



Absolute Equity
Performance

Absolute Equity Performance Fund Limited

ABN 17 608 552 496

Annual Report

for the period ended 30 June 2022



Absolute Equity
Performance



Absolute Equity Performance Fund Limited
ABN 17 608 552 496
Corporate directory

Corporate Directory

Directors

Marc Fisher	Chairman & Managing Director
Andrew Reeve-Parker	Independent Director (resigned 30 November 2021)
Raymond Da Silva Rosa	Independent Director (resigned 27 January 2022)
Peter Lanham	Independent Director (resigned 30 November 2021)
Will Harrison	Independent Director (appointed 30 November 2021)
Daniel Liptak	Independent Director (appointed 27 January 2022)

Secretary

Lisa Dadswell

Investment Manager

Bennelong Long Short Equity Management Pty Limited
Level 1
9 Queen Street
Melbourne Victoria 3000

Registered Office

Absolute Equity Performance Fund Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 8016 2819

Auditor

Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000
Telephone: (02) 9221 2099

Share Register

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

Share Exchange

Australian Securities Exchange (ASX)
The home exchange is Sydney
ASX code: AEG

Absolute Equity Performance Fund Limited
ABN 17 608 552 496
Annual Report – 30 June 2022

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Absolute Equity Performance Fund Limited
Chairman's Letter
30 June 2022

Dear Fellow Shareholders,

The seventh and final full financial year of investing for Absolute Equity Performance Fund Limited (AEG or the Company) ended on 30 June 2022.

A -18.95% return for the Portfolio gave rise to an after-tax operating loss of \$15.68 million (17.25 cents per share) versus the prior year's after-tax operating profit of \$1.44 million (1.56 cents per share).

The Investment Strategy

The Investment Strategy seeks to limit market risk by constructing a long/short market neutral portfolio via a series of matching pairs of predominantly S&P/ASX100 companies. Company selection is based on fundamental analysis. The Portfolio is diversified and typically comprises 30 to 35 pairs of stocks. Company pairs are generally in similar industries or sectors, thus limiting the Portfolio's exposure to general market direction. The Investment Strategy produces returns that are uncorrelated with equities and has been able to profit in rising and falling markets.

Scheme Implementation Agreement

Following the Company announcement on 16 February 2022 of its consultation process, it received an approach from WAM Leaders Limited ("WLE"). After a lengthy negotiation, on 14 June 2022, it was announced that the Company and WLE had entered into a Scheme Implementation Agreement to merge the two entities.

It was proposed that WLE will acquire 100% of the shares in the Company through a Scheme of Arrangement ("Scheme"). Under the Scheme, the Company's Shareholders will receive new WLE shares as consideration for their shares in the Company. The number of WLE shares to be offered for each of the Company's shares will be determined by a formula based on the ratio of the net tangible assets of WLE before tax ("pre-tax NTA") to the pre-tax NTA of the Company.

I am pleased to note that the Company's Shareholders voted in favour of the Scheme at the Scheme Meeting held on 15 September 2022. The Scheme timetable was released on 19 September 2022. On 21 September 2022, the Federal Court of Australia made orders approving the Scheme and a copy of the orders were lodged with ASIC on 23 September 2022. Accordingly, the Scheme is now legally effective, and the shares of the Company were suspended from official quotation from close of business on 23 September 2022.

Thank you

On behalf of the board of AEG, I would like to take this opportunity to thank you for your trust and commitment over the years. I know many of you have been invested with us from the start, and that performance has fallen short of expectations. World events have been unprecedented in recent years, and even some of the most robust investment approaches have fallen short of both managers' and investors' expectations. I believe the ASX has lost an important diversifying investment through the delisting of AEG. That said, I cannot think of a better custodian than Wilson Asset Management when it comes to the ongoing stewardship of our Shareholders' investment and thank the team at WAM for their commitment to finding a satisfactory resolution to the challenges AEG has faced in recent years.



Marc Fisher
Chairman

29 September 2022

Absolute Equity Performance Fund Limited
Portfolio Composition
30 June 2022

Long Equity Positions as at 30 June 2022

Resmed Inc	11,045,484
CSL Limited	10,245,805
Iluka Resources Limited	8,935,706
Worley Limited	8,507,218
Ramsay Health Care Limited	8,402,166
Macquarie Group Limited	7,702,358
Mineral Resources Limited	7,658,373
Bluescope Steel Limited	7,657,361
Aristocrat Leisure Limited	6,676,149
Qantas Airways Limited	6,564,298
Woolworths Group Limited	6,559,442
Carsales.com Limited	6,412,096
James Hardie Industries SE	6,278,800
Brambles Limited	6,039,240
ALS Limited	5,794,658
Pointsbet Holdings Limited	5,740,702
Santos Limited	5,591,148
TPG Telecom Limited	5,323,180
Transurban Group	5,039,644
Torrens Group Holdings Limited	4,803,551
JB Hi-Fi Limited	4,227,177
Goodman Group	4,098,526
QBE Insurance Group Limited	3,629,326
Xero Limited	3,029,761
Brickworks Limited	2,719,929
Netwealth Group Limited	2,556,506
Reece Australia Limited	1,806,145
AGL Energy Limited	497,376
Total Fair Value Long Portfolio	\$ 163,542,125
Total Fair Value Short Portfolio¹	\$(155,500,700)

¹ Details of the fair value of each security in the short portfolio is not disclosed due to its sensitive nature.

Corporate Governance Statement

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the fourth edition of the ASX Corporate Governance Council's Principles and Recommendations.

A copy of the CGS is available on the Company's website (<https://www.aepfund.com.au/about-us/corporate-governance>).

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022

Directors' Report

The Directors present their Report together with the Financial Report of Absolute Equity Performance Fund Limited ("the Company") for the year ended 30 June 2022. All comparatives are for the year ended 30 June 2021.

Directors

The following persons held office as Directors of the Company during the financial year and up to the date of this report:

Marc Fisher	Chairman & Managing Director
Andrew Reeve-Parker	Independent Director (resigned 30 November 2021)
Raymond Da Silva Rosa	Independent Director (resigned 27 January 2022)
Peter Lanham	Independent Director (resigned 30 November 2021)
Will Harrison	Independent Director (appointed 30 November 2021)
Daniel Liptak	Independent Director (appointed 27 January 2022)

Principal Activities

The Company was established to provide investors with the opportunity to invest in a diversified portfolio of Australian listed equities, with the aim of achieving positive returns regardless of share market performance, through an "equity market neutral" style of investing. The Company's objective is to deliver absolute returns through capital growth and income regardless of market movements.

