

Monash Absolute Active Trust (Hedge Fund)

ARSN 642 280 331

Annual report For the year ended 30 June 2022

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These financial statements cover Monash Absolute Active Trust (Hedge Fund) as an individual entity.

The Responsible Entity of Monash Absolute Active Trust (Hedge Fund) is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity (the "Responsible Entity") of the Monash Absolute Active Trust (Hedge Fund) (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2022.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia and an exchange traded managed fund quoted under the ASX AQUA Rules (ticker code: MAAT).

The Fund is a Long biased long/short fund that invests in a portfolio of equity securities quoted on the ASX (Australian Listed Equities) with an Absolute Return Focus. The Fund takes long and short positions. The Fund may also invest in exchange traded derivatives and cash equivalent investments and hold cash deposits.

The Fund was registered on 14 July 2020 and commenced operations on 28 May 2021.

The Fund did not have any employees during the year.

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

Directors

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name

Glenn Foster	
Simone Mosse	
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	Resigned as Director on 1 February 2022

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

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

	Year ended 30 June 2022	For the period 14 July 2020 to 30 June 2021
Operating Profit/(loss) (\$'000)	(3,720)	1,732
Total Distributions (\$'000)	1,678	474
Distributions (cents per unit)	5.85	1.60

Directors' report (continued)

Significant changes in state of affairs

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

Further to this, the current geopolitical events have also had a global market impact and uncertainty exists as to their implications. Such disruptions can adversely affect the assets, performance and liquidity of investment funds.

Recognising the Russia/Ukraine conflict as well as Australia's broadening of its existing autonomous sanctions, the Directors and management continue to remain abreast of developments in this area and monitor the potential impacts across the Fund.

On 1 February 2022, Richard McCarthy resigned as a Director.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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

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

Fees paid to the Responsible Entity and its associates out of Fund's property during the year are disclosed in Note 13 of the financial statements.

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 13 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 of the financial statements.

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

Environmental regulation

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

Directors' report (continued)

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations Instrument*, unless otherwise indicated.

Auditor's independence declaration

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

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
29 September 2022



**Building a better
working world**

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Auditor's independence declaration to the directors of The Trust Company (RE Services) Limited as Responsible Entity for Monash Absolute Active Trust (Hedge Fund)

As lead auditor for the audit of the financial report of Monash Absolute Active Trust (Hedge Fund) for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive script.

Rita Da Silva
Partner
29 September 2022

Monash Absolute Active Trust (Hedge Fund)
Statement of comprehensive income
For the year ended 30 June 2022

Statement of comprehensive income

		Year ended 30 June 2022 \$'000	For the period 14 July 2020 to 30 June 2021 \$'000
Investment income			
Dividend income		515	3
Net gains/(losses) on financial instruments at fair value through profit or loss	5	<u>(2,807)</u>	<u>2,325</u>
Total investment income/(loss)		<u>(2,292)</u>	<u>2,328</u>
Expenses			
Responsible Entity's fees	13	30	4
Management fees	13	299	44
Market making fees		123	-
Performance fees	13	477	426
Administration and custody fees		182	-
Transaction costs		208	39
Expense recovery fees	13	-	30
Remuneration of auditors	12	46	44
Other operating expenses		63	9
Total operating expenses		<u>1,428</u>	<u>596</u>
Profit/(loss) for the year/period		<u>(3,720)</u>	<u>1,732</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year/period		<u>(3,720)</u>	<u>1,732</u>

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

Monash Absolute Active Trust (Hedge Fund)
Statement of financial position
As at 30 June 2022

Statement of financial position

	Notes	As at	
		30 June 2022 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents	10	14,681	5,408
Due from brokers - receivable for securities sold		325	5,746
Dividends receivable		-	3
Other receivables		15	2
Financial assets at fair value through profit or loss	6	13,610	24,430
Total assets		28,631	35,589
Liabilities			
Responsible Entity's fees payable	13	2	4
Performance fees payable	13	-	426
Management fees payable	13	25	44
Expense recovery fees payable	13	11	30
Remuneration to auditors payable	12	30	44
Due to brokers – payable for securities purchased		545	2,365
Distributions payable	9	332	474
Financial liabilities at fair value through profit or loss	7	4,099	1,487
Total liabilities		5,044	4,874
Net assets attributable to unitholders – equity	8	23,587	30,715

