

# **FAT PROPHETS GLOBAL HIGH CONVICTION HEDGE FUND**

ARSN 649 028 722

## **ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2023**

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### **CONTENTS**

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Fat Prophets Global High Conviction Hedge Fund

This annual financial report covers Fat Prophets Global High Conviction Hedge Fund as an individual entity.

The Responsible Entity of Fat Prophets Global High Conviction Hedge Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## DIRECTORS' REPORT

The directors of Equity Trustees Limited, the Responsible Entity of Fat Prophets Global High Conviction Hedge Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023.

### Principal activities

The Fund is available to investors on the Australian Securities Exchange (ASX) as an active Exchange Traded Managed Fund (ASX Code: FATP) and its units commenced trading on the ASX on 21 January 2022 subject to its obligations under Aqua Rules and ASX Operating Rules.

The Fund invests in cash, listed equities, either through investment in selected exchange traded funds and listed investment companies or by taking direct positions, fixed interest securities and exchange traded derivatives in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Fat Prophets Funds Management Pty Limited
Administrator	Apex Fund Services Pty Ltd (an Apex Group Company)*
Custodian	BNP Paribas
Statutory Auditor	KPMG**

\*Effective on 21 October 2022, Mainstream Fund Services Pty changed its name to Apex Fund Services Pty Ltd.

\*\*On 31 August 2023, KPMG was appointed auditor of the Fund replacing Pitcher Partners Sydney.

### Directors

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

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

### Review and results of operations

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

The Fund's performance was -1.38% (net of fees) for the year ended 30 June 2023. The Fund does not operate against a benchmark return.

The Fund's performance is calculated based on the percentage change in the Fund's NAV unit price over the period. Returns are disclosed after fees and expenses.

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

	Year ended 30 June 2023	For the period 30 March 2021 to 30 June 2022
Profit/(loss) for the year (\$)	(1,910)	(548,856)
<b>Distributions</b>		
Distributions paid and payable (\$)	37,983	8,136
Distributions (cents per unit)	1.0484	0.3239

### Significant changes in the state of affairs

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year ended 30 June 2023.

## DIRECTORS' REPORT (CONTINUED)

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

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

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

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

### Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### Indemnification of auditor

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

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

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

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

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

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

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

### Environmental regulation

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

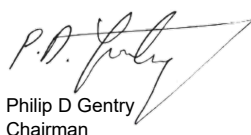
### Rounding of amounts to the nearest dollar

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

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Philip D Gentry  
Chairman

Melbourne  
28 September 2023



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Equity Trustees Limited, the Responsible Entity of Fat  
Prophets Global High Conviction Hedge Fund:

I declare that, to the best of my knowledge and belief, in relation to the audit of Fat Prophets Global  
High Conviction Hedge Fund for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the  
*Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Quang Dang  
Partner

Sydney  
28 September 2023

## STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2023 \$	For the period 30 March 2021 to 30 June 2022 \$
	Note		
<b>Investment income</b>			
Interest income from financial assets at amortised cost		66,712	128
Dividend income		67,618	53,455
Net foreign exchange gain/(loss)		(12,087)	74,845
Net gains/(losses) on financial instruments at fair value through profit or loss		25,617	(599,883)
<b>Total investment income/(loss)</b>		<b>147,860</b>	<b>(471,455)</b>
<b>Expenses</b>			
Interest expense from financial liabilities at amortised cost		46,185	5,577
Management fees and costs	14	61,999	22,727
Performance fees	14	-	22,574
Withholding taxes		8,297	2,373
Transaction costs		23,673	18,474
Other expenses		9,616	5,676
<b>Total expenses</b>		<b>149,770</b>	<b>77,401</b>
<b>Profit/(loss) for the year</b>		<b>(1,910)</b>	<b>(548,856)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(1,910)</b>	<b>(548,856)</b>

