

Bennelong Market Neutral Fund

ARSN 607 859 058

Financial report

for the year ended 30 June 2023



Contents

	Page
Directors' report	2
Auditor's independence declaration	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial report	10
Directors' declaration	27
Independent auditor's report to the unitholders	28

This financial report covers the Bennelong Market Neutral Fund (ARSN 607 859 058) as an individual entity.

The Responsible Entity of the Bennelong Market Neutral Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806). The Responsible Entity's registered office is:

Bennelong House
Level 1, 9 Queen Street
Melbourne VIC 3000

Directors' report

The directors of Bennelong Funds Management Ltd, the Responsible Entity of Bennelong Market Neutral Fund (the "Fund"), present their report together with the financial report of the Fund, for the year ended 30 June 2023.

Principal activities

The Fund invests in Australian listed equities in accordance with the Product Disclosure Statement ("PDS") 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 to the Fund are detailed below:

Service	Provider
Responsible Entity	Bennelong Funds Management Ltd
Investment Manager	Bennelong Long Short Equity Management Pty Ltd
Custodian and Prime Broker	UBS AG Australia Branch
Administrator	Apex Fund Services (Sydney) Pty Limited
Statutory Auditor	Deloitte Touche Tohmatsu

Directors

The following persons held office as directors of Bennelong Funds Management Ltd during the period or since the end of the period and up to the date of this report:

Michael Dwyer	Chairman
Craig Bingham	(Resigned 17 February 2023)
John Burke	(Appointed 27 March 2023)
Vicki Allen	
Lincoln McMahon	
Adam Tindall	
Andrea Waters	

Review and results of operations

During the year, the Fund invested monies in accordance with the investment policies set out in its PDS and in accordance with the provisions of its Constitution.

Results

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

	2023 \$'000	2022 \$'000
Operating profit/(loss) attributable to unitholders	<u>11,563</u>	<u>(39,287)</u>

The distributions for the year were as follows:

	2023 \$'000	cpu (cents per unit)	2022 \$'000	cpu (cents per unit)
Distributions				
Full Year Distribution - 30 June	<u>-</u>	<u>0.0000</u>	<u>-</u>	<u>0.0000</u>
	<u>-</u>		<u>-</u>	

Directors' report (continued)

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There has been no matter or circumstance since 30 June 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of the 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 its PDS and in accordance with the provisions of its 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.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

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 the Responsible Entity. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 13 to the financial report.

No fees were paid out of Fund property to the directors of Bennelong Funds Management Ltd during the year.

The number of interests in the Fund held by Bennelong Funds Management Ltd or its associates as at the end of the financial year are disclosed in note 13 to the financial report.

Deferred Fund Expenses

Under the terms of the Fund's constitution, the Responsible Entity is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's Product Disclosure Statement (PDS) outlines in Section 7 that the Responsible Entity estimates this amount to be 0.09% per annum of the Net Asset Value (NAV) of the Fund. As at 30 June 2023, the Responsible Entity has incurred \$4,107 in reimbursable expenses in excess of the amount charged to the Fund (30 June 2022: \$48,778).

Interests in the Fund

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

The value of the Fund's assets and liabilities are disclosed on the Statement of financial position and derived using the basis set out in note 2 to the financial report.

Directors' report (continued)

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial reports and directors' report have been rounded off to the nearest thousand dollar, unless otherwise stated.

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 Bennelong Funds Management Ltd.



John Burke
Director
Sydney, 27 September 2023

27 September 2023

The Board of Directors
Bennelong Funds Management Ltd
as Responsible Entity for Bennelong Market Neutral Fund
Level 1, 9 Queen Street
MELBOURNE VIC 3000

Dear Directors

Independence Declaration – Bennelong Market Neutral Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Bennelong Funds Management Ltd, the Responsible Entity, regarding the annual financial report for Bennelong Market Neutral Fund.

