Chester High Conviction Fund

ARSN 620 091 858

Annual financial statements for the year ended 30 June 2023

Chester High Conviction Fund

ARSN 620 091 858

Annual financial statements for the year ended 30 June 2023

Contents

	Page
Directors' report	1
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	33
Independent auditor's report to the unitholders of Chester High Conviction Fund	34

These financial statements cover Chester High Conviction Fund as an individual entity.

The responsible entity of Chester High Conviction Fund is Copia Investment Partners Ltd (ABN 22 092 872 056). The responsible entity's registered office is North Tower, Level 47, 80 Collins Street, Melbourne, VIC 3000.

Directors' report

The directors of Copia Investment Partners Ltd, the responsible entity of Chester High Conviction Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2023 ("the year').

The Scheme is an Australian registered scheme.

Responsible entity

The responsible entity of Chester High Conviction Fund is Copia Investment Partners Ltd (ABN 22 092 872 056). The responsible entity's registered office is North Tower, Level 47, 80 Collins Street, Melbourne VIC 3000.

Principal activities

The Scheme's principal activity during the year was to invest funds in accordance with the provisions of the Scheme's Constitution.

A diversified investment portfolio is maintained to balance the return and risk objectives of the Scheme. In accordance with these investment objectives, the Scheme principally invests in the Australian Securities Exchange listed securities and cash deposits.

The Scheme did not have any employees during the year.

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

Directors

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

Bruce Robert Loveday
Samuel Baird Hobill Cole
Sally Anne McDow

Review and results of operations

The 2023 financial year saw global geopolitical tension, rising interest rates, high inflation and high energy prices have understandable impacts on market volatility and challenging operating environments.

The directors will continue to closely monitor the development of these factors and evaluate its impact to the Scheme. Whilst the impact going forward is unclear in terms of the economic environment, the Scheme has a program of measures in place to manage and respond to the risk as the situation evolves and will continue to invest funds in accordance with target allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The Scheme continues to determine net asset values daily, consistently applying valuation policies reflective of prevailing market conditions. As a degree of uncertainty remains, management does not consider it meaningful to quantify the impact of these events on the Scheme.

Directors' report (continued)

Review and results of operations (continued)

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

	For the year ended	
	30 June 2023	30 June 2022
Total comprehensive income for the year ($'000)	**15,530**	2,977
Distributions - Class A		
Distributions paid and payable ($'000)	**2,128**	11,714
Distributions (cents per unit - CPU)	**1.3203**	17.0744
Redemption price per unit (ex-distribution) ($)	**1.4569**	1.3069

There are no distributions paid or payable for Class B.

Significant changes in state of affairs

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

Events occurring after the year end

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

(i) the operations of the Scheme in future years, or
(ii) the results of those operations in future years, or
(iii) the state of affairs of the Scheme in future years.

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme 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 Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Copia Investment Partners Ltd or the auditors of the Scheme. So long as the officers of Copia Investment Partners Ltd act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

Fees paid to the responsible entity and its associates out of Scheme property during the year are disclosed in the statement of comprehensive income and in note 13 of the financial statements.

No fees were paid out of Scheme property to the directors of the responsible entity during the year.

The number of interests in the Scheme held by the responsible entity or its associates as at the end of the year are disclosed in note 13 of the financial statements.

Directors' report (continued)

Interests in the Scheme

The movements in units on issue in the Scheme during the year are disclosed in note 6 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed in the statement of financial position and prepared using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Scheme 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 Scheme is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that ASIC 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.