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

## STATEMENT OF FINANCIAL POSITION

		30 June 2023	As at 30 June 2022
	Note	\$	\$
<b>Assets</b>			
Cash and cash equivalents	8	3,780,401	2,053,713
Receivables	11	235	1,289
Financial assets at fair value through profit or loss	5	2,059,760	2,362,383
<b>Total assets</b>		<b>5,840,396</b>	<b>4,417,385</b>
<b>Liabilities</b>			
Borrowings	9	1,649,800	1,529,608
Distributions payable	7	37,983	8,136
Payables	12	103,639	41,640
<b>Total liabilities</b>		<b>1,791,422</b>	<b>1,579,384</b>
<b>Net assets attributable to unit holders – equity</b>	6	<b>4,048,974</b>	<b>2,838,001</b>

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

## STATEMENT OF CHANGES IN EQUITY

		Year ended 30 June 2023 \$	For the period 30 March 2021 to 30 June 2022 \$
	Note		
<b>Total equity at the beginning of the financial year</b>		<b>2,838,001</b>	<b>-</b>
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		(1,910)	(548,856)
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(1,910)</b>	<b>(548,856)</b>
<b>Transactions with unit holders</b>			
Applications	6	9,960,869	6,193,627
Redemptions	6	(8,710,003)	(2,798,634)
Distributions paid and payable	6	(37,983)	(8,136)
<b>Total transactions with unit holders</b>		<b>1,212,883</b>	<b>3,386,857</b>
<b>Total equity at the end of the financial year</b>		<b>4,048,974</b>	<b>2,838,001</b>

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



## STATEMENT OF CASH FLOWS

		Year ended 30 June 2023 \$	Revised* For the period 30 March 2021 to 30 June 2022 \$
	Note		
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		4,938,841	2,053,636
Payments for purchase of financial instruments at fair value through profit or loss		(4,610,601)	(5,015,902)
Net foreign exchange gain/(loss)		(39,414)	75,265
Interest income received from financial assets at amortised cost		66,712	128
Dividends received		59,827	50,470
Management fees and costs paid		-	(3,661)
Interest expense paid on financial liability at amortised cost		(46,185)	(5,577)
Transaction costs paid		(23,673)	(18,474)
Other expenses paid		(9,068)	(6,353)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>336,439</b>	<b>(2,870,468)</b>
<b>Cash flows from financing activities</b>			
Net proceeds/(payments) from/to borrowings		120,192	1,529,608
Proceeds from applications by unit holders		9,960,869	6,193,627
Payments for redemptions by unit holders		(8,710,003)	(2,798,634)
Distributions paid to unit holders		(8,136)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,362,922</b>	<b>4,924,601</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,699,361</b>	<b>2,054,133</b>
Cash and cash equivalents at the beginning of the year		2,053,713	-
Effects of foreign currency exchange rate changes on cash and cash equivalents		27,327	(420)
<b>Cash and cash equivalents at the end of the year</b>	8	<b>3,780,401</b>	<b>2,053,713</b>
Non-cash operating and financing activities	10(b)	-	-

\* The prior year comparatives have been revised to reclassify borrowings from cash and cash equivalents to financing cashflows. Refer Note 2r for further detail.

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

## NOTES TO THE FINANCIAL STATEMENTS

### CONTENTS

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

## **1. GENERAL INFORMATION**

These financial statements cover Fat Prophets Global High Conviction Hedge Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 26 March 2021, registered with the Australian Securities and Investments Commission on 30 March 2021 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Fund is available to investors on the Australian Securities Exchange (ASX) as an active Exchange Traded Managed Fund (ASX Code: FATP) and its units commenced trading on the ASX on 21 January 2022 subject to its obligations under Aqua Rules and ASX Operating Rules.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in cash, listed equities, either through investment in selected exchange traded funds and listed investment companies or by taking direct positions, fixed interest securities and exchange traded derivatives in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

## **2. SUMMARY OF 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 years presented, unless otherwise stated in the following text.