There have been no significant changes in the Company's principal activities during the year and no change is anticipated in the future.

Review of Operations

The Company invests predominantly in S&P/ASX100 and other large capitalisation Australian listed companies. The investment will seek to provide long-term capital growth with, when possible, a steady dividend yield, franked to the maximum extent possible.

Investment operations for the year ended 30 June 2022 resulted in an operating loss before tax of \$23,411,470 (2021: profit \$551,888) and an operating loss after tax of \$15,679,007 (2021: profit \$1,440,245).

Asset backing for each ordinary share at 30 June 2022 after tax was \$1.00 (2021: \$1.18). Asset backing for each ordinary share at 30 June 2022 before tax was \$0.94 (2021: \$1.22).

Scheme Implementation Agreement

On 14 June 2022, it was announced that WAM Leaders Limited ("WLE") and the Company had entered into a Scheme Implementation Agreement to merge the two entities.

It is proposed that WLE will acquire 100% of the shares in the Company through a Scheme of Arrangement ("Scheme"). Under the Scheme, the Company's Shareholders will receive new WLE shares as consideration for their shares in the Company. The number of WLE shares to be offered for each of the Company's shares will be determined by a formula based on the ratio of the net tangible assets of WLE before tax ("pre-tax NTA") to the pre-tax NTA of the Company.

The proposed merger of WLE and the Company follows the Company's consultation process announced on 16 February 2022 under which the Directors and their advisors evaluated a range of alternatives with a view to maximising value for all of the Company's Shareholders.

The Scheme Implementation Agreement is subject to conditions precedent, including the Company's Shareholders approving the Scheme in accordance with the Corporations Act 2001, the independent expert concluding the proposed transaction is in the best interests of the Company's Shareholders and the Federal Court approving the Scheme. On 11 August 2022, the Company announced that the Federal Court approved the Scheme meeting.

The Company's Shareholders voted in favour of the scheme of arrangement at the Scheme Meeting held on 15 September 2022. The Scheme timetable was released on 19 September 2022. On 21 September 2022, the Federal Court of Australia made orders approving the Scheme and a copy of the orders were lodged with ASIC on 23 September 2022. Accordingly, the Scheme is now legally effective, and the shares of the Company were suspended from official quotation from close of business on 23 September 2022.

Dividends

Dividends paid or declared for payment during the financial year are as follows:

Fully franked special dividend of 2.6 cents per share paid on 15 October 2021	\$2,394,491
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No dividend was declared or distributed in relation to the year ended 30 June 2022.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Financial Position

The net asset value of the Company as at 30 June 2022 was \$90,081,874 (2021: \$110,036,287).

Significant Changes in State of Affairs

On 14 June 2022, it was announced that WAM Leaders Limited ("WLE") and the Company had entered into a Scheme Implementation Agreement noted above to merge the two entities.

Matters Subsequent to the End of the Financial Year

As a result of the Scheme Implementation Agreement, certain actions as noted above have taken place subsequent to the end of the financial year.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders. The Investment Strategy is fixed and its implementation will be reviewed from time to time at the discretion of the Investment Manager, with oversight from the Company.

Environmental Regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on Directors

Marc Fisher Chairman & Managing Director

Experience and Expertise

Marc Fisher's career in financial markets began in 1997. Currently, he is a Managing Director of a global fintech risk management specialist. Marc previously worked for FRM in Hong Kong (now Man Group PLC's multi-manager business) where he was a Management Committee member and Chairman of their Asia Pacific business excluding Japan and Korea. Additionally, Marc ran FRM's Private Client product range and served as Product Head for their Managed Futures fund.

Previously, Marc was a Managing Director at Citigroup in London, where he founded and managed a global fund-linked product development and marketing business. Prior to Citigroup, Marc started his career at Deutsche Bank in London, where he held a number of trading, marketing and product development positions with an emphasis on multi asset class derivatives. He holds a Bachelor of Veterinary Medicine (BVSc) (Hons) degree from Bristol University.

Other Current Directorships

Marc Fisher holds domestic directorships in Perma Capital Pty Limited, HARC International Pty Limited and ZG Advisors Pty Limited.

Former Directorships in Last Three Years

Marc Fisher has not held any other directorships of listed companies within the last three years.

Special Responsibilities

Chairman of the Board

Interests in Shares and Options

Details of Marc Fisher's interests in shares of the Company are included in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Marc Fisher is a Director and Shareholder of Perma Capital Pty Ltd ("Perma Capital"). Perma Capital was involved in structuring and establishing the Company. The Company outsources the management of its day-to-day operations to Perma Capital.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Information on Directors (continued)

Will Harrison

Independent Director (appointed 30 November 2021)

Experience and Expertise

Will is a lawyer with more than 20 years' experience in London, Hong Kong and Australia advising clients in relation to regulatory and dispute resolution matters. He commenced his career at law firm Clifford Chance in London, before moving with the firm to Hong Kong. Will became a partner at DLA Piper in Hong Kong in 2007 until 2014, when he moved to Perth with his family and joined Minter Ellison. In 2018, Will founded a consultancy firm advising clients across Asia Pacific on regulatory and strategic matters.

Other Current Directorships

Will Harrison holds domestic directorships in Harrison & Co Legal Consulting (Asia-Pacific) Pty Limited, Avalon Cove Pty Limited and Vetcetera Global Pty Limited.

Former Directorships in Last Three Years

Will Harrison has not held any other directorships of listed companies within the last three years.

Interests in Shares and Options

Will Harrison does not have any interests in shares of the Company as noted in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Will Harrison is a Director and Shareholder of Harrison & Co Legal Consulting (Asia-Pacific) Pty Limited ("Harrison & Co"). Harrison & Co has provided legal consultancy services to the Company, including in relation to the Scheme Implementation Agreement.

