

## Appendix 4E

### Annual Financial Report For the year ended 30 June 2019

Name of entity

**Evans & Partners Asia Fund**

ARSN

Reporting Period

Previous Corresponding Period

624 216 404

1 July 2018 to 30 June 2019

1 February 2018 to 30 June 2018

#### Results for announcement to the market

		30-Jun-19
<b>Total net investment income</b> ("revenue from ordinary activities")	Up by 379.1%	\$11,125,026
<b>Net operating profit for the year</b> ("loss from ordinary activities after tax attributable to members")	Up by 296.2%	\$8,593,230
<b>Total comprehensive income</b> ("net profit for the period attributable to members")	Up by 296.2%	\$8,593,230

#### Commentary on results

Refer to attached Annual Report and Financial Statements including the Chairman's Report to Unitholders and Investment Manager's Report. Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements.

#### Distributions

	Amount per security
<b>Interim Distribution (paid on 4 February 2019)</b>	2.6 cents
<b>Final Distribution (paid on 2 August 2019)</b>	2.6 cents
<b>Total Distribution</b>	5.2 cents
<b>Final distribution dates:</b>	
Ex- Distribution date:	Thursday, 27 June 2019
Record date:	Friday, 28 June 2019
Payment date:	Friday, 2 August 2019

There is a distribution reinvestment plan in operation in respect of this distribution. The Fund currently operates a distribution reinvestment plan (DRP) under which unitholders may elect to have all or part of their distribution reinvestment in new units.

#### Net tangible assets per unit

30/06/2018	\$1.23
30/06/2019	\$1.25

#### Earnings per unit

	30 June 2019	30 June 2018
Basic earnings/(loss) per unit	6.74 cents	(3.37 cents)
Diluted earnings/(loss) per unit	6.74 cents	(3.37 cents)

#### Financial Report

This report is based on the 30 June 2019 Annual Report and has been audited by Deloitte Touche Tohmatsu.



## ANNUAL REPORT 2019

FOR THE YEAR ENDED 30 JUNE 2019

RESPONSIBLE ENTITY:

**WALSH & COMPANY**

INVESTMENTS LIMITED

(ACN 152 367 649) (AFSL 410 433)

INVESTMENT MANAGER:

EVANS AND PARTNERS INVESTMENT  
MANAGEMENT PTY LIMITED

(ACN 619 080 045 | CAR 1255 264)

**Evans & Partners Asia Fund****Contents****30 June 2019**

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## Evans & Partners Asia Fund

### Chairman's letter

30 June 2019

Welcome to the Annual Report for the Evans & Partners Asia Fund (**Fund** or **EAF**) for the financial period ended 30 June 2019.

#### Successful completion of first year under new structure

The Evans & Partners Asia Fund was established last year as part of a strategy to restructure the Asian Masters Fund Limited (ACN 127 927 584) (**AUF**) from a fund-of-funds, listed investment company to a direct-equities listed investment trust, EAF (**Restructure**).

The strategy was designed to improve the efficiency of the overall structure, enhance the investment process, and reduce the operating costs of the Fund. We believe that as a result of the Restructure, investors are now better positioned to enjoy the benefits of exposure to Asia ex Japan equities going forward.

We are pleased to have achieved a solid performance for the first full year under the new strategy, during a period of higher volatility in Asian markets. For the 12-months to 30 June 2019, the Fund returned 6.3% on a net tangible asset basis (**NTA**), outperforming its benchmark the MSCI Asia ex Japan Index (**benchmark**) by 1.3%.

#### Capital management and distributions

The Fund targets a cash distribution of 4.0% per annum based on Net Asset Value (**NAV**) (**Target Distribution**), paid semi-annually. Consistent with this, EAF paid distributions of 2.6 cents per ordinary unit for the six-month periods ending 31 December 2018 and 30 June 2019 and has announced a Target Distribution of 2.6 cents per stapled ordinary unit for the six months to 31 December 2019. As part of its active capital management strategy, the Investment Manager also initiated the buyback of 7.8% outstanding units.

#### Portfolio update and performance

Asian markets made positive gains over the 12-months to 30 June 2019, with the MSCI Asia ex Japan Index appreciating 5.0% in AUD terms over the 12-month period. This was despite difficult market conditions, directly arising from the trade negotiations between the United States and China and the impact that this has had on the export dominated markets in the region. Pleasingly, as noted above, the Fund outperformed the Index by 1.3% returning 6.3% on an NTA basis.

The Fund's outperformance was a result of stock selection and an active approach to diversify away from China and trade exposed sectors to an overweight position in consumer stocks. The strength of the emerging Asian consumer, as well as technology meant we were able to take advantage of the local expertise in high-end technology manufacturing and the economic shift to on-line consumption.

The Fund is invested in a diverse range of companies and positioned with a lower risk profile than the market. This should provide some downside protection in volatile markets as well as maintaining exposure to the longer term growth drivers of Asian markets. Many of the companies in the Fund are leaders in their respective markets, and the Investment Manager is committed to continuing to identify the best possible opportunities on a risk adjusted return basis for investors.

After a successful year, we would like to thank you for your continued support and look forward to communicating with you in future about our performance.

Yours faithfully,



Alex MacLachlan  
Chairman

The Evans & Partners Asia Fund (Fund) returned 6.3% in net tangible asset (NTA) terms for the year, outperforming the benchmark by 1.3%.

## **Market Overview**

In the 12 months to 30 June, global share markets rose 12.8%, making it a great year for investors. The primary driver of stock market performance during this time has been strong company profit growth driven by a strong US economy, low unemployment and positive global growth. There was some volatility, with markets falling towards the end of 2018 due to concerns around slowing economic growth, international trade wars, and central bank policies.

The global economy has been strong, with positive real GDP growth, low inflation, and low unemployment. In this stable economic environment, companies have prospered, with strong revenue growth and profitability. Absent political issues, markets would likely be significantly higher.

The most significant political concern is increasing tension between the US and China. This has so far taken the form of aggressive trade negotiations, spilling into a currency dispute, but hopefully no further. The aggressive stance on tariffs is hurting both the US and Chinese economies, through declining exports. Consumers also suffer through higher prices of imports and supply constraints.

The US administration then opened a second front of political risk by attempting to direct monetary policy as well as fiscal. The US Federal Reserve had been increasing interest rates steadily from zero in 2015 to 2.5% in late 2018. We, like many commentators, thought this was excessive, and had hoped they would stop at 2%. The US President came out strongly against the rate increases, and directly pressured the Fed to cut rates. Perhaps unwisely, the Fed suggested they would do so if the trade war threatened the economy. As the trade war then predictably took a turn for the worse, the Fed started to cut rates, admitting they got it wrong in 2018.

The rising rates in the US and lower rates elsewhere has led to a strengthening of the US dollar, which further threatens exports. The Australian dollar is down to 67 US cents in August 2019, from 80 US cents in early 2018 as a result. The Chinese renminbi is only down 5% over the last 12 months, but there is currently market speculation regarding suspected currency manipulation. Heightened risk leads investors to sell currencies from riskier countries, like India, Indonesia, and Malaysia, and this is what we saw as trade negotiations flared.

Strong corporate profits seen over the last 12 months have started to somewhat plateau, partly as a result of the political issues discussed above. Looking forward to the next 12 months, we're closely monitoring these three planks of risk: US/China trade disputes, monetary policy, and currency movements, and in particular how they impact company profits.

Asian regional markets were volatile over the 2019 financial year due to the impact of the US/China trade tariffs, along with local factors including elections and economic variation. The MSCI Asia ex Japan Index was up 5.2% in AUD terms over the 12-month period, however, the market movement during the period was volatile, with a 21% jump from the lowest point in October 2018 to the highest point in May 2019. Market sentiment was driven largely by developments in trade negotiations between the US and China, which have calmed slightly since the latest G20 meeting where the two countries confirmed they would continue to talk through their trade disputes.

The slowdown in global growth and the US-China trade tensions have, on a relative basis, had a greater impact on Greater Chinese markets, with the Shanghai Composite Index up 9%, the Taiwanese market up 7%, but the more tech heavy Shenzhen Composite Index only up 0.1%.