### **a. Basis of preparation**

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

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

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

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

### **i. Compliance with International Financial Reporting Standards (IFRS)**

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

### **ii. New and amended standards adopted by the Fund**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### **iii. New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2023 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### **b. Financial instruments**

#### **i. Classification**

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **b. Financial instruments (continued)**

#### **i. Classification (continued)**

##### **• Financial assets (continued)**

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

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

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise, on specified dates, to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

##### **• Financial liabilities**

The Fund may make 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.

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 (borrowings, distributions payable, management fees and costs payable and performance fees payable).

#### **ii. Recognition and derecognition**

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

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

#### **iii. Measurement**

##### **• Financial instruments at fair value through profit or loss**

At initial recognition, the Fund measures a financial asset or financial liability at its 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 liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

##### **• Financial instruments at amortised cost**

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

Cash and cash equivalents, receivables and payables are carried at amortised cost.

#### **iv. Impairment**

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **b. Financial instruments (continued)**

#### **iv. Impairment (continued)**

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

#### **v. Offsetting financial instruments**

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

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

### **c. Net assets attributable to unit holders**

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

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

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

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

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

### **d. Cash and cash equivalents**

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

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

### **e. Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

### **f. Investment income**

#### **i. Interest income**

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **f. Investment income (continued)**

#### **ii. Dividends and distributions**

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

Trust distributions are recognised on an entitlement basis.

### **g. Expenses**

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

Interest expense from financial liability at amortised cost is recognised using the effective interest method and includes interest expenses from the credit facility.

As per the Fund's Product Disclosure Statement (PDS), ordinary expenses such as investment management fees, Responsible Entity fees, custodian and administration fees, audit fees, and other ordinary expenses of operating the Fund are covered by the management fees and costs.

### **h. 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.

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

### **i. Distributions**

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

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

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

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

#### **ii. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

### **k. Receivables**

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### **l. Payables**

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **m. Borrowings**

Borrowings are recognised at historical cost where any transaction fees and costs directly related to the borrowings are recognised in the statements of comprehensive income over the expected life of the borrowings. Borrowings are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year.

### **n. 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.

### **o. Goods and services tax (GST)**

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

### **p. Use of estimates and judgements**

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

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

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

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

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

### **q. Rounding of amounts**

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

### **r. Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

It was identified during the year that some broker accounts were not used for cash management purposes, but for financing purposes. These broker accounts that are used for financing purposes have been removed from cash & cash equivalents in the Statement of Cash Flows and included as a financing cash flow. There is no change to the classification in the Statement of Financial Position, as the negative broker accounts are classified as Borrowings (see Note 9). Refer below for the impact to the Statement of Cash Flows for the period 30 March 2021 to 30 June 2022:

Statement of cash flows	Prior year cash flow	Adjustment	Revised cashflow
Net proceeds/(payments) from/to borrowings	-	1,529,608	1,529,608
Net cash inflow/(outflow) from financing activities	3,394,993	1,529,608	4,924,601
Net increase/(decrease) in cash and cash equivalents	524,525	1,529,608	2,054,133
Cash and cash equivalents at the end of the year	524,105	1,529,608	2,053,713

### 3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by the Investment Manager, Fat Prophets Fund Management Pty Limited under an Investment Management Agreement (IMA) that contains the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

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

#### a. Market risk

##### i. Price risk

The Fund is exposed to price risk on equity securities. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Fund's overall market positions are monitored on an ongoing basis by the Investment Manager. The Investment Manager of the Fund believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from period to period often have a wide variance. As such, the Fund uses a long term performance average, rather than a short term performance number when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last period's performance is likely to be misleading when the market cycle shifts.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/-10% (2022: +/-10%).

##### ii. Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Fund may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts rarely exceed one period and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements. The currency positions of the Fund is monitored on an ongoing basis by the Investment Manager.

