

Lucerne Alternative Investments Fund

ARSN 621 610 848

Annual report

For the year ended 30 June 2023

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These financial statements cover Lucerne Alternative Investments Fund as an individual entity.

The Responsible Entity of Lucerne Alternative Investments Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235 150). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235 150) is the responsible entity (the "Responsible Entity") of the Lucerne Alternative Investments Fund (the "Fund"), formerly known as Lucerne Growth. The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2023.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund will invest in other funds. There are allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives. The Fund is registered with the Australian Securities and Investments Commission ("ASIC").

The Fund was constituted on 8 September 2017 and commenced operations on 1 December 2017.

The Fund did not have any employees during the year.

Directors

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

Name

| | |
|-------------------|--|
| Christopher Green | Appointed as Director on 23 January 2023 |
| Glenn Foster | |
| Vicki Riggio | |
| Phillip Blackmore | Alternate Director for Vicki Riggio |
| Simone Mosse | Resigned as Director on 23 January 2023 |

Review and results of operations

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

Results

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

| | Year Ended | |
|---|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| Operating profit/(loss) (\$'000) | 2,551 | 7,739 |
| Distributions - Fee Class 1 | | |
| Distributions paid and payable (\$'000) | 2,046 | 4,526 |
| Distributions (cents per unit) | 9.03 | 16.51 |
| Distributions - Fee Class 2 | | |
| Distributions paid and payable (\$'000) | 3,767 | 5,536 |
| Distributions (cents per unit) | 9.53 | 15.86 |

Significant changes in state of affairs

On 23 January 2023 Simone Mosse resigned as Director and Christopher Green was appointed as Director.

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

Directors' Report (continued)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers and auditors

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

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

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

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

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

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

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 7 of the financial statements.

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

Environmental regulation

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

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 4.

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



Director
The Trust Company (RE Services) Limited

Sydney
28 September 2023



**Building a better
working world**

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Auditor's independence declaration to the directors of The Trust Company (RE Services) Limited as Responsible Entity for Lucerne Alternative Investments Fund

As lead auditor for the audit of the financial report of Lucerne Alternative Investments Fund for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young
Ernst & Young

A handwritten signature in black ink, appearing to read 'Rohit Khanna', with a horizontal line underneath.

Rohit Khanna
Partner
28 September 2023

Statement of comprehensive income

| | Notes | Year ended | |
|--|-------|---------------------------|---------------------------|
| | | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| Investment income | | | |
| Interest income from financial assets as amortised cost | | 17 | - |
| Dividend and distribution income | | 862 | 4,848 |
| Net foreign exchange gains/(losses) | | 411 | 6 |
| Net gains/(losses) on financial instruments at fair value through profit or loss | 5 | 2,214 | 4,051 |
| Other investment income | | 23 | 215 |
| Total investment income/(loss) | | 3,527 | 9,120 |
| Expenses | | | |
| Management fees | 13 | 528 | 584 |
| Performance fees | 13 | 230 | 591 |
| Administration and custody fees | | 61 | 83 |
| Responsible entity's fees | 13 | 89 | 52 |
| Other operating expenses | | 68 | 71 |
| Total operating expenses | | 976 | 1,381 |
| Operating profit/(loss) | | 2,551 | 7,739 |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 8 | (5,813) | (10,062) |
| (Increase)/decrease in net assets attributable to unitholders | 7 | 3,262 | 2,323 |
| Profit/(loss) for the year less Finance costs | | - | - |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) for the year | | - | - |

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

Statement of financial position

| | | As at | |
|---|-------|-----------------|-----------------|
| | | 30 June 2023 | 30 June 2022 |
| | Notes | \$'000 | \$'000 |
| Assets | | | |
| Cash and cash equivalents | 9 | 2,651 | 7,493 |
| Prepaid expenses | | - | 4 |
| Due from brokers - receivable for securities sold | | 3,705 | - |
| Subscriptions made in advance | | - | 4,265 |
| Receivables | 11 | 237 | 3,313 |
| Financial assets at fair value through profit or loss | 4,6 | 70,168 | 70,534 |
| Total assets | | 76,761 | 85,609 |
| Liabilities | | | |
| Distributions payable | 8 | 5,813 | 10,062 |
| Management fees payable | 13 | 42 | 103 |
| Performance fees payable | 13 | 137 | 111 |
| Administration and custody fees payable | | 51 | 13 |
| Responsible entity's fees payable | 13 | 24 | 54 |
| Subscriptions received in advance | | 151 | 1,063 |
| Redemptions payable | | - | 276 |
| Other operating expenses payable | | 38 | 36 |
| Total liabilities | | 6,256 | 11,718 |
| Net assets attributable to unitholders - liability | 7 | 70,505 | 73,891 |