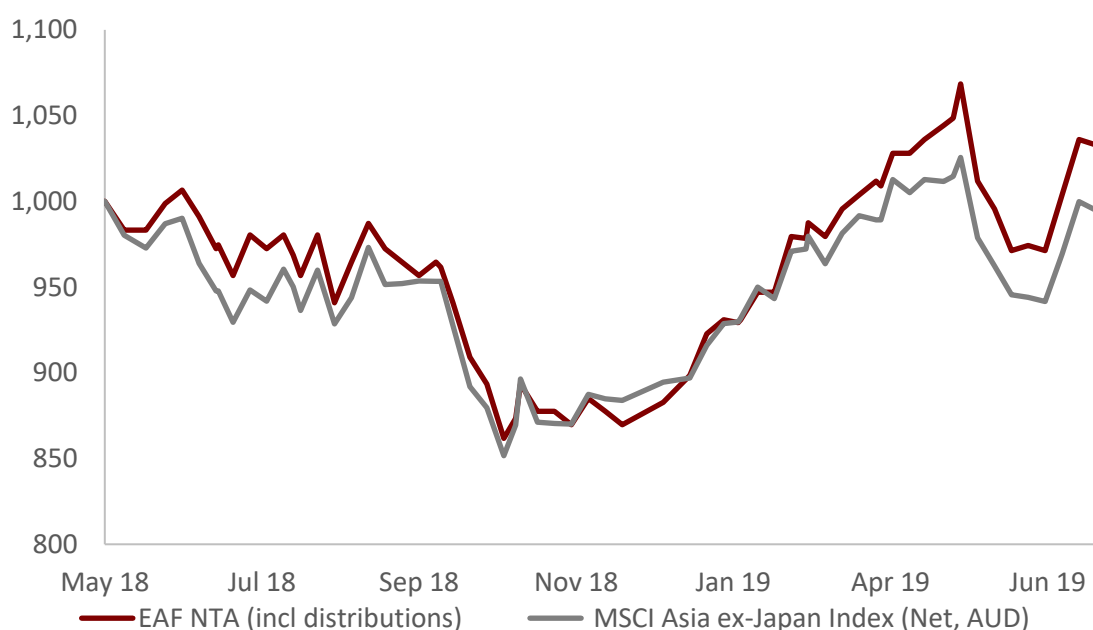
On a sector basis, Real Estate (+20%) benefited from lower interest rates and Communication Services (+15%) saw strong recovery after poor performance, while Healthcare (-20%) was hit by Chinese government regulation, and Consumer Discretionary (-4.6%) was hit by export issues.

On a country basis, Indonesia (+27%) was the best performing market followed by the Philippines (+27%), while Pakistan (-34%) was the worst performing market followed by South Korea (-4.4%). Over the financial year, the regional political landscape changed positively as several elections ended with market-favoured outcomes. Thailand and Indonesia had general elections with incumbent parties winning, which should pave the way for further economic stability and growth in both countries. The landslide win for the ruling BJP party in India resulted in a positive short-term move in Indian equities.

## Fund performance

As noted, the Evans & Partners Asia Fund returned 6.3% in **NTA** terms for the year, outperforming the benchmark by 1.3%. The Fund is overweight Consumer Staples (+4.8%) and underweight Industrials (+10%); however, stock selection within these sectors added significantly to performance. Conversely, having no exposure to Real Estate (+20%) and an overweight position in Healthcare (-20%) detracted from performance. From a country allocation perspective, the Fund's overweight positions in Hong Kong and Indonesia added significantly to relative performance, however, this was partially offset by an overweight position in China (due primarily to trade tensions).

### *EAF performance relative to benchmark since inception*



Source: MSCI, Evans and Partners Investment Management Pty Limited

The best performing stock in the Fund during the financial year was Techtronic Industries (+47%). The Hong Kong-based designer and manufacturer of power tools and vacuum cleaners is taking market share due to superior cordless technology. Other stocks that performed strongly over the year included Chinese liquor producer Kweichow Moutai (+39%) with strong sales growth, Chinese apparel manufacturer Shenzhou (+20%) which produces high-end weaved sports shoes, Indonesian telecom Telekomunikasi Indonesia (+23%) which recovered from SIM registration concerns, and Chinese insurer Ping An (+41%).

The Fund's overweight position in CSPC Pharmaceutical Group (-43%) detracted from performance. CSPC was heavily impacted by Chinese government regulation of the pharmaceutical industry. Other Chinese companies that disappointed over the period included wind farm operator China Longyuan (-34%), which is waiting on the government to pay out subsidies, online broadcaster YY (-27%) was hit by weak profits, and electronic component manufacturer AAC Technologies (-56%) was hurt by wider concern on semiconductor demand.

**Evans & Partners Asia Fund**  
**Investment Manager's Report**  
**30 June 2019**

**Portfolio positioning**

At 30 June 2019, the sector allocation of the portfolio was:

<b>Sector</b>	<b>EAF Weight</b>	<b>MSCI Asia ex Japan Weight</b>
Financials	23.0%	24.2%
Information Technology	20.6%	16.2%
Communication Services	14.0%	12.2%
Consumer Staples	13.8%	5.2%
Consumer Discretionary	13.0%	13.3%
Industrials	4.3%	7.2%
Utilities	4.1%	3.4%
Energy	2.2%	4.4%
Health Care	1.6%	2.8%
Materials	0.0%	4.7%
Real Estate	0.0%	6.4%
Cash	3.4%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* Figures may not reconcile due to rounding.

Source: MSCI, Evans and Partners Investment Management Pty Limited

**At 30 June 2019, the country allocation of the portfolio was:**

<b>Country</b>	<b>EAF Weight</b>	<b>MSCI Asia ex Japan Weight</b>
China	36.5%	36.9%
Hong Kong	15.2%	11.8%
India	12.5%	10.5%
Taiwan	9.3%	12.7%
Singapore	6.3%	4.0%
South Korea	5.6%	14.4%
Indonesia	5.3%	2.5%
Thailand	3.9%	3.5%
Malaysia	1.9%	2.5%
Pakistan	0.0%	0.0%
Philippines	0.0%	1.3%

**Evans & Partners Asia Fund**  
**Investment Manager's Report**  
**30 June 2019**

Country	EAF Weight	MSCI Asia ex Japan Weight
Cash	3.4%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* Figures may not reconcile due to rounding.

Source: MSCI, Evans and Partners Investment Management Pty Limited

**TOP TEN HOLDINGS (AT 30 JUNE 2019)**

Company, listed A to Z	Sector (GICS)
Alibaba Group	Consumer Discretionary
ASM Pacific Technology	Information Technology
HCL Technologies	Information Technology
Kweichow Moutai Co	Consumer Staples
New Oriental Education & Technology Group	Consumer Discretionary
Samsung Electronics Co	Information Technology
Taiwan Semiconductor Manufacturing Co	Information Technology
Techtronic Industries Co	Consumer Discretionary
Tencent Holdings	Communication Services
United Overseas Bank	Financials

At 30 June 2019, the Fund was fully invested in a diversified portfolio of Asia ex Japan stocks. The portfolio was constructed with the objective of outperforming the MSCI Asia ex Japan Index, with a lower risk profile. We aim to protect our clients' capital and hold value during a downturn, while still participating in naturally rising markets. The strategy has proved successful since the Fund's inception, as the portfolio NTA return, inclusive of distributions, outperformed the benchmark.

Major changes to the portfolio through the year include the inclusion of premium liquor producer Kweichow Moutai, the world's biggest pork producer WH Group, Chinese energy company ENN energy, and Indian IT services company HCL Technology. Stocks sold include nappy manufacturer Hengan, semiconductor manufacturer AAC Technology, and luxury cosmetic brand LG Household & Home. In general, we tried to reduce our sensitivity to the trade war over the past 12-months and diversify away from China.

We do not have a style bias, other than seeking excess return relative to risk and accordingly the portfolio constructed has a superior risk to return profile than the benchmark market portfolio. Our portfolio balances growth and value, and is positioned from the top down, but built from the bottom up.

Many of the companies in the Fund's portfolio are leaders in their markets. Alibaba and Tencent are the dominant technology companies in China, along with Baidu, which we do not invest in. Chinese liquor producer Kweichow Moutai is the dominant producer in the champagne of China – a regulated market from a single region. TSMC and ASM Pacific are leaders in semiconductor foundries and back-end equipment, respectively.

