

# **Apostle Dundas Global Equity Fund**

ARSN 093 116 771

## **Financial report**

**For the year ended 30 June 2021**

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## Financial report

### For the year ended 30 June 2021

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This financial report covers Apostle Dundas Global Equity Fund as an individual entity.

The Responsible Entity of Apostle Dundas Global Equity Fund is K2 Asset Management Ltd (ABN 95 085 445 094).

The Responsible Entity's registered office is:  
Level 32, 101 Collins Street  
Melbourne, Victoria, 3000.

## Directors' report

The directors of K2 Asset Management Ltd, the Responsible Entity of Apostle Dundas Global Equity Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2021.

### Principal activities

The Fund invests in equity securities of leading global companies from developed and emerging markets 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:

<b>Service</b>	<b>Provider</b>
Responsible Entity	K2 Asset Management Ltd*
Investment Manager	Apostle Funds Management Pty Limited
Sub-Investment Manager	Dundas Partners LLP
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	KPMG

\*On 21 December 2020, K2 Asset Management Ltd replaced Equity Trustees Limited as Responsible Entity of the Fund. Prior to 20 December 2020, Equity Trustees Limited was the Responsible Entity of the Fund.

### Directors

The following persons held office as directors of K2 Asset Management Ltd during or since the end of the year and up to the date of this report:

Campbell W Neal  
Mark S Newman (Retired 29 March 2021)  
Hollie A Wight  
George Boubouras (Appointed 29 March 2021)

### 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 26.48% (2020: 13.46%) (gross of fees) for the year ended 30 June 2021. The Fund's benchmark, the MSCI All Country World Index ex Australia returned 27.71% (2020: 4.38%) for the same period.

## Directors' report (continued)

### Review and results of operations (continued)

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	258,078	109,963
<b>Distributions - Class B Units</b>		
Distributions paid and payable (\$'000)	5,064	10,381
Distributions (cents per unit)	1.38	2.86
<b>Distributions - Class C Units</b>		
Distributions paid and payable (\$'000)	124	137
Distributions (cents per unit)	0.43	1.27
<b>Distributions - Class D Units</b>		
Distributions paid and payable (\$'000)	15	-
Distributions (cents per unit)	0.94	-

### Net Asset Value per unit

NAV per unit (quoted ex-distribution) are shown as follows:

	As at	
	30 June 2021	30 June 2020
	\$	\$
Class B Units	3.28	2.62
Class C Units	1.85	1.48
Class D Units	4.52	-

### Significant changes in the state of affairs

On 21 December 2020, K2 Asset Management Ltd replaced Equity Trustees Limited as Responsible Entity of the Fund.

On 24 February 2021, the Fund established Class D Units which was listed on the Australian Securities Exchange (ASX) as an Exchange Traded Class.

The existence of COVID-19 continues to create uncertainty as businesses learn to navigate a new landscape. The impact of factors such as the timing, availability and efficacy of a vaccine; the resurgent infection rates around the world; and the potential for domestic outbreaks remains unclear. At the date of signing the financial statements, uncertainty remains on the likely duration and the ultimate impact COVID-19 will have on the short and long-term performance of the Fund. The Responsible Entity will continue to assess this impact.

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

## **Directors' report (continued)**

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

Since 30 June 2021, a number of events have arisen since the end of the reporting period such as government response to reimpose statewide lockdowns due to COVID-19 outbreaks.

Subsequent to the reporting date, the aggregate fair value of the Fund's financial assets have not changed significantly to 30 August 2021. As the financial assets of the Fund are measured at their 30 June 2021 fair values in the financial report, any changes in values are not reflected in the Statement of comprehensive income or the Statement of financial position.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, the Responsible Entity cannot reasonably assess or quantify the potential short or longer term financial impact on the Fund. The Responsible Entity continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economy to control and slow the outbreak.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

### **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 K2 Asset Management Ltd. So long as the officers of K2 Asset Management Ltd 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 auditor of the Fund is in no way indemnified out of the assets of the Fund.