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	British Pounds A\$	Canada Dollars A\$	HK Dollars A\$	Japanese Yen A\$	US Dollars A\$
<b>As at 30 June 2023</b>					
Cash and cash equivalents	-	124,425	-	-	-
Receivables	-	-	-	-	106
Financial assets at fair value through profit or loss	56,343	-	-	926,924	319,545
Borrowings	(217,671)	-	(13,611)	(615,205)	(789,450)
<b>Net exposure</b>	<b>(161,328)</b>	<b>124,425</b>	<b>(13,611)</b>	<b>311,719</b>	<b>(469,799)</b>

	Swiss Francs A\$	Chinese Yuans A\$	Euro A\$
<b>As at 30 June 2023</b>			
Cash and cash equivalents	-	-	-
Receivables	-	-	-
Financial assets at fair value through profit or loss	-	-	-
Borrowings	(1,023)	(3,321)	(9,519)
<b>Net exposure</b>	<b>(1,023)</b>	<b>(3,321)</b>	<b>(9,519)</b>



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### a. Market risk (continued)

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

	British Pounds A\$	Canada Dollars A\$	HK Dollars A\$	Japanese Yen A\$	US Dollars A\$
As at 30 June 2022					
Cash and cash equivalents	-	119,730	-	-	-
Receivables	-	-	-	-	593
Financial assets at fair value through profit or loss	170,913	-	107,086	377,237	433,787
Borrowings	(267,259)	-	(112,018)	(347,658)	(802,673)
Net exposure	(96,346)	119,730	(4,932)	29,579	(368,293)

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2022: +/-10%) against the material foreign currencies to which the Fund is exposed.

##### iii. Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The impact of the interest rate risk on profit and net assets attributable to unit holders is considered immaterial to the Fund.

The Fund's main interest rate risk arises from borrowings.

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3,780,401	-	-	3,780,401
Receivables	-	-	235	235
Financial assets at fair value through profit or loss	-	-	2,059,760	2,059,760
<b>Total assets</b>	<b>3,780,401</b>	<b>-</b>	<b>2,059,995</b>	<b>5,840,396</b>
<b>Financial liabilities</b>				
Borrowings	1,649,800	-	-	1,649,800
Distributions payable	-	-	37,983	37,983
Payables	-	-	103,639	103,639
<b>Total liabilities</b>	<b>1,649,800</b>	<b>-</b>	<b>141,622</b>	<b>1,791,422</b>
<b>Net exposure</b>	<b>2,130,601</b>	<b>-</b>	<b>1,918,373</b>	<b>4,048,974</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2,053,713	-	-	2,053,713
Receivables	-	-	1,289	1,289
Financial assets at fair value through profit or loss	-	-	2,362,383	2,362,383
<b>Total assets</b>	<b>2,053,713</b>	<b>-</b>	<b>2,363,672</b>	<b>4,417,385</b>
<b>Financial liabilities</b>				
Borrowings	1,529,608	-	-	1,529,608
Distributions payable	-	-	8,136	8,136
Payables	-	-	41,640	41,640
<b>Total liabilities</b>	<b>1,529,608</b>	<b>-</b>	<b>49,776</b>	<b>1,579,384</b>
<b>Net exposure</b>	<b>524,105</b>	<b>-</b>	<b>2,313,896</b>	<b>2,838,001</b>

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/-100 basis points (2022: +/- 100 basis points) from the year end rates with all other variables held constant.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	+10%	-10%	+10%	-10%	+100bps	-100bps
<b>As at 30 June 2023</b>	<b>\$ 205,976</b>	<b>(\$ 205,976)</b>	<b>\$ (152,527)</b>	<b>\$ 152,527</b>	<b>\$ 21,306</b>	<b>(\$ 21,306)</b>
As at 30 June 2022	236,238	(236,238)	(140,929)	140,929	5,241	(5,241)

#### c. Credit risk

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

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk is the carrying amount of these balances as at the reporting date.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, cash and short-term deposits are held with counterparties with a credit rating of A-1 or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

##### i. Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once the securities purchased have been received by the broker. The trade will fail if either party fails to meet its obligations.