Bruce Robert Loveday
Chairman
Melbourne
25 September 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Copia Investment Partners Ltd, as the Responsible Entity for the Chester High Conviction Fund

As lead auditor for the audit of the financial report of Chester High Conviction 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

Brett Kallio

Brett Kallio
Partner
Melbourne
25 September 2023

Statement of comprehensive income

	Notes	For the year ended 30 June 2023 $'000	30 June 2022 $'000
Investment income			
Interest income		**556**	3
Dividend/Trust distribution income	3	**3,891**	2,216
Net gains on financial instruments at fair value through profit or loss	4	**14,234**	3,508
Net (losses) on foreign exchange		**(88)**	-
Other income		**4**	2
Total investment income		**18,597**	5,729
Expenses			
Responsible entity's fees	13	**1,767**	885
Performance fees	13	**234**	1,294
Custody fees		**85**	45
Transaction costs		**981**	528
Total expenses		**3,067**	2,752
Profit before finance costs attributable to unitholders		**15,530**	2,977
Finance costs attributable to unitholders			
Distributions to unitholders	7	**2,128**	-
Increase in net assets attributable to unitholders	6	**13,402**	-
Profit for the year attributable to unitholders		**-**	2,977
Other comprehensive income for the year attributable to unitholders		**-**	-
Total comprehensive income for the year attributble to unitholders		**-**	2,977

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

Statement of financial position

	Notes	As at **30 June 2023 $'000**	30 June 2022 $'000
Assets			
Cash and cash equivalents	8	**27,634**	5,265
Receivables	10	**3,002**	2,261
Financial assets at fair value through profit or loss	9	**259,807**	94,662
Total assets		**290,443**	102,188
Liabilities			
Distributions payable	7	**1,388**	11,681
Payables	11	**8,699**	574
Total liabilities		**10,087**	12,255
Net assets attributable to unitholders - equity*	6	**-**	89,933
Net assets attributable to unitholders - liability*	6	**280,356**	-

* Net assets attributable to unitholders are classified as a financial liability as at 30 June 2023 and as equity as at 30 June 2022.

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

Statement of changes in equity

	Notes	For the year ended 30 June 2023 $'000	30 June 2022 $'000
Total equity at the beginning of the year		**89,933**	70,559
Reclassification due to new multi-class structure *		**(89,933)**	-
Comprehensive income for the year			
Profit for the year attributable to unitholders		**-**	2,977
Other comprehensive income for the year attributable to unitholders		**-**	-
Total comprehensive income for the year attributable to unitholders		**-**	2,977
Transactions with unitholders			
Applications	6	**-**	27,510
Redemptions	6	**-**	(4,962)
Units issued upon reinvestment of distributions	6	**-**	5,563
Distributions paid and payable	7	**-**	(11,714)
Total transactions with unitholders		**-**	16,397
Total equity at the end of the year		**-**	89,933

* Effective from 20 January 2023, the Scheme's units have been classified from equity to financial liability.

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity.

Changes in net assets attributable to unitholders are disclosed in Note 6.

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

Statement of cash flows

	Notes	For the year ended 30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**226,075**	156,016
Purchase of financial instruments at fair value through profit or loss		**(369,656)**	(172,850)
Transaction costs on financial instruments at fair value through profit or loss		**(1,052)**	(567)
Interest received		**556**	3
Dividends and trust distributions received		**3,630**	2,113
RITC received		**205**	145
Other income received		**4**	2
Responsible entity's fees paid		**(1,751)**	(837)
Performance fees paid		**-**	(1,388)
Payment of other expenses		**(93)**	(136)
Net cash (outflow) from operating activities	14(a)	**(142,082)**	(17,499)
Cash flows from financing activities			
Proceeds from applications by unitholders		**189,797**	27,509
Payment for redemption by unitholders		**(17,763)**	(4,946)
Distributions paid		**(7,583)**	(6,888)
Net cash inflow from financing activities		**164,451**	15,675
Net increase/(decrease) in cash and cash equivalents		**22,369**	(1,824)
Cash and cash equivalents at the beginning of the year		**5,265**	7,089
Cash and cash equivalents at the end of the year	8,14(b)	**27,634**	5,265

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

Contents

		Page
1	General information	10
2	Summary of significant accounting policies	10
3	Dividend/Trust distribution income	16
4	Net gains on financial instruments at fair value through profit or loss	16
5	Auditor's remuneration	16
6	Net assets attributable to unitholders	16
7	Distributions to unitholders	17
8	Cash and cash equivalents	17
9	Financial assets at fair value through profit or loss	18
10	Receivables	18
11	Payables	18
12	Financial risk management	19
13	Related party transactions	30
14	Reconciliation of profit to net cash (outflow) from operating activities	32
15	Events occurring after the year end	32
16	Contingent assets and liabilities and commitments	32

1 General information

These financial statements cover Chester High Conviction Fund (“the Scheme”) as an individual entity. The Scheme was constituted on 28 March 2017. The Scheme will terminate on 27 March 2097 unless terminated earlier in accordance with the provisions of the Scheme's Constitution. The Scheme principally invests in Australian Securities Exchange listed securities and cash deposits in accordance with the provisions of the Scheme's Constitution.