### **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 15 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 15 to the financial statements.

## Directors' report (continued)

### Interests in the Fund

The movement in units on issue in the Fund during the year is set out below. Please refer to Note 8 to the financial statements for further details.

	As at	
	30 June 2021	30 June 2020
	No.'000	No.'000
<b>Class B Units</b>		
Units on issue - 1 July	363,893	357,624
Units issued during the year	1,257	1,599
Units redeemed during the year	(72)	(54)
Units issued upon reinvestment of distributions	<u>2,375</u>	<u>4,724</u>
Units on issue - 30 June	<u>367,453</u>	<u>363,893</u>
<b>Class C Units</b>		
Units on issue - 1 July	15,156	6,726
Units issued during the year	17,877	9,775
Units redeemed during the year	(2,917)	(1,367)
Units issued upon reinvestment of distributions	<u>13</u>	<u>22</u>
Units on issue - 30 June	<u>30,129</u>	<u>15,156</u>
<b>Class D Units</b>		
Units on issue - 1 July	-	-
Units issued during the year	1,623	-
Units redeemed during the year	(22)	-
Units issued upon reinvestment of distributions	<u>-</u>	<u>-</u>
Units on issue - 30 June	<u>1,601</u>	<u>-</u>

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Value of assets</b>		
Net value of the Fund's assets	1,267,167	974,311

The value of the Fund's assets and liabilities is disclosed on 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.

## 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 and financial report. Amounts in the Directors' report and financial 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 7.

This report is made in accordance with a resolution of the directors of K2 Asset Management Ltd through a delegated authority given by K2 Asset Management Ltd's Board.



Hollie A Wight  
Director

Melbourne  
30 August 2021



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

To the Directors of K2 Asset Management Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Apostle Dundas Global Equity Fund for the financial year ended 30 June 2021 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

KPMG

Dean Waters

*Partner*

Melbourne

30 August 2021

## Statement of comprehensive income

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Investment income</b>			
Dividend income		14,237	13,184
Net foreign exchange gain/(loss)		(716)	(97)
Net gains/(losses) on financial instruments at fair value through profit or loss	5	252,422	103,610
Other income		-	2
<b>Total investment income/(loss)</b>		<u>265,943</u>	<u>116,699</u>
<b>Expenses</b>			
Responsible entity fees	15(g)	380	399
Management fees	15(g)	4,876	3,936
Auditor's remuneration	14	36	34
Custody and administration fees		317	293
Withholding taxes		1,779	1,475
Transaction costs		364	558
Other expenses		113	41
<b>Total expenses</b>		<u>7,865</u>	<u>6,736</u>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<u>258,078</u>	<u>109,963</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	9	(5,203)	(10,518)
(Increase)/decrease in net assets attributable to unit holders	8	<u>(252,875)</u>	<u>(99,445)</u>
<b>Profit/(loss) for the year</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

## Statement of financial position

		As at	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	10	24,843	49,662
Receivables	12	1,813	1,516
Financial assets at fair value through profit or loss	6	<u>1,243,973</u>	<u>949,075</u>
<b>Total assets</b>		<u>1,270,629</u>	<u>1,000,253</u>
<b>Liabilities</b>			
Distributions payable	9	2,872	4,296
Payables	13	590	422
Due to brokers - payable for securities purchased		<u>-</u>	<u>21,224</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>3,462</u>	<u>25,942</u>
<b>Net assets attributable to unit holders - liability</b>	8	<u>1,267,167</u>	<u>974,311</u>

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

### Statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under *AASB 132 Financial Instruments: Presentation*. As the Fund has no equity, the Fund has not presented any items of changes in equity for the current or comparative year.