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

Statement of changes in equity

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| Notes | \$'000 | \$'000 |
| Total equity at the beginning of the year | - | - |
| Comprehensive income/(loss) for the year | - | - |
| Profit/(loss) for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) for the year | - | - |
| Transactions with unitholders | | |
| Applications | - | - |
| Redemptions | - | - |
| Units issued upon reinvestment of distributions | - | - |
| Distributions paid and payable | - | - |
| Total transactions with unitholders | - | - |
| Total equity at the end of the year | - | - |

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

Changes in net assets attributable to unitholders are disclosed in Note 7.

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

Statement of cash flows

| | | Year ended | |
|---|-------|-----------------|-----------------|
| | | 30 June 2023 | 30 June 2022 |
| | Notes | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Proceeds from sale of financial instruments at fair value through profit or loss | | 39,132 | 28,297 |
| Payments for purchase of financial instruments at fair value through profit or loss | | (40,257) | (23,393) |
| Interest received from financial assets at amortised cost | | 17 | - |
| Distribution income received | | 3,930 | 4,267 |
| Other investment income received | | 32 | 212 |
| Management fees paid | | (589) | (577) |
| Performance fees paid | | (203) | (1,082) |
| Subscription made in advance | | 4,265 | (550) |
| Administration and custody fees paid | | (22) | (83) |
| Responsible entity's fees paid | | (119) | (33) |
| Other operating expenses paid | | (64) | (40) |
| Net cash inflow/(outflow) from operating activities | 10(a) | 6,122 | 7,018 |
| Cash flows from financing activities | | | |
| Proceeds from applications by unitholders | | 15,909 | 14,780 |
| Payments for redemptions to unitholders | | (21,120) | (7,919) |
| Distributions paid | | (6,164) | (6,642) |
| Net cash inflow/(outflow) from financing activities | | (11,375) | 219 |
| Net increase/(decrease) in cash and cash equivalents | | (5,253) | 7,237 |
| Cash and cash equivalents at the beginning of the year | | 7,493 | 250 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | 411 | 6 |
| Cash and cash equivalents at the end of the year | 9 | 2,651 | 7,493 |
| Non-cash financing activities | 10(b) | 3,898 | 322 |

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 Lucerne Alternative Investments Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 8 September 2017. The Fund will terminate two days before the 80th anniversary of the date of the Constitution or at the discretion of the Responsible Entity as set out in the Fund's Constitution, whichever is earlier.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235 150) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2000.

The investment manager of the Fund is Lucerne Australia Pty Ltd (the "Investment Manager").

The Fund is managed with the intention of generating capital appreciation and income over the long term. The recommended minimum investment timeframe is 5 years or more.

The financial statements of the Fund are for the year ended 30 June 2023. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 28 September 2023. 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 are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit or loss 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 twelve months, however, an estimate of that amount cannot be determined as at year end.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, unitholders typically retain units for the medium to long-term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards

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

(ii) New and amended standards adopted by the Fund

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

(iii) New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Assets:

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

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

- Liabilities:

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

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

(ii) Recognition and derecognition

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

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

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

(iii) Measurement

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

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

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. As at the end of the reporting period, there are no financial assets or liabilities which could be offset in the Statement of financial position.

(v) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that 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.

(c) Net assets attributable to unitholders

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

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

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

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and 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 classifies the net assets attributable to unit holders as liabilities as they do not satisfy all the above criteria.