Daniel Liptak

Independent Director (appointed 27 January 2022)

Experience and Expertise

Daniel Liptak is an established CPA qualified leader who has held a variety of senior leadership roles and significant experience in funds management at major financial services firms including; Goldman Sachs, UBS and Deloitte which have provided him with a high awareness of the issues surrounding compliance, governance and investment strategies, as well as operating model designs, credit research and project management.

Daniel was a Director at Deloitte Australia in Consulting Investment Wealth and Advisory. Previously he was a Principal at Henslow, an independent corporate advisory firm based in Melbourne. He has successfully started a number of financial service firms including an advisory business in conjunction with a large Swiss based fund manager. His exits have included selling a research and advisory firm to ICAP. He returned to Australia as a hire within UBS. He started his career at Goldman Sachs in London.

Daniel has published research and articles published reports and quoted in the Financial Times, The Wall Street Journal, The Economist, The Australian, The Australian Financial Review, online newsletters and keynote speaker at alternative investment conferences.

Daniel has a BSc from Adelaide University and BA (Accounting) from the University of SA, Graduate diploma in finance. In addition Daniel is CPA, Series 7 qualified.

Other Current Directorships

Daniel Liptak is the Chief Operating Officer of Arbitrium Capital Partners, is the Director and founder of Orchard Advisors and a Director of Liptak Services Pty Limited.

Former Directorships in Last Three Years

Daniel Liptak has not held any other directorships of listed companies within the last three years.

Interests in Shares and Options

Daniel Liptak does not have any interests in shares of the Company as noted in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Daniel Liptak has no interests in contracts of the Company.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Company Secretary

Lisa Dadswell

Lisa has been employed by Boardroom Pty Limited since January 2017 and is currently its Head of Corporate Secretarial Services. Lisa has over 20 years' experience in company secretarial services.

She is an Associate of the Institute of Chartered Secretaries and Administrators and has an Honours Degree in Law.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Directors' Meetings	
	A	B
Marc Fisher	6	6
Andrew Reeve-Parker (resigned 30 November 2021)	2	2
Raymond Da Silva Rosa (resigned 27 January 2022)	2	2
Peter Lanham (resigned 30 November 2021)	2	2
Will Harrison (appointed 30 November 2021)	4	4
Daniel Liptak (appointed 27 January 2022)	4	4

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the period that the Director was eligible to attend

Remuneration Report (Audited)

This Report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act 2001. Lisa Dadswell in her capacity as the Company Secretary was remunerated under a service agreement with Boardroom Pty Limited.

The Board from time to time determines remuneration of Directors within the maximum amount approved by the Shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on them and their responsibilities. The performance of Directors is reviewed annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

The maximum total remuneration of the Directors of the Company has been set at \$95,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not linked to the Company's performance.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Remuneration Report (continued)

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current and prior financial year. The Directors did not receive payment of their remuneration in respect of the quarter ended 30 June 2022 until after year end.

	Short term employee benefits	Post-employment benefits	Total
	Salary and fees	Superannuation	
2022			
Name	\$	\$	\$
Marc Fisher	18,054	~*	18,054
Andrew Reeve-Parker ¹	13,258	1,325	14,583
Raymond Da Silva Rosa ²	15,909	1,591	17,500
Peter Lanham ¹	11,364	1,136	12,500
Will Harrison ³	17,500	~*	17,500
Daniel Liptak ⁴	13,511	1,352	14,863
Total Director Remuneration	89,596	5,404	95,000
2021			
Name	\$	\$	\$
Marc Fisher	18,645	1,772	20,417
Andrew Reeve-Parker	29,300	2,783	32,083
Raymond Da Silva Rosa	27,397	2,603	30,000
Peter Lanham	11,416	1,084	12,500
Total Director Remuneration	86,758	8,242	95,000

¹ Resigned 30 November 2021

² Resigned 27 January 2022

³ Appointed 30 November 2021

⁴ Appointed 27 January 2022

* No superannuation is payable to Marc Fisher and Will Harrison as their remuneration is paid to their company; Harco International Pty Limited and Harrison & Co Legal Consulting (Asia-Pacific) Pty Limited respectively.

The Company has no employees other than Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be Key Management Personnel of the Company.

Director Related Entity Remuneration and Fees payable to Investment Manager

All transactions with related entities are made on normal commercial terms and conditions.

Will Harrison performs consulting services for the Company through a related party entity, Harrison & Co Legal Consulting (Asia Pacific) Pty Limited. The value of work performed during the year was \$103,960 (excluding GST).

The associated fees payable to the Investment Manager are listed below:

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2022 the Investment Manager was paid a Management Fee of \$1,511,161 (2021: \$1,776,343) (including reduced input tax credits "RITC"). As at 30 June 2022, the balance payable to the Investment Manager for management fees was \$108,628 (2021: \$144,365) (including RITC).

Performance Fee

The Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the Portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

Full details of the terms of the Performance Fee calculation are disclosed in Note 17 to the financial statements.

No Performance Fee is payable if the closing net asset value of the Portfolio before all taxes is below the high watermark.

As at 30 June 2022, the balance of Performance Fee payable to the Investment Manager was \$150,050 (2021: \$150,050) (including RITC). This relates to prior period performance.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Remuneration Report (continued)

Director Related Entity Remuneration (continued)

Performance Fee (continued)

The term of the Management Agreement is ten years commencing on the date on which the shares commenced trading on the Australian Securities Exchange unless terminated earlier in accordance with the Agreement.

Marc Fisher is a Director and Shareholder of Perma Capital Pty Ltd ("Perma Capital"). Perma Capital was involved in structuring and establishing the Company. The Company outsources the management of its day-to-day operations to Perma Capital. Under the direction of the Directors, the Company Secretary and the Investment Manager, Perma Capital will provide, or procure the provision of, administrative support services reasonably required by the Company to conduct its business. Perma Capital is remunerated with respect to both these arrangements by the Investment Manager (from management fees paid to it under the Investment Management Agreement) at no additional cost to the Company.