## Statement of cash flows

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		66,232	160,604
Payments for purchase of financial instruments at fair value through profit or loss		(129,932)	(152,942)
Net foreign exchange gain/(loss)		(1,095)	162
Dividends received		12,191	11,722
Other income received		-	2
Responsible Entity fees paid		(421)	(360)
Management fees paid		(4,746)	(4,129)
Custody and administration fees paid		(317)	(322)
Other expenses paid		(500)	(613)
<b>Net cash inflow/(outflow) from operating activities</b>	11(a)	<b>(58,588)</b>	<b>14,124</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		38,685	18,208
Payments for redemptions by unit holders		(5,084)	(2,062)
Distributions paid to unit holders		(211)	(213)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>33,390</b>	<b>15,933</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25,198)</b>	<b>30,057</b>
Cash and cash equivalents at the beginning of the year		49,662	19,864
Effect of foreign currency exchange rate changes on cash and cash equivalents		379	(259)
<b>Cash and cash equivalents at the end of the year</b>	10	<b>24,843</b>	<b>49,662</b>
Non-cash financing activities	11(b)	<b>6,416</b>	<b>11,772</b>

*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 Apostle Dundas Global Equity Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 10 December 1996 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

On 21 December 2020, K2 Asset Management Ltd replaced Equity Trustees Limited as Responsible Entity of the Fund.

The Responsible Entity of the Fund is K2 Asset Management Ltd (ABN 95 085 445 094) (the "Responsible Entity"). The Responsible Entity's registered office is Level 32, 101 Collins Street, Melbourne, Victoria, 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in equity securities of leading global companies from developed and emerging markets 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 2020 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 after 1 July 2021 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

- Financial assets

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

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

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

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

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

- Financial liabilities

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 (distributions payable, interest payable, management fees payable, custody and administration fees payable, withholding tax 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 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 liabilities are discharged, cancelled or expired.

#### (iii) Measurement

- Financial instruments at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement (continued)

- Financial instruments at amortised cost

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

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

#### (iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents 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 counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### (d) Cash and cash equivalents

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

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

### (e) 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. Interest 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 measured at fair value through profit or loss.

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

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### (ii) Dividends

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.

### (f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals 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 unit holders on present entitlement basis.

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

### (h) Distributions

The Fund 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 comprehensive income as finance costs attributable to unit holders.

## 2 Summary of significant accounting policies (continued)

### (i) Increase/decrease in net assets attributable to unit holders

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

### (j) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

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) 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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker 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 broker, probability that the broker 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 gross 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.

### (l) Receivables

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on 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

## 2 Summary of significant accounting policies (continued)

### (l) Receivables (continued)

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 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 gross 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 amount of the impairment loss is recognised in profit or loss 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 profit or loss.

### (m) Payables

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

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

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

### (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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, 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 expected credit loss (ECL) derived from using impairment model, has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

## 2 Summary of significant accounting policies (continued)

### (p) Use of estimates and judgements (continued)

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 thousand dollars, 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.

## 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 securities is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Apostle Funds Management Pty Limited ("Apostle") under an Investment Management Agreement (the "IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement. Apostle have appointed a Sub-Investment Manager, Dundas Partners LLP, under a Sub-Investment Management Agreement (Sub-IMA).

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

### (a) Market risk

#### (i) Price risk

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

Price risk management is carried out by Dundas Partners LLP. The Sub Investment Manager undertakes daily checks to monitor the Fund's compliance with the current investment guidelines.

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% (2020: +/-10%).

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (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.

Investing in derivatives is not considered part of the Fund investment process however, the Investment Manager may hold foreign currency contracts to reduce currency risk with the approval from the Responsible Entity.

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.

As at 30 June 2021	US Dollars A\$'000	Euro A\$'000	All other foreign currencies A\$'000
Cash and cash equivalents	3,562	1,339	9,261
Receivables	451	296	977
Financial assets at fair value through profit or loss	677,885	175,115	390,973
Payables	-	(1)	(3)
<b>Net exposure</b>	<b>681,898</b>	<b>176,749</b>	<b>401,208</b>

As at 30 June 2020	US Dollars A\$'000	Euro A\$'000	All other foreign currencies A\$'000
Cash and cash equivalents	9,069	71	26,220
Receivables	242	274	939
Financial assets at fair value through profit or loss	494,325	139,899	314,851
Payables	-	-	(5)
Due to brokers - payable for securities purchased	(21,224)	-	-
Gross Exposure	482,412	140,244	342,005
Foreign currency contracts exposure	18,204	-	(18,204)
Net exposure	500,616	140,244	323,801

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% (2020: +/-10%) against the material foreign currencies to which the Fund is exposed.