From a sector allocation perspective, the portfolio remains significantly overweight consumer stocks, due to the strength of the emerging Asian consumer, as well as technology, taking advantage of the local expertise in high-end technology manufacturing and the economic shift to on-line. The fund is underweight industrials, materials and real estate. We are keen to avoid commodity price exposure.

On a geographic basis, the Fund is overweight Singapore, India, Hong Kong and Indonesia, and underweight Taiwan and Korea. We prefer the more dynamic, share-holder friendly, higher growth economies, that we think outperform in the long-run.

## **Outlook**

We remain confident in the strong fundamentals of the companies in EAF's portfolio and believe we can continue to outperform over the long term. We expect that our defensive positioning should provide downside protection to the portfolio, given the risk of continued market volatility due to trade tensions and the in the United States and the potential for an economic slowdown.

While there is ongoing risk from trade tensions in the region and the potential impact on monetary policy and currencies, ultimately, what matters for stock markets is the profits being generated, and we expect strong profit growth through the next decade. As a result, we are positive on Asian equities relative to other investment opportunities. Economic growth is still strong relative to other regions, and stock valuations are not expensive. We believe Asian stock markets are priced to generate stronger returns than other global regions, and asset classes such as bonds or gold. As a result, we think that Asian stocks should make up a component of a diversified portfolio for Australian investors. Lastly, the Fund invests in Asian companies that are, in our opinion, generally higher quality than the index. These companies typically have a higher exposure to export markets, which in the current environment poses some risk, however in the longer-term we believe that being conservatively positioned in better quality companies will provide a stronger financial outcome.

**Evans & Partners Asia Fund**  
**Corporate Governance Statement**  
**30 June 2019**

Evans & Partners Asia Fund (**Fund**) is a listed managed investment scheme whose units are traded on the Australian Securities Exchange (**ASX**). The Fund has no employees, and its day-to-day functions and investment activities are managed by Walsh & Company Investments Limited (**Responsible Entity**) and Evans & Partners Investment Management Pty Limited (**Investment Manager**), respectively, in accordance with the constitution of the Fund and the investment management agreement.

The directors of the Responsible Entity (**Board**) and the Investment Manager's directors and senior management recognise the importance of good corporate governance. The Fund's corporate governance charter, which incorporates the Fund's policies referred to below (**Corporate Governance Charter**), is designed to ensure the effective management and operation of the Fund and will remain under regular review. The Corporate Governance Charter is available on the Fund's website [asiafund.com.au](http://asiafund.com.au).

A description of the Fund's adopted practices in respect of the eight Principles and Recommendations from the Third Edition of the ASX *Corporate Governance Principles and Recommendations* (**ASX Recommendations**) are set out below. All these practices, unless otherwise stated, were in place for the entire year.

**1. Lay solid foundations for management and oversight**

***Board roles and responsibilities***

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Fund. This involves undertaking the following functions:

- providing and implementing the Fund's strategic direction;
- reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- overseeing the integrity of the Fund's accounting and corporate reporting systems, including the external audit;
- ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- reviewing and overseeing internal compliance and legal regulatory compliance;
- ensuring compliance with the Fund's constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001 (Cth)*;
- overseeing the Fund's process for making timely and balanced disclosures of all material information concerning the Fund; and
- communication with and protecting the rights and interests of all unitholders.

The Board has established a formal policy, specified in Section 2 of the Corporate Governance Charter, which sets out its functions and responsibilities. A review of the policy is conducted annually.

**2. Structure the Board to add value**

***Composition of the Board***

The Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director in office during the reporting period are given in the Directors' Report, including the years in office, skills, experience, and expertise relevant to the position of director.

The directors of the Responsible Entity during the reporting period were:

- **Mr Alex MacLachlan**
- **Mr Warwick Keneally**

- **Mr Mike Adams** (appointment effective 9 July 2018)
- **Mr Tristan O'Connell** (resigned as a director of the Responsible Entity effective 9 July 2018).

Having regard to the size of the Fund and the nature of its business, the Board has determined that a board with three members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Fund. However, the composition of the Board will be reviewed periodically.

The current Board is not independent. The Board however has established a Compliance Committee with a majority of independent members who are responsible for:

- monitoring the extent to which the Responsible Entity complies with the Fund's relevant regulations, compliance plan that has been lodged with the Australian Securities and Investments Commission (**ASIC**) (**Compliance Plan**), constitution and report the findings to the Board;
- reporting to ASIC if the Compliance Committee is of the view that the Responsible Entity has not complied with the Compliance Plan or any relevant laws;
- assessing at regular intervals whether the Fund's Compliance Plan is adequate; and
- making recommendations to the Responsible Entity about any changes that the Compliance Committee considers should be made to the Compliance Plan.

The Fund recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size of the Fund, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Fund and, if required, may establish committees to assist it in carrying out its functions. At that time, the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non- executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001 (Cth)*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Fund. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Fund.

### **3. Act ethically and responsibly**

#### ***Code of conduct***

The Board has adopted a Code of Conduct, as specified in Section 5 of the Corporate Governance Charter, to define the basic principles of business conduct of the Fund and the Responsible Entity. This Code requires the Fund's personnel to abide by the policies of the Fund and the law. The Code of Conduct is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour.

#### ***Unit trading policy***

The Board has established a Unit Trading Policy, as specified in Section 6 of the Corporate Governance Charter, which applies to trading in the Fund's units on the ASX. This policy outlines the permissible dealing of the Fund's units while in possession of price sensitive information and applies to all directors of the Responsible Entity.

The Policy imposes restrictions and notification requirements, including the imposition of discretionary blackout periods, trading windows and the need to obtain pre-trade approval.

#### ***Insider trading policy***

The Board has adopted an Insider Trading Policy, as specified in Section 7 of the Corporate Governance Charter, to apply to trading in the Fund's units on the ASX. This policy applies to all directors, executives and employees of the Responsible Entity. All directors, executives and employees of the Responsible Entity must not deal in the Fund's units while in possession of price sensitive information. In addition, the general Unit Trading Policy (see Section 6 of the Corporate Governance Charter) sets out additional restrictions which apply to directors and executives of the Responsible Entity.

#### 4. Safeguard integrity in corporate reporting

##### *Compliance Committee*

As a registered managed investment scheme, the Fund has a Compliance Plan. The Compliance Plan is reviewed comprehensively every year to ensure that the way in which the Fund operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to ensure the Fund complies with the relevant regulations, its Compliance Plan and its constitution. The Compliance Committee meets and reports to the Board on a quarterly basis.

The Compliance Committee is structured with three members, the majority of which are independent. Details of the Compliance Committee members are as follows:

##### **Mike Adams** (internal member)

Refer to information on directors (page 13).

##### **Barry Sechos** (independent member)

Barry is one of two independent members of the Compliance Committee. Barry is a member of the compliance committee for the New Energy Solar Fund, the Evans & Partners Global Disruption Fund, the Fort Street Real Estate Capital Fund Series, the Cordish Dixon Private Equity Fund Series, the Australian Governance & Ethical Index Fund, the Evans & Partners Global Flagship Fund, the Evans & Partners Australian Flagship Fund, the Venture Capital Opportunities Fund and the US Masters Residential Property Fund.

Barry is a Director of Sherman Group Pty Limited, a privately owned investment company, and is responsible for managing the legal, financial and operational affairs of Sherman Group of companies. Barry has 30 years' experience in corporate law and finance having spent seven years as a banking and finance lawyer at Allens (Sydney, Singapore and London), and eight years as a Director of EquitiLink Funds Management and Aberdeen Asset Management Australia. Barry is also a Director of See Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Concentrated Leaders Fund Limited, an investment company listed on the ASX, Regeneus Limited, an ASX listed biotech company and a Director of Sherman Contemporary Art Foundation, a charitable cultural organisation.