(d) Cash and cash equivalents

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

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

(e) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

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

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

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

(f) Expenses

All expenses, including management fees, performance fees, Responsible Entity's fees, administration and custody fees and other operating expenses are recognised in the Statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(h) Distributions

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Assets and liabilities in foreign currencies are translated into the functional currency at the prevailing exchange rate at the valuation date. Transactions denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. The Fund's income earned and expense incurred on foreign denominated balances are translated into the functional currency at the prevailing exchange rate on the date of such activity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial assets at fair value through profit or loss.

(k) Due from/to brokers

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

(l) Receivables

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

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

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the ECL, receivables have been grouped based on days overdue.

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

(m) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year. Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position.

(n) Applications and redemptions

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

(o) Goods and services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") at a rate of at least 55% or 75%; hence management fees, performance fees, administration and custody fees, responsible entity's fees and other operating expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(p) Use of estimates

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

2 Summary of significant accounting policies (continued)

(p) Use of estimates (continued)

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, including unquoted securities are fair valued using valuation techniques determined by the Investment Manager, in accordance with the valuation procedures approved by the Responsible Entity. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

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

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

(q) Rounding of amounts

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

(r) Comparative 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 period.

3 Financial risk management

(a) Overview

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

The Responsible Entity has in place a framework which includes:

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

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

(b) Market risk

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

(i) Price risk

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

Price risk is managed by Investment Manager and the Fund seeks to mitigate price risk by ensuring the Fund is managed in line with its Investment Management Agreement ("IMA"). The Investment Manager monitors the Fund on a regular basis.

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

| | Fair value \$'000 | % of net attributable to unitholders |
|---------------------------|----------------------|--|
| As at 30 June 2023 | | |
| Financial assets | | |
| Fund investments | 70,168 | 99.52 |
| Total financial assets | 70,168 | 99.52 |

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

| | Fair value \$'000 | % of net attributable to unitholders |
|-------------------------------|----------------------|--|
| As at 30 June 2022 | | |
| Financial assets | | |
| Fund investments | 70,416 | 95.30 |
| Options | 118 | 0.16 |
| Total financial assets | 70,534 | 95.46 |

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2022: +/-10%) from the year end prices with all other variables held constant.

(ii) Interest rate risk

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

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

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

| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|---|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 2,651 | - | - | 2,651 |
| Receivables | - | - | 237 | 237 |
| Due from brokers - receivables for securities sold | - | - | 3,705 | 3,705 |
| Subscriptions made in advance | - | - | - | - |
| Financial assets at fair value through profit or loss | - | - | 70,168 | 70,168 |
| Total financial assets | 2,651 | - | 74,110 | 76,761 |
| Financial liabilities | | | | |
| Distributions payable | - | - | 5,813 | 5,813 |
| Management fees payable | - | - | 42 | 42 |
| Performance fees payable | - | - | 137 | 137 |
| Administration and custody fees payable | - | - | 51 | 51 |
| Responsible entity's fees payable | - | - | 24 | 24 |
| Other operating expenses payable | - | - | 38 | 38 |
| Subscriptions received in advance | - | - | 151 | 151 |
| Total financial liabilities (excluding net assets attributable to unitholders) | - | - | 6,256 | 6,256 |
| Net exposure | 2,651 | - | 67,854 | 70,505 |
| As at 30 June 2022 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 7,493 | - | - | 7,493 |
| Receivables | - | - | 3,313 | 3,313 |
| Prepaid expenses | - | - | 4 | 4 |
| Subscriptions made in advance | - | - | 4,265 | 4,265 |
| Financial assets at fair value through profit or loss | - | - | 70,534 | 70,534 |
| Total financial assets | 7,493 | - | 78,116 | 85,609 |

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|--|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| Financial liabilities | | | | |
| Distributions payable | - | - | 10,062 | 10,062 |
| Management fees payable | - | - | 103 | 103 |
| Performance fees payable | - | - | 111 | 111 |
| Administration and custody fees payable | - | - | 13 | 13 |
| Trustee fees payable | - | - | 54 | 54 |
| Other operating expenses payable | - | - | 36 | 36 |
| Subscriptions received in advance | - | - | 1,063 | 1,063 |
| Redemptions payable | - | - | 276 | 276 |
| Total financial liabilities (excluding net assets attributable to unitholders) | - | - | 11,718 | 11,718 |
| Net exposure | 7,493 | - | 66,398 | 73,891 |

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

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager may enter into forward foreign currency exchange contracts from time to time to hedge against the fluctuation in exchange rates.