As lead audit partner for the audit of the financial report of Bennelong Market Neutral Fund for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Kuziow
Partner
Chartered Accountants

Statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Investment income			
Dividend income on long positions		5,697	8,027
Interest income		2,509	60
Net gains/(losses) financial instruments at fair value through profit or loss	5	16,718	(25,409)
Other income		564	65
Total investment income		25,488	(17,257)
Expenses			
Management fees	13	1,592	2,545
Performance fees	13	-	44
Dividend expense on short positions		11,033	17,452
Other expenses		258	514
Custody fees		1,042	1,475
Total expenses		13,925	22,030
Operating profit/(loss) attributable to unitholders		11,563	(39,287)
Profit/(loss) for the year		11,563	(39,287)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		11,563	(39,287)

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

Statement of financial position as at 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	8	103,886	106,392
Financial assets at fair value through profit or loss	9	226,577	233,845
Receivables	10	966	818
Total assets		331,429	341,055
Liabilities			
Financial liabilities at fair value through profit or loss	12	230,148	223,668
Payables	11	1,339	1,140
Due to brokers - payable for securities purchased		-	1,792
Applications pending		104	141
Total liabilities		231,591	226,741
Net assets attributable to unitholders – equity	6	99,838	114,314

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

Statement of changes in equity for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Total equity at the beginning of the financial year		114,314	215,007
Comprehensive income/(loss) for the financial year			
Profit/(loss) for the year		11,563	(39,287)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		11,563	(39,287)
Transactions with unitholders			
Applications	6	8,570	35,119
Redemptions	6	(34,609)	(96,601)
Units issued upon reinvestment of distributions	6	-	76
Distributions paid and payable	7	-	-
Total transactions with unitholders		(26,039)	(61,406)
Total equity at the end of the financial year		99,838	114,314

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

Statement of cash flows for the period ended 30 June 2023

	Notes	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments as at fair value through profit or loss		203,767	388,531
Purchase of financial instruments as at fair value through profit or loss		(175,093)	(401,787)
Dividends received		5,806	8,310
Interest received/(paid)		2,246	(387)
GST received		7	16
Management and performance fees paid		(1,611)	(2,719)
Dividends paid		(10,813)	(17,673)
Other expenses paid		(1,302)	(1,694)
Other income received		563	63
Net cash inflow/(outflow) from operating activities	14(a)	23,570	(27,340)
Cash flows from financing activities			
Proceeds from applications by unitholders		8,533	30,581
Payments for redemptions by unitholders		(34,609)	(96,601)
Distributions paid		-	(1,229)
Net cash (outflow) from financing activities		(26,076)	(67,249)
Net (decrease) in cash and cash equivalents		(2,506)	(94,588)
Cash and cash equivalents at the beginning of the year		106,392	200,981
Cash and cash equivalents at end of the year	8	103,886	106,392

Non-cash financing and operating activities are disclosed in note 14(c)

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

Notes to the financial report

1. General Information	11
2. Summary of significant accounting policies	11
3. Financial risk management	15
4. Auditor's remuneration	21
5. Net gains/(losses) on financial instruments	22
6. Net assets attributable to unitholders	22
7. Distributions to unitholders	23
8. Cash and cash equivalents	23
9. Financial assets as at fair value through profit or loss	23
10. Receivables	24
11. Payables	24
12. Financial liabilities as at fair value through profit or loss	24
13. Related party transactions	24
14. Reconciliation of profit/(loss) to net cash flow from operating activities	26
15. Events subsequent to reporting date	26
16. Prime brokerage arrangements	26
17. Contingent assets, liabilities and commitments	26

Notes to the financial report (continued)

1. General Information

This financial report covers the Bennelong Market Neutral Fund (the "Fund") as an individual entity. The Fund was constituted on 8 September 2015. The Fund commenced operations on 22 October 2015.

The Responsible Entity of the Fund is Bennelong Funds Management Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Bennelong House, Level 1, 9 Queen Street Melbourne, VIC 3000.

The Investment Manager of the Fund is Bennelong Long Short Equity Management Pty Ltd.

The Responsible Entity is incorporated and domiciled in Australia.

The principal activity of the Fund during the year was the investment of unitholders' funds as per the objectives stated in the Fund's Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution. There has been no significant change in the nature of this activity during the year.

The financial report of the Fund was authorised for issue by the directors on 27 September 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this financial report are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia.

The Fund is a for-profit entity for the purposes of preparing the financial report.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months after the end of each reporting year in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards (IFRS)

The financial report of the Fund complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Notes to the financial report (continued)

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

(i) *New and amended standards adopted by the Fund*

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

(ii) *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 2023 and have not been early adopted in preparing this financial report. None of these are expected to have a material effect on the financial report of the Fund.