##### **Michael Britton** (independent member)

Michael is one of two independent members of the Compliance Committee. He is a member of the compliance committee for the New Energy Solar Fund, the Fort Street Real Estate Capital Fund Series, the Cordish Dixon Private Equity Fund Series, the Evans & Partners Global Flagship Fund, the Australian Governance & Ethical Index Fund, the Evans & Partners Australian Flagship Fund, the Venture Capital Opportunities Fund and the Evans & Partners Global Disruption Fund. He is also an independent member of Compliance Committees for NorthWest Australia (Scheme 2), Angas Asset Management Fund, Angas Prime and Angas Direct. Michael has over 35 years of commercial and financial services experience, initially with Boral Limited and culminating in 12 years as General Manager of the corporate businesses of The Trust Company Limited (now part of Perpetual Limited) (**The Trust Company**) where he established the company's reputation as a leader in the delivery of independent responsible entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the responsible entity function in both conventional and stapled, ASX listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager (as recognised by ASIC), a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes.

Currently Michael is an independent director on the boards of the now unlisted Westfield Corporation Limited and Westfield America Management Limited (following Unibail Rodamco absorbing the Westfield offshore Shopping Malls). He is an independent director of the unlisted Knights Capital Group Limited, a Perth-based investor and property manager. He is the sole independent director of three special purpose companies involved in high profile wholesale debt capital and securitisation transactions in the aviation and motor vehicle industries and is also a panel member for the Australian Financial Complaints Authority (formerly Financial Ombudsman Services Limited).

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

The Board, having considered their overall responsibilities, the size and structure of the Fund and other duties performed by the Compliance Committee, does not consider it appropriate, at this time, to establish an audit committee.

## **5. Making timely and balanced disclosure**

The Board is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and ASX Listing Rules, as well as releasing relevant information to the market and unitholders in a timely and direct manner to promote investor confidence in the Fund and its securities.

The Fund has adopted a Continuous Disclosure Policy (as specified in Section 4 of the Corporate Governance Charter) to ensure the Fund complies with its continuous disclosure requirements. This policy is administered by the Board and monitored by the Compliance Committee.

## **6. Respect the rights of unitholders**

### ***Rights of unitholders***

The Fund promotes effective communication with unitholders. The Board has developed a strategy within its Continuous Disclosure Policy to ensure that unitholders are informed of all major developments affecting the Fund's performance, governance, activities and state of affairs. This includes using a website to facilitate communication with unitholders. Each unitholder is also provided online access to Boardroom Pty Limited (**Registry**) to allow them to receive communications from, and send communication to, the Responsible Entity and the Registry. Information is communicated through announcements to the ASX, releases to the media and the dispatch of financial reports. Unitholders are provided with an opportunity to access such reports and releases electronically. Copies of all ASX announcements are linked to the Fund's website.

These include:

- monthly net tangible asset backing announcements;
- quarterly investment updates;
- the half-year report;
- the annual report;
- occasional ASX announcements made to comply with the Fund's continuous disclosure requirements; and
- occasional correspondence sent to unitholders on matters of significance to the Fund.

The Board encourages full participation of unitholders at the general meetings to ensure a high level of accountability and identification with the Fund's strategy. Unitholders who are unable to attend the general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

## **7. Recognise and manage risk**

The Board has accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Fund and its operations. It has not established a separate committee to deal with these matters as this responsibility will be undertaken by the Compliance Committee. The Board also monitors and appraises financial performance, including the approval of annual and half-year financial reports and liaising with the Fund's auditor.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes the Board conducts an annual review of its risk management framework to satisfy itself that the framework continues to be sound. A review of the risk management framework took place for the reporting period.

The Responsible Entity provides declarations required by Section 295A of the *Corporations Act 2001 (Cth)* for all financial periods and confirms that in its opinion the financial records of the Fund have been properly maintained and that the financial statements and accompanying notes comply with the Australian Accounting Standards and give a true and fair view of the financial position and performance of the Fund, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Fund's external auditor.

Details of the Fund's financial risk management are set out in the notes to the financial statements in the annual report.

The Fund does not have any material exposure to economic, environmental and social sustainability risks.

**8. Remunerate fairly and responsibly**

***Remuneration policy***

There is no remuneration paid directly to the directors as they are remunerated by the Responsible Entity. In accordance with the Fund's constitution, the Responsible Entity is entitled to a management fee for services rendered. Details of the Fund's related party transactions are disclosed in the notes to financial statements within the annual report. The Fund's constitution is available to unitholders on the Fund's website.

**Evans & Partners Asia Fund**  
**Directors' report**  
**30 June 2019**

The directors of Walsh & Company Investments Limited, the Responsible Entity of Evans & Partners Asia Fund (the **Fund** or **EAF**) present their report together with the annual financial report for the Fund for the period 1 July 2018 to 30 June 2019.

**Directors**

The directors of the Responsible Entity at any time during or since the end of the financial period are listed below:

Alex MacLachlan	
Warwick Keneally	
Mike Adams	Appointed 9 July 2018
Tristan O'Connell	Resigned 9 July 2018

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

**Information on directors**

**Alex MacLachlan**

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company Group to over \$6 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy. Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.

**Warwick Keneally**

Warwick is Interim Chief Financial Officer and Company Secretary of Evans Dixon Limited and Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited.

Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

**Mike Adams**

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-net-worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities. Mike was appointed to the Board of Walsh & Company Investments Limited on 9 July 2018.

Mike is also a director with Barnett Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.

**Tristan O'Connell**

Tristan was Group Chief Financial Officer and Company Secretary for Evans Dixon Limited until 8 July 2019 and was Director of Walsh & Company Investments Limited until 9 July 2018.

**Evans & Partners Asia Fund**  
**Directors' report**  
**30 June 2019**

Tristan has Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is Fellow of the Financial Services Institute of Australasia.

**Principal activities**

The Fund is a registered managed investment scheme structured as a closed end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange (**ASX**) (ticker code: **EAF**). It was registered on 16 February 2018. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 15, 100 Pacific Highway, North Sydney, NSW, 2060.

The principal activity of the Fund during the financial period was to provide investors with attractive risk-adjusted returns over the long-term by investing in high-quality companies in the Asia ex Japan region.

There were no significant changes in the nature of this activity during the period.

**Review of operations**

**a) Financial results for the period**

The performance of the Fund, as represented by the result of its operations for the relevant period ended 30 June, was as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Results</b>		
Total investment income/(loss) (\$)	11,125,026	(3,986,218)
Total expenses (\$)	(2,531,796)	(394,668)
Net profit/(loss) (\$)	<u>8,593,230</u>	<u>(4,380,886)</u>
	<b>2019</b>	<b>2018</b>
<b>Distribution</b>		
Distribution - (\$)	6,481,829	3,372,790
Distribution (cents per unit)	5.2	2.6
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Net asset value</b>		
Net Asset Value Per Unit (dollars per unit)	<u>1.25</u>	<u>1.23</u>

**b) Performance returns**

The performance returns shown in the table below are for the period 1 July 2018 to 30 June 2019, and have been calculated using the net asset value per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions. The returns are calculated monthly and compounded to produce longer period returns.

	<b>2019</b>
	<b>%</b>
<b>Performance</b>	
Growth return (i)	1.7
Distribution return (ii)	<u>4.6</u>
Total return (iii)	<u>6.3</u>

- (i) The Growth return is calculated as a percentage by dividing the end of period net asset value per unit by the net asset value per unit at the start of the period minus 1.
- (ii) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.
- (iii) The Total return is calculated as a percentage by dividing the end of period net asset value per unit (cum-distribution) by the net asset value per unit at the start of the period minus 1.

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

There were no significant changes in the state of affairs of the Fund during the financial period.

#### **Likely developments and expected results of operations**

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Fund's Product Disclosure Statement dated 23 March 2018. The method of operating the Fund is not expected to change in the foreseeable future, however the results of the Fund's operations may 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.

#### **Indemnity and insurance**

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage expense or other liability incurred by it in properly performing or exercising any of its power, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial period, for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for the auditor of the Fund.

#### **Environmental regulation**

The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

#### **Interests held by the Responsible Entity and Directors**

The number of units in the Fund held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in note 14 to the financial statements.

#### **Interests in the Fund**

The movement in units on issue in the Fund during the financial period is disclosed in note 10 of the financial statements.

The values of the Fund's assets are disclosed on the Statement of Financial Position and derived using the basis set out in note 3 of the financial statements.

#### **Fees paid to the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the financial 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 financial period.