The table below summarises the Fund's net exposure to a foreign currency:

| | Year ended | |
|----------------------|---------------------------|---------------------------|
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| United States Dollar | 23,569 | 19,668 |

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

(c) Summarised sensitivity analysis

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

| | Impact on operating profit/(loss)/ net assets attributable to unitholders | | | | | |
|--------------------|---|--------|--------------------|---------|----------------------|----------------------|
| | Price risk | | Interest rate risk | | Currency risk | |
| | -10% | +10% | -100bps | +100bps | -10% | +10% |
| | \$'000 | \$'000 | \$'000 | \$'000 | US Dollar A\$'000 | US Dollar A\$'000 |
| As at 30 June 2023 | -7,017 | 7,017 | -27 | 27 | -2,357 | 2,357 |
| As at 30 June 2022 | -7,053 | 7,053 | -75 | 75 | -1,967 | 1,967 |

(d) Credit risk

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

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

3 Financial risk management (continued)

(d) Credit risk (continued)

(i) *Bank deposits, amount due from brokers and assets held with the custodian and derivative financial instruments*

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

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

The table below summarises these assets at 30 June 2023 and 30 June 2022:

| As at 30 June 2023 | \$'000 | Credit rating | Source of credit rating |
|-------------------------------------|--------|---------------|-------------------------|
| Banks, Brokers and Custodian | | | |
| Commonwealth Bank of Australia | 388 | AA- | S&P |
| JP Morgan Chase Bank | 70,634 | A+ | S&P |
| National Australia Bank | 5,502 | AA- | S&P |
| As at 30 June 2022 | | | |
| Banks, Brokers and Custodian | | | |
| JP Morgan Chase Bank | 71,902 | A-1 | S&P |
| National Australia Bank | 6,007 | A-1+ | S&P |

The sub-custody balance with JP Morgan Chase Bank N.A (Sydney Branch) includes investments in funds totalling \$70,167,894 (2022: \$70,415,748). The Fund has a cash balance held by the broker.

There is risk that derivative counterparties may not perform in accordance with the contractual provisions. The counterparties to the Fund's derivative investments may include affiliates of the Fund's clearing brokers and other major financial institutions. The Fund's exposure to credit risk associated with a counterparty with which it trades OTC derivatives is limited to the balance of the collateral pledged to that counterparty, plus the net unrealised gains on the OTC derivative contracts with such counterparty. In the case of exchange-traded and centrally cleared derivatives, the central clearing house acts as the counterparty to each transaction, and therefore the credit risk associated with the derivative contract and any related collateral amounts pledged is limited to the failure of the clearing house.

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

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for year ended 30 June 2023 and 30 June 2022.

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

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Fund's derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Fund's capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

(e) Liquidity risk

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

The fund is monthly priced and accepts monthly applications and redemptions. The Fund invests the majority of its investments in other funds.

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

3 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Fund's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

| As at 30 June 2023 | Less than 1 month \$'000 | 1-6 months \$'000 | 6-12 months \$'000 | Over 12 months \$'000 | No stated maturity \$'000 |
|--|--------------------------------|-------------------------|--------------------------|-----------------------------|---------------------------------|
| Management fees payable | 42 | - | - | - | - |
| Performance fees payable | 137 | - | - | - | - |
| Administration and custody fees payable | 51 | - | - | - | - |
| Responsible entity's fees payable | 24 | - | - | - | - |
| Subscriptions received in advance | 151 | - | - | - | - |
| Other operating expenses payable | 38 | - | - | - | - |
| Net assets attributable to unitholders - liability | 70,505 | - | - | - | - |
| Distributions payable | - | 5,813 | - | - | - |
| Total financial liabilities | 70,948 | 5,813 | - | - | - |
| As at 30 June 2022 | Less than 1 month \$'000 | 1-6 months \$'000 | 6-12 months \$'000 | Over 12 months \$'000 | No stated maturity \$'000 |
| Management fees payable | 103 | - | - | - | - |
| Performance fees payable | 111 | - | - | - | - |
| Administration and custody fees payable | 13 | - | - | - | - |
| Trustee fees payable | 54 | - | - | - | - |
| Subscriptions received in advance | 1,063 | - | - | - | - |
| Redemptions payable | 276 | - | - | - | - |
| Other operating expenses payable | 36 | - | - | - | - |
| Net assets attributable to unitholders - liability | 73,891 | - | - | - | - |
| Distributions payable | - | 10,062 | - | - | - |
| Total financial liabilities | 75,547 | 10,062 | - | - | - |