The responsible entity of the Scheme is Copia Investment Partners Ltd ("the responsible entity"). The responsible entity’s registered office is North Tower, Level 47, 80 Collins Street, Melbourne, VIC 3000.

The Scheme is an Australian registered scheme.

The responsible entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2022 to 30 June 2023 ("the year").

The financial statements were authorised for issue by the directors on 25 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 reporting periods 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, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The Scheme is a for-profit entity for the purposes 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 generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the year cannot be reliably determined.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

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

New and Amended standards and interpretations adopted by the Scheme

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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

Classification and measurement of debt securities is driven by the Scheme's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest ("SPPI").

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

All other debt instruments must be recognised at fair value through profit or loss. A Scheme may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

Assets

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

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

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

In accordance with AASB 9 the Scheme holds listed equities, listed unit trusts, listed property trusts and convertible notes which are classified as fair value through profit or loss.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

(ii) Impairment

AASB 9 requires the Fund to record an allowance for expected credit loss ("ECL") for all financial assets not held at fair value through profit or loss.

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

For receivables, due from brokers, margin accounts and applications receivable, the Scheme has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Scheme has established a provision matrix that is based on the Scheme's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Impairment (continued)

The Scheme considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme.

(iii) Recognition/derecognition

The Scheme 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 right to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all of the risks and rewards of ownership.

(iv) Measurement

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. 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.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in 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.

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives, where applicable.

Loans and receivables/payables

Loans and receivables/payables are measured initially at fair value plus transaction costs. Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short-term receivables/payables are carried at their initial fair values.

Loan assets are reviewed at the end of the year to determine whether there is objective evidence of impairment. If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on the asset decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is currently 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.

2 Summary of significant accounting policies (continued)

(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 Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Scheme. 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 Scheme'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;
- apart from the requirement to redeem, 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 Scheme, and it is not a contract settled in the Scheme'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.

As at 30 June 2022, net assets attributable to unitholders were classified as equity. Effective from 20 January 2023, the Scheme's units have been reclassified from equity to financial liability as they no longer satisfy all the above criteria.

(d) Cash and cash equivalents

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

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

(e) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments on an effective interest method basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised when the right to receive dividends is established.

Trust distributions are recognised on an entitlement basis.

Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the year and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

All expenses, including responsible entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accrual basis.

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Scheme is not subject to income tax provided it attributed the entirety of its taxable income.

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 Scheme is not subject to capital gains tax.

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

The Scheme may incur withholding tax imposed by certain countries on investment income and capital gains. Such income is recorded net of withholding tax in the statement of comprehensive income.

(h) Distributions

The Scheme may distribute its distributable income, in accordance with the Scheme's Constitution, to unitholders by cash or reinvestment. Such distributions are recognised as payable when they are determined by the responsible entity of the Scheme.

(i) 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 comprehensive income as finance costs.

(j) Receivables

Receivables may include amounts for dividends, trust distributions, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

(k) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

Trades are recorded on trade date and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

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

2 Summary of significant accounting policies (continued)

(l) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

(m) Goods and Services Tax (GST)

Expenses of various services provided to the Scheme by third parties such as custodial services and investment management fees are recognised net of GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(n) Use of judgements and estimates

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

For the majority of the Scheme’s financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, last traded price) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager ("the Investment Manager").

The Scheme has estimated the resultant ELC derived from using the impairment model and there is no material impact to the Scheme. Please see note 12(c) on credit risk.

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

(o) New accounting standards, interpretations and other authoritative pronouncements

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Scheme.

