+10%	-10%
	\$	\$
<b>As at 18 March 2024</b>	-	-
As at 30 June 2023	1,728,595	(1,728,595)

#### c. Credit risk

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

The Fund did 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 was exposed, arose from cash and cash equivalents. None of these assets were impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents.

The main concentration of credit risk, to which the Fund was exposed, arose from the Fund's investment in Master Fund. The Fund was also exposed to counterparty credit risk on cash and cash equivalents, receivable for units redeemed and other receivables.

The Fund determined credit risk and measured expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considered both historical analysis and forward looking information in determining any expected credit loss. At 18 March 2024 and 30 June 2023, all receivables, receivable for units redeemed, cash and short-term deposits were held with counterparties with a credit rating of AA/Aa or higher and were either callable on demand or due to be settled within 1 week. Management considered the probability of default to be close to zero as these instruments had a low risk of default and the counterparties had 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.

#### 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.

In order to manage the Fund's overall liquidity, the Responsible Entity had the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during the period ended 18 March 2024 and year ended 30 June 2023.

During the period ended 18 March 2024, the Fund was exposed to indirect liquidity risk via its investment in the Underlying Fund. The Underlying Fund invests in listed equities. The Fund managed liquidity risk by maintaining sufficient cash balances to meet its obligations.

#### i. Maturities of non-derivative financial liabilities

As at 30 June 2023, all non-derivative financial liabilities of the Fund in the current period had 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);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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. 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.

Inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The Fund's investment in the Underlying Fund is recorded at the net asset value per unit as reported by Somerset Capital Management LLP, the manager of the Underlying Fund. The Fund makes adjustments to the redemption value based on considerations such as the liquidity of the unit trust or its underlying investment, or any restrictions on redemptions and the basis of accounting.

##### b. Recognised fair value measurements

There were no financial assets and financial liabilities as at 18 March 2024.

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 June 2023				
Financial assets				
Unlisted unit trust	-	17,285,950	-	17,285,950
<b>Total financial assets</b>	<b>-</b>	<b>17,285,950</b>	<b>-</b>	<b>17,285,950</b>

##### c. Transfers between levels

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

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

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

The financial instruments not measured at fair value through profit and loss include:

i. Cash and cash equivalents, payable for units purchased /receivable for units redeemed and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying values approximate fair value, because of their short-term nature and the high credit quality of counterparties; and

ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying value of net assets attributable to unit holders approximates their fair value. Any difference is not material in the current period or prior year.

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

	As at	
	18 March 2024	30 June 2023
	\$	\$
Unlisted unit trust	-	17,285,950
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>17,285,950</b>

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

## 6. 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 considered all investments in unlisted unit trust (the "Schemes") to be structured entities. The Fund invested in Schemes for the purpose of capital appreciation and/or earning investment income.

The exposure to investment in unrelated Scheme at fair value is disclosed in the following table:

	Fair value of investment		Interest held	
	18 March 2024 \$	30 June 2023 \$	18 March 2024 %	30 June 2023 %
PFS Somerset EM Dividend Growth Fund	-	17,285,950	-	19.78

The fair value of the Scheme 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 period ended 18 March 2024, total gains/(losses) incurred on the investment in the Scheme was \$467,385 (2023: \$3,326,997). The Fund did not earn distribution income for the period ended 18 March 2024 (2023: nil) as a result of its interest in the Scheme.

## 7. Net assets attributable to unit holders - liability

The Fund's units were classified as a liability as they do not 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 period were as follows:

	For the period		Year ended	
	1 July 2023 to 18 March 2024 Units	1 July 2023 to 18 March 2024 \$	30 June 2023 Units	30 June 2023 \$
<b>Net assets attributable to unit holders</b>				
Opening balance	12,351,784	18,192,586	15,905,836	19,879,514
Applications	183,112	269,555	138,575	186,736
Redemptions	(12,534,896)	(17,904,897)	(3,692,627)	(4,999,582)
Increase/(decrease) in net assets attributable to unit holders	-	(557,244)	-	3,125,918
<b>Closing balance</b>	-	-	12,351,784	18,192,586

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

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

Units were redeemed on demand at the unit holders' option. However, holders of these instruments typically retained 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 considered its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders were classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund was subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions were 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 had 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

There were no distributions declared for the period ended 18 March 2024 and the year ended 30 June 2023.