(c) Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, the short term overdraft facility with the Prime Broker 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 not subject to a significant risk of change in value.

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

(d) Receivables

Receivables may include amounts for dividends, interest and outstanding settlements on the sale of investments. Dividends are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables 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 brokers 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.

(e) Investment income

Interest income is recognised in the Statement of profit or loss and other comprehensive income using the accruals method. Dividend income is recognised on the ex-dividend date with any related withholding tax recorded as an expense.

Changes in fair value of financial instruments are recorded in accordance with the policies described in note 2(g) to the financial report.

(f) 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. Trades are recorded on trade date and normally settled within two business days.

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

Notes to the financial report (continued)

2. Summary of significant accounting policies (continued)

(g) Financial instruments

(i) Classification

The Fund's investments are categorised at fair value through profit or loss. They comprise:

- Financial instruments at fair value through profit or loss upon initial recognition

These include investments in listed equity securities and derivatives.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of 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 obligations under the liabilities are discharged.

(iii) Measurement

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of profit or loss and other comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

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. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the Statement of profit or loss and other comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3(e).

(iv) Offsetting financial instruments

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

(h) Applications and redemptions

Applications received for units in the Fund are recorded net of any buy spread, payable upon application for units in the Fund. Redemptions from the Fund are recorded gross of any sell spread payable upon redemption of units.

(i) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity to unitholders by cash or through reinvestment. The Fund's distributions are classified as distributions paid/payable in the Statement of changes in equity.

Notes to the financial report (continued)

2. Summary of significant accounting policies (continued)

(j) Payables

Payables are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Amounts are generally paid within 30 days of being recorded as payables.

(k) Net assets attributable to unitholders

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

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

The Fund's units are classified as equity they satisfied all the above criteria.

(l) Expenses

All expenses, including management fees, are recognised in the Statement of profit or loss and other comprehensive income on an accruals basis.

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

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

(n) Income tax

The Fund has elected into the Attribution Managed Investment Trusts rules, such that the determined trust components of the Fund will be taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amount of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to unitholders but instead are retained within the Fund to be offset against realised capital gains. The benefit of any carried forward capital losses is also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above.

Notes to the financial report (continued)

2. Summary of significant accounting policies (continued)

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees has 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, custodial fees and other expenses have been recognised in the Statement of profit or loss and other comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Payables 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

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

As at 30 June 2023 there are no material estimates (2022: nil).

(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 report. Amounts in the financial report have been rounded to the nearest thousand dollar unless otherwise indicated.

3. Financial risk management

The Fund is exposed to credit risk, liquidity risk and market risk (including price risk and interest rate risk) arising from the financial instruments it holds. The Responsible Entity has outsourced the investment management for managing these risks to the Investment Manager who does so through a process of ongoing identification, measurement and monitoring.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Constitution, the Product Disclosure Statement 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.

All securities 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 maximum loss of capital on short equity securities is unlimited.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Responsible Entity is willing to accept.

This information is prepared and regularly reported to relevant parties within the Responsible Entity.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

Notes to the financial report (continued)

3. Financial risk management (continued)

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

(i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified in the Statement of financial position at fair value through profit or loss. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The table at note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests move by +/-10%.

(ii) Foreign Exchange Risk

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 (AUD) 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.

The Fund has the right to invest in non-AUD denominated listed equities, therefore exposing the Fund to foreign exchange risk.

Any non-AUD denominated investments are translated using the spot rate at balance sheet date. Non-AUD denominated income is translated at the prevailing spot rate on the date of receipt.

As at 30 June 2023, the foreign exchange risk was immaterial.

(iii) Interest rate risk

Interest rate risk is defined as 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 and financial 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 Fund has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Fund may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

Notes to the financial report (continued)

3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The table at note 3(b) summarises the sensitivity of the Fund's assets and liabilities to interest rate risk.