(p) Rounding of amounts

The Scheme is an entity of the kind referred to in 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 director's report and financial report. Amounts in the director's report and financial report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

(q) Comparatives

Where relevant, prior year comparatives have been restated to conform with current year presentation.

3 Dividend/Trust distribution income

	For the year ended	
	30 June 2023 $'000	30 June 2022 $'000
Dividends	**3,530**	2,009
Trust distribution income	**361**	207
	3,891	2,216

4 Net gains on financial instruments at fair value through profit or loss

	For the year ended	
	30 June 2023 $'000	30 June 2022 $'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	**7,890**	(2,852)
Net realised gains on financial instruments at fair value through profit or loss	**6,344**	6,360
Total net gains on financial instruments at fair value through profit or loss	**14,234**	3,508

5 Auditor's remuneration

During the year the following audit fees were paid or payable by the responsible entity on behalf of the Scheme. Audit fees are recoverable by the responsible entity through management fees charged to the Scheme.

	For the year ended	
	30 June 2023 $	30 June 2022 $
Audit and other assurance services		
Audit and review of financial statements	**15,926**	13,178
Other services under the *Corporations Act 2001* (Compliance plan)	**5,134**	2,154
Total auditor's remuneration	**21,060**	15,332

6 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are currently two classes in the Scheme being Class A and Class B. Class B units are available to institutional investors only at a different fee rate to the Class A units. As at 30 June 2023 there were no units on issue for Class B.

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

6 Net assets attributable to unitholders (continued)

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

	For the year ended			
	30 June 2023 No. '000	30 June 2022 No. '000	**30 June 2023 $'000**	30 June 2022 $'000
Opening balance	**68,633**	50,081	**89,933**	70,559
Net assets attributable to unitholders Class A				
Applications	**132,957**	17,851	**190,002**	27,510
Redemptions	**(12,455)**	(3,233)	**(17,819)**	(4,962)
Units issued upon reinvestment of distributions	**3,679**	3,934	**4,838**	5,563
Distributions paid and payable	-	-	**-**	(11,714)
Profit for the year	-	-	**-**	2,977
Increase in net assets attributable to unitholders	-	-	**13,402**	-
Closing balance	**192,814**	68,633	**280,356**	89,933

Capital risk management

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

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the responsible entity. Under the terms of the Scheme'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

	For the year ended			
	30 June 2023 $'000	**30 June 2023 CPU**	30 June 2022 $'000	30 June 2022 CPU
Distributions - Class A				
31 December - paid	**740**	**0.6006**	33	0.0543
30 June - payable	**1,388**	**0.7197**	11,681	17.0201
Total distributions	**2,128**	**1.3203**	11,714	17.0744

There are no distributions paid or payable in relation to Class B units.

8 Cash and cash equivalents

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Cash at bank	**27,634**	5,265
	27,634	5,265

9 Financial assets at fair value through profit or loss

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Financial assets at fair value through profit or loss		
Listed equities	**247,111**	83,658
Listed unit trusts	**-**	2,874
Listed property trusts	**9,183**	5,535
Convertible notes	**1,638**	1,300
Preference shares - redeemable	**-**	1,295
Unlisted equities	**1,875**	-
Total financial assets at fair value through profit or loss	**259,807**	94,662

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 12.

10 Receivables

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Unsettled sales	**2,154**	1,896
Accrued income	**518**	257
Unsettled applications	**229**	24
GST receivable	**101**	84
	3,002	2,261

11 Payables

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Unsettled purchases	**8,133**	457
Accrued expenses	**494**	101
Unsettled redemptions	**72**	16
	8,699	574

12 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk, concentrations of risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme's is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the responsible entity ("the Board").

The Scheme use different methods to measure the types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ratings analysis for credit risk and maturity analysis for liquidity risk.