No other Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Equity Instrument Disclosures Relating to Directors

At balance date and at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2022

Director	Balance at 1 July 2021	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2022
Marc Fisher ¹	124,083	-	-	-	124,083
Andrew Reeve-Parker ²	308,491	-	-	(308,491)	-
Raymond Da Silva Rosa ³	-	-	-	-	-
Peter Lanham ⁴	-	-	-	-	-
Will Harrison ⁵	-	- #	-	-	-
Daniel Liptak ⁶	-	- #	-	-	-
	432,574	-	-	(308,491)	124,083

¹ 124,082 shares beneficially held by Marc International Pty Limited

² Held by Andrew Reeve-Parker at resignation date of 30 November 2021

³ Resigned 27 January 2022

⁴ Resigned 30 November 2021

⁵ Appointed 30 November 2021

⁶ Appointed 27 January 2022

This includes shareholdings at date of appointment

2021

Director	Balance at 1 July 2020	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2021
Marc Fisher ¹	124,083	-	-	-	124,083
Andrew Reeve-Parker ²	308,491	-	-	-	308,491
Raymond Da Silva Rosa	-	-	-	-	-
Peter Lanham *	-	-	-	-	-
	432,574	-	-	-	432,574

¹ 124,082 shares beneficially held by Marc International Pty Limited

² 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

* Appointed 29 January 2021

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Remuneration Report (continued)

Other Equity-related Director Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings.

Loans

No loans have been made to the Directors of the Company.

Relationship between Remuneration Policy and Company Performance

The following table shows the gross revenue, profit and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase or maintenance of dividends paid to Shareholders.

	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$
Revenue	28,864,772	5,234,203	48,603,871	14,617,645	(9,802,412)
Net profit/ (loss) attributable to members	9,478,818	(9,111,146)	23,808,096	1,440,245	(15,679,007)
Share price at year end	1.165	0.875	1.120	1.100	0.850
Dividends paid (cents per share)	4.50	4.50	6.50	5.20	2.60
Shares bought-back	-	-	9,920,335	64,065	1,830,863

End of Remuneration Report

Insurance and Indemnification of Officers and Auditors

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify but has paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

The contract of insurance prohibits disclosure of the nature of the liability covered by contract, the limit of liability the name of the insurer and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

During the year Pitcher Partners, the Company's Auditor, did perform other services in addition to their statutory duties for the Company as disclosed in Note 15 to the financial statements.

The Board of Directors is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 15 did not compromise the Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* set by the Accounting Professional and Ethical Standards Board.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2022 (continued)

Rounding of Amounts to Nearest Dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the Financial Report have been rounded to the nearest dollar unless otherwise specified.

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 12.

This report is made in accordance with a resolution of Directors.



Marc Fisher
Chairman

29 September 2022

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of Absolute Equity Performance Fund Limited
ABN 17 608 552 496**

In relation to the independent audit of Absolute Equity Performance Fund Limited for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



C I Chandran
Partner

Pitcher Partners
Sydney

29 September 2022

Absolute Equity Performance Fund Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2022 \$	30 June 2021 \$
Investment income from ordinary activities			
Net realised gains on disposal of investments		17,116,519	30,553,322
Net unrealised (losses) on fair value movement of investments		(31,415,350)	(21,524,876)
Interest income received		45,036	24,472
Dividend income received		4,451,383	5,564,727
Net income		(9,802,412)	14,617,645
Expenses			
Management fees		(1,511,161)	(1,776,343)
Performance fees		-	(150,050)
Administration fees		(48,836)	(52,212)
Prime broker fees		(6,639)	(10,301)
Stock loan fees		(845,419)	(1,184,104)
Dividends paid on borrowed stock		(9,775,644)	(9,358,247)
Legal fees		(146,603)	(209,105)
Brokerage commission		(525,667)	(515,513)
Interest expense		(208,098)	(293,249)
Accounting fees		(37,275)	(89,991)
Share registry fees		(49,422)	(44,099)
Tax fees		(15,571)	(36,707)
Directors' fees		(95,000)	(95,000)
Secretarial fees		(35,158)	(33,371)
ASX fees		(52,485)	(56,995)
Audit fees		(87,876)	(74,974)
Other expenses		(168,204)	(85,496)
Total expenses		(13,609,058)	(14,065,757)
(Loss)/ Profit before income tax		(23,411,470)	551,888
Income tax benefit	6	7,732,463	888,357
(Loss)/ Profit for the period after income tax		(15,679,007)	1,440,245
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/ income for the period		(15,679,007)	1,440,245
		Cents	
(Loss)/ Earnings per share for (loss)/ profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (loss)/ earnings per share	20	(17.25)	1.56

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Absolute Equity Performance Fund Limited
Statement of Financial Position
As at 30 June 2022

Statement of Financial Position

		30 June 2022	30 June 2021
	Note	\$	\$
Assets			
Cash and cash equivalents	7	78,698,640	102,100,037
Trade and other receivables	8	570,286	1,151,068
Financial assets at fair value through profit or loss	9	163,542,125	240,805,494
Deferred tax asset	6	5,453,836	-
Total assets		<u>248,264,887</u>	<u>344,056,599</u>
Liabilities			
Trade and other payables	10	2,682,313	1,071,520
Financial liabilities at fair value through profit or loss	9	155,500,700	230,670,165
Deferred tax liability	6	-	2,278,627
Total liabilities		<u>158,183,013</u>	<u>234,020,312</u>
Net Assets		<u>90,081,874</u>	<u>110,036,287</u>
Equity			
Issued capital	11	97,659,793	99,540,708
Accumulated losses	12	(44,321,400)	(25,682,528)
Profits reserve	12	36,743,481	36,178,107
Total Equity		<u>90,081,874</u>	<u>110,036,287</u>

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

Absolute Equity Performance Fund Limited
Statement of Changes in Equity
For the year ended 30 June 2022

Statement of Changes in Equity

	Note	Issued Capital \$	Profits Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021		99,540,708	36,178,107	(25,682,528)	110,036,287
Loss for the period	12	-	-	(15,679,007)	(15,679,007)
Other comprehensive income for the period		-	-	-	-
<u>Transactions with owners:</u>					
Transfer of profits during the period	12	-	2,959,865	(2,959,865)	-
Dividend paid	13	-	(2,394,491)	-	(2,394,491)
Shares bought-back	11	(1,880,915)	-	-	(1,880,915)
Balance at 30 June 2022		<u>97,659,793</u>	<u>36,743,481</u>	<u>(44,321,400)</u>	<u>90,081,874</u>
Balance at 1 July 2020		99,604,773	26,036,787	(12,192,471)	113,449,089
Profit for the period	12	-	-	1,440,245	1,440,245
Other comprehensive income for the period		-	-	-	-
<u>Transactions with owners:</u>					
Transfer of profits during the period	12	-	14,930,302	(14,930,302)	-
Dividend paid	13	-	(4,788,982)	-	(4,788,982)
Shares bought-back	11	(64,065)	-	-	(64,065)
Balance at 30 June 2021		<u>99,540,708</u>	<u>36,178,107</u>	<u>(25,682,528)</u>	<u>110,036,287</u>