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

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

#### **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 immediately after this directors' report.

**Evans & Partners Asia Fund**  
**Directors' report**  
**30 June 2019**

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Alex MacLachlan  
Chairman

28 August 2019

The Board of Directors  
Walsh & Company Investments Limited  
as Responsible Entity for:  
Evans & Partners Asia Fund  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060

28 August 2019

Dear Board Members

## **Evans & Partners Asia 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 the Responsible Entity of Evans & Partners Asia Fund.

As lead audit partner for the audit of the financial statements of the Evans & Partners Asia Fund for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

**Evans & Partners Asia Fund**  
**Statement of profit or loss and other comprehensive income**  
**For the period ended 30 June 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Investment income</b>			
Dividend and distribution income		3,386,298	848,565
Interest income		22,253	8,920
Net change on financial assets at fair value through profit or loss		7,709,077	(5,382,692)
Net foreign currency gains		7,398	538,989
Total net investment income/(loss)		<u>11,125,026</u>	<u>(3,986,218)</u>
<b>Expenses</b>			
Management fees	14	(1,836,628)	(258,254)
Performance fees	14	(522,579)	-
Investment transaction costs		(172,589)	(129,075)
Other expenses		-	(7,339)
Total expenses		<u>(2,531,796)</u>	<u>(394,668)</u>
<b>Profit/(loss) before income tax expense</b>		8,593,230	(4,380,886)
Income tax expense		-	-
<b>Profit/(loss) after income tax expense for the period</b>		8,593,230	(4,380,886)
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income/(loss) for the period</b>		<u><u>8,593,230</u></u>	<u><u>(4,380,886)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per unit	6	6.74	(3.37)
Diluted earnings/(loss) per unit	6	6.74	(3.37)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Evans & Partners Asia Fund**  
**Statement of financial position**  
**As at 30 June 2019**

	<b>Note</b>	<b>2019</b> <b>\$</b>	<b>2018</b> <b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	7	5,263,411	10,126,745
Receivables	8	798,810	813,085
Financial assets	9	<u>150,226,366</u>	<u>152,659,377</u>
<b>Total assets</b>		<u>156,288,587</u>	<u>163,599,207</u>
<b>Liabilities</b>			
Payables	10	791,362	258,257
Distributions payable		<u>3,167,727</u>	<u>3,372,790</u>
<b>Total liabilities</b>		<u>3,959,089</u>	<u>3,631,047</u>
<b>Net assets</b>		<u>152,329,498</u>	<u>159,968,160</u>
<b>Equity</b>			
Issued capital	11	157,971,773	167,721,836
Accumulated losses		<u>(5,642,275)</u>	<u>(7,753,676)</u>
<b>Total equity</b>		<u>152,329,498</u>	<u>159,968,160</u>

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

**Evans & Partners Asia Fund**  
**Statement of changes in equity**  
**For the period ended 30 June 2019**

	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 February 2018	-	-	-
Loss after income tax expense for the period	-	(4,380,886)	(4,380,886)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(4,380,886)	(4,380,886)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued capital (note 11)	170,745,280	-	170,745,280
Unit buybacks (note 11)	(773,636)	-	(773,636)
Issue and buyback costs (note 11)	(2,249,808)	-	(2,249,808)
Distributions paid (note 5)	-	(3,372,790)	(3,372,790)
Balance at 30 June 2018	<u>167,721,836</u>	<u>(7,753,676)</u>	<u>159,968,160</u>
	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	167,721,836	(7,753,676)	159,968,160
Profit after income tax expense for the period	-	8,593,230	8,593,230
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	8,593,230	8,593,230
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued capital (note 11)	2,214,006	-	2,214,006
Unit buybacks (note 11)	(11,933,489)	-	(11,933,489)
Issue and buyback costs (note 11)	(30,580)	-	(30,580)
Distributions paid (note 5)	-	(6,481,829)	(6,481,829)
Balance at 30 June 2019	<u>157,971,773</u>	<u>(5,642,275)</u>	<u>152,329,498</u>

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

**Evans & Partners Asia Fund**  
**Statement of cash flows**  
**For the period ended 30 June 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest received		22,662	6,021
Dividends received		3,206,546	284,089
Tax refund received		318,562	-
Management and administration fees paid		(2,304,013)	-
Net cash from operating activities	15	<u>1,243,757</u>	<u>290,110</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(27,066,946)	(141,851,015)
Proceeds from disposal of investments		<u>37,026,501</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>9,959,555</u>	<u>(141,851,015)</u>
<b>Cash flows from financing activities</b>			
Receipt of funds from Asian Masters Fund Limited	11	-	154,495,938
Payment of issue and buyback costs		(30,580)	(2,414,428)
Payment for units bought back		(11,630,151)	(773,636)
Distributions paid	5	<u>(4,472,886)</u>	<u>-</u>
Net cash (used in)/from financing activities		<u>(16,133,617)</u>	<u>151,307,874</u>
Net (decrease)/increase in cash and cash equivalents		(4,930,305)	9,746,969
Cash and cash equivalents at the beginning of the financial period		10,126,745	-
Effects of exchange rate changes on cash and cash equivalents		<u>66,971</u>	<u>379,776</u>
Cash and cash equivalents at the end of the financial period	7	<u><u>5,263,411</u></u>	<u><u>10,126,745</u></u>

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

## **1. General information**

Evans & Partners Asia Fund is a registered managed investment scheme domiciled in Australia. The investment objective of the Fund is to provide investors with attractive risk-adjusted returns over the long-term by investing in high-quality companies in the Asia ex Japan region.

The comparative financial period is the year from date of constitution 1 February 2018 to 30 June 2018.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2019. The directors have the power to amend and reissue the financial statements.

## **2. New Accounting Standards and Interpretations**

### *Adoption of new and revised Accounting Standards*

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) which are expected to be applicable to the Fund which are relevant to its operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Fund include:

- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective Date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB 15'

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules does not have a material impact on the Fund.

AASB 15 replaces AASB 118 'Revenue', AASB 111 'Construction Contracts' and several revenue-related interpretations. There are no material changes to the timing or manner of recognition of the Fund's key revenues as interest revenue, dividend and distribution income and investment gains/(losses) are excluded from the scope of AASB 15.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the current financial period that have a material impact on the Fund.

### *Accounting Standards and Interpretations issued but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Fund.

### Annual Improvements to IFRS Standards 2015-2017 Cycle

The interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. The adoption of this standard from 1 July 2019 will not have a material impact on the Fund.

### Amendments to References to the Conceptual Framework in IFRS Standards

The Standard is applicable to annual reporting periods beginning on or after 1 January 2020. The adoption of this standard from 1 July 2020 is yet to be determined.

## **3. Significant accounting policies**

### **Basis of preparation**

The financial statements have been prepared on an accrual basis and are based on historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

### 3. Significant accounting policies (continued)

#### Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The following accounting policies have been adopted in the preparation and presentation of the financial report.

#### Foreign currency translation

The functional and presentation currency of the Fund is Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

#### Investment income

##### *Dividend/distribution income*

Distribution income is recognised when the right to receive a distribution has been established, gross of any non-recoverable related foreign withholding tax.

##### *Interest income*

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Net change in fair value of investments*

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### Taxes

##### *Income tax*

Under current Australian income tax laws, the Fund is not liable to pay income tax provided its distributable income for each income year is fully distributed to Unitholders, by way of cash or reinvestment.

The Fund primarily invests in non-Australian securities and may incur reclaimable withholding tax by certain countries on investment income and realised gains. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income.

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The Fund qualifies for reduced input tax credits at a minimum of 55%.

### **3. Significant accounting policies (continued)**

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

#### **Financial instruments**

Financial Instruments, incorporating financial assets and financial liabilities, are recognised on trade date, when the Fund becomes a party to the contractual provisions of the instrument.

AASB 9 includes requirements for the classification and measurement of financial assets and liabilities.

#### *Financial assets*

Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial assets not at fair value through profit or loss, including receivables, are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method and are assessed for impairment based on the expected credit loss model.

#### *Financial liabilities*

Financial liabilities are classified as derivative or non-derivative instruments as appropriate. Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial liabilities not at fair value through profit or loss are measured initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire.