The Scheme continues to review the appropriateness of inputs to the valuation of financial instruments as well as performing out of cycle valuations, when applicable. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis. The Scheme's financial instruments include a portfolio of convertible notes which, in accordance with the Scheme's accounting policies, are measured at fair value through profit and loss.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held in the Scheme.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks 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 fluctuations resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

As at 30 June 2023 and 30 June 2022, the overall market exposures were as follows:

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Financial assets at fair value through profit or loss	**259,807**	94,662
	259,807	94,662

12 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's Investment Manager. This information and the compliance with the Scheme's Product Disclosure Statement are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

There has been significant volatility in the security prices during the reporting period following the coronavirus. As at the date of authorisation of these financial statements, the Scheme’s investments (note 9) represent a large portion of the Scheme's total assets. As such, fair value fluctuation would have a significant impact of the financial performance of the Scheme.

The risks related to equity investments have increased as a result of the intensified geo-political and trade policy risks compared to the previous year. The Russia/Ukraine conflict has led to elevated volatility across many asset classes. While the likelihood of direct impacts is considered remote, the Investment Manager continues to monitor the conflict closely for inflation and macro-economic changes and their impacts on the Scheme.

As at 30 June 2023 and 30 June 2022, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2023		As at 30 June 2022	
	Increased by 10% $'000	**Decreased by 10% $'000**	Increased by 10% $'000	Decreased by 10% $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**25,817**	**(25,817)**	9,336	(9,336)

The analysis is performed on the same basis for 2023 and 2022.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

12 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the Scheme's assets and liabilities which are denominated in Australian and non- Australian currencies for 30 June 2023 (2022: Nil):

As at 30 June 2023	Australian Dollars A$'000	Other currencies A$'000	Total A$'000
Assets			
Cash and cash equivalents	**27,634**	**-**	**27,634**
Receivables	**3,002**	**-**	**3,002**
Financial assets at fair value through profit or loss			
Listed equities	**241,611**	**5,500**	**247,111**
Listed property trusts	**9,183**	**-**	**9,183**
Unlisted equities	**1,875**	**-**	**1,875**
Convertible notes	**1,638**	**-**	**1,638**
Total assets	**284,943**	**5,500**	**290,443**
Liabilities			
Distributions payable	**1,388**	-	**1,388**
Payables	**8,105**	594	**8,699**
Total liabilities	**9,493**	594	**10,087**
Net assets attributable to unitholders	**275,450**	4,906	**280,356**

As at 30 June 2023, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Scheme is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		**AUD Strengthened**	
	Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)			
	30 June 2023 $'000	30 June 2022 $'000	**30 June 2023 $'000**	30 June 2022 $'000
AUD/CAD 2023: 5% (2022: Nil)	**258**	-	**(234)**	-

(iii) Interest rate risk

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

The Scheme'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 Scheme has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Scheme 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.

12 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's overall interest sensitivity on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

The Scheme has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in interest rates.

A reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Scheme did not hold any securities that are exposed to LIBOR's as at 30 June 2023.

The Investment Manager monitors and manages the Scheme's transition to alternative rates if required. The Investment Manager evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates:

As at 30 June 2023	Floating interest rate	Fixed interest rate				Non-interest bearing	Total
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	27,634	-	-	-	-	-	27,634
Receivables	-	-	-	-	-	3,002	3,002
Financial assets held at fair value through profit or loss							
Listed equities	-	-	-	-	-	247,111	247,111
Listed property trusts	-	-	-	-	-	9,183	9,183
Convertible notes	-	-	1,638	-	-	-	1,638
Unlisted equities	-	-	-	-	-	1,875	1,875
Total assets	27,634	-	1,638	-	-	261,171	290,443
Liabilities							
Distributions payable	-	-	-	-	-	1,388	1,388
Payables	-	-	-	-	-	8,699	8,699
Total liabilities	-	-	-	-	-	10,087	10,087
Net assets attributable to unitholders	27,634	-	1,638	-	-	251,084	280,356

