

Auscap Long Short Australian Equities Fund

ARSN 615 542 213

Annual Report

For the year ended 30 June 2021

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This Annual Report covers Auscap Long Short Australian Equities Fund as an individual entity.

The Responsible Entity of Auscap Long Short Australian Equities Fund is Auscap Asset Management Limited (ABN 11 158 929 143) (AFSL 428014). The Responsible Entity's registered office and place of business is:

Level 30, 9 Castlereagh Street
Sydney, NSW 2000

Auscap Long Short Australian Equities Fund
Directors' Report
For the year ended 30 June 2021

Directors' Report

The Directors of Auscap Asset Management Limited, the Responsible Entity of Auscap Long Short Australian Equities Fund (the "Fund"), present their report together with the financial statements of the Fund, for the year ended 30 June 2021.

Principal activities

The principal activity of the Fund is to invest in fundamental, value-driven, long and short positions, primarily in listed Australian equities. The Fund may also invest in other asset classes in accordance with the provisions of the Fund's Constitution and Product Disclosure Statement.

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 of the Fund are detailed below:

Service	Provider
Responsible Entity and Investment Manager	Auscap Asset Management Limited
Prime Broker and Custodian	Citigroup Global Markets Limited
Administrator and Registrar	Link Fund Solutions Pty Limited
Statutory Auditor	Ernst & Young

Directors

The following persons held office as Directors of Auscap Asset Management Limited during or since the end of the year and up to the date of this report:

Timothy James Carleton (Director and Company Secretary)
 Matthew William Parker
 Phillip James Carleton

Review and results of operations

Coronavirus (COVID-19) Impact

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets.

The Fund's risk management framework continues to be applied and the Responsible Entity continues to monitor the impact of COVID-19 on the Fund's risk profile. The Fund has considered the impact of COVID-19 and other market volatility in preparing its financial statements. As at the reporting date, the determination of the carrying value of financial instruments carried at fair value through profit or loss, included a consideration of the impact of COVID-19. There has been no impact on other assets and liabilities nor on the going concern ability of the Fund.

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

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	150,255	(91,196)
<i>Distributions</i>		
Distributions payable	298	34,782

In accordance with the Fund's Constitution, management fees of \$3,344,191 (2020: \$5,857,108) and performance fees of \$4,843,833 (2020: \$244,292) inclusive of non-claimable GST, were charged by the Investment Manager, Auscap Asset Management Limited to the Fund.

Significant changes in the state of affairs

Previously, the Fund exercised its discretion that it has under the Fund's Constitution to waive one third of its management fee for each Class Unit in the Fund, reducing it to 1.025% (GST inclusive net of RITC) and waived its performance fee on all existing and new Class of Units starting from 1 April 2020 in accordance with the terms set in the notice to investors dated 9 April 2020. These waivers were to be in effect until such time that the total return for every investor in the Fund as at 31 March 2020 (being the value of all Units held in the Fund at the relevant time and distributions received in relation to those Units) was greater than the amount that each investor initially contributed (less the buy spread) assuming reinvestment of all distributions into the Fund. The waiver for management fees was revoked on 30 November 2020 once the criteria had been met. The performance fee waiver was revoked on 31 December 2020 as the criteria had been met on 30 November 2020 and the total return of the Fund exceeded the High Watermark as of 31 December 2020.

Effective 1 January 2021, the Investment Manager changed the performance fee benchmark from the Reserve Bank of Australia (RBA) Cash Rate to the All Ordinaries Accumulation Index and noting that the payment of the performance fee will also be subject to the Fund's performance being above the return of the RBA Cash Rate.

Effective from 1 January 2021, the Fund has exercised its discretion to cease the Series Class and consolidate investors from the Series Class into the Monthly Class (formerly known as Monthly Platform Class).

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.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 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.

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 Auscap Asset Management Limited. So long as the officers of Auscap Asset Management 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 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

Changes on the basis of fee structures and the corresponding 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 and its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 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 thousand dollars

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

Auditor's Independence Declaration

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

This report is made in accordance with a resolution of the Directors of Auscap Asset Management Limited.