4 Fair value measurement

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

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

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting year. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting 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 appropriate quoted market price for financial liabilities is the current asking 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 this bid or asking price to the net open position, as appropriate.

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

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

4 Fair value measurement (continued)*(ii) Valuation techniques used to derive level 2 and level 3 fair value*

The fair value of financial assets and liabilities that are not exchange-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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and managed funds unlisted unit trusts with suspended applications and withdrawals.

Investments in other managed funds are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the redemption value based on considerations such as liquidity of the unit trust or its underlying investments, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

Recognised fair value measurements

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

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| As at 30 June 2023 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Fund investments | - | 58,098 | 12,070 | 70,168 |
| Total | - | 58,098 | 12,070 | 70,168 |
| As at 30 June 2022 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Fund investments | - | 64,867 | 5,549 | 70,416 |
| Options | - | 118 | - | 118 |
| Total | - | 64,985 | 5,549 | 70,534 |

(iii) Transfer between levels

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

There were transfers from level 2 to level 3 during the year ended 30 June 2023.

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 (2022: none).

| | 30 June 2023 \$'000 | As at 30 June 2022 \$'000 |
|--|---------------------------|------------------------------------|
| Financial assets and liabilities at fair value through profit or loss: | | |
| Opening balance - beginning of the year | 5,549 | 5,130 |
| Purchases | 2,234 | - |
| Sales | (84) | - |
| Transfer in/(out of) Level 3 | 3,513 | - |
| Net unrealised gains/(losses) on financial assets at fair value through profit or loss | 858 | 419 |
| Closing balance - end of year | 12,070 | 5,549 |

Total realised gains of \$5,565,266 (2022: gains of \$6,244,608) and unrealised loss of \$3,351,901 (2022: loss of \$2,194,270) for the year has been included in the Statement of comprehensive income for financial assets.

4 Fair value measurement (continued)

(iv) Fair value measurements using significant unobservable inputs (level 3) (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

| | Fair value at 30 June 2023 \$'000 | Unobservable inputs | Reasonable possible shift +/- (absolute value) | Change in valuation \$'000 |
|--|--|-----------------------------|--|----------------------------------|
| Fund investment | | | | |
| Tribeca Global Natural Resources SPV | 19 | Published redemption prices | +/- 10% | 2 / (2) |
| Saville Capital Pre-IPO Fund | 1,716 | Published redemption prices | +/- 10% | 172 / (172) |
| Perennial Private to Public Opportunities Fund No. 2 | 4,474 | Published redemption prices | +/- 10% | 447 / (447) |
| Maxstealth/Primal Capital | 2,348 | Published redemption prices | +/- 10% | 235 / (235) |
| Altor Alpha Fund | 3,513 | Published redemption prices | +/- 10% | 351 / (351) |

| | Fair value at 30 June 2022 \$'000 | Unobservable inputs | Reasonable possible shift +/- (absolute value) | Change in valuation \$'000 |
|--|--|-----------------------------|--|----------------------------------|
| Fund investment | | | | |
| Tribeca global natural Resources SPV | 32 | Published redemption prices | +/- 10% | 3 / (3) |
| Saville Capital Pre-IPO Fund | 1,123 | Published redemption prices | +/- 10% | 112 / (112) |
| Perennial Private to Public Opportunities Fund No. 2 | 4,394 | Published redemption prices | +/- 10% | 439 / (439) |