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

Monash Absolute Active Trust (Hedge Fund)
Statement of changes in equity
For the year ended 30 June 2022

Statement of changes in equity

		Year ended 30 June 2022 \$'000	For the period 14 July 2020 to 30 June 2021 \$'000
	Notes		
Total equity at the beginning of the year/period		30,715	-
Comprehensive income/(loss) for the year/period			
Profit/(loss) for the year/period		(3,720)	1,732
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year/period		<u>(3,720)</u>	<u>1,732</u>
Transactions with unitholders			
Applications	8	6,260	922
In-specie distribution	8	-	45,481
Redemptions	8	(8,138)	(16,946)
Units issued upon reinvestment of distributions	8	148	-
Distributions payable	8	(1,678)	(474)
Total transactions with unitholders		<u>(3,408)</u>	<u>28,983</u>
Total equity at the end of the year/period		<u>23,587</u>	<u>30,715</u>

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

Monash Absolute Active Trust (Hedge Fund)
Statement of cash flows
For the year ended 30 June 2022

Statement of cash flows

		Year ended 30 June 2022 \$'000	For the period 14 July 2020 to 30 June 2021 \$'000
	Notes		
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		34,608	4,742
Payments for purchase of financial instruments at fair value through profit or loss		(20,382)	(1,399)
Interest received/(paid) from financial asset at fair value through profit or loss		(11)	-
Dividend/distribution received		518	-
Responsible Entity's fees paid		(32)	-
Management fees paid		(318)	-
Market making fees paid		(123)	-
Brokerage fees paid		(208)	-
Performance fees paid		(903)	-
Administration and custody fees paid		(182)	-
Remuneration paid to auditors		(60)	-
Other operating expenses paid		(84)	(51)
Net cash inflow/(outflow) from operating activities	11(a)	12,823	3,292
Cash flows from financing activities			
Proceeds from applications by unitholders		6,260	922
Proceeds from In-specie distribution		-	18,140
Payments for redemptions by unitholders		(8,138)	(16,946)
Distributions paid		(1,672)	-
Net cash inflow/(outflow) from financing activities		(3,550)	2,116
Net increase/(decrease) in cash and cash equivalents		9,273	5,408
Cash and cash equivalents at the beginning of the year/period		5,408	-
Cash and cash equivalents at the end of the year/period	10	14,681	5,408
Non-cash financing activities			
Issue of units under the distribution reinvestment plan	11(b)	148	-
In-specie distribution (equities)	11(b)	-	27,341

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

Notes to the financial statements

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1 General information

These financial statements cover the Monash Absolute Active Trust (Hedge Fund) (the "Fund") as an individual entity. The Fund was registered on 14 July 2020 and commenced operations on 28 May 2021. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The investment manager of the Fund is Monash Investors Pty Ltd (ABN 67 153 180 333) (AFSL 417201) (the "Investment Manager").

The Fund invests in a portfolio of equity securities quoted on the ASX (Australian Listed Equities) with an Absolute Return Focus.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 29 September 2022. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) Classification

- Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

• Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss.

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (Responsible Entity's fees payable, management fees payable, administration and custody fees payable, due to brokers, distributions payable and other payables).

(ii) Recognition and derecognition

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

Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Measurement

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

Further details on how the fair value of financial instruments are determined are disclosed in Note 4.

(iv) Offsetting financial instruments

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

As at the end of the reporting year, there are no financial assets or liabilities offset or which could be offset in the Statement of Financial Position.

(v) Impairment

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

(c) Net assets attributable to unitholders

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

The units can be put back to the Fund at any time for cash based on the redemption price.

The units are carried at the redemption amount that is payable at balance date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

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

The Fund's units have been classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

(d) Cash and cash equivalents

Cash comprises deposits held with brokers and custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest income from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

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

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements. Other income is recognised on an accruals basis.

(f) Expenses

All expenses, including management fees, Responsible Entity fees, administration fees and custody fees are recognised in the Statement of comprehensive income on an accrual basis.

(g) Income tax

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

(h) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

Distributions to unitholders are recognised directly in equity and presented in the Statement of changes in equity. A distribution payable is recognised in the Statement of changes in equity. A distribution payable is recognised in the Statement of financial position where the distribution has been declared but remains unpaid at balance date.