Timothy James Carleton
Director

Sydney
16 September 2021



**Building a better
working world**

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Auditor's independence declaration to the directors of Auscap Asset Management Limited as Responsible Entity for Auscap Long Short Australian Equities Fund

As lead auditor for the audit of the financial report of Auscap Long Short Australian Equities Fund for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
16 September 2021

Auscap Long Short Australian Equities Fund
Statement of Comprehensive Income
For the year ended 30 June 2021

Statement of Comprehensive Income

		Year ended	
		30 June 2021	30 June 2020
	Notes	\$'000	\$'000
Investment income			
Interest income from financial assets at amortised cost		11	245
Dividend income		8,662	15,161
Unit trust distributions		3,427	5,353
Net gains/(losses) on financial instruments at fair value through profit or loss		147,780	(102,447)
Total investment income/(loss)		<u>159,880</u>	<u>(81,688)</u>
Expenses			
Management fees	15(f)	3,344	5,857
Performance fees	15(f)	4,844	244
Administration fees		239	282
Interest expense		579	1,392
Transaction costs		165	573
Stock loan fees		23	189
Professional fees		318	129
Short dividend expense		69	817
Other operating expenses		44	25
Total operating expenses		<u>9,625</u>	<u>9,508</u>
Operating profit/(loss) before finance costs attributable to unitholders		<u>150,255</u>	<u>(91,196)</u>
Finance costs attributable to unitholders			
Distributions to unitholders	9	(298)	(34,782)
(Increase)/decrease in net assets attributable to unitholders	8	(149,957)	125,978
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Auscap Long Short Australian Equities Fund
Statement of Financial Position
As at 30 June 2021

Statement of Financial Position

		As at	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents	10	1,983	11,156
Receivables	12	2,184	3,080
Due from brokers - receivable for securities sold		8,807	23,686
Financial assets at fair value through profit or loss	5	317,730	323,028
Total assets		330,704	360,950
Liabilities			
Borrowings	10	45,541	85,838
Distributions payable	9	298	34,782
Payables	13	4,563	684
Due to brokers - payable for securities purchased		-	123
Financial liabilities at fair value through profit or loss	6	1,678	15,069
Total liabilities (excluding net assets attributable to unitholders)		52,080	136,496
Net assets attributable to unitholders - liability	8	278,624	224,454

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Auscap Long Short Australian Equities Fund
Statement of Changes in Equity
For the year ended 30 June 2021

Statement of Changes in Equity

	Year ended	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Total equity at the beginning of the year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the year	-	-

Net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Auscap Long Short Australian Equities Fund
Statement of Cash Flows
For the year ended 30 June 2021

Statement of Cash Flows

		Year ended	
		30 June	30 June
		2021	2020
	Notes	\$'000	\$'000
Cash flows from operating activities			
Proceeds from sale of financial assets at fair value through profit or loss		439,336	1,137,590
Payments for purchase of financial assets at fair value through profit or loss		(269,825)	(886,841)
Proceeds from short sale of financial liabilities at fair value through profit or loss		4,343	120,918
Payments for re-purchase of financial liabilities at fair value through profit or loss		(19,461)	(179,833)
Dividends and distributions received		13,098	22,281
Interest income received from financial assets at amortised cost		12	324
Management fees paid		(2,995)	(6,100)
Performance fees paid		(3,945)	(296)
Transaction costs paid		(122)	(555)
Short dividend expenses paid		(113)	(911)
Interest expense paid		(607)	(1,670)
Other operating expenses paid		(509)	(624)
Net cash inflow/(outflow) from operating activities	11(a)	159,212	204,283
Cash flows from financing activities			
Proceeds from applications by unitholders		33,798	42,800
Payments for redemptions by unitholders		(139,535)	(199,516)
Distributions paid to unitholders		(22,135)	(11,682)
Withholding tax paid on distributions		(216)	(63)
Net cash inflow/(outflow) from financing activities		(128,088)	(168,461)
Net increase/(decrease) in cash and cash equivalents		31,124	35,822
Cash and cash equivalents at the beginning of the year		(74,682)	(110,504)
Cash and cash equivalents at the end of the year	10	(43,558)	(74,682)
Non-cash financing activities	11(b), 8(a)	12,431	6,758

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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1 General information

These financial statements cover the Auscap Long Short Australian Equities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 30 October 2012 and will terminate in accordance with the provisions of the Fund's Constitution.

The Responsible Entity and Investment Manager of the Fund is Auscap Asset Management Limited (the "Responsible Entity/Investment Manager") (ABN 11 158 929 143) (AFSL 428014). The Responsible Entity's registered office is Level 30, 9 Castlereagh Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency unless otherwise stated.

The principal activity of the Fund is to invest in fundamental, value-driven, long and short positions, primarily in listed Australian equities. The Fund may also invest in other asset classes in accordance with the provisions of the Fund's Constitution and Product Disclosure Statement.