30 June 2023	Floating Interest Rate \$'000	Non – interest bearing \$'000	Total \$'000
Assets			
Cash and cash equivalents	103,886	-	103,886
Receivables	-	966	966
Financial assets at fair value through profit and loss	-	226,577	226,577
Total Assets	103,886	227,543	331,429
Liabilities			
Financial liabilities at fair value through profit and loss	-	(230,148)	(230,148)
Payables	-	(1,339)	(1,339)
Applications pending	-	(104)	(104)
Total liabilities (excluding net assets attributable to unitholders)	-	(231,591)	(231,591)
Net exposure	103,886	(4,048)	99,838

30 June 2022	Floating Interest Rate \$'000	Non – interest bearing \$'000	Total \$'000
Assets			
Cash and cash equivalents	106,392	-	106,392
Receivables	-	818	818
Financial assets at fair value through profit and loss	-	233,845	233,845
Total Assets	106,392	234,663	341,055
Liabilities			
Financial liabilities at fair value through profit and loss	-	(223,668)	(223,668)
Payables	-	(2,932)	(2,932)
Applications pending	-	(141)	(141)
Total liabilities (excluding net assets attributable to unitholders)	-	(226,741)	(226,741)
Net exposure	106,392	7,922	114,314

An analysis of financial liabilities by maturities is provided in note 3(d) on page 19.

Notes to the financial report (continued)

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 price and interest rate risk. The movements in the risk variables have been determined based on the Investment Manager's and the Responsible Entity's best estimates, having regard to a number of factors, including historical levels of changes in the correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may differ due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. The price risk variables relate to a weighted average percentage movement in the price of net equities owned at 30 June 2023.

	Impact on operating profit / net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-10% \$'000	+10% \$'000	-1% \$'000	+1% \$'000
30 June 2023	357	(357)	(1,039)	1,039
30 June 2022	(1,017)	1,017	(1,063)	1,063

(c) Credit risk

Credit (or counterparty) risk is the risk that one party to a financial instrument will fail to perform contractual obligations and cause the Fund to incur a financial loss.

The Fund's maximum credit risk exposure at reporting date in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but represents the current maximum exposure at the reporting date.

In relation to equity and derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges or, where applicable, ensuring that transactions are undertaken with a large number of counterparties.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

There are no financial assets that are past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties on a regular basis as deemed appropriate. At 30 June 2023, the Fund's counterparty had the following ratings:

30 June 2023

Counterparty	Standard & Poor's Rating
UBS AG Australia Branch	"A-"

30 June 2022

Counterparty	Standard & Poor's Rating
UBS AG Australia Branch	"A-"

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's credit position on a regular basis. This information and the compliance with the Fund's policy are reported to the relevant parties on a regular basis.

Notes to the financial report (continued)

3. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial assets and liabilities. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount or timing.

These risks are controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Fund comprise prime broker overdraft facility, trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising. Payment obligations in respect of derivative financial instruments arise and are met pursuant to their terms of issue.

The table below details the Fund's financial liabilities into the relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

	Less than 1 month	1-12 months	Greater than 12 months	No stated maturity	Total
At 30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value through profit or loss	-	-	-	(230,148)	(230,148)
Payables	(1,339)	-	-	-	(1,339)
Applications pending	(104)	-	-	-	(104)
Total financial liabilities - Contractual cash flows	(1,443)	-	-	(230,148)	(231,591)

	Less than 1 month	1-12 months	Greater than 12 months	No stated maturity	Total
At 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value through profit or loss	-	-	-	(223,668)	(223,668)
Payables	(2,932)	-	-	-	(2,932)
Applications pending	(141)	-	-	-	(141)
Total financial liabilities - Contractual cash flows	(3,073)	-	-	(223,668)	(226,741)

Notes to the financial report (continued)

3. Financial risk management (continued)

(e) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value including any transaction costs that are attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Condensed Statement of profit or loss and other comprehensive income.

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

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

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

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

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

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.

(f) Fair value hierarchy

AASB 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Notes to the financial report (continued)

3. Financial risk management (continued)

(f) Fair value hierarchy (continued)

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and not provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Instruments				
Listed investments - Long	226,577	-	-	226,577
Listed investments - Short	(230,148)	-	-	(230,148)
	<u>(3,571)</u>	<u>-</u>	<u>-</u>	<u>(3,571)</u>
30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Instruments				
Listed investments - Long	233,845	-	-	233,845
Listed investments - Short	(223,668)	-	-	(223,668)
	<u>10,177</u>	<u>-</u>	<u>-</u>	<u>10,177</u>

4. Auditor's remuneration

During the period, the following were the fees paid or payable for services provided by the auditor of the Fund.