2 Summary of significant accounting policies (continued)

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as equity, movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

(j) Functional and presentation currency

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

(k) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Dividends and trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credit ("RITC") and application monies receivable from unitholders.

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. The Fund has applied a simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, receivables have been grouped based on days overdue.

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

(l) Payables

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

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(m) Applications and redemptions

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

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 55%, hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(o) Use of estimates

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

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

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(p) Due from/to Brokers

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

(q) Rounding of amounts

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

(r) Comparative period

The Fund was registered on 14 July 2020 and commenced operations on 28 May 2021, hence comparatives for the Statement of comprehensive income, Statement of changes in equity and the Statement of cash flows correspond to the period from 14 July 2020 to 30 June 2021. For the Statement of financial position, the previous corresponding date is 30 June 2021.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund;
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The Fund manages market price risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Fund monitors the fluctuation in its value and compares these fluctuations to its risk objective.

As at year end, the overall market exposures were as follows:

	Fair value \$'000	% of net asset attributable to unitholders
As at 30 June 2022		
Financial assets		
Financial asset at fair value through profit or loss		
Listed Equities	13,610	58%
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Listed equities	4,099	17%

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

As at period end, the overall market exposures were as follows:

As at 30 June 2021	Fair value \$'000	% of net asset attributable to unitholders
Financial assets		
Financial asset at fair value through profit or loss		
Listed Equities	24,430	80%
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Listed equities	1,487	5%

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2021: +/- 10%) from the year end prices with all other variables held constant .

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Fund's exposure to interest rate risk.

As at June 30, 2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	14,681	-	-	14,681
Due from brokers - receivable for securities sold	-	-	325	325
Other receivables	-	-	15	15
Financial assets at fair value through profit or loss	-	-	13,610	13,610
Total financial assets	14,681	-	13,950	28,631
Liabilities				
Responsible Entity's fees payable	-	-	2	2
Management fees payable	-	-	25	25
Expense recovery fees payable	-	-	11	11
Remuneration to auditors payable	-	-	30	30
Due to brokers – payable for securities purchased	-	-	545	545
Distributions payable	-	-	332	332
Financial liabilities at fair value through profit or loss	-	-	4,099	4,099
Total financial liabilities	-	-	5,044	5,044
Net exposure	14,681	-	8,906	23,587

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
As at June 30, 2021				
Financial assets				
Cash and cash equivalents	5,408	-	-	5,408
Due from brokers - receivable for securities sold	-	-	5,746	5,746
Dividends receivable	-	-	3	3
Other receivables	-	-	2	2
Financial assets at fair value through profit or loss	-	-	24,430	24,430
Total financial assets	5,408	-	30,181	35,589
Liabilities				
Responsible Entity's fees payable	-	-	4	4
Performance fees payable	-	-	426	426
Management fees payable	-	-	44	44
Expense recovery fees payable	-	-	30	30
Remuneration to auditors payable	-	-	44	44
Due to brokers – payable for securities purchased	-	-	2,365	2,365
Distributions payable	-	-	474	474
Financial liabilities at fair value through profit or loss	-	-	1,487	1,487
Total financial liabilities	-	-	4,874	4,874
Net exposure	5,408	-	25,307	30,715

The table in Note 3(c) below summarises the impact of an increase/decrease of interest rates on the Fund's operating profit/loss and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points (2021: +/- 100 basis points) from the year end rates with all other variables held constant.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is not exposed to significant risks from movements in foreign exchange rates as there are no financial assets and liabilities denominated in foreign currencies.

(c) Summarised sensitivity analysis

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

	Interest rate risk		Price risk	
	-100bp \$'000	+100bp \$'000	-10% \$'000	+10% \$'000
As at 30 June 2022	(147)	147	(951)	951
As at 30 June 2021	(54)	54	(2,294)	2,294

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

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

(i) Bank deposits, assets held with the broker and custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of assets held with the broker and custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

3 Financial risk management (continued)

(d) Credit risk (continued)

The table below summarises these assets as at 30 June 2022 and 30 June 2021:

At 30 June 2022

	\$'000	Credit rating	Source of credit rating
Banks, Brokers and Custodian			
Morgan Stanley	23,728	A+	S&P
Mainstream Fund Services Pty Ltd	464	NOT RATED	

(i) Bank deposits, assets held with the broker and custodian and derivative financial instruments (continued)

At 30 June 2021

	\$'000	Credit rating	Source of credit rating
Banks, Brokers and Custodian			
Morgan Stanley	26,884	A+	S&P
Mainstream Fund Services Pty Ltd	1,467	NOT RATED	

The custody balance with Morgan Stanley includes cash and cash equivalents totalling \$14,217,342 (2021: \$3,941,674) and equity investments totalling \$9,511,033 (2021: \$22,942,307).