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 unitholders.

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 unitholders, the units are redeemable on demand at the unitholder'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.

(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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(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 January 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.

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

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

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

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 (due to brokers, distributions payable, management fees payable, applications received in advance, short dividends payable, interest 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(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 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 due from brokers 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, due from brokers 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.

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

(v) Offsetting financial instruments

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

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

2 Summary of significant accounting policies (continued)

(c) Derivative financial instruments

All derivatives that do not qualify for hedge accounting and are classified as financial assets and liabilities at fair value through profit or loss, with any gains or losses arising from changes in fair value taken directly to Net gains/(losses) on financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

(i) Options

Option purchases allow for the holder to either purchase (based on call option) or sell (based on put option) the underlying asset at an agreed value either on or before the expiration of the option. An option seller takes the other side of transaction.

The Fund may buy and sell call and put options through listed exchanges and over-the-counter (“OTC”).

(ii) Futures

Future contracts are agreements for the delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified commodity, instrument or currency, at a specified price or yield. Gains or losses on futures are recorded based upon market fluctuations and are recorded as part of Net gains/(losses) on financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

The Fund may buy or sell futures for both investment and/or economic hedge purposes.

(d) Net assets attributable to unitholders

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

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 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.

As the units on issue comprise multiple classes of units with non-identical features, the Fund's net assets attributable to unitholders cannot be classified as equity; and therefore, have continued to be classified as a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

(e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash held at broker, 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.

2 Summary of significant accounting policies (continued)

(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 or financial liability and of allocating the interest income or interest expense over the relevant year. 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 instrument (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 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.

Trust distributions are recognised on an entitlement basis.

(g) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(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 is not subject to income tax. The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded net of withholding taxes in the Statement of Comprehensive Income.

(i) Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

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

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(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 year end. Trades are recorded on trade date, and for equities normally settled within two business days.

2 Summary of significant accounting policies (continued)

(l) 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.

Receivables also include such items as Reduced Input Tax Credits (RITC).

(m) Payables

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

A separate distributions payable is recognised in the Statement of Financial Position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

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

(n) Applications and redemptions

Unit application and redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue, adjusted for buy/sell spreads.

(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 fees, performance fees, legal fees and administration 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 investment management fees, performance fees, legal fees and administration 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.

For more information on how fair value is calculated please 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* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations Instrument*, 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 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. On equities sold short, the maximum loss of capital can be unlimited.

The investments of the Fund and associated risks are managed by Auscap Asset Management Limited ("Responsible Entity/Investment Manager"), under the Fund's Constitution and the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risks and ratings analysis for credit risk.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk on equity securities listed on recognised securities exchanges. Price risk arises from investments and short positions held by the Fund for which prices in the future are uncertain.

The value of the long investments in the Fund's portfolio may decrease in response to the activities of an individual company or in response to general market, business or economic conditions. Conversely, the value of the Fund's short sale liabilities may increase as a result of the same factors. In each case, investors are exposed to a decrease in the Fund's unit price.

The Responsible Entity/Investment Manager attempts to mitigate this price risk through disciplined investing and risk management, with the intention of preserving capital and generating long-term compounding returns. Risk management is a key focus and includes daily monitoring of risk via internal control systems using aggregate, sector and single name exposure and various other risk management tools, monitoring of hard risk limits and a quarterly review of risk management processes by the Investment Manager's board. The Responsible Entity/Investment Manager may or may not be successful in its attempt to mitigate price risk.

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 move by +/- 5% (2020: +/- 5%).

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest bearing financial assets 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.

In addition, changes in interest rates can have an indirect impact on the investment value and/or returns of many types of assets held by the Fund. As such, given the value of the Fund's investments may also be indirectly affected by the impact of interest rate changes, the sensitivity analysis within Note 3(b) may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

As at 30 June 2021	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	1,983	-	-	1,983
Receivables	-	-	2,184	2,184
Due from brokers - receivable for securities sold	-	-	8,807	8,807
Financial assets at fair value through profit or loss	-	-	317,730	317,730
Total financial assets	1,983	-	328,721	330,704
Financial liabilities				
Borrowings	45,541	-	-	45,541
Distributions payable	-	-	298	298
Payables	-	-	4,563	4,563
Financial liabilities at fair value through profit or loss	-	-	1,678	1,678
Total financial liabilities (excluding net assets attributable to unitholders)	45,541	-	6,539	52,080
Net exposure	(43,558)	-	322,182	278,624