##### (iii) Interest rate risk

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 risk is measured using sensitivity analysis.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short term market interest rates. Interest rate risk management is also undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

As at 30 June 2021	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	24,843	-	-	24,843
Receivables	-	-	1,813	1,813
Financial assets at fair value through profit or loss	-	-	1,243,973	1,243,973
<b>Total financial assets</b>	<b>24,843</b>	<b>-</b>	<b>1,245,786</b>	<b>1,270,629</b>
<b>Financial liabilities</b>				
Distributions payable	-	-	2,872	2,872
Payables	-	-	590	590
<b>Total financial liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>3,462</b>	<b>3,462</b>
<b>Net exposure</b>	<b>24,843</b>	<b>-</b>	<b>1,242,324</b>	<b>1,267,167</b>

As at 30 June 2020	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	49,662	-	-	49,662
Receivables	-	-	1,516	1,516
Financial assets at fair value through profit or loss	-	-	949,075	949,075
<b>Total financial assets</b>	<b>49,662</b>	<b>-</b>	<b>950,591</b>	<b>1,000,253</b>
<b>Financial liabilities</b>				
Distributions payable	-	-	4,296	4,296
Payables	-	-	422	422
Due to brokers - payable for securities purchased	-	-	21,224	21,224
<b>Total financial liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>25,942</b>	<b>25,942</b>
<b>Net exposure</b>	<b>49,662</b>	<b>-</b>	<b>924,649</b>	<b>974,311</b>

An analysis of financial liabilities by maturities is provided in Note 3(d).

The table in Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit 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 +/-125 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 a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unit holders							
	Price risk		Interest rate risk		Foreign exchange risk			
	-10%	+10%	-125bps	+125bps	-10%	+10%	-10%	+10%
					USD	USD	EUR	EUR
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2021	(124,397)	124,397	(311)	311	(68,190)	68,190	(17,675)	17,675
As at 30 June 2020	(94,908)	94,908	(621)	621	(50,062)	50,062	(14,024)	14,024

The sensitivity factors for 30 June 2020 were +/-10% for price risk and +/-10% for USD and Euro foreign exchange risk.

COVID-19 and efforts to contain its global spread have resulted in, among other things, border closings and other significant travel restrictions, significant disruptions to business operations, supply chains and customer activity, lower consumer demand for certain goods and services, event cancellations and restrictions, service cancellations, significant challenges in healthcare service preparation and delivery, as well as general concern and uncertainty. The impact of the COVID-19 outbreak has negatively affected the global economy, the economies of individual countries, the financial performance of individual issuers, sectors, industries, asset classes, and markets in significant and unforeseen ways and may continue to do so in the future. The COVID-19 pandemic may also exacerbate other pre-existing political, social, economic, market and financial risks. The COVID-19 pandemic and its effects may last for an extended period of time and could result in further significant market volatility, exchange trading suspensions or closures, declines in global financial markets, higher default rates, economic downturn or recession. The impact of this in relation to the Fund's performance and the operational standards of the Fund's service providers is unknown. COVID-19 risk has arisen over a recent timeframe and is therefore specifically noted. The Fund has not made any changes to the methods or assumptions used to determine its sensitivity to the market risk compared to the comparative period.

#### (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 determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021 and 30 June 2020, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests.

Liquidity risk is managed by investing 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 unit holders. The Fund did not reject or withhold any redemptions during 2021 and 2020.