##### ii. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as the Fund's counterparty has a rating of A-1 (as determined by Standard & Poor's) or higher.

##### iii. Other

The Fund is not materially exposed to credit risk on other financial assets.

##### iv. Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

#### d. Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests, margin calls on derivative transactions or to fund foreign exchange related cash flow requirements.

The risk is controlled through the Fund's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements. Financial liabilities of the Fund comprise primarily fees payable to the Investment Manager which have no contractual maturities but are typically settled within 30 days.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during the year ended 30 June 2023 and period ended 30 June 2022.

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

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

#### 4. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

##### a. Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses last price as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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.

##### b. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Listed domestic equity securities	756,948	-	-	756,948
Listed international equity securities	1,302,812	-	-	1,302,812
<b>Total financial assets</b>	<b>2,059,760</b>	<b>-</b>	<b>-</b>	<b>2,059,760</b>
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Listed domestic equity securities	1,273,360	-	-	1,273,360
Listed international equity securities	1,089,023	-	-	1,089,023
<b>Total financial assets</b>	<b>2,362,383</b>	<b>-</b>	<b>-</b>	<b>2,362,383</b>

##### c. Transfer between levels

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

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

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

The carrying values of receivables, borrowings and payables approximate their fair values due to their short-term nature.

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 \$	30 June 2022 \$
Listed domestic equity securities	756,948	1,273,360
Listed international equity securities	1,302,812	1,089,023
<b>Total financial assets at fair value through profit or loss</b>	<b>2,059,760</b>	<b>2,362,383</b>

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

## 6. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - EQUITY

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

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

	Year ended		For the period	
	30 June 2023	30 June 2023	30 March 2021 to 30 June 2022	30 March 2021 to 30 June 2022
	Units	\$	Units	\$
Opening balance	2,809,593	2,838,001	-	-
Applications	8,868,824	9,960,869	4,815,440	6,193,627
Redemptions	(8,055,560)	(8,710,003)	(2,005,847)	(2,798,634)
Distributions paid and payable	-	(37,983)	-	(8,136)
Profit/(loss) for the year	-	(1,910)	-	(548,856)
<b>Closing balance</b>	<b>3,622,857</b>	<b>4,048,974</b>	<b>2,809,593</b>	<b>2,838,001</b>

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

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

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

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

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

## 7. DISTRIBUTIONS TO UNIT HOLDERS

The distributions declared during the year were as follows:

	Year ended		For the period	
	30 June 2023	30 June 2023	30 March 2021 to 30 June 2022	30 March 2021 to 30 June 2022
	\$	CPU	\$	CPU
<b>Distributions</b>				
June (payable)	37,983	1.0484	8,136	0.3239
<b>Total distributions</b>	<b>37,983</b>	<b>1.0484</b>	<b>8,136</b>	<b>0.3239</b>

## 8. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2023	30 June 2022
	\$	\$
Cash at bank	3,780,401	2,053,713
<b>Total cash and cash equivalents*</b>	<b>3,780,401</b>	<b>2,053,713</b>

\* The prior year comparatives have been revised to reclassify borrowings from cash and cash equivalents to financing cashflows. Refer Note 2r for further detail.

## 9. BORROWINGS

	30 June 2023	As at 30 June 2022
	\$	\$
Borrowings	1,649,800	1,529,608
<b>Total borrowings</b>	<b>1,649,800</b>	<b>1,529,608</b>

The Fund has a loan facility with its Custodian/Prime Broker, BNP Paribas, pursuant to a prime brokerage agreement. BNP Paribas has the ultimate discretion as to the amount to lend under each facility. Amounts drawn are repayable on demand. The PDS for the Fund sets out whether, and for what purpose, borrowing may be undertaken by the Fund.