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Cash and cash equivalents	11,156	-	-	11,156
Receivables	-	-	3,080	3,080
Due from brokers - receivable for securities sold	-	-	23,686	23,686
Financial assets at fair value through profit or loss	-	-	323,028	323,028
Total financial assets	11,156	-	349,794	360,950
Financial liabilities				
Borrowings	85,838	-	-	85,838
Distributions payable	-	-	34,782	34,782
Payables	-	-	684	684
Due to brokers - payable for securities purchased	-	-	123	123
Financial liabilities at fair value through profit or loss	-	-	15,069	15,069
Total financial liabilities (excluding net assets attributable to unitholders)	85,838	-	50,658	136,496
Net exposure	(74,682)	-	299,136	224,454

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates in the Fund's operating profit/(loss) and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that interest rates change by +/- 50 basis points (2020: +/- 50 basis points) from the year end rates with all other variables held constant.

(b) Summarised sensitivity analysis

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

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

	Impact on operating profit/(loss)/ Net assets attributable to unitholders			
	Price risk		Interest rate risk	
	+5%	-5%	+50bps	-50bps
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2021	15,803	(15,803)	(218)	218
As at 30 June 2020	15,398	(15,398)	(373)	373

(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's credit risk primarily arises from an exposure to Citigroup Inc. and associated entities. The Fund has appointed wholly owned Citigroup Inc.'s indirect subsidiaries, Citigroup Global Markets Limited and Citigroup Global Markets Australia Pty Ltd, as prime broker and cash lender, respectively. Under these agreements, the Fund may post collateral with Citigroup Global Markets Limited in respect of certain transactions. Citigroup Global Markets Limited may deal with the collateral for its own purposes as though the assets of the Fund were its own assets, subject to an obligation to return equivalent securities or cash value and in the event of insolvency of Citigroup Global Markets Limited, Auscap will rank as an unsecured creditor of Citigroup Global Markets Limited and may not be able to recover the entire value of the collateral posted. Refer to Note 7 for details of the collateral.

The Responsible Entity has sought to mitigate credit exposure to the prime broker and cash lender by exercising care in selection of a reputable provider, including a due diligence process and selection of a counterparty where the parent entity has a credit rating of A+ (as determined by S&P) (2020: A+).

In addition, the Fund has credit risk via cash deposited with the Australian and New Zealand Banking Group Limited, which has an S&P rating of AA- (2020: AA-).

The table below summarises these assets being cash and cash equivalents and due from brokers as at 30 June 2021 and 30 June 2020:

	2021 \$'000	2020 \$'000
Citigroup Inc. and associated entities	8,807	34,717
Australian and New Zealand Banking Group Limited	1,983	125
Total	10,790	34,842

3 Financial risk management (continued)

(c) Credit risk (continued)

(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) Other

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

(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. Liquidity risk arises when investments made in securities which are traded on an infrequent basis, or in securities which are not traded regularly on any financial market. Should the Fund hold illiquid securities then it may not be able to sell them at a fair price at the time it may wish to do so. This may affect the Fund's performance and may also impact upon an investor's ability to redeem from the Fund.

The Fund is exposed to at least daily cash redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily disposed. The Investment Manager reasonably expects to be able to realise at least 80% of the Fund's assets, at the value ascribed to those assets in calculating the Fund's Net Asset Value, within 10 days (subject to any relevant costs).

However, at certain times, particularly under stressed market conditions, this may not be possible. Consequently, the Fund maintains a liquidity management policy that has the following key elements:

- The Fund will primarily hold investments that are traded on an active market;
- Units in the Monthly Platform Class and the Series Class are subject to a minimum 30-day redemption notice period; and
- The Investment Manager regularly monitors and internally reports on the liquidity of the Fund.

The Responsible Entity has the discretion to suspend redemptions of units in certain circumstances to allow sufficient time for the liquidation of assets to meet redemptions. The Fund did not suspend or withhold any redemption during 2021 (2020: nil).