The custody balance with Mainstream Fund Services Pty Ltd includes cash and cash equivalents totalling \$463,578 (2021: \$1,466,785).

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

(e) Liquidity risk

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

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the year ended 30 June 2022 and the period of 14 July 2020 to 30 June 2021.

The table below analyses the Fund's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant. To assess the impact of COVID-19 on the liquidity of the Fund, the Responsible Entity conducted frequent and enhanced monitoring of the liquidity of the Fund during the latter part of the period.

As at 30 June 2022	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Responsible Entity's fees payable	2	-	-	-	-
Management fees payable	25	-	-	-	-
Expense recovery fees payable	11	-	-	-	-
Remuneration to auditors payable	30	-	-	-	-
Distributions payable	332	-	-	-	-
Due to brokers – payable for securities purchased	545	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	4,099	-
Total financial liabilities	945	-	-	4,099	-
As at 30 June 2021	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Responsible Entity's fees payable	4	-	-	-	-
Performance fees payable	426	-	-	-	-
Management fees payable	44	-	-	-	-
Distributions payable	474	-	-	-	-
Due to brokers – payable for securities purchased	2,365	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	1,487	-
Total financial liabilities	3,313	-	-	1,487	-

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (FVTPL) (see Note 6 and 7)

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

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

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

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting year without any deduction for estimated future selling costs.

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

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2022 and 30 June 2021.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2022				
Financial assets at fair value through profit or loss				
Listed equities	13,610	-	-	13,610
Total	13,610	-	-	13,610
Financial liabilities at fair value through profit or loss				
Listed equities	4,099	-	-	4,099
Total	4,099	-	-	4,099
At 30 June 2021				
Financial assets at fair value through profit or loss				
Listed equities	24,430	-	-	24,430
Total	24,430	-	-	24,430
Financial liabilities at fair value through profit or loss				
Listed equities	1,487	-	-	1,487
Total	1,487	-	-	1,487

(i) Transfers between levels

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

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year and period ended 30 June 2022 and 30 June 2021, respectively.

4 Fair value measurement (continued)

Recognised fair value measurements (continued)

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

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

(iv) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

5 Net gains/(losses) on financial instruments at fair value through profit or loss

	Year ended 30 June 2022 \$'000	For the period 14 July 2020 to 30 June 2021 \$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	(619)	421
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	(2,630)	1,859
Net gains/(losses) on financial assets held at fair value through profit or loss	(3,249)	2,280
Financial liabilities		
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	-	-
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	442	45
Net gains/(losses) on financial liabilities held at fair value through profit or loss	442	45
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(2,807)	2,325

6 Financial assets at fair value through profit and loss

	30 June 2022 \$'000	As at 30 June 2021 \$'000
Financial assets at fair value through profit or loss		
Listed equities	13,610	24,430
Total financial assets at fair value through profit or loss	13,610	24,430

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

7 Financial liabilities at fair value through profit and loss

	30 June 2022 \$'000	As at 30 June 2021 \$'000
Financial liabilities at fair value through profit or loss		
Listed equities	4,099	1,487
Total financial liabilities at fair value through profit or loss	4,099	1,487

Cash with a value of \$14,217,342 (2021: \$3,941,674) was held as collateral by Morgan Stanley.

An overview of the risk exposure relating to financial liabilities at fair value through profit or loss is included in Note 3.