(v) Valuation processes

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

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

(vi) Fair values of other financial instruments

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

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

| | Year ended | |
|---|---------------------------|---------------------------|
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| Financial assets | | |
| Net realised gains/(losses) on financial assets at fair value through profit or loss | 5,565 | 6,245 |
| Net unrealised gains/(losses) on financial assets at fair value through profit or loss | (3,351) | (2,194) |
| Total net gains/(losses) on financial assets at fair value through profit or loss | 2,214 | 4,051 |
| Total net gains/(losses) on financial instruments at fair value through profit or loss | 2,214 | 4,051 |

6 Financial assets at fair value through profit or loss

The following table details the financial assets by the Fund during the year:

| | As at | |
|--|---|---|
| | 30 June 2023 Fair Value \$'000 | 30 June 2022 Fair Value \$'000 |
| Financial assets at fair value through profit or loss | | |
| Fund investments | 70,168 | 70,416 |
| Options | - | 118 |
| Total financial assets at fair value through profit or loss | 70,168 | 70,534 |
| Comprising: | | |
| Fund investments | | |
| Australian fund investments | 47,391 | 51,871 |
| International fund investments | 22,777 | 18,663 |
| Total fund investments | 70,168 | 70,534 |

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.

7 Net assets attributable to unitholders

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

| As at 30 June 2023 | Fee Class 1 | | Fee Class 2 | | Total | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Units '000 | \$ '000 | Units '000 | \$ '000 | Units '000 | \$ '000 |
| Opening balances | 27,418 | 32,441 | 34,912 | 41,450 | 62,330 | 73,891 |
| Applications | 4,035 | 4,825 | 9,951 | 11,996 | 13,986 | 16,821 |
| Redemptions | (9,749) | (11,700) | (7,681) | (9,144) | (17,430) | (20,844) |
| Units issued upon reinvestment of distributions | 946 | 1,114 | 2,357 | 2,784 | 3,303 | 3,898 |
| Increase/(decrease) in net assets attributable to unitholders | - | 996 | - | 1,556 | - | 2,552 |
| Distribution paid and payable | - | (2,046) | - | (3,767) | - | (5,813) |
| Closing balance | 22,650 | 25,630 | 39,539 | 44,875 | 62,189 | 70,505 |

| As at 30 June 2022 | Fee Class 1 | | Fee Class 2 | | Total | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | Units '000 | \$ '000 | Units '000 | \$ '000 | Units '000 | \$ '000 |
| Opening balances | 25,810 | 31,238 | 30,338 | 36,808 | 56,148 | 68,046 |
| Applications | 4,215 | 5,485 | 6,259 | 8,234 | 10,474 | 13,719 |
| Redemptions | (2,764) | (3,610) | (1,794) | (2,263) | (4,558) | (5,873) |
| Units issued upon reinvestment of distributions | 157 | 190 | 109 | 132 | 266 | 322 |
| Increase/(decrease) in net assets attributable to unitholders | - | 3,664 | - | 4,075 | - | 7,739 |
| Distribution paid and payable | - | (4,526) | - | (5,536) | - | (10,062) |
| Closing balance | 27,418 | 32,441 | 34,912 | 41,450 | 62,330 | 73,891 |

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

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 a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a monthly 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 a redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

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

| | Year ended | | Year ended | |
|---------------------------------|------------|---------|------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2023 | 2023 | 2022 | 2022 |
| | \$'000 | CPU* | \$'000 | CPU* |
| Distributions payable | | | | |
| Distributions payable - Class 1 | 2,046 | 9.03 | 4,526 | 16.51 |
| Distributions payable - Class 2 | 3,767 | 9.53 | 5,536 | 15.86 |

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

9 Cash and cash equivalents

| | As at | |
|--|--------------|--------------|
| | 30 June | 30 June |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Cash at bank and broker | 2,651 | 7,493 |
| Total cash and cash equivalents | 2,651 | 7,493 |