#### (i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holders' option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2021</b>					
Distributions payable	2,872	-	-	-	2,872
Payables	590	-	-	-	590
Net assets attributable to unit holders - liability	<u>1,267,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,267,167</u>
<b>Contractual cash flows (excluding derivatives)</b>	<u>1,270,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,270,629</u>

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2020</b>					
Distributions payable	4,296	-	-	-	4,296
Payables	422	-	-	-	422
Due to brokers - payable for securities purchased	21,224	-	-	-	21,224
Net assets attributable to unit holders - liability	<u>974,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>974,311</u>
<b>Contractual cash flows (excluding derivatives)</b>	<u>1,000,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,253</u>

## 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 6)
- Derivative financial instruments (see Note 7)

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

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

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

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

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

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

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

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) Fair value in an inactive or unquoted market (level 2)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the reporting date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

#### 4 Fair value measurement (continued)

##### (b) Fair value in an inactive or unquoted market (level 2) (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

##### (c) Recognised fair value measurements

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

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Equity securities	<u>1,243,973</u>	-	-	<u>1,243,973</u>
<b>Total financial assets</b>	<u>1,243,973</u>	-	-	<u>1,243,973</u>

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Forward currency contracts	-	6	-	6
Equity securities	<u>949,069</u>	-	-	<u>949,069</u>
<b>Total financial assets</b>	<u>949,069</u>	6	-	<u>949,075</u>

##### (d) Transfer between levels

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

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2021 and year ended 30 June 2020. There were also no changes made to any of the valuation techniques applied as of 30 June 2020.

##### (e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	26,334	24,374
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>226,357</u>	<u>79,372</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>252,691</u>	<u>103,746</u>
<b>Financial liabilities</b>		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(269)</u>	<u>(136)</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(269)</u>	<u>(136)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>252,422</u>	<u>103,610</u>

## 6 Financial assets at fair value through profit or loss

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Derivatives (Note 7)	-	6
Equity securities	<u>1,243,973</u>	<u>949,069</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>1,243,973</u>	<u>949,075</u>

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.

## 7 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

## 7 Derivative financial instruments (continued)

Derivative transactions include many different instruments such as forwards. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

### (a) Forward currency contracts

Forward currency contracts are primarily used by the Fund for the purposes of trading settlements and income repatriations where the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on the spot date. These contracts are valued and translated at the prevailing spot bid price at the end of each reporting period. The Fund recognises a gain or loss equal to any change in fair value at the end of each reporting period.

There were no derivative financial instruments as at 30 June 2021.

The Fund's derivative financial instruments measured at fair value as at 30 June 2020 are detailed below:

As at 30 June 2020

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	18,204	6	-
Total derivatives	<u>18,204</u>	<u>6</u>	<u>-</u>

## 8 Net assets attributable to unit holders - liability

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

	Year ended			
	30 June 2021 Units'000	30 June 2021 \$'000	30 June 2020 Units'000	30 June 2020 \$'000
<b>Class B Units</b>				
Opening balance	363,893	951,937	357,624	838,184
Applications	1,257	3,601	1,599	4,022
Redemptions	(72)	(200)	(54)	(140)
Reinvestment of distributions	2,375	6,397	4,724	11,610
Increase/(decrease) in net assets attributable to unit holders	-	242,575	-	98,261
<b>Closing balance</b>	<b>367,453</b>	<b>1,204,310</b>	<b>363,893</b>	<b>951,937</b>
<b>Class C Units</b>				
Opening balance	15,156	22,374	6,726	8,908
Applications	17,877	28,363	9,775	14,186
Redemptions	(2,917)	(4,827)	(1,367)	(1,934)
Reinvestment of distributions	13	19	22	30
Increase/(decrease) in net assets attributable to unit holders	-	9,698	-	1,184
<b>Closing balance</b>	<b>30,129</b>	<b>55,627</b>	<b>15,156</b>	<b>22,374</b>
<b>Class D Units</b>				
Applications	1,623	6,721	-	-
Redemptions	(22)	(93)	-	-
Increase/(decrease) in net assets attributable to unit holders	-	602	-	-
<b>Closing balance</b>	<b>1,601</b>	<b>7,230</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>		<b>1,267,167</b>		<b>974,311</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 three separate classes of units as at 30 June 2021 (30 June 2020 - two classes of units). Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

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

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. 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.