#### *Fair value*

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price. If a quoted market price is not available on a recognised securities exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques. Valuation techniques used include recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flows techniques, option pricing models, and other valuation techniques commonly used by market participants.

#### **Issued capital**

##### *Ordinary units*

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of the ordinary units are recognised as a deduction from equity.

### 3. Significant accounting policies (continued)

#### *Distributions to unitholders*

Distributions to unitholders are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Board of the Responsible Entity on or before the end of the financial period. A distribution payable is recognised in the Statement of Financial Position where the amount is not yet distributed at balance date.

#### **Distributions**

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the board of the Responsible Entity on, or before, the end of the financial period, but not distributed at balance sheet date.

#### **Earnings per unit**

##### *Basic and diluted earnings per unit*

Basic earnings per unit is determined by dividing the profit or loss excluding any cost of servicing equity other than ordinary units by the weighted average number of ordinary units outstanding during the financial period. Diluted earnings per unit is the same as basic earnings per unit because there are no dilutive potential ordinary units.

#### **Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best-available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Fund.

### 4. Operating segments

The Fund operates in Australia. Its investments are managed on a single portfolio basis and in one business segment being equity investment. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

### 5. Distributions

Distributions paid or declared during the financial period were as follows:

	2019 \$	2018 \$
Distribution - 2.6 cents per unit paid on 3 August 2018	-	3,372,790
Distribution - 2.6 cents per unit paid on 4 February 2019	3,314,102	-
Distribution - 2.6 cents per unit paid on 2 August 2019	3,167,727	-
	<u>6,481,829</u>	<u>3,372,790</u>

#### *Distribution Reinvestment Plan (DRP)*

The Fund's DRP was available to eligible unitholders during the period ended 30 June 2019.

Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund. Units are issued and/or transferred to DRP participants at a price that is determined by the RE in accordance with the DRP Rules.

Investors who participated in the DRP received units at an issue price that includes a 5% discount to the Net Asset Value (NAV) per unit. The full cost of the discount will be paid for by the RE in its personal capacity and is recognised as a receivable in the Statement of Financial Position.

## 6. Earnings per unit

	2019 \$	2018 \$
Profit/(loss) after income tax	<u>8,593,230</u>	<u>(4,380,886)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>127,420,601</u>	<u>130,139,466</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>127,420,601</u>	<u>130,139,466</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per unit	6.74	(3.37)
Diluted earnings/(loss) per unit	6.74	(3.37)

## 7. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank	<u>5,263,411</u>	<u>10,126,745</u>

## 8. Receivables

	2019 \$	2018 \$
Unsettled trades	-	49,630
Other receivables	61	31,460
Dividends receivable	744,228	564,476
Interest receivable	2,491	2,899
GST receivable	<u>52,030</u>	<u>164,620</u>
	<u>798,810</u>	<u>813,085</u>

## 9. Financial assets

	2019 \$	2018 \$
Equity investments - listed	144,203,412	136,170,272
Managed funds - unlisted	<u>6,022,954</u>	<u>16,489,105</u>
	<u>150,226,366</u>	<u>152,659,377</u>

Refer to note 13 for further information on fair value measurement.

The market values of the individual investments held at the end of the reporting period are set out immediately before the Unitholder Information.

**Evans & Partners Asia Fund**  
**Notes to the financial statements**  
**30 June 2019**

**10. Payables**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Unsettled buybacks	303,338	-
Accrued expenses	156,272	258,257
Accrued performance fee	331,752	-
	<u>791,362</u>	<u>258,257</u>

Refer to note 12 for further information on financial instruments.

**11. Issued capital**

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>\$</b>
Ordinary units - fully paid	<u>121,537,703</u>	<u>129,722,701</u>	<u>157,971,773</u>	<u>167,721,836</u>

*Movements in ordinary unit capital*

<b>Details</b>	<b>Date</b>	<b>Units</b>	<b>\$</b>
Balance	1 February 2018	10	10
Redemption of ordinary units (i)	11 May 2018	(10)	(10)
Issue of ordinary units (ii)	11 May 2018	130,344,777	170,745,280
Unit buybacks		(622,076)	(773,636)
Issue and buyback costs		<u>-</u>	<u>(2,249,808)</u>
Balance	30 June 2018	129,722,701	167,721,836
Issue of ordinary units at \$1.17 per unit (distribution reinvested)	3 August 2018	978,762	1,145,819
Issue of ordinary units at \$1.08 per unit (distribution reinvested)	4 February 2019	988,532	1,068,187
Unit buybacks		(10,152,292)	(11,933,489)
Buyback costs		<u>-</u>	<u>(30,580)</u>
Balance	30 June 2019	<u>121,537,703</u>	<u>157,971,773</u>

(i) 10 nominal ordinary units were redeemed at \$1.00 on completion of restructure.

(ii) In respect of the Restructure completed on 11 May 2018, 130,344,777 ordinary units were issued at \$1.31 per unit. Cash totalling \$154,495,938 and financial assets at fair value totalling \$16,249,342 was received from Asian Masters Fund Limited.

*Ordinary units*

All issued units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions declared from time to time by the Responsible Entity.

*Unit buy-back*

There is a current on-market unit buy-back.

*Capital risk management*

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to \$157,971,773 net of issue and buyback costs. The Fund is not subject to any externally imposed capital requirements.

## 12. Financial instruments

### Financial risk management

The Fund's financial instruments primarily comprises listed equity investments, unlisted investments and deposits with banks. The Fund's investment objective is to provide investors with attractive risk-adjusted returns over the long-term by investing in high-quality companies in the Asia ex Japan region. The main risks the Fund is exposed to through its financial instruments are market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

### Market risk

#### Foreign currency risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in US dollars (**USD**), Hong Kong dollars (**HKD**), Korean won (**KRW**), Taiwanese dollars (**TWD**), Singaporean dollars (**SGD**), Indonesian Rupiah (**IDR**), Thai baht (**THB**), Indian rupee (**INR**), Malaysian ringgit (**MYR**) and Chinese yuans (**CNY**). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Fund's financial assets or liabilities denominated in currencies other than the Australian dollar.

The Fund's total net exposure to fluctuations in foreign currency exchanges rates at Statement of Financial Position date was:

	2019 \$	2018 \$	2019 %	2018 %
HKD	57,455,038	57,801,410	37%	35%
USD	28,345,574	46,898,165	18%	29%
TWD	14,774,470	16,601,158	10%	10%
INR	13,395,641	-	9%	-
SGD	9,869,144	9,313,510	6%	6%
KRW	8,784,898	16,340,471	6%	10%
IDR	8,264,593	7,296,726	5%	4%
THB	6,130,687	4,162,239	4%	3%
CNY	5,177,165	4,586,633	3%	3%
MYR	2,932,122	-	2%	-
	<u>155,129,332</u>	<u>163,000,312</u>		

The remaining net carrying value of the Fund's financial assets and financial liabilities not disclosed above are in Australian dollars (**AUD**).

The Fund has performed sensitivity analysis relating to its exposure to its currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which would result from a change in these risks on financial assets and financial liabilities which with all other variables remaining constant, would be as follows:

	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
2019						
Financial assets and financial liabilities	5%	<u>(7,387,111)</u>	<u>(7,387,111)</u>	(5%)	<u>8,164,702</u>	<u>8,164,702</u>

## 12. Financial instruments (continued)

2018	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Financial assets and financial liabilities	5%	<u>(7,761,920)</u>	<u>(7,761,920)</u>	(5%)	<u>8,578,964</u>	<u>8,578,964</u>

### Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual securities. The equity price risk exposure arises from the Fund's investments in equity securities. The Investment Manager manages the Fund's equity price risk in accordance with the Fund's investment objectives and policies, as detailed in the current Product Disclosure Statement.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect investment income.

The following table illustrates the effect on profit before tax and equity from possible changes in the value of equity investments, with all other variables remaining constant.

2019	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Equity investments	5%	<u>7,511,318</u>	<u>7,511,318</u>	(5%)	<u>(7,511,318)</u>	<u>(7,511,318)</u>

2018	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Equity investments	5%	<u>7,632,969</u>	<u>7,639,969</u>	(5%)	<u>(7,632,969)</u>	<u>(7,632,969)</u>

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk on its variable rate cash deposits. The Fund currently does not hedge against this exposure.