As security for the performance of its obligations under the prime brokerage agreement in relation to the Fund, the Responsible Entity has granted a charge to BNP Paribas over the relevant Fund's assets held by BNP Paribas. BNP Paribas, as the loan provider, has certain rights, including the right to take possession of, and in relation to the Fund, sell the relevant Fund's assets if an event of default occurs in relation to the Fund.

BNP Paribas is also entitled at any time to transfer to itself absolute ownership of a portion of the relevant Fund's securities having a value up to, but not exceeding, 100% of the loan amount outstanding from time to time (the "Transferred Securities Limit"). BNP Paribas may deal with any assets so transferred in its absolute discretion and for its own benefit (including selling or lending those assets to third parties). The Fund will have an unsecured, contractual right to the return (at the discretion of BNP Paribas) of either equivalent securities or the then current cash value of the transferred securities. If the Transferred Securities Limit is exceeded for any reason (such as market movements), the Responsible Entity will request that BNP Paribas promptly transfer to the Fund sufficient equivalent securities or cash value so as to comply with the Transferred Securities Limit.

## 10. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

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

	Year ended 30 June 2023	For the period 30 March 2021 to 30 June 2022
	\$	\$
Profit/(loss) for the year	(1,910)	(548,856)
Proceeds from sale of financial instruments at fair value through profit or loss	4,938,841	2,053,636
Payments for purchase of financial instruments at fair value through profit or loss	(4,610,601)	(5,015,902)
Net (gains)/losses on financial instruments at fair value through profit or loss	(25,617)	599,883
Net (gain)/loss on foreign exchange	(27,327)	420
Net change in receivables	1,054	(1,289)
Net change in payables	61,999	41,640
<b>Net cash inflow/(outflow) from operating activities</b>	<b>336,439</b>	<b>(2,870,468)</b>

### b. Non-cash operating and financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	-	-
<b>Total non-cash operating and financing activities</b>	<b>-</b>	<b>-</b>

## 11. RECEIVABLES

	30 June 2023	As at 30 June 2022
	\$	\$
Dividends receivable	106	612
GST receivable	129	677
<b>Total receivables</b>	<b>235</b>	<b>1,289</b>

## 12. PAYABLES

	30 June 2023	As at 30 June 2022
	\$	\$
Management fees and costs payable	81,065	19,066
Performance fees payable	22,574	22,574
<b>Total payables</b>	<b>103,639</b>	<b>41,640</b>

### 13. REMUNERATION OF AUDITORS

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

	Year ended 30 June 2023 \$	For the period 30 March 2021 to 30 June 2022 \$
<b>Pitcher Partners Sydney</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	-	10,000
<b>Total remuneration for audit and other assurance services</b>	-	10,000
<i>Taxation services</i>		
Tax compliance services	-	9,000
<b>Total remuneration for taxation services</b>	-	9,000
<b>Total remuneration of Pitcher Partners Sydney</b>	-	19,000
<b>KPMG</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	14,000	-
<b>Total remuneration for audit and other assurance services</b>	14,000	-
<i>Taxation services</i>		
Tax compliance services	8,400	-
<b>Total remuneration for taxation services</b>	8,400	-
<b>Total remuneration of KPMG</b>	22,400	-
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	2,345
<b>Total auditor remuneration and other assurance services</b>	2,346	2,345
<b>Total remuneration of PricewaterhouseCoopers</b>	2,346	2,345

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

### 14. RELATED PARTY TRANSACTIONS

The Responsible Entity of Fat Prophets Global High Conviction Hedge Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Fat Prophets Fund Management Pty Limited to act as Investment Manager for the Fund, Apex Fund Services Pty Ltd to act as Administrator and Registry for the Fund and BNP Paribas to act as Custodian/Prime Broker for the Fund. The contracts are on normal commercial terms and conditions.