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

Absolute Equity Performance Fund Limited
Statement of Cash Flows
For the year ended 30 June 2022

Statement of Cash Flows

	Note	30 June 2022 \$	30 June 2021 \$
Cash flows from operating activities			
Proceeds from sale of investments		222,624,396	244,665,900
Payment for investments		(232,613,855)	(244,076,069)
Interest received		19,974	25,794
Dividends received		4,524,131	6,316,173
Dividends paid on borrowed stock		(9,799,592)	(8,950,656)
Interest paid		(229,460)	(271,887)
Management fees paid		(1,546,898)	(1,783,816)
Performance fees paid		-	(4,535,827)
Payment for other expenses		(2,104,687)	(2,529,684)
Net cash (used in) operating activities	19	(19,125,991)	(11,140,072)
Cash flows from financing activities			
Dividends paid		(2,394,491)	(4,788,982)
Shares bought-back		(1,880,915)	(64,065)
Net cash (used in) financing activities		(4,275,406)	(4,853,047)
Net (decrease) in cash and cash equivalents held		(23,401,397)	(15,993,119)
Cash and cash equivalents at beginning of financial year		102,100,037	118,093,156
Cash and cash equivalents at end of financial year	7	78,698,640	102,100,037

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022

1 General Information

Absolute Equity Performance Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of the Company's registered office is C/- Boardroom Limited, Level 12, Grosvenor Place 225 George Street Sydney NSW 2000.

The financial statements were authorised for issue on [x] September 2022 by the Directors of the Company.

2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Significant accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities held at fair value through profit or loss.

The Company manages financial assets and liabilities at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected financial assets and financial liabilities.

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar unless otherwise specified.

(b) Financial Instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company commits to purchase or sell the assets. Financial instruments are initially measured at fair value. Transaction costs related to instruments classified "at fair value through profit or loss" are expensed to the profit or loss immediately.

(ii) Classification and subsequent measurement

Investments such as shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities are subsequently measured at fair value through profit or loss. The Company may short sell securities. Short sales or borrowed stock are classified as a financial liability and are measured at fair value through profit or loss.

The Company classifies its financial instruments into the following categories:

(a) Financial assets at fair value through profit or loss

Financial assets are classified "at fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(b) Financial liabilities at fair value through profit or loss

Financial liabilities such as borrowed stock are classified "at fair value through profit or loss". Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(iii) Impairment

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. All the trade receivables of the Company share the same credit risk characteristics. Indicators that there is no reasonable expectation of recovery include, amongst others, the Standard & Poor's credit risk rating of a debtor, and a failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2022, there are no expected credit losses recognised (30 June 2021: nil).

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

2 Significant Accounting Policies (continued)

(c) Fair Value Measurement

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

(d) Income and Expenditure

Interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised in the statement of profit or loss as they accrue, using the effective interest method of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if any.

Dividend income relating to exchange-traded equity instruments is recognised in the statement of profit or loss on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis and recognised in the statement of profit or loss on the day the distributions are announced.

All expenses, including Performance Fees and investment Management Fees, are recognised in the statement of profit or loss on an accruals basis.

(e) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

2 Significant Accounting Policies (continued)

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(g) Cash and Cash Equivalents

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and Other Receivables

Trade and other receivables relate to outstanding settlement as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

(i) Trade and Other Payables

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Purchases of investments that are unsettled at the reporting date are included in payables and are normally settled within three business days of trade date.

(j) Share Capital

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

(k) Profits Reserve

A profits reserve has been created representing an amount allocated from current and retained earnings that is preserved for possible future dividend payments.

(l) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Operating Segments

The Company has only one reportable segment in Australia. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments. It has no other reportable business or geographic segments.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

2 Significant Accounting Policies (continued)

(n) Critical Accounting Estimates and Judgements

The Directors evaluate the estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

Apart from the item mentioned below, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Deferred tax asset

Deferred tax assets relating to unused tax losses have been recognised to the extent that the Directors believe that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(o) New and Amended Accounting Standards Adopted

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the prior years or will affect the current or future years.

(p) New and Amended Accounting Standards not Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022 and have not been adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

(q) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

3 Segment Information

The Company currently engages in investing activities, including cash and equity securities. It has no other reportable business or geographic segments.

4 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company, with the Investment Manager has implemented a risk management framework to mitigate these risks.

(a) Market Risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price Risk

The Company is exposed to price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit or loss.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

The Investment Strategy involves pairing long positions in companies which are expected to outperform with corresponding short positions in companies which are expected to underperform. The net exposure is a "market neutral" exposure to overall price movements in the broad market, with the sum of the long and short positions close to zero. Therefore, the Directors believe that reporting investment sector exposures as a percentage of the net exposure of the entire Portfolio is not meaningful information.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

4 Financial Risk Management (continued)

(a) Market Risk (continued)

A breakdown of the Company's investment sector net exposure as at 30 June 2022 and 2021 are below:

	2022	2021
	\$	\$
Consumer Discretionary	(5,843,927)	2,084,322
Consumer Staples	(1,448,492)	(2,956,531)
Energy	5,483,754	6,149,169
Financials	(8,976,213)	(19,572,647)
Health Care	16,364,507	9,793,826
Industrials	6,835,153	23,697,479
Information Technology	(3,828,237)	(4,743,504)
Real Estate	(909,662)	4,419,983
Materials	56,299	4,785,199
Telecommunication Services	(189,133)	564,259
Utilities	497,376	(14,086,226)
	<u>8,041,425</u>	<u>10,135,329</u>

(ii) Cash Flow and Fair Value Interest Rate Risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