12 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

As at 30 June 2022	Floating interest rate	Fixed interest rate 3 months or less	4 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	5,265	-	-	-	-	-	5,265
Receivables	-	-	-	-	-	2,261	2,261
Financial assets held at fair value through profit or loss							
Listed equities	-	-	-	-	-	83,658	83,658
Listed unit trusts	-	-	-	-	-	2,874	2,874
Listed property trusts	-	-	-	-	-	5,535	5,535
Convertible notes	-	-	-	1,300	-	-	1,300
Preference shares - redeemable	-	-	-	-	-	1,295	1,295
Total assets	5,265	-	-	1,300	-	95,623	102,188
Liabilities							
Distributions payable	-	-	-	-	-	11,681	11,681
Payables	-	-	-	-	-	574	574
Total liabilities	-	-	-	-	-	12,255	12,255
Net assets attributable to unitholders	5,265	-	-	1,300	-	83,368	89,933

At at 30 June 2023 and 30 June 2022, should interest rates have (decreased)/increased by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2023		As at 30 June 2022	
	Decreased by 75bp $'000	**Increased by 75bp $'000**	Decreased by 100bp $'000	Increased by 100bp $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**(12)**	**12**	(13)	13

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2023 and 2022.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents, and deposits with banks and other financial institutions. Cash at bank is held with financial institutions with credit ratings of at least AA-.

12 Financial risk management (continued)

(c) Credit risk (continued)

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed 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 best represents the current maximum exposure at the end of the year.

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

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the responsible entity on a regular basis as deemed appropriate.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's credit position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments.

Based on the concentrations of risk that are managed by industry sector, the following investments can be analysed by the industry sector as at 30 June 2023 and 30 June 2022:

	%
As at 30 June 2023	
Materials	**22.14**
Industrials	**14.21**
Energy	**9.18**
Financials	**8.66**
Consumer discretionary	**8.22**
Health care	**7.58**
Consumer staples	**6.89**
Utilities	**6.57**
Real estate	**6.05**
Communication services	**6.00**
Other	**4.50**
Total	**100.00**

12 Financial risk management (continued)

(d) Concentrations of risk (continued)

	%
As at 30 June 2022	
Industrials	21.18
Materials	16.50
Consumer staples	10.63
Communication services	10.30
Consumer discretionary	9.22
Financials	8.92
Real estate	8.89
Health care	8.19
Other	6.17
Total	100.00

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme may be exposed to daily cash redemptions of redeemable units. It therefore primarily holds investments that are traded in active markets and can be readily disposed of or can otherwise be readily disposed of via redemption.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Scheme or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option. However, the Board does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these units typically retain them for the medium to long term.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

12 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturity of non-derivative financial liabilities

The table below analyses the Scheme's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month $'000	**1-3 months $'000**	**4-12 months $'000**	**More than 12 months $'000**
As at 30 June 2023				
Distributions payable	**1,388**	**-**	**-**	**-**
Unsettled purchases	**8,133**	**-**	**-**	**-**
Accrued expenses	**494**	**-**	**-**	**-**
Unsettled redemptions	**72**	**-**	**-**	**-**
Net assets attributable to unitholders	**280,356**	**-**	**-**	**-**
Total financial liabilities	**290,443**	**-**	**-**	**-**

	Less than 1 month $'000	1-3 months $'000	4-12 months $'000	More than 12 months $'000
As at 30 June 2022				
Distributions payable	11,681	-	-	-
Unsettled purchases	457	-	-	-
Accrued expenses	101	-	-	-
Unsettled redemptions	16	-	-	-
Total financial liabilities	12,255	-	-	-

The Scheme continues to monitor the effects of the Russia/Ukraine conflict on liquidity risk, by:

- actively managing each Investment Option;
- continuing to monitor and respond to global investment markets;
- internal reporting on exposure to illiquid assets; and
- stress-testing the portfolio for a range of possible scenarios.

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the year approximated their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Scheme's accounting policy on fair value measurement is set out in note 2(b). The methods and assumptions used in the determination of the fair value of each class of financial instruments is also set out in note 2(b).

12 Financial risk management (continued)

(f) Estimation of fair values of financial assets and liabilities (continued)

Note 2(n) outlines further the nature of management's judgments, estimates and assumptions that might have been used in the determination of the fair values of each class of these financial instruments. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

(g) Fair value hierarchy

The Scheme is required 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 judgment, considering factors specific to the asset or liability.