8 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year ended 30 June 2022 and period ended 30 June 2021 were as follows:

	30 June		As at	
	2022	30 June 2021	30 June 2022	30 June 2021
	No. ('000)	No. ('000)	\$'000	\$'000
Opening balance	29,595	-	30,715	-
Applications	35,262	20,106	6,260	922
In-specie distribution	-	45,199	-	45,481
Redemptions	(37,350)	(35,710)	(8,138)	(16,946)
Units issued upon reinvestment of distributions	144	-	148	-
Profit/(loss) for the year/period	-	-	(3,720)	1,732
Distributions paid and payable	-	-	(1,678)	(474)
Closing balance	27,651	29,595	23,587	30,715

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Units can be redeemed direct via unit registry or via ASX Aqua trading.

Generally, the Fund's strategy is to hold liquid investments. Liquid assets include cash and cash equivalents and listed investments. Units can be redeemed direct via unit registry or via ASX AQUA trading.

The Fund is described as a hybrid exchange traded managed fund. As such, the Fund has dual features of unlisted fund and active ETF within a single unit within the Fund. Investors are managed by the Registry provider, effectively on an issuer sponsored sub-registry, and transact using a Shareholder Reference Number ("SRN"). Alternatively, investors can trade on the exchange (i.e. ASX) through their broker, using their holder identification number ("HIN").

Due to the Fund's structure, the Responsible Entity, on behalf of the Fund, engages a Calculation Agent to provide indicative NAV per unit (iNAV) pricing throughout each ASX trading day and a Market Maker to provide liquidity for Units traded on the ASX.

9 Distributions to unitholders

Distributions are payable at the end of each financial year. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions declared during the period were as follows:

	Year ended		Period ended	
	30 June 2022	30 June 2022	30 June 2021	30 June 2021
	\$'000	CPU*	\$'000	CPU*
Distributions				
September 2021	451	1.60	-	-
December 2021	483	1.65	-	-
March 2022	412	1.40	-	-
June 2022 (payable)	332	1.20	474	1.60
Total distributions	1,678	5.85	474	1.60

* Distribution is expressed as cents per unit amount in Australian Dollars.

10 Cash and cash equivalents

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Cash held with brokers/custodian	14,681	5,408
Total cash and cash equivalents	14,681	5,408

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

	Year ended 30 June 2022 \$'000	For the period 14 July 2020 to 30 June 2021 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year/period	(3,720)	1,732
Proceeds from sale of financial instruments at fair value through profit or loss	34,608	4,742
Payments for purchase of financial instruments at fair value through profit or loss	(20,382)	(1,399)
Net (gains)/losses on financial instruments at fair value through profit or loss	2,807	(2,325)
Net change in other receivables	(10)	(6)
Net change in other payables	(480)	548
Net cash inflow/(outflow) from operating activities	12,823	3,292

(b) Non-cash financing activities

During the year/period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

In-specie distribution (equities)	-	27,341
Total non-cash financing activities	148	27,341

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

12 Remuneration of auditors

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

	Year ended 30 June 2022	For the period 14 July 2020 to 30 June 2021
Ernst & Young		
Audit and other assurance services		
Audit of financial statements	35,500	34,000
Total remuneration for audit and other assurance services	35,500	34,000
Taxation services		
Taxation services - income tax return preparation	4,000	4,000
Taxation services - annual distribution calculation review	4,000	4,000
Total remuneration for taxation services	8,000	8,000
Total remuneration of Ernst & Young	43,500	42,000
PricewaterhouseCoopers		
Audit and other assurance services		
Audit of compliance plan	2,648	2,350
Total remuneration for audit and other assurance services	2,648	2,350
Total remuneration of PricewaterhouseCoopers	2,648	2,350
Total remuneration of auditors	46,148	44,350

13 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Monash Absolute Active Trust (Hedge Fund) is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Investment Manager of the Fund is Monash Investors Pty Ltd.

(a) Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Name

Glenn Foster	
Simone Mosse	
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	Resigned as Director on 1 February 2022

(b) Other key management personnel

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

Key management personnel unit holdings

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Other transactions within the Fund

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

Responsible Entity's/Investment Manager's fees and other transactions

Under the terms of the Fund's PDS, the Responsible Entity is entitled to receive a fee per annum calculated as a percentage of the gross asset value of the Fund. The Investment Manager of the Fund is Monash Investors Pty Ltd. The Investment Manager is entitled to receive a management and performance fee at the rates stipulated in the Fund's governing documents. The Investment Manager is also entitled to a performance fee of 20.5% (inclusive of GST less RITC) of the investment return above the performance benchmark, when the Fund achieves positive performance. The performance fee is crystallised and paid on a quarterly basis.