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

| | Year ended | |
|--|--------------|--------------|
| | 30 June | 30 June |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the year | 2,551 | 7,739 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | (411) | (6) |
| Proceeds from sale of financial assets at fair value through profit or loss | 39,132 | 28,297 |
| Payments for purchase of financial assets at fair value through profit or loss | (40,257) | (23,393) |
| Net (gains)/losses on financial instruments at fair value through profit or loss | (2,214) | (4,051) |
| Subscriptions made in advance | 4,265 | (550) |
| Net change in other assets and receivables | 3,080 | (573) |
| Net change in payables | (24) | (445) |
| Net cash inflow/(outflow) from operating activities | 6,122 | 7,018 |
| (b) Non-cash financing activities | | |
| During the year, the following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan. | 3,898 | 322 |
| Total non-cash financing activities | 3,898 | 322 |

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

11 Receivables

| | As at | |
|---|------------|--------------|
| | 30 June | 30 June |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| GST receivables | 9 | 8 |
| Management fee rebates from investments | - | 9 |
| Distributions receivables | 228 | 3,296 |
| Total receivables | 237 | 3,313 |

12 Remuneration of auditors

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

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Ernst & Young (Australia) | | |
| Audit and other assurance services | | |
| Audit and review of financial statements | 28,560 | 27,200 |
| Total remuneration for audit and other assurance services | 28,560 | 27,200 |
| Taxation services | | |
| Taxation services | 11,800 | 11,200 |
| Total remuneration for taxation services | 11,800 | 11,200 |
| Total remuneration of Ernst & Young (Australia) | 40,360 | 38,400 |
| PricewaterhouseCoopers (Australia) | | |
| Audit and other assurance services | | |
| Audit of compliance plan | 2,833 | 2,648 |
| Total remuneration for audit and other assurance services | 2,833 | 2,648 |
| Total remuneration of PricewaterhouseCoopers (Australia) | 2,833 | 2,648 |
| Total remuneration of auditors | 43,193 | 41,048 |

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

13 Related party transactions

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

Responsible Entity

The Responsible Entity of Lucerne Alternative Investments Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235 150).

Key management personnel

(a) Directors

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

Name

| | |
|-------------------|--|
| Christopher Green | Appointed as Director on 23 January 2023 |
| Glenn Foster | |
| Vicki Riggio | |
| Phillip Blackmore | Alternate Director for Vicki Riggio |
| Simone Mosse | Resigned as Director on 23 January 2023 |

(b) Other key management personnel

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

Key management personnel unitholdings

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

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

Key management personnel compensation

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

13 Related party transactions (continued)

Key management personnel loan disclosures

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

Other transactions within the Fund

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

Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee per annum calculated as a percentage of the gross asset value of the Fund. The Investment Manager of the Fund is Lucerne Australia Pty Ltd. The Investment Manager is entitled to receive a management fee at the rates stipulated in the Fund's governing documents. The Investment manager is also entitled to a performance fee of 12% (inclusive of GST less RITC) for Fee Class 2 of the investment return above the performance benchmark, when the Fund achieves positive performance. There is no performance fee for Fee Class 1.

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

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Management fees for the year paid and payable by the Fund to the Investment Manager | 527,578 | 583,621 |
| Performance fees for the year paid and payable by the Fund to the Investment Manager | 229,762 | 590,963 |
| Responsible Entity's fees for the year paid and payable by the Fund to the Responsible Entity | 88,825 | 52,343 |
| Aggregate amounts payable to the Investment Manager at reporting date | 179,450 | 214,143 |
| Aggregate amounts payable to the Responsible Entity at reporting date | 23,513 | 53,789 |

Related party unitholdings

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

Investments

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

14 Significant events during the year

On 23 January 2023 Simone Mosse resigned as Director and Christopher Green was appointed as Director.

There were no other significant events during the year.

15 Events occurring after year end

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

16 Contingent assets and liabilities and commitments

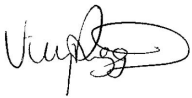
There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- a. the financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year 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)(i) confirms that the financial statements 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 The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited

Sydney
28 September 2023



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Independent auditor's report to the unitholders of Lucerne Alternative Investments Fund

Opinion

We have audited the financial report of Lucerne Alternative Investments Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2023, 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 2023 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 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.



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

Responsibilities of the directors of the Responsible Entity for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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



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

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
Sydney
28 September 2023