## 9. Cash and cash equivalents

	As at 18 March 2024 \$	30 June 2023 \$
Cash at bank	21,599	847,195
Cash on hand	-	100,000
<b>Total cash and cash equivalents</b>	<b>21,599</b>	<b>947,195</b>

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

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

	For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
Increase/(decrease) in net assets attributable to unit holders	(557,244)	3,125,918
Proceeds from sales of financial instruments at fair value through profit or loss	17,045,299	5,321,785
Payments for purchase of financial instruments at fair value through profit or loss	(226,734)	(269,403)
Net (gains)/losses on financial instruments at fair value through profit or loss	467,385	(3,326,997)
Net change in receivables	2,545	(411)
Net change in accounts payables	(21,505)	(50,183)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>16,709,746</b>	<b>4,800,709</b>

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

## 11. Receivables

	As at 18 March 2024 \$	30 June 2023 \$
GST receivable	-	2,545
<b>Total receivables</b>	<b>-</b>	<b>2,545</b>

## 12. Payables

	As at 18 March 2024 \$	30 June 2023 \$
Management fees and costs payable	21,599	43,104
<b>Total payables</b>	<b>21,599</b>	<b>43,104</b>

### 13. Remuneration of auditors

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

	For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
<b>Deloitte Touche Tohmatsu</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	10,815	12,593
<b>Total auditor remuneration and other assurance services</b>	<b>10,815</b>	<b>12,593</b>
<i>Taxation services</i>		
Tax compliance services	8,820	10,226
<b>Total remuneration for taxation services</b>	<b>8,820</b>	<b>10,226</b>
<b>Total remuneration for Deloitte Touche Tohmatsu</b>	<b>19,635</b>	<b>22,819</b>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	-	2,346
<b>Total auditor remuneration and other assurance services</b>	<b>-</b>	<b>2,346</b>
<b>Total remuneration for PricewaterhouseCoopers</b>	<b>-</b>	<b>2,346</b>

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

### 14. Related party transactions

The Responsible Entity of Somerset Emerging Markets Dividend Growth 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 Somerset Capital Management LLP to act as Investment Manager, Apex Fund Services Pty Ltd as Administrator and JPMorgan Chase Bank, N.A. to act as Custodian for the Fund. The contracts are on normal commercial terms and conditions.

#### a. Key management personnel

##### i. Directors

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

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	(resigned 9 October 2024)
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)
Johanna E Platt	(appointed 9 October 2024)

##### ii. Responsible Entity

Other than fees paid to 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 period.

#### b. Transactions with key management personnel

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

#### c. Key management personnel unit holdings

The key management personnel did not hold units in the Fund as at 18 March 2024 (30 June 2023: nil).

#### 14. Related party transactions (continued)

##### 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 compensation of key management personnel.

##### e. Key management personnel loans

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

##### f. Other transactions within the Fund

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

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

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

	For the period 1 July 2023 to 18 March 2024 \$	Year ended 30 June 2023 \$
Management fees for the period	-	26,205
Responsible Entity fees for the period	31,643	85,184
Management fees reimbursement for the period	61,063	-
Management fees payable at period end	-	4,481
Responsible Entity fees payable at period end	-	19,344

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.

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

##### 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) held no units in the Fund as at 18 March 2024 (30 June 2023: nil).

##### i. Investments

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

#### 15. Events occurring after the reporting period

The Fund had a residual cash balance as at the termination date representing amounts payable to the auditor of the Fund, which has been paid subsequent to the period end.

No other significant events have occurred since the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 18 March 2024 or on the results and cash flows of the Fund for the period ended on that date.

#### 16. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 18 March 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 21 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 18 March 2024 and of its performance for the financial period ended on that date.
- b. As outlined in Note 1 to the financial statements, the Fund terminated its operations on 18 March 2024 when all units were redeemed out of the Fund; 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 Equity Trustees Limited's Board.



Andrew P Godfrey  
Director

Melbourne  
13 November 2024

## Independent Auditor's Report to the Unit Holders of Somerset Emerging Markets Dividend Growth Fund

### *Opinion*

We have audited the financial report of Somerset Emerging Markets Dividend Growth Fund (the "Fund") which comprises the statement of financial position as at 15 March 2024, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period from 1 July 2023 to 15 March 2024, and notes to the financial statements, including material accounting policy information and other explanatory information, and the Directors' declaration.

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

- giving a true and fair view of the Fund's financial position as at 15 March 2024 and of its financial performance for the Period from 1 July 2023 to 15 March 2024; and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the Period from 1 July 2023 to 15 March 2024, but does not include the financial report and our auditor's report thereon.

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

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



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

The Directors are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report which includes the non-going concern basis of accounting, is appropriate to meet the requirements of Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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.

## *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 judgement and maintain professional scepticism throughout the audit. We also:

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

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



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett  
Partner  
Chartered Accountants

Melbourne, 13 November 2024