(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 as at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unitholder's 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.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

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

	Less than 1 month - at call \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
As at 30 June 2021					
Borrowings	45,541	-	-	-	45,541
Distributions payable	298	-	-	-	298
Payables	4,563	-	-	-	4,563
Due to brokers - payable for securities purchased	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,678	-	-	-	1,678
Net assets attributable to unitholders	22,646	255,978	-	-	278,624
Contractual cash flows	74,726	255,978	-	-	330,704
As at 30 June 2020					
Borrowings	85,838	-	-	-	85,838
Distributions payable	34,782	-	-	-	34,782
Payables	684	-	-	-	684
Due to brokers - payable for securities purchased	123	-	-	-	123
Financial liabilities at fair value through profit or loss	15,069	-	-	-	15,069
Net assets attributable to unitholders	15,425	209,029	-	-	224,454
Contractual cash flows	151,921	209,029	-	-	360,950

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/liabilities at fair value through profit or loss (see Notes 5, 6 and 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. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

4 Fair value measurement (continued)

(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) is based on their 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.

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 and Level 3)

The Fund determined the fair value of equity securities that have been suspended from trading using the best information available in the circumstances adjusted for reasonably available information indicating the price that other market participants would use. As at year-end there is no reasonably available information as to the fair value of the suspended equity securities and the Directors determined to write down the valuation of the suspended equity securities to nil.

(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 and 30 June 2020.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2021				
Financial assets				
Australian listed equity securities	274,253	-	-	274,253
Australian listed property trusts	37,083	-	-	37,083
Australian listed unit trusts	6,394	-	-	6,394
Total financial assets	317,730	-	-	317,730
Financial liabilities				
Australian listed equity securities sold short	1,678	-	-	1,678
Total financial liabilities	1,678	-	-	1,678

4 Fair value measurement (continued)

(c) *Recognised fair value measurements (continued)*

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Australian index options	112	-	-	112
Australian listed equity securities	260,240	-	-	260,240
Australian listed property trusts	62,676	-	-	62,676
Total financial assets	323,028	-	-	323,028
Financial liabilities				
Australian share price index futures	(122)	-	-	(122)
Australian listed equity securities sold short	(14,947)	-	-	(14,947)
Total financial liabilities	(15,069)	-	-	(15,069)

(d) *Transfers between levels*

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period (2020: nil).

(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 unitholders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

5 Financial assets at fair value through profit or loss

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Australian index options	-	112
Australian listed equity securities	274,253	260,240
Australian listed property trusts	37,083	62,676
Australian listed unit trusts	6,394	-
Total financial assets at fair value through profit or loss	317,730	323,028

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 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Australian share price index futures	-	122
Australian listed equity securities sold short	1,678	14,947
Total financial liabilities at fair value through profit or loss	1,678	15,069

Financial assets pledged as collateral for the securities sold short at 30 June 2021 of \$1,677,650 (2020: \$15,068,875) are included within the financial assets at fair value through profit or loss and cash held at broker. Upon redelivery of securities borrowed, cash collateral shall be repaid and securities collateral or equivalent thereto shall be redelivered. The financial assets pledged as collateral incurred a floating interest rate of 0.10% to 0.14% (30 June 2020: 0.13% to 1.25%) as at 30 June 2021.

An overview of the risk exposures and fair value measurements relating to financial liabilities 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.

Derivative transactions include many different instruments such as forwards, futures and options. 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 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.

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

7 Derivative financial instruments (continued)

The Fund did not hold any derivative financial instruments as at 30 June 2021. The Fund's derivative financial instruments measured at fair value at prior year end are detailed below:

As at 30 June 2020

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Australian index options	18	112	-
Australian share price index futures	36,825	-	122
	<u>36,843</u>	<u>112</u>	<u>122</u>

Information about the Fund's exposure to credit risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

8 Net assets attributable to unitholders - liability

(a) Movement in net assets attributable to unitholders during the year

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Opening balance	224,454	499,156
Applications	31,941	44,033
Redemptions	(140,159)	(199,515)
Reinvestment of distributions	12,431	6,758
Increase/(decrease) in net assets attributable to unitholders	<u>149,957</u>	<u>(125,978)</u>
Closing balance	<u>278,624</u>	<u>224,454</u>