	30 June 2023 \$	30 June 2022 \$
Audit services		
<i>Audit services</i>		
Deloitte Touche Tohmatsu		
Audit of the Financial Report of the Fund*	12,681	12,100
Review of the Half Year Financial Report of the Fund*	6,225	5,940
Audit of the Compliance Plan of the Fund*	4,527	4,320
Total remuneration for audit services	<u>23,433</u>	<u>22,360</u>

* The fees in relation to audit services are paid by the Responsible Entity of the Fund. These amounts are charged by the Responsible Entity to the Fund.

Notes to the financial report (continued)

5. Net gains/(losses) on financial instruments

	30 June 2023 \$'000	30 June 2022 \$'000
Financial Assets		
Net unrealised gain/(loss) on financial instruments at fair value through profit or loss	19,016	(86,080)
Net realised gains on financial instruments at fair value through profit or loss	9,689	47,225
Total financial assets	28,705	(38,855)
Financial liabilities		
Net unrealised (loss)/gain on financial instruments at fair value through profit or loss	(10,274)	70,536
Net realised losses on financial instruments at fair value through profit or loss	(1,713)	(57,090)
Total financial liabilities	(11,987)	13,446
Total net gain/(loss) on financial instruments as at fair value through profit or loss	16,718	(25,409)

6. Net assets attributable to unitholders

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

The movement in the number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2023 Units '000	30 June 2022 Units '000
Units on issue		
Opening balance	122,812	180,711
Applications	8,661	30,983
Redemptions	(35,728)	(88,882)
Units issued upon reinvestment of distributions	-	-
Closing balance	95,745	122,812
Net Assets Attributable to Unitholders		
	30 June 2023 \$'000	30 June 2022 \$'000
Opening Balance	114,314	215,007
Applications	8,570	35,119
Redemptions	(34,609)	(96,601)
Units issued upon reinvestment of distributions	-	76
Distribution paid and payable	-	-
Profit/(loss) for the year	11,563	(39,287)
Closing Balance	99,838	114,314

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. Each unit has the same rights attaching to it as all other units of the Fund.

Notes to the financial report (continued)

6. Net assets attributable to unitholders (continued)

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. Net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to monthly 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 monthly basis by the investment manager. 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 a redemption of units if the exercise of such discretion is in the best interests of unitholders.

7. Distributions to unitholders

The distributions for the year were as follows:

	2023 \$'000	2022 \$'000
Distributions		
Full Year Distribution - 30 June	-	-
	<u>-</u>	<u>-</u>

8. Cash and cash equivalents

	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	<u>103,886</u>	<u>106,392</u>

This account is charging and earning a floating interest rate of between 0.00% to 3.62% as at 30 June 2023 (30 June 2022: -0.42% to 0.37%).

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the year as follows:

	30 June 2023 \$'000	30 June 2022 \$'000
Balance per above	103,886	106,392
Balance per statement of cash flows	<u>103,886</u>	<u>106,392</u>

9. Financial assets at fair value through profit or loss

	30 June 2023 \$'000	30 June 2022 \$'000
Financial assets at fair value through profit and loss		
Listed equities	<u>226,577</u>	<u>233,845</u>

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

Notes to the financial report (continued)

10. Receivables

	30 June 2023	30 June 2022
	\$'000	\$'000
Dividend receivable	624	732
Interest receivable	297	34
GST receivable	45	52
	<u>966</u>	<u>818</u>

11. Payables

	30 June 2023	30 June 2022
	\$'000	\$'000
Management fees payable	128	147
Dividends payable on short sold securities	1,091	871
Administration fees payable	13	15
Audit and tax fees payable	24	31
Custody fees payable	83	76
Due to brokers - payable for securities purchased	-	1,792
	<u>1,339</u>	<u>2,932</u>

12. Financial liabilities at fair value through profit or loss

	30 June 2023	30 June 2022
	\$'000	\$'000
Financial liabilities at fair value through profit and loss	<u>230,148</u>	<u>223,668</u>

13. Related party transactions

Responsible Entity

The Responsible Entity of the Bennelong Market Neutral Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806). Accordingly, transactions with entities related to Bennelong Funds Management Ltd are disclosed below.