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

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

As at 30 June 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equities	**247,111**	**-**	**-**	**247,111**
Listed property trusts	**9,183**	**-**	**-**	**9,183**
Convertible notes	**-**	**-**	**1,638**	**1,638**
Unlisted equities	**-**	**-**	**1,875**	**1,875**
Total	**256,294**	**-**	**3,513**	**259,807**

12 Financial risk management (continued)

(g) Fair value hierarchy (continued)

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equities	83,658	-	-	83,658
Listed unit trusts	2,874	-	-	2,874
Listed property trusts	5,535	-	-	5,535
Convertible notes	-	-	1,300	1,300
Preference shares - redeemable	1,295	-	-	1,295
Total	93,362	-	1,300	94,662

In determining fair value measurement, the impact of geo-political and trade policies, which may affect the fair value measurement of assets and liabilities in the financial statements has been considered.

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities, listed unit trusts and listed property trusts.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include convertible notes. As observable prices are not available for these securities, the Scheme has used valuation techniques to derive fair value.

Level 3 instruments could include securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also include those that have a stale price that is, where the pricing for a particular security has remained static for a period of time.

Level 3 valuations are reviewed quarterly by the relevant management. The management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, and proprietary or from an inactive market, they are categorised as level 3.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary. There have been no changes to the valuation techniques used for financial instruments classified as levels 3.

There were no transfers between levels for the year ended 30 June 2023 and 30 June 2022.

12 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

As at 30 June 2023	**Opening balance $'000**	**Purchases $'000**	**Sales $'000**	**Transfers into level 3 $'000**	**Transfers out of level 3 $'000**	**Gains/ (losses) recognised in profit or loss* $'000**	**Closing balance $'000**	**Gains/(losses) included in the statement of comprehensive income for financial assets/liabilities held at the reporting year-end* $'000**
Convertible notes	**1,300**	**-**	**-**	**-**	**-**	**338**	**1,638**	**338**
Unlisted equities	**-**	**1,875**	**-**	**-**	**-**	**-**	**1,875**	**-**
Total	**1,300**	**1,875**	**-**	**-**	**-**	**338**	**3,513**	**338**

As at 30 June 2022	Opening balance $'000	Purchases $'000	Sales $'000	Transfers into level 3 $'000	Transfers out of level 3 $'000	Gains/ (losses) recognised in profit or loss* $'000	Closing balance $'000	Gains/(losses) included in the statement of comprehensive income for financial assets/liabilities held at the reporting year-end* $'000
Convertible notes	-	1,300	-	-	-	-	1,300	-
Total	-	1,300	-	-	-	-	1,300	-

*The gains/(losses) recognised in profit or loss is composed of $338,000 unrealised gains/(losses) (2022: Nil).

The valuation techniques and significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2023 and 30 June 2022 are, as shown below:

Description	**Fair value $'000**		**Valuation technique**	**Significant unobservable inputs**
Convertible notes	2023:	1,638	Adjusted last transaction price	Unit prices
Convertible notes	2022:	1,300	Adjusted last transaction price	Unit prices
Unlisted equities	2023:	1,875	Adjusted last transaction price	Unit prices
Unlisted equities	2022:	-	Adjusted last transaction price	Unit prices

Description	**Input**	**Sensitivity**	**Effect on fair value $'000**	
Convertible notes	Last transaction price	2023: +/- 10%	2023:	164
Convertible notes	Last transaction price	2022: +/- 10%	2022:	130
Unlisted equities	Last transaction price	2023: +/- 10%	2022:	188
Unlisted equities	Last transaction price	2022: +/- 10%	2022:	-

12 Financial risk management (continued)

(g) Fair value hierarchy (continued)

In addition to the valuation techniques and significant unobservable inputs described above, management also considers a variety of additional factors, including, but not limited to, current operating performance and future expectations of the particular investment, changes in market outlook and the third-party financing environment. Any of these factors may be incorporated into measuring the fair value of the investment as at the reporting date.

13 Related party transactions

(a) Responsible entity

The responsible entity of Chester High Conviction Fund is Copia Investment Partners Ltd (ABN 22 092 872 056).

(b) Directors

Key management personnel includes persons who were directors of Copia Investment Partners Ltd at any time during the year.