8 Net assets attributable to unitholders - liability (continued)

(b) Movement in the number of units on issue

As at 30 June 2021	Opening balance as at 1 July 2020 Units '000	Applications Units '000	Redemptions Units '000	Series roll-up Units '000	Reinvestment of distributions Units '000	Closing balance as at 30 June 2021 Units '000
Series 19	111,472	-	(39,736)	(71,736)	-	-
Series 60	2,907	-	(1,163)	(1,744)	-	-
Series 61	1,760	-	(365)	(1,395)	-	-
Series 66	15,680	-	(8,653)	(7,027)	-	-
Series 67	821	-	(498)	(323)	-	-
Series 68	1,191	-	(377)	(814)	-	-
Series 69	1,322	-	(432)	(890)	-	-
Series 70	1,761	2	(2,269)	506	-	-
Series 77	332	-	(112)	(220)	-	-
Series 78	6,646	-	(484)	(6,162)	-	-
Series 79	128	-	-	(128)	-	-
Series 80	190	-	(40)	(150)	-	-
Series 81	326	-	-	(326)	-	-
Series 82	311	-	(32)	(279)	-	-
Series 83	79	-	(48)	(31)	-	-
Series 84	31	-	(31)	-	-	-
Series 85	24	-	-	(24)	-	-
Series 88	421	-	(13)	(408)	-	-
Series 89	445	-	-	(445)	-	-
Series 90	-	27	(2,125)	(9,152)	11,250	-
Series 91	-	3	-	(3)	-	-
Series 92	-	136	-	(136)	-	-
Series 93	-	478	-	(478)	-	-
Daily Platform Class	23,993	30,810	(36,135)	-	151	18,819
Monthly Class	86,668	5,482	(45,442)	152,218	1,198	200,124
Total	256,508	36,938	(137,955)	50,853	12,599	218,943

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(continued)

8 Net assets attributable to unitholders - liability (continued)

As at 30 June 2020	Opening balance as at 1 July 2019 Units '000	Applications Units '000	Redemptions Units '000	Series roll-up Units '000	Reinvestment of distributions Units '000	Closing balance as at 30 June 2020 Units '000
Series 19	203,768	-	(92,296)	-	-	111,472
Series 60	4,503	-	(1,596)	-	-	2,907
Series 61	4,717	-	(2,957)	-	-	1,760
Series 66	25,143	-	(9,463)	-	-	15,680
Series 67	2,278	-	(1,457)	-	-	821
Series 68	3,475	-	(2,284)	-	-	1,191
Series 69	2,321	-	(999)	-	-	1,322
Series 70	2,814	-	(1,053)	-	-	1,761
Series 71	1,587	-	-	(1,587)	-	-
Series 72	989	-	(49)	(940)	-	-
Series 73	337	-	-	(337)	-	-
Series 74	900	-	-	(900)	-	-
Series 75	432	-	-	(432)	-	-
Series 76	260	-	-	(260)	-	-
Series 77	332	-	-	-	-	332
Series 78	-	758	(3,037)	4,589	4,336	6,646
Series 79	-	134	(6)	-	-	128
Series 80	-	257	(67)	-	-	190
Series 81	-	440	(114)	-	-	326
Series 82	-	382	(71)	-	-	311
Series 83	-	205	(126)	-	-	79
Series 84	-	93	(62)	-	-	31
Series 85	-	61	(37)	-	-	24
Series 86	-	54	(54)	-	-	-
Series 87	-	127	(127)	-	-	-
Series 88	-	421	-	-	-	421
Series 89	-	445	-	-	-	445
Daily Platform Class	8,710	18,803	(3,521)	-	1	23,993
Monthly Platform Class	116,193	23,281	(53,169)	-	363	86,668
Total	378,759	45,461	(172,545)	133	4,700	256,508

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

8 Net assets attributable to unitholders - liability (continued)

With the exception of the Daily and Monthly Platform Class, each series of units has the same rights as all other units, although performance and distributions may differ between series. In order to ensure that unitholders bear the performance fee according to the actual performance of their units, having regard to the different dates and prices at which such units were acquired, a new series of units is issued on each unit pricing date being every month end. As soon as practicable at the end of each financial year, all series which have incurred a performance fee will be consolidated into a single series, being the older series of such class to have incurred a performance fee in the relevant period, unless otherwise determined by the Responsible Entity. For the Daily and Monthly Class, there will be no consolidation as these are non-series based units.

Effective from 1 January 2021, the Fund has exercised its discretion to cease the Series Class and consolidate investors from the Series Class into the Monthly Class (formerly known as Monthly Platform Class).

As the units on issue comprise multiple classes of units with non-identical features, the Fund's net assets attributable to unitholders cannot be classified as equity; and therefore, have continued to be classified as a liability in accordance with *AASB 132 Financial Instruments: Presentation*.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on at least a daily basis as the Fund is subject to applications and redemptions at the discretion of unitholders.

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 unitholders.