The Fund's exposure to interest rate risk is limited to cash deposits. At 30 June 2019, approximately 96.2% of the financial assets were non-interest bearing and 3.8% of the financial assets were at a floating rate, represented by the cash and cash equivalents balance on the Statement of Financial Position

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on financial assets that are subject to variable interest rates:

2019	1% increase		1% decrease	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash at bank	<u>52,634</u>	<u>52,634</u>	<u>(52,634)</u>	<u>(52,634)</u>

## 12. Financial instruments (continued)

2018	1% increase		1% decrease	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Cash at bank	101,267	101,267	(101,267)	(101,267)

The Fund does not hold significant cash balances exposed to interest rates in other currencies and does not have any borrowings or other financial liabilities or assets with direct exposure to changes in interest rates.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund is exposed to credit risk primarily from cash and cash equivalents. Other credit risk arising from outstanding settlements is considered small due to the short settlement periods involved.

The Fund has adopted a policy of only dealing with creditworthy counterparties and ensures deposits are made with reputable financial institutions.

The clearing and depository operations of the Fund's security transactions are mainly concentrated with one counterparty, JP Morgan. As at 30 June 2019, all investments and substantially all cash is held in custody by JP Morgan, which holds a credit rating of A+ (Moody's rating). The remaining cash at 30 June 2019 is held in custody by Walsh & Company Investments Limited.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

	2019 \$	2018 \$
<b>Summary of exposure</b>		
Cash and cash equivalents	5,263,411	10,126,745
GST receivable	52,030	164,620
Dividends receivable	744,228	564,476
Interest receivable	2,491	2,899
Other receivables	61	31,460
Unsettled trades	-	49,630
	<u>6,062,221</u>	<u>10,939,830</u>

### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's exposure to liquidity risk is minimal. The risk is managed by ensuring sufficient cash and cash equivalents is maintained to meet ongoing operating requirements and investments are primarily held in actively traded markets. The majority of the Fund's listed securities are considered readily realisable as they are listed on global Stock Exchanges.

### **Remaining contractual maturities**

The following are contractual maturities of financial liabilities:

## 12. Financial instruments (continued)

	6 months or less \$	6 months to 1 year \$	Remaining contractual maturities \$
<b>2019</b>			
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Payables	(488,024)	-	(488,024)
Distribution payable	(3,167,727)	-	(3,167,727)
Total non-derivatives	(3,655,751)	-	(3,655,751)
	6 months or less \$	6 months to 1 year \$	Remaining contractual maturities \$
<b>2018</b>			
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Payables	(258,257)	-	(258,257)
Distribution payable	(3,372,790)	-	(3,372,790)
Total non-derivatives	(3,631,047)	-	(3,631,047)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### **Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 13. Fair value measurement

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the Statement of Financial Position and in the notes to the financial statements.

The fair values of:

- other assets and other liabilities approximate their carrying value;
- listed securities included in "Equity Investments" are readily traded on global Stock Exchanges in a standardised form. The net fair value of listed securities is determined by valuing them at the last quoted sale price as at the end of the reporting period.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2019</b>				
<i>Financial assets at fair value through profit or loss</i>				
Equity investments - listed	144,203,412	-	-	144,203,412
Managed funds - unlisted	-	6,022,954	-	6,022,954
Total assets	144,203,412	6,022,954	-	150,226,366

### 13. Fair value measurement (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2018</b>				
<i>Financial assets at fair value through profit or loss</i>				
Equity investments - listed	136,170,272	-	-	136,170,272
Managed funds - unlisted	-	16,489,105	-	16,489,105
Total assets	136,170,272	16,489,105	-	152,659,377

The Fund determines Level 2 fair values for unlisted investments at the redemption price at balance date. For unlisted investments, where there is no organised financial market, the net fair value has been based on reasonable estimation of underlying net assets of the investments.

There were no transfers between levels during the financial period.

### 14. Related party transactions

#### *Key management personnel*

During the financial period, Alex MacLachlan, Tristan O'Connell, Mike Adams and Warwick Keneally were directors of the Responsible Entity, Walsh & Company Investments Limited, and were deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

As at the reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

	2019	2018
Alex MacLachlan	30,308	30,308
Warwick Keneally	7,811	7,463
	<u>38,119</u>	<u>37,771</u>

#### *Related party investments in the Fund*

The Responsible Entity or its associates does not hold any investments in the Fund.

#### *Responsible Entity fee*

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. As Responsible Entity, Walsh & Company Investments Limited charged a Responsible Entity fee of 0.10% per annum of the gross asset value of the Fund (inclusive of the net effect of GST).

Total Responsible Entity fee paid or payable to the Responsible Entity for the period ended 30 June 2019 was \$36,713 (2018: \$21,988), exclusive of GST, and recognised as management fees in profit or loss.

#### *Investment Management fee*

The Investment Manager provides investment management services to the Fund, including overseeing the assessment of market conditions and investment opportunities, the selection and recommendation of investments, monitoring the Funds' investment portfolio, and determining and recommending the retention or sale of investment in the Fund's portfolio.

In connection with the provision of services as Investment Manager, Evans and Partners Investment Management Pty Limited, a related party of the Responsible Entity, received an Investment Management fee of 1.25% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

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

Total Investment Management fee paid or payable to the related party of the Responsible Entity for the period ended 30 June 2019 was \$1,772,747 (2018: \$258,392), exclusive of GST, and recognised as management fees in profit and loss.

##### *Brokerage fees*

ED Operations Pty Ltd, a related party of the Responsible Entity, is engaged as a broker by the Fund, receives brokerage of 0.25% on all transactions undertaken as part of the Fund's buy-back program.

Total brokerage fees paid or payable to the related party of the Responsible Entity for the period ended 30 June 2019 were \$29,834 (2018: \$1,934), exclusive of GST.

##### *Performance fees*

The Investment Manager may be paid a performance fee of 10% (inclusive of the net effect of GST) of the excess return of the Fund above the higher of the MSCI Asia ex Japan Net Total Return Index and the yield of 10-year US Government Bonds over each six month-period ending 31 March and 30 September in each year.

Total performance fees paid or payable to the related party of the Responsible Entity for the period ended 30 June 2019 was \$521,782 (2018: nil), exclusive of GST, and recognised as performance fees in profit and loss.

##### *Custodial services*

Effective 13 December 2018, the Responsible Entity entered into a custody arrangement with Walsh & Company Investments Limited in its personal capacity (**Custodian**) to provide custodial services, together with JP Morgan, to the Fund. The Responsible Entity has agreed to bear the cost of the custodial services and, as such, there were no custody fees paid out of the assets of the Fund.

##### *Fund Administration fees*

Australian Fund Accounting Services Pty Limited, a related party of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity has agreed to bear the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

#### **15. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax expense for the period	8,593,230	(4,380,886)
Adjustments for:		
Net fair value loss/(gain) on financial assets	(7,709,077)	5,382,692
Foreign exchange differences	(7,398)	(538,989)
Transaction costs, including GST	172,589	129,075
Change in operating assets and liabilities:		
Increase in receivables	(35,354)	(567,379)
Decrease in other assets	-	7,340
Increase in payables	229,767	258,257
Net cash from operating activities	<u>1,243,757</u>	<u>290,110</u>

# **16. Remuneration of auditors**

During the financial period the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Fund:

	2019 \$	2018 \$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	38,300	38,229
<i>Other services - Deloitte Touche Tohmatsu</i>		
Taxation services	4,500	-
Investigating Accountant's Report	-	36,050
	4,500	36,050
	42,800	74,279

Walsh & Company Investments Limited, the Responsible Entity of the Fund, has agreed to bear the above fees paid to Deloitte Touche Tohmatsu.