The Investment Manager is also entitled to receive a recovery fee of 0.88% per annum of the net asset value (inclusive of GST less RITC).

13 Related party transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year/period and amounts payable at year/period end between the Fund and the Responsible Entity / Investment Manager were as follows:

	30 June 2022 \$'000	30 June 2021 \$'000
Management fees for the year/period paid and payable by the Fund to the Investment Manager	299	44
Performance fees for the year/period paid and payable by the Fund to the Investment Manager	477	426
Expense recovery fees for the year/period paid and payable by the Fund to the Investment Manager	-	30
Responsible Entity's fees for the year/period paid and payable by the Fund to the Responsible Entity	<u>30</u>	<u>4</u>
Total amounts paid and payable to the Investment Manager and Responsible Entity	<u>806</u>	<u>504</u>
Aggregate amounts payable to the Investment Manager at reporting date	36	500
Aggregate amounts payable to the Responsible Entity at reporting date	<u>2</u>	<u>4</u>
Total amounts payable to the Investment Manager and Responsible Entity	<u>38</u>	<u>504</u>

Related party unitholdings

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited), hold no units in the Fund.

Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or its affiliates or funds managed by Monash Investors Pty Ltd during the year.

14 Significant events during the year

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current highlevel of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

Further to this, the current geopolitical events have also had a global market impact and uncertainty exists as to their implications. Such disruptions can adversely affect the assets, performance and liquidity of investment funds.

Recognising the Russia/Ukraine conflict as well as Australia's broadening of its existing autonomous sanctions, the Directors and management continue to remain abreast of developments in this area and monitor the potential impacts across the Fund.

On 1 February 2022, Richard McCarthy resigned as a Director.

In the opinion of the Directors, there were no other significant events during the year.

15 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial period not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent periods. The Fund continues to operate as a going concern.

16 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
29 September 2022



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Independent Auditor's Report to the Unitholders of Monash Absolute Active Trust (Hedge Fund)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Monash Absolute Active Trust (Hedge Fund) (the "Fund"), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Monash Absolute Active Trust (Hedge Fund) is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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1. Investment Existence and Valuation

Why significant

The Fund has a significant investment portfolio consisting primarily of listed equity securities. As at 30 June 2022, the value of these financial assets and liabilities, was \$9.51m which represented 40% of the net assets of the Fund.

As disclosed in the Fund's accounting policy Note 2(b) to the financial statements, these financial assets and liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and liabilities and the financial report.

Accordingly, the existence and valuation of the investment portfolio was considered a key audit matter.

How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the existence and valuation of investments.

We obtained and considered the assurance report on the controls of the Fund's administrator in relation to the fund administration services for the year ended 30 June 2022 and considered the auditor's credentials, their objectivity and results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2022.

We assessed the fair value of all investments in the portfolio held at 30 June 2022. For listed equity securities, the values were verified against independent pricing sources.

We assessed the adequacy of the disclosures in Note 4 of the financial statements.

2. Management and Performance Fees

Why significant

For the year ended 30 June 2022, management and performance fees totalled \$0.30m and \$0.48m respectively which represented 21% and 34% respectively of the total expenses of the Fund.

Management and performance fees, paid to the Investment Manager, Monash Investors Pty Ltd, are the most significant operating expenses for the Fund.

Performance fees are recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the performance criteria are met and the obligation has crystallised. All expenses are recognised on an accruals basis.

The assessment of the recognition of expenses relating to performance fee arrangements can be complex. Accordingly, these are considered a key audit matter.

How our audit addressed the key audit matter

We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Fund's administrator, who has responsibility for the calculations.

We recalculated management fees in accordance with the Fund's Product Disclosure Statement and Constitution, including verifying the fee rate to such agreements.

We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the Fund's Product Disclosure Statement and Constitution, including verifying the fee rate to such agreements.

We assessed the adequacy of the disclosures in Note 13 to the financial statements.



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

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2022 Annual Report, 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 accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors of the Responsible Entity for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



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

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

We also provide the Directors of the Responsible Entity 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors of the Responsible Entity, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'Rita Da Silva' in black ink.

Rita Da Silva
Partner
Sydney
29 September 2022