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

	Floating	Non-	Total
	Interest rate	Interest	
	\$	bearing	\$
		\$	
At 30 June 2022			
Financial assets			
Cash and cash equivalents	78,698,640	-	78,698,640
Trade and other receivables	-	570,286	570,286
Financial assets held at fair value through profit or loss	-	163,542,125	163,542,125
	<u>78,698,640</u>	<u>164,112,411</u>	<u>242,811,051</u>
Financial liabilities			
Trade and other payables	-	2,682,313	2,682,313
Financial liabilities held at fair value through profit or loss	-	155,500,700	155,500,700
	<u>-</u>	<u>158,183,013</u>	<u>158,183,013</u>
Net exposure to interest rate risk	<u>78,698,640</u>	<u>5,929,398</u>	<u>84,628,038</u>
At 30 June 2021			
Financial assets			
Cash and cash equivalents	102,100,037	-	102,100,037
Trade and other receivables	-	1,151,068	1,151,068
Financial assets held at fair value through profit or loss	-	240,805,494	240,805,494
	<u>102,100,037</u>	<u>241,956,562</u>	<u>344,056,599</u>
Financial liabilities			
Trade and other payables	-	1,071,520	1,071,520
Financial liabilities held at fair value through profit or loss	-	230,670,165	230,670,165
	<u>-</u>	<u>231,741,685</u>	<u>231,741,685</u>
Net exposure to interest rate risk	<u>102,100,037</u>	<u>10,214,877</u>	<u>112,314,914</u>

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2022 is 0.62% (2021: 0.10%).

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

4 Financial Risk Management (continued)

(a) Market Risk (continued)

Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to price risk and interest rate risk at the end of each reporting year. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2022 \$	2021 \$
Price Risk		
Financial assets and liabilities at fair value through profit or loss		
Change in Profit before tax		
• Increase in net portfolio prices by 5% (2021: 10%)	402,071	1,013,533
• Decrease in net portfolio prices by 5% (2021: 10%)	(402,071)	(1,013,533)

Held-for-trading financial assets and liabilities are actively managed on a short term basis and are fair valued through the Statement of Profit or Loss and Other Comprehensive Income. Any movement in the portfolio price will be realised in the Statement of Profit or Loss and Other Comprehensive Income.

	2022 \$	2021 \$
Interest Rate Risk		
Change in Profit before tax and Equity		
• Increase in interest rate by 2% (2021: 0.25%)	1,573,973	255,250
• Decrease in interest rate by 2% (2021: 0.25%)	(1,573,973)	(255,250)

The rates used for the calculation of this year's sensitivity analysis have been adjusted to reflect the current economic conditions.

(b) 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 investments in equity securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Fund gave to the counterparty.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting year is equivalent to the carrying amount and classification of those financial assets as presented in the Statement of Financial Position.

The Company held no collateral as security or any other credit enhancements.

None of the assets exposed to a credit risk are overdue or considered to be impaired. No impairment losses are recognised in respect to any equity instruments measured at fair value.

Management of the Risk

The risk was managed as follows:

- Cash held for investment is primarily invested in financial institutions that maintain a high credit rating, or in entities that the Company has assessed as being financially sound;
- Cash held in the company's corporate account is held with a reputable local financial institution with a Standard & Poor's rating of at least AA-; and
- The majority of the Company's receivables arise from unsettled trades at year end which are generally settled three days after trade date. The Manager engages with brokers and purchases securities that are listed on the Australian Stock Exchange.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

4 Financial Risk Management (continued)

(c) Liquidity Risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager maintains sufficient unencumbered cash balances to ensure the Company can meet its liabilities as and when they fall due.

The Company's inward cash flows depend upon the level of dividend, distribution revenue received and sale of liquid assets. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

	Less than 1 month \$	More than 12 months \$	Total contractual undiscounted cash flows \$
At 30 June 2022			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	155,500,700	155,500,700
Trade and other payables	<u>2,682,313</u>	<u>-</u>	<u>2,682,313</u>
Total financial liabilities	<u>2,682,313</u>	<u>155,500,700</u>	<u>158,183,013</u>
At 30 June 2021			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	230,670,165	230,670,165
Trade and other payables	<u>1,071,520</u>	<u>-</u>	<u>1,071,520</u>
Total financial liabilities	<u>1,071,520</u>	<u>230,670,165</u>	<u>231,741,685</u>

5 Fair Value Measurements

The Company measures and recognises its financial assets and liabilities at fair value through profit or loss ("FVTPL") on a recurring basis.

(a) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

5 Fair Value Measurements (continued)

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2022				
Financial assets at FVTPL-				
Australian listed equity securities	163,542,125	-	-	163,542,125
Total financial assets	163,542,125	-	-	163,542,125
Financial liabilities at FVTPL				
Australian listed equity securities sold short	155,500,700	-	-	155,500,700
Total financial liabilities	155,500,700	-	-	155,500,700
At 30 June 2021				
Financial assets at FVTPL				
Australian listed equity securities	240,805,494	-	-	240,805,494
Total financial assets	240,805,494	-	-	240,805,494
Financial liabilities at FVTPL				
Australian listed equity securities sold short	230,670,165	-	-	230,670,165
Total financial liabilities	230,670,165	-	-	230,670,165

There were no transfers between levels for recurring fair value measurements during the period.

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

The carrying amounts of all other financial instruments, such as cash, receivables and payables are reasonable approximations of fair value due to their short-term nature.

	2022 \$	2021 \$
6 Income Tax Benefit		
(a) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable		
Prima facie tax on (loss)/ profit before income tax at 30% (2021: 30%)	(7,023,442)	165,567
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	22,184	227,772
Imputation credit gross up	310,450	545,201
Foreign income withholding tax gross up	3,416	4,097
Prior year under/ over	1,149	-
Imputation credits and foreign income tax offset converted to tax loss	(1,046,220)	(1,830,994)
Income tax (benefit)	(7,732,463)	(888,357)
The applicable weighted average effective tax rates are as follows:	(33.03%)	160.97%
The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.		
Total income tax expense results from:		
Deferred tax liability	(11,677,014)	(6,503,445)
Deferred tax asset	3,944,551	5,615,088
Income tax (benefit)	(7,732,463)	(888,357)
Net deferred tax liability/ (asset)		
Deferred tax asset	(11,211,873)	(15,156,424)
Deferred tax liability	5,758,037	17,435,051
Closing balance	(5,453,836)	2,278,627