# **17. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

**Evans & Partners Asia Fund**  
**Directors' declaration**  
**30 June 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Alex MacLachlan  
Chairman

28 August 2019

## **Independent Auditor's Report to the unitholders of Evans & Partners Asia Fund**

### *Opinion*

We have audited the financial report of Evans & Partners Asia Fund (the "Fund") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 Walsh & Co Investments Limited (the "Responsible Entity"), 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.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Existence and valuation of equity investments held at fair value through profit or loss</i></p> <p>As at 30 June 2019, the Fund's equity investments held at fair value through profit or loss comprised of equity investments in listed entities totalling \$144.2 million as disclosed in Note 9.</p> <p>These are the Fund's largest assets and they represent the most significant driver of the Fund's performance.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the key processes adopted by management to determine the existence and fair value of the Fund's listed equity investments;</li> <li>• Agreeing on a sample basis, the investment holdings to external custodian holdings statement; and</li> <li>• Agreeing on a sample basis, the fair value of listed equity investments to an observable pricing source.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 9 and 13 to the financial statements.</p>

#### *Other Information*

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the period ended 30 June 2019, 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

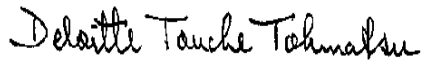
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 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 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 28 August 2019

**Evans & Partners Asia Fund**  
**Investments at market value**  
**30 June 2019**

**Investments**

Investments held as at 30 June 2019:

	Market value \$	Percentage of total %
AIA Group Ltd	4,453,528	3%
Alibaba Group Holding Ltd	7,965,598	5%
ASM Pacific Technology Ltd	4,812,162	3%
Bank Central Asia Tbk PT	4,085,164	3%
Bank of China Ltd	2,857,221	2%
China Longyuan Power Group Corp Ltd	2,876,634	2%
CNOOC Ltd	3,372,815	2%
CP ALL PCL	6,130,687	4%
CSPC Pharmaceutical Group Ltd	2,468,967	2%
Ctrip.com International Ltd	2,996,966	2%
Dabur India Ltd	3,000,362	2%
ENN Energy Holdings Ltd	3,492,390	2%
Hang Seng Bank Ltd	3,899,856	3%
HCL Tech Ltd	6,019,956	4%
HDFC Bank Ltd	4,348,631	3%
Industrial & Commercial Bank of China Ltd	2,805,271	2%
Kweichow Moutai Co Ltd	5,109,246	3%
Malayan Banking Bhd	2,932,122	2%
NAVER Corp	3,862,645	3%
New Oriental Education & Technology Group Inc	4,471,296	3%
Ping An Insurance Group Co of China Ltd	4,701,883	3%
Samsung Electronics Co Ltd	4,922,254	3%
Shenzhou International Group Holdings Ltd	4,502,652	3%
Singapore Telecommunications Ltd	4,642,594	3%
Steadview Capital Fund	6,022,954	4%
Taiwan Semiconductor Manufacturing Co Ltd	10,972,363	7%
Techtronic Industries Co Ltd	6,758,171	5%
Telekomunikasi Indonesia Persero Tbk PT	4,179,429	3%
Tencent Holdings Ltd	6,427,152	4%
Uni-President Enterprises Corp	3,511,959	2%
United Overseas Bank Ltd	5,226,550	4%
WH Group Ltd	3,666,867	2%
YY Inc	2,730,021	2%
	<u>150,226,366</u>	

**Transactions**

The total number of transactions in securities during the reporting period was 57.

## Evans & Partners Asia Fund

### Unitholder information

30 June 2019

The unitholder information set out below was applicable as at 31 July 2019.

#### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary units
1 to 1,000	40
1,001 to 5,000	81
5,001 to 10,000	249
10,001 to 100,000	2,626
100,001 and over	179
	<u>3,175</u>
Holding less than a marketable parcel	<u>27</u>

#### Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary units % of total units issued
DR PHILLIP SELDON COCKS & MRS PRISCILLA JANE COCKS P S COCKS PRACTICE S/F A/C	762,892	0.64
C & J VONWILLER 2 PTY LTD VONWILLER SUPER FUND A/C	539,657	0.45
ALDACK PTY LTD DIXON FAMILY S/F A/C	520,000	0.43
J & V KING PTY LTD JOHN G. KING S/F A/C	434,266	0.36
ROSEBANK STAFF SUPER FUND PTY LTD ROSEBANK STAFF S/FUND A/C	421,535	0.35
DUBS FAMILY SUPER PTY LTD THE A & RV DUBS S/F A/C	292,948	0.24
LPZR PTY LTD MARGATE INVESTMENT A/C	257,484	0.22
THEROPOD PTY LTD AM AND YC THOMSON S/F A/C	249,669	0.21
MR ROBIN ROWE & MS JANET MATTON FUTURESIFT SUPER FUND A/C	240,811	0.20
INTEGRITY SUPER PTY LTD DEVABALINI SUPER FUND A/C	239,800	0.20
MR DESMOND ROBERT CHURCH & MS JANE FLORENCE CLIFFORD DEJADOO SUPER FUND A/C	226,836	0.19
MRS LORRAINE MARY HAWES & MR DAVID CHARLES HAWES HAWES FAMILY SUPER FUND A/C	225,000	0.19
DOWJEN PTY LIMITED DOWJEN SUPER FUND A/C	225,000	0.19
JM & JE MCKENNA PTY LTD JM & JE MCKENNA S/FUND A/C	225,000	0.19
SILKZINC PTY LTD J & J KRUGER SUPER FUND A/C	224,562	0.18
KERMDOWNES PTY LTD KE DOWNES PROVIDENT FUND A/C	221,976	0.18
HOLMALL PTY LTD HELEN & ROGER ALLNUTT SF A/C	220,739	0.18
ASSESS PTY LTD ARISTIDES FAMILY A/C	216,664	0.18
ISS NOMINEES PTY LIMITED ISS SUPERANNUATION FUND A/C	214,011	0.18
MR MICHAEL KEATING & MRS ROSEMARY JEAN KEATING M & R KEATING SUPER FUND A/C	211,715	0.18
	<u>6,170,565</u>	<u>5.14</u>

**Evans & Partners Asia Fund**  
**Unitholder information**  
**30 June 2019**

*Unquoted equity securities*

There are no unquoted equity securities.

**Substantial holders**

There are no substantial holders in the Fund.

**Voting rights**

The voting rights attached to ordinary units are set out below:

*Ordinary units*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

There are no other classes of equity securities.

**Management agreement**

Evans and Partners Investment Management Pty Limited (ACN 619 080 045) (**Investment Manager**) has been appointed to act as investment manager for the Evans & Partners Asia Fund (Fund) under an Investment Management Agreement (**Investment Management Agreement** or **IMA**) dated 20 March 2018 between Evans and Partners Investment Management Pty Limited as the Investment Manager and Walsh & Company Investments Limited (**Responsible Entity**) as Responsible Entity of the Fund.

The IMA is for an Initial Term commencing on the date of the agreement, 20 March 2018, and expiring on the date 5 years after the commencement date, unless terminated earlier in accordance with its terms.

Under the IMA, the Investment Manager is entitled to be paid a monthly management fee of 1.5% (exclusive of GST) per annum of the gross asset value of the Portfolio calculated at the end of the month preceding the date of payment of the management fee. On 11 May 2018, the Investment Manager has agreed to receive a reduced investment management fee of 1.25% (inclusive of the net effect of GST) per annum of the gross asset value of the Fund.

**Evans & Partners Asia Fund**  
**Corporate directory**  
**30 June 2019**

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).  
**The ASX code is EAF**

**Responsible Entity**

Walsh & Company Investments Limited  
(ACN 152 367 649)  
(AFSL 410 433)  
Registered & Principal Office  
Level 15, 100 Pacific Highway  
NORTH SYDNEY NSW 2060  
T 1300 454 801  
F 1300 883 159

**Directors**

Alex MacLachlan  
Warwick Keneally  
Mike Adams

**Secretaries**

Hannah Chan  
Caroline Purtell

**Registered Office**

Level 15, 100 Pacific Highway  
NORTH SYDNEY NSW 2060  
T 1300 454 801  
F 1300 883 159  
[www.asiafund.com.au](http://www.asiafund.com.au)

**Unit Register**

Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2000  
T 1300 737 760 (Australia)  
T +61 2 9290 9600 (International)  
F 1300 653 459  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**Auditor**

Deloitte Touche Tohmatsu  
Grosvenor Place, 225 George Street  
SYDNEY NSW 2000  
T: +61 2 9322 7000  
F: +61 2 9322 7001  
[deloitte.com.au](http://deloitte.com.au)

**Bankers**

ANZ Bank  
J.P. Morgan