#### a. Key management personnel

##### i. Directors

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

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

##### ii. Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

##### iii. Other key management personnel

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

## 14. RELATED PARTY TRANSACTIONS (CONTINUED)

### b. Transactions with key management personnel

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

### c. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2023 (30 June 2022: nil).

### d. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd, a subsidiary of the Responsible Entity. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### e. Key management personnel loans

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

### f. Other transactions within the Fund

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

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

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

	Year ended 30 June 2023 \$	For the period 30 March 2021 to 30 June 2022 \$
Management fees and costs for the year	61,999	22,727
Performance fees for the year	-	22,574
Management fees and costs payable at year end	81,065	19,066
Performance fees payable at year end	22,574	22,574

Equity Trustees earned \$44,000 (2022: \$16,669) (exclusive of GST) for Responsible Entity services provided to the Fund paid from management fees.

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

### h. Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited, the Fund Manager and the Investment Manager) held no units in the Fund as at 30 June 2023 (30 June 2022: nil).

### i. Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2022: nil).

## 15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

## 16. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

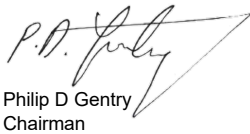
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 5 to 22 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 2023 and of its performance for the financial year ended on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Philip D Gentry  
Chairman

Melbourne  
28 September 2023





# Independent Auditor's Report

To the unitholders of Fat Prophets Global High Conviction Hedge Fund

## Opinion

We have audited the **Financial Report** of Fat Prophets Global High Conviction Hedge Fund (the Fund).

In our opinion, the accompanying **Financial Report** of Fat Prophets Global High Conviction Hedge Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Fund's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2023
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration made by the Directors of Equity Trustees Limited (the Responsible Entity).

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the relevant 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 fulfilled our other ethical responsibilities in accordance with these requirements.

## 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 of the current period.

This matter was 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 this matter.

### Valuation and existence of financial instruments (A\$2,065,580)

Refer to Note 5 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Financial instruments at fair value through profit or loss comprise investments in listed securities ("investments"). The Fund outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> <li>• Executing transactions as instructed by the Responsible Entity and recording and valuing investments to the fund administrator;</li> <li>• Maintaining custody and underlying records of investments to the custodian;</li> </ul> <p>Valuation and existence of investments is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Size of the Fund's portfolio of investments. These investments represent a significant percentage of the Fund's total assets at the year-end; and</li> <li>• Importance of the performance of these investments in driving the Fund's investment income and performance, as reported in the Financial Report.</li> </ul> <p>As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the accounting policies applied by the Fund, including those relevant to the fair value of investments, against the requirements of the accounting standards.</li> <li>• We obtained and read the Fund's Service Provider's ASAE 3402 Assurance Reports on Controls at a Service Organisation and GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports to understand the processes and assess the effectiveness of controls relevant to the: <ul style="list-style-type: none"> <li>- Fund administrator – to execute transactions, record and value the Fund's investments;</li> <li>- Custodian – to maintain custody and underlying records of the Fund's investments;</li> </ul> </li> <li>• We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402 and GS007 assurance reports.</li> <li>• We checked the valuation of investments, as recorded in the general ledger, to independently sourced prices as at 30 June 2023.</li> <li>• We evaluated the Fund's disclosures of</li> </ul>

	investments, using our understanding obtained from our testing, against the requirements of the accounting standards.
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## Other matters

The financial report of the Entity for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that financial report on 26 August 2022.

## Other Information

Other Information is financial and non-financial information in Fat Prophets Global High Conviction Hedge Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Emphasis of matter

We draw attention to Note 2 (r) of the Financial Report which describes the restatement of comparatives in the statement of cash flows due to an incorrect classification of broker accounts as cash and cash equivalents instead of cash flows from financing activities. Our opinion is not modified in respect of this matter.

## Responsibilities of Directors for the Financial Report

The Directors of Equity Trustees Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our Auditor's Report.

KPMG

Quang Dang  
Partner

Sydney  
28 September 2023