9 Distributions to unitholders

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
Series 19				
Distributions payable	-	-	17,676	15.8568
	-	-	17,676	15.8568
Series 60				
Distributions payable	-	-	479	16.4796
	-	-	479	16.4796
Series 61				
Distributions payable	-	-	289	16.4260
	-	-	289	16.4260
Series 66				
Distributions payable	-	-	2,537	16.1773
	-	-	2,537	16.1773
Series 67				
Distributions payable	-	-	133	16.2395
	-	-	133	16.2395
Series 68				
Distributions payable	-	-	194	16.2585
	-	-	194	16.2585

Auscap Long Short Australian Equities Fund
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(continued)

9 Distributions to unitholders (continued)

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
Series 69				
Distributions payable	-	-	216	16.3228
	-	-	216	16.3228
Series 70				
Distributions payable	-	-	283	16.0942
	-	-	283	16.0942
Series 77				
Distributions payable	-	-	54	16.3992
	-	-	54	16.3992
Series 78				
Distributions payable	-	-	1,041	15.6664
	-	-	1,041	15.6664
Series 79				
Distributions payable	-	-	20	15.9486
	-	-	20	15.9486
Series 80				
Distributions payable	-	-	30	15.8581
	-	-	30	15.8581
Series 81				
Distributions payable	-	-	52	15.9077
	-	-	52	15.9077
Series 82				
Distributions payable	-	-	50	15.9323
	-	-	50	15.9323
Series 83				
Distributions payable	-	-	13	15.9842
	-	-	13	15.9842
Series 84				
Distributions payable	-	-	5	16.0245
	-	-	5	16.0245
Series 85				
Distributions payable	-	-	4	16.0258
	-	-	4	16.0258
Series 88				
Distributions payable	-	-	67	16.0353
	-	-	67	16.0353

Auscap Long Short Australian Equities Fund
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(continued)

9 Distributions to unitholders (continued)

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
Series 89				
Distributions payable	-	-	71	16.0356
	-	-	71	16.0356
Daily Platform Class				
Distributions payable	24	0.1287	2,394	9.9766
	24	0.1287	2,394	9.9766
Monthly Class				
Distributions payable	274	0.1368	9,174	10.5851
	274	0.1368	9,174	10.5851
			As at	
			30 June 2021 \$'000	30 June 2020 \$'000
Distributions payable			298	34,782
Total distributions			298	34,782

10 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash in bank	1,983	125
Cash held with broker	-	11,031
Total cash and cash equivalents	1,983	11,156

These accounts are earning a floating interest rate of 0% to 0.15% as at 30 June 2021 (30 June 2020: 0.15% to 1.15%).

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Borrowings	(45,541)	(85,838)
Total borrowings	(45,541)	(85,838)

These accounts incurred a floating interest rate of 0.70% to 0.74% (30 June 2020: 0.73% to 1.85%) on borrowings as at 30 June 2021.

10 Cash and cash equivalents (continued)

The amount of cash and cash equivalents shown in the Statement of Cash Flows at the end of the year is reconciled as follows:

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash and cash equivalents	1,983	11,156
Borrowings	<u>(45,541)</u>	<u>(85,838)</u>
Balance per Statement of Cash Flows	<u>(43,558)</u>	<u>(74,682)</u>

11 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 2021 \$'000	30 June 2020 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	149,957	(125,978)
Distributions to unitholders	298	34,782
Proceeds from sale of financial assets at fair value through profit or loss	439,336	1,137,590
Payments for purchase of financial assets at fair value through profit or loss	(269,825)	(886,841)
Proceeds from short sale of financial liabilities at fair value through profit or loss	4,343	120,918
Payments for re-purchase of financial liabilities at fair value through profit or loss	(19,461)	(179,833)
Net (gains)/losses on financial instruments at fair value through profit or loss	(147,780)	102,447
Dividends reinvested	50	-
Net change in receivables	926	2,089
Net change in payables	<u>1,368</u>	<u>(891)</u>
Net cash inflow/(outflow) from operating activities	<u>159,212</u>	<u>204,283</u>

(b) Non-cash financing activities

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	<u>12,431</u>	<u>6,758</u>
Total non-cash financing activities	<u>12,431</u>	<u>6,758</u>

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

Auscap Long Short Australian Equities Fund
Notes to the Financial Statements
For the year ended 30 June 2021
(continued)

12 Receivables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Dividends and unit trust distributions receivable	1,465	2,474
Applications receivable	30	-
Interest receivable	-	1
GST receivable	689	605
Total receivables	2,184	3,080