Key management personnel

Key management personnel includes persons who were directors of Bennelong Funds Management Ltd at any time during the financial period or since the end of the period up to the date of this report:

Michael Dwyer	Chairman
Craig Bingham	(Resigned 17 February 2023)
John Burke	(Appointed 27 March 2023)
Vicki Allen	
Lincoln McMahon	
Adam Tindall	
Andrea Waters	

Other key management personnel:

Jeff Phillips	Company Secretary
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Notes to the financial report (continued)

13. Related party transactions (continued)

Key management personnel compensation

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

Key management personnel loan disclosures

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

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 period and there were no material contracts involving key management personnel's interests existing at period end.

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

Under the terms of the Fund's Constitution and the current Product Disclosure Statement for the Fund, the Responsible Entity is entitled to receive fees.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the year and amounts at period end between the Fund and the Responsible Entity and Investment Manager were as follows:

	30 June 2023	30 June 2022
	\$	\$
Management fees	1,592,396	2,544,929
Performance fees	-	43,513
Aggregate amounts payable to the Responsible Entity at the reporting date	128,082	146,652

Key management personnel and related party Fund unit holdings

Key management personnel and parties related to the Fund, including the Responsible Entity, its associates and other managed investment schemes managed by Bennelong Funds Management Ltd, held the following units in the fund at the end of the year:

30 June 2023	Number of Units held	Interest held %	No. of units acquired during the year	No. of units disposed during the year	Distributions paid / payable during the year \$
Greenfold Investments Pty Ltd ATF The Hay Family Trust	53,492	0.06%	-	-	-
30 June 2022	Number of Units held	Interest held %	No. of units acquired during the year	No. of units disposed during the year	Distributions paid / payable during the year \$
Greenfold Investments Pty Ltd ATF The Hay Family Trust	53,492	0.04%	304	-	-

Investments

The Fund did not hold any investments in Bennelong Funds Management Ltd or its related parties during the period.

Notes to the financial report (continued)

14. Reconciliation of profit/(loss) to net cash flow from operating activities

	30 June 2023	30 June 2022
	\$'000	\$'000
(a) Reconciliation of net profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	11,563	(39,287)
Proceeds from sale of financial instruments at fair value through profit or loss (including unsettled)	205,559	386,739
Purchase of financial instruments as at fair value through profit or loss (including unsettled)	(175,093)	(402,703)
Net (gains)/losses on financial instruments at fair value through profit and loss and derivative financial instruments	(16,718)	25,409
Net change in receivables and other assets including amounts receivable from brokers	(148)	1,204
Net change in payables	(1,593)	1,298
Net cash inflow/(outflow) from operating activities	23,570	(27,340)
(b) Non-cash financing and investing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	76

15. Events subsequent to reporting date

No significant events have occurred since the reporting date which could impact on the financial report disclosures or the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2023 or on the results of operations and cash flows of the Fund for the year ended on that date.

16. Prime brokerage arrangements

UBS AG Australia Branch has been appointed Prime Broker for the Fund. The services provided by the Prime Broker may include the provision to the Responsible Entity of borrowing and lending securities, settlement of transactions and cash loans. The assets of the Fund have been charged by the Responsible Entity under the Prime Brokerage Agreement for the Fund.

17. Contingent assets, liabilities and commitments

Under the terms of the Fund's constitution, the Responsible Entity is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's PDS outlines in Section 7 that the Responsible Entity estimates this amount to be 0.09% per annum of the Net Asset Value (NAV) of the Fund.

The following table reflects the movements in reimbursable expenses for the year:

	30 June 2023	30 June 2022
	\$	\$
Opening balance	48,778	12,279
New reimbursable expenses paid during the year	55,792	48,778
Reimbursable expenses reimbursed during the year	(100,463)	(12,279)
Closing balance	4,107	48,778

There were no other contingencies for the Fund at the reporting date.

Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial report is in compliance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board interpretations and International Financial Reporting Standards as stated in note 2 to the financial report;
- (c) in the directors' opinion, the attached financial report and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

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



John Burke
Director
Sydney, 27 September 2023

Independent Auditor's Report to the Unitholders of Bennelong Market Neutral Fund

Opinion

We have audited the financial report of Bennelong Market Neutral Fund (the "Fund") which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- 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 & 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Bennelong Funds Management Ltd (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Kuziow".

Adam Kuziow
Partner
Chartered Accountants

Melbourne, 27 September 2023