## 8 Net assets attributable to unit holders - liability (continued)

### Capital risk management (continued)

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.

## 9 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
<b>Distributions - Class B Units</b>				
December	2,304	0.63	6,182	1.71
June (payable)	<u>2,760</u>	<u>0.75</u>	<u>4,199</u>	<u>1.15</u>
<b>Total distributions - Class B Units</b>	<u>5,064</u>	<u>1.38</u>	<u>10,381</u>	<u>2.86</u>
<b>Distributions - Class C Units</b>				
December	27	0.11	40	0.63
June (payable)	<u>97</u>	<u>0.32</u>	<u>97</u>	<u>0.64</u>
<b>Total distributions - Class C Units</b>	<u>124</u>	<u>0.43</u>	<u>137</u>	<u>1.27</u>
<b>Distributions - Class D Units</b>				
June (payable)	<u>15</u>	<u>0.94</u>	-	-
<b>Total distributions - Class D Units</b>	<u>15</u>	<u>0.94</u>	-	-
<b>Total distributions</b>	<u>5,203</u>		<u>10,518</u>	

## 10 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	<u>24,843</u>	<u>49,662</u>
<b>Total cash and cash equivalents</b>	<u>24,843</u>	<u>49,662</u>

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

	Year ended	
	30 June	30 June
	2021	2020
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	252,875	99,445
Distributions to unit holders	5,203	10,518
Proceeds from sale of financial instruments at fair value through profit or loss	66,232	160,604
Payments for purchase of financial instruments at fair value through profit or loss	(129,932)	(152,942)
Net (gains)/losses on financial instruments at fair value through profit or loss	(252,422)	(103,610)
Net foreign exchange (gain)/loss	(379)	259
Dividend income reinvested	-	(132)
Net change in receivables	(297)	175
Net change in payables	132	(193)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(58,588)</b>	<b>14,124</b>
<b>(b) Non-cash financing activities</b>		
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	6,416	11,640
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	-	132
<b>Total non-cash financing activities</b>	<b>6,416</b>	<b>11,772</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the 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 Receivables

	As at	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Dividends receivable	1,723	1,456
GST receivable	90	60
<b>Total receivables</b>	<b>1,813</b>	<b>1,516</b>

### 13 Payables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Interest payable	4	5
Responsible Entity fees payable	28	69
Management fees payable	416	286
Redemptions payable	48	12
Custody and administration fees payable	50	50
Other payables	44	-
<b>Total payables</b>	<b>590</b>	<b>422</b>

### 14 Remuneration of auditor

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

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>PricewaterhouseCoopersAustralian Firm</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	-	17,034
Audit of compliance plan	-	5,000
Total auditor remuneration and other assurance services	-	22,034
<i>Taxation services</i>		
Tax compliance services	-	11,991
Total remuneration for taxation services	-	11,991
<b>Total remuneration of PricewaterhouseCoopersAustralian Firm</b>	<b>-</b>	<b>34,025</b>

## 14 Remuneration of auditor (continued)

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<b>KPMG</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	17,034	-
Audit of compliance plan	<u>5,000</u>	-
Total auditor remuneration and other assurance services	<u>22,034</u>	-
<i>Taxation services</i>		
Tax compliance services	<u>13,750</u>	-
Total remuneration for taxation services	<u>13,750</u>	-
<b>Total remuneration of KPMG</b>	<u>35,784</u>	-

KPMG is the auditor of the Fund since K2 Asset Management Ltd was appointed as the Responsible Entity on 21 December 2020, prior to this PricewaterhouseCoopers was the auditor of the Fund.