13 Payables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Management fees payable	373	240
Performance fees payable	1,232	-
Redemptions payable	624	-
Applications received in advance	2,006	119
Short dividend payable	-	94
Interest payable	30	58
Other payables	298	173
Total payables	4,563	684

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 \$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	31,600	31,000
Audit of compliance plan	16,100	15,760
Total auditor remuneration and other assurance services	47,700	46,760
<i>Taxation services</i>		
Tax compliance services	18,750	18,500
Total remuneration for taxation services	18,750	18,500
Total remuneration of Ernst & Young	66,450	65,260

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

15 Related party transactions

The Responsible Entity of Auscap Long Short Australian Equities Fund is Auscap Asset Management Limited (ABN 11 158 929 143) (AFSL 428014). Auscap Asset Management Limited is also the Investment Manager of the Fund. Accordingly, transactions with entities related to Auscap Asset Management Limited are disclosed below.

The Responsible Entity has contracted services to Citigroup Global Markets Limited to act as Prime Broker and Custodian, and Link Fund Solutions Pty Limited to act as Administrator and Registrar 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 Auscap Asset Management Limited at any time during or since the end of the financial year and up to the date of this report.

Timothy James Carleton (Director and Company Secretary)
 Matthew William Parker
 Phillip James Carleton

(ii) Other key management personnel

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

(b) Transactions with key management personnel

From time to time Directors of the Responsible Entity, or their director-related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors. The following transactions occurred with key management personnel during the reporting period:

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Application for units	-	663,250
Redemption of units	(726)	(1,650,000)

(c) Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to Auscap Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

(d) 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.

(e) 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 key management personnel's interests existing at year end.

15 Related party transactions (continued)

(f) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and the offer documents of the Fund, the Responsible Entity/ Investment Manager is entitled to receive management fees of up to 1.5375% per annum (including GST net of RITC) of the net assets of the Fund. The Responsible Entity/Investment Manager is also entitled to a performance fee of 15.375% (including GST net of RITC) of outperformance over the Benchmark. Outperformance is calculated as the amount by which the NAV per Unit of the Relevant Class exceeds the High Watermark increased by the Hurdle Rate.

Previously, the Fund exercised its discretion that it has under the Fund's Constitution to waive one third of its management fee for each Class Unit in the Fund, reducing it to 1.025% (GST inclusive net of RITC) and waived its performance fee on all existing and new Class of Units starting from 1 April 2020 in accordance with the terms set in the notice to investors dated 9 April 2020. These waivers were to be in effect until such time that the total return for every investor in the Fund as at 31 March 2020 (being the value of all Units held in the Fund at the relevant time and distributions received in relation to those Units) was greater than the amount that each investor initially contributed (less the buy spread) assuming reinvestment of all distributions into the Fund. The waiver for management fees was revoked on 30 November 2020 once the criteria had been met. The performance fee waiver was revoked on 31 December 2020 as the criteria had been met on 30 November 2020 and the total return of the Fund exceeded the High Watermark as of 31 December 2020.

Effective 1 January 2021, the Investment Manager changed the performance fee benchmark from the Reserve Bank of Australia (RBA) Cash Rate to the All Ordinaries Accumulation Index and noting that the payment of the performance fee will also be subject to the Fund's performance being above the return of the RBA Cash Rate.

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year*	3,344,191	5,857,108
Performance fees for the year	4,843,833	244,292
Total fees payable to the Responsible Entity/Investment Manager at year end	1,605,023	240,499

* Includes Auscap Asset Management Limited's fees as the Responsible Entity and Investment Manager of the Fund.

For information on how management and performance fees are calculated, please refer to the Fund's Product Disclosure Statement available on www.auscapam.com/auscap-fund/pds.

(g) Investments

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

(h) Related party unit holdings

Parties related to the Fund including Auscap Asset Management Limited and its related parties held 5,663,510 units in the Fund as at 30 June 2021 (30 June 2020: 3,598,597 units).

16 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 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 contingent assets, liabilities or commitments as at 30 June 2021 (30 June 2020: nil).

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 36 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001*; 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 Auscap Asset Management Limited.



Timothy James Carleton
Director

Sydney
16 September 2021



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Independent Auditor's Report to the Unitholders of Auscap Long Short Australian Equities Fund

Opinion

We have audited the financial report of Auscap Long Short Australian Equities Fund (the Fund), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

Basis for Opinion

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

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

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

The directors of Auscap Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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



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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
Sydney
16 September 2020