(c) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year:

Name	**Position**
Rob Tucker, CFA	Portfolio Manager

(d) Key management personnel unitholdings

The key management personnel held units in the Scheme as follows:

30 June 2023 Unitholder	**Number of units held opening Units**	**Number of units held closing Units**	**Fair value of investment $**	**Interest held %**	**Number of units acquired Units**	**Number of units disposed Units**	**Distributions paid/payable by the Scheme $**
Total key management personnel transactions	**3,320,918**	**3,241,515**	**4,722,683**	**1.68**	**514,476**	**593,879**	**43,753**

30 June 2022 Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment $	Interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Scheme $
Total key management personnel transactions	3,026,450	3,320,918	4,340,250	4.84	531,985	237,517	567,095

(e) Key management personnel compensation

Key management personnel are paid by Copia Investment Partners Ltd. Payments made from the Scheme to Copia Investment Partners Ltd do not include any amounts directly attributable to the compensation of key management personnel.

(f) Key management personnel loan disclosures

The Scheme 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 year.

(g) Related party unitholdings

Parties related to the Scheme (including Copia Investment Partners Ltd, its related parties and other Schemes managed by Copia Investment Partners Ltd), hold no units in the Scheme (2022: Nil).

13 Related party transactions (continued)

(h) Responsible entity's/manager's fees and other transactions

Under the terms of the Scheme's Constitution, the responsible entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Scheme.

Under the terms of the Scheme's Constitution, the responsible entity is also entitled to receive a performance fee if certain predetermined criteria are met.

The transactions during the year and amounts payable at the end of the year end between the Scheme and the responsible entity were as follows:

	30 June 2023 $	30 June 2022 $
Responsible entity fees for the year charged to the Scheme	**1,766,674**	884,917
Performance fees for the year charged to the Scheme	**233,640**	1,293,685
Aggregate amounts payable to the responsible entity at the end of the year	**481,878**	86,519

Related party transactions are billed monthly in arrears and are due and payable within 30 days.

(i) Other transactions within the Scheme

From time to time directors of Chester High Conviction Fund, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

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

(j) Investments

The Scheme did not hold any investments in Copia Investment Partners Ltd or its related parties during the year (2022: Nil).

14 Reconciliation of profit to net cash (outflow) from operating activities

	For the year ended	
	30 June 2023 $'000	30 June 2022 $'000
(a) Reconciliation of profit/(loss) to net cash (outflow) from operating activities		
Profit for the year	**-**	2,977
Increase in net assets attributable to unitholders	**13,402**	-
Proceeds from sale of financial instruments at fair value through profit or loss	**226,075**	156,016
Purchase of financial instruments at fair value through profit or loss	**(369,656)**	(172,850)
Net (gains) on financial instruments at fair value through profit or loss	**(14,234)**	(3,508)
Net losses on foreign exchange	**88**	-
Net change in receivables and other assets	**(278)**	(159)
Net change in payables and other liabilities	**393**	25
Distributions to unitholders	**2,128**	-
Net cash (outflow) from operating activities	**(142,082)**	(17,499)

(b) Components of cash and cash equivalents

Cash as at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	**27,634**	5,265
	27,634	5,265

(c) Non-cash financing activities

During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**4,838**	5,563
	4,838	5,563

15 Events occurring after the year end

There are no items, transactions or events of a material and unusual nature that have arisen between the end of the financial period and the date of this report, which are likely, in the opinion of the Directors, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and 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 - 32 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 Scheme's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

(c) the financial statements are in accordance with the Scheme's Constitution.

(d) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Bruce Robert Loveday
Chairman
Melbourne
25 September 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Unitholders of Chester High Conviction Fund

Opinion

We have audited the financial report of Chester High Conviction Fund (the "Scheme"), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other 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 Scheme is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Scheme'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 Scheme 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 are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Building a better working world

Responsibilities of the Directors for the Financial Report

The directors of the Scheme 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 Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 Scheme'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 Scheme'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 Scheme 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.

Ernst & Young

Brett Kallio
Partner
Melbourne
25 September 2023