## 15 Related party transactions

The Responsible Entity of Apostle Dundas Global Equity Fund is K2 Asset Management Ltd (ABN 95 085 445 094). K2 Asset Management Ltd was appointed as the Responsible Entity on 21 December 2020, replacing Equity Trustees Limited, who acted as Responsible Entity until 20 December 2020. Accordingly, transactions with entities related to K2 Asset Management Ltd and Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Apostle Funds Management Pty Limited to act as Investment Manager for the Fund and State Street Australia Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

## 15 Related party transactions (continued)

### (a) Key management personnel

#### (i) Directors

Key management personnel include persons who were directors of K2 Asset Management Ltd and Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

<b>K2 Asset Management Ltd</b>	(appointed 21 December 2020)
Campbell W Neal	
Mark S Newman	(Retired 29 March 2021)
Hollie A Wight	
George Boubouras	(Appointed 29 March 2021)

<b>Equity Trustees Limited</b>	(Resigned 20 December 2020)
Philip D Gentry	(Chairman)
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

#### (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.

### (b) Transactions with key management personnel

The following transactions occurred with key management personnel during the reporting period:

	Year end	
	30 June 2021	30 June 2020
	\$	\$
Distributions	230	730
<b>Total</b>	<b>230</b>	<b>730</b>

## 15 Related party transactions (continued)

### (c) Key management personnel unit holdings

Key management personnel held units in the Fund, as follows:

As at 30 June  
2021

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
			\$	%			\$
Fang Superannuation Fund	16,597	16,707	54,755	0.004	110	-	230

As at 30 June  
2020

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
			\$	%			\$
Fang Superannuation Fund	16,377	16,597	43,608	0.004	220	-	730

### (d) Key management personnel compensation

Key management personnel are paid by K2 Asset Management Ltd. Payments made from the Fund to K2 Asset Management Ltd 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 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

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

## 15 Related party transactions (continued)

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

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:

#### Equity Trustees Limited

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year	2,267,096	3,935,610
Responsible Entity fees for the year	221,234	399,456
Management fees payable at year end	-	286,170
Responsible Entity fees payable at year end	-	68,610

#### K2 Asset Management Ltd

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year	2,608,254	-
Responsible Entity fees for the year	158,967	-
Management fees payable at year end	415,690	-
Responsible Entity fees payable at year end	28,142	-

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Service provider fees include Responsible Entity fees, Custodian and Administrator fees and other expenses.

### (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) hold units in the Fund, as follows:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
<b>As at 30 June 2021</b>							
<b>EQT Core International Equity Fund</b>	4,586,941	4,936,078	16,177,764	1.277	349,137	-	68,128

## 15 Related party transactions (continued)

### (h) Related party unit holdings (continued)

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
As at 30 June 2020							
EQT Core International Equity Fund	4,586,941	4,586,941	12,052,186	1.237	-	-	203,270

### (i) Investments

The Fund did not hold any investments in K2 Asset Management Ltd or its related parties during the year (2020: nil).

## 16 Events occurring after the reporting period

Since 30 June 2021, a number of events have arisen since the end of the reporting period such as government response to reimpose statewide lockdowns due to COVID-19 outbreaks.

Subsequent to the reporting date, the aggregate fair value of the Fund's financial assets have not changed significantly to 30 August 2021. As the financial assets of the Fund are measured at their 30 June 2021 fair values in the financial report, any changes in values are not reflected in the Statement of comprehensive income or the Statement of financial position.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, the Responsible Entity cannot reasonably assess or quantify the potential short or longer term financial impact on the Fund. The Responsible Entity continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economy to control and slow the outbreak.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 8 to 36 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 2021 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 K2 Asset Management Ltd through a delegated authority given by Equity Trustees Limited's Board.



Hollie A Wight  
Director

Melbourne  
30 August 2021



# Independent Auditor's Report

To the unitholders of Apostle Dundas Global Equity Fund

## Opinion

We have audited the **Financial Report** of Apostle Dundas Global Equity Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of the Scheme is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2021
- Statement of comprehensive income, 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.

## 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 Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other Information

Other Information is financial and non-financial information in Apostle Dundas Global Equity Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors 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.

### Responsibilities of the Directors for the Financial Report

The Directors of K2 Asset Management Ltd (the Responsible Entity) 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 Scheme'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 Scheme 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/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Dean Waters  
Partner  
Melbourne  
30 August 2021