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

6 Income Tax Benefit (continued)

	2022	2021
	\$	\$
(b) The composition of the Company's deferred tax asset and liability is as follows:		
(i) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Revenue losses	13,481,225	15,163,783
Capitalised costs	<u>(2,269,352)</u>	<u>(7,359)</u>
	<u>11,211,873</u>	<u>15,156,424</u>
Movements:		
Opening balance	15,156,424	20,771,512
Charged/credited:		
- to profit or loss	<u>(3,944,551)</u>	<u>(5,615,088)</u>
Closing balance	<u>11,211,873</u>	<u>15,156,424</u>

(ii) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Fair value adjustments	5,655,672	17,333,046
Accruals	<u>102,365</u>	<u>102,005</u>
	<u>5,758,037</u>	<u>17,435,051</u>
Movements:		
Opening balance	17,435,051	23,938,496
Charged/credited:		
- to profit or loss	<u>(11,677,014)</u>	<u>(6,503,445)</u>
Closing balance	<u>5,758,037</u>	<u>17,435,051</u>

7 Cash and Cash Equivalents

Current

Cash at bank	<u>78,698,640</u>	<u>102,100,037</u>
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8 Trade and Other Receivables

Current

Dividends receivable	481,845	554,594
GST receivable	28,602	76,458
Unsettled trades	-	481,622
Other receivables	<u>59,839</u>	<u>38,394</u>
	<u>570,286</u>	<u>1,151,068</u>

Receivables are non-interest bearing and unsecured. Dividend income is recognised on the ex-dividend date. The majority of the Company's receivables arise from unsettled trades at year end which are generally settled three days after trade date.

The loss allowance for trade receivables are measured at an amount equal to lifetime expected credit loss. No loss allowance was recognised in respect to receivables as there are no expected credit losses.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

9 Financial Assets and Liabilities at Fair Value through Profit or Loss

	2022 \$	2021 \$
Current		
Financial assets at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities	<u>163,542,125</u>	<u>240,805,494</u>
Financial liabilities at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities sold short	<u>155,500,700</u>	<u>230,670,165</u>

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

10 Trade and Other Payables

Current		
Management fees payable	108,628	144,365
Performance fees payable	150,050	150,050
Dividend payable on borrowed stock	586,022	609,971
Unsettled trades	1,732,902	-
Other payables	<u>104,711</u>	<u>167,134</u>
	<u>2,682,313</u>	<u>1,071,520</u>

Trade and other payables are usually paid within 30 days of recognition.

11 Issued Capital

	30 June 2022		30 June 2021	
	No of shares	\$	No of shares	\$
(a) Share Capital				
Ordinary shares	<u>90,264,949</u>	<u>97,659,793</u>	<u>92,095,812</u>	<u>99,540,708</u>
(b) Movements in ordinary share capital				
30 June 2022				
		Number of shares		\$
Opening balance at 1 July 2021		92,095,812		99,540,708
Shares bought-back	(c)	<u>(1,830,863)</u>		<u>(1,880,915)</u>
Closing balance		<u>90,264,949</u>		<u>97,659,793</u>
30 June 2021				
Opening balance at 1 July 2020		92,152,920		99,604,773
Shares bought-back	(c)	<u>(57,108)</u>		<u>(64,065)</u>
Closing balance		<u>92,095,812</u>		<u>99,540,708</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

11 Issued Capital (continued)

(c) Share Buy-Back

On 12 July 2021, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 9.2 million ordinary shares within the next 12 months. The share buy-back commenced on 5 October 2021 and a total of 1,830,863 shares have been bought back and subsequently cancelled.

The buy-back was suspended following the announcement of the consultation and review process on 16 February 2022.

(d) Capital Risk Management

The Company's policy is to maintain a strong capital base so as to maintain Shareholder and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the weekly NTA estimates, monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements. The Board is focused on maximising returns to Shareholders with active capital management a key objective of the Company.

The Company is not subject to any externally imposed capital requirements.

	2022	2021
	\$	\$
12 Profits Reserve and Accumulated Losses		
(a) Profits Reserve		
Profits reserve	<u>36,743,481</u>	<u>36,178,107</u>
Movements:		
Opening balance	36,178,107	26,036,787
Transfer of profits during the year	2,959,865	14,930,302
Dividends paid	<u>(2,394,491)</u>	<u>(4,788,982)</u>
Balance as at the end of the year	<u>36,743,481</u>	<u>36,178,107</u>
(b) Accumulated Losses		
Accumulated losses	<u>(44,321,400)</u>	<u>(25,682,528)</u>
Movements:		
Opening balance	(25,682,528)	(12,192,471)
(Loss)/ Profit for the year	(15,679,007)	1,440,245
Transfer of profits during the year	<u>(2,959,865)</u>	<u>(14,930,302)</u>
Balance as at the end of the year	<u>(44,321,400)</u>	<u>(25,682,528)</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

13 Dividends

	2022 \$	2021 \$
(a) Dividends Paid		
Interim fully franked dividend of nil cents per share (2021: 2.6 cents)	-	2,394,491
2021 fully franked final dividend of 2.6 cents per share (2020: 2.6 cents)	<u>2,394,491</u>	<u>2,394,491</u>
	<u>2,394,491</u>	<u>4,788,982</u>

(b) Dividends not recognised at the End of the Financial Year

Since year end, the Directors have not declared a final dividend (2021: 2.6 cents per share, fully franked based on tax paid at 30%). In 2021, the aggregate amount of the dividends not recognised as liability at year end, is:

-	<u>2,394,491</u>
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(c) Dividend Franking Account

The franked portions of the final dividends recommended after 30 June 2022 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year.

	2022 \$	2021 \$
Opening balance of franking account	1,202,988	1,438,072
Franking credits on dividends received	1,033,191	1,817,337
Franking credits on dividends paid	<u>(1,026,210)</u>	<u>(2,052,421)</u>
Closing balance of franking account	<u>1,209,969</u>	<u>1,202,988</u>
Franking credits on dividends receivable	<u>60,270</u>	<u>214,577</u>
Franking credits available for subsequent reporting years	<u>1,270,239</u>	<u>1,417,565</u>
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year	<u>-</u>	<u>(1,026,210)</u>
Franking credits available after dividends declared post-balance date	<u>1,270,239</u>	<u>391,355</u>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

14 Key Management Personnel Disclosures

	2022	2021
	\$	\$
(a) Key Management Personnel Compensation		
Short-term employee benefits	89,596	86,758
Post-employment benefits	5,404	8,242
	<u>95,000</u>	<u>95,000</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.

(b) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Shareholdings

The numbers of shares in the Company held during the financial year by each Director, including their personally related parties, are set out below. There were no shares granted during the financial year as compensation.

2022

Director	Balance at 1 July 2021	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2022
Marc Fisher ¹	124,083	-	-	-	124,083
Andrew Reeve-Parker ²	308,491	-	-	(308,491)	-
Raymond Da Silva Rosa ³	-	-	-	-	-
Peter Lanham ⁴	-	-	-	-	-
Will Harrison ⁵	-	-	-	-	-
Daniel Liptak ⁶	-	-	-	-	-
	<u>432,574</u>	<u>-</u>	<u>-</u>	<u>(308,491)</u>	<u>124,083</u>

¹ 124,082 shares beneficially held by Harc International Pty Limited

² Held by Andrew Reeve-Parker at resignation date of 30 November 2021

³ Resigned 27 January 2022

⁴ Resigned 30 November 2021

⁵ Appointed 30 November 2021

⁶ Appointed 27 January 2022

This includes shareholdings at date of appointment

2021

Director	Balance at 1 July 2020	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2021
Marc Fisher ¹	124,083	-	-	-	124,083
Andrew Reeve-Parker ²	308,491	-	-	-	308,491
Raymond Da Silva Rosa	-	-	-	-	-
Peter Lanham ^{**}	-	-	-	-	-
	<u>432,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432,574</u>

¹ 124,082 shares beneficially held by Harc International Pty Limited

² 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

^{**} Appointed 29 January 2021

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

15 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Pitcher Partners

	2022	2021
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	65,387	51,700
Other assurance services	28,750	8,080
<i>Non audit services</i>		
Taxation services	18,041	31,830
Total remuneration of Pitcher Partners	<u>112,178</u>	<u>91,610</u>

The Board of Directors oversees the relationship with the Company's External Auditors. The Board reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

16 Contingencies and Commitments

The Company had no material contingent liabilities or commitments as at 30 June 2022 (2021: nil).

17 Related Party Transactions

All transactions with related entities are made on normal commercial terms and conditions.

Marc Fisher is a Director and Shareholder of Perma Capital Pty Ltd ("Perma Capital"). Perma Capital was involved in structuring and establishing the Company. The Company outsources the management of its day-to-day operations to Perma Capital. Under the direction of the Directors, the Company Secretary and the Investment Manager, Perma Capital will provide, or procure the provision of, administrative support services reasonably required by the Company to conduct its business. Perma Capital is remunerated with respect to both these arrangements by the Investment Manager (from management fees paid to it under the Investment Management Agreement) at no additional cost to the Company.

The associated fees payable to the Investment Manager are listed below:

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2022 the Investment Manager was paid a Management Fee of \$1,511,161 (2021: \$1,776,343) (including reduced input tax credits "RITC"). As at 30 June 2022, the balance payable to the Investment Manager was \$108,628 (2021: \$144,365) (including RITC).

Performance Fee

In return for the performance of its duties as Investment Manager of the Portfolio, the Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

Performance calculation period is:

- i. For the first performance calculation period, the period commencing on the date of issue of shares ending on the following 30 June;
- ii. In all other circumstances, the 12 month year ending on 30 June each year.

High watermark is the net asset value of the portfolio before all taxes calculated on the last date of the performance calculation period to which the Investment Manager was last entitled to be paid a Performance Fee.

No Performance Fee is payable if the closing net asset value of the portfolio before all taxes is below the high watermark.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2022 (continued)

17 Related Party Transactions (continued)

As at 30 June 2022, the balance of Performance Fee payable to the Investment Manager was \$150,050 (2021: \$150,050) (including RITC). This relates to prior period performance.

The term of the Management Agreement is five years unless terminated earlier in accordance with the Agreement.

Will Harrison performs consulting services for the Company through a related party entity, Harrison & Co Legal Consulting (Asia Pacific) Pty Limited. The value of work performed during the year was \$103,960 (excluding GST).

No other Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

18 Events Occurring after the Reporting Year

On 14 June 2022, it was announced that WLE and the Company had entered into a Scheme Implementation Agreement to merge the two entities.

It is proposed that WLE will acquire 100% of the shares in the Company through the Scheme. Under the Scheme, the Company's Shareholders will receive new WLE shares as consideration for their shares in the Company. The number of WLE shares to be offered for each of the Company's shares will be determined by a formula based on the ratio of the net tangible assets of WLE before tax ("pre-tax NTA") to the pre-tax NTA of the Company. On 11 August 2022, the Company announced that the Federal Court approved the Scheme meeting.

The Company's Shareholders voted in favour of the scheme of arrangement at the Scheme Meeting held on 15 September 2022. The Scheme timetable was released on 19 September 2022. On 21 September 2022, the Federal Court of Australia made orders approving the Scheme and a copy of the orders were lodged with ASIC on 23 September 2022. Accordingly, the Scheme is now legally effective, and the shares of the Company were suspended from official quotation from close of business on 23 September 2022.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

	2022	2021
	\$	\$
19 Reconciliation of (Loss)/ Profit after Income Tax to Net Cash Inflow from Operating Activities		
(Loss)/ Profit for the year	(15,679,007)	1,440,245
Unrealised losses/ (gains) on market value movement	31,414,410	21,524,876
Change in operating assets and liabilities:		
Decrease in trade and other receivables	99,159	726,696
(Increase) in investments held for trading	(27,105,979)	(29,963,492)
(Decrease) in trade and other payables	(122,114)	(3,980,040)
(Decrease)/ Increase in deferred taxes	(7,732,460)	(888,357)
Net cash (outflow) from operating activities	<u>(19,125,991)</u>	<u>(11,140,072)</u>

20 (Loss)/ Earnings per Share

(Loss)/ Profit after income tax used in the calculation of earnings per share	<u>(15,679,007)</u>	<u>1,440,245</u>
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Cents

(a) Basic (Loss)/ Earnings per Share

Basic (loss)/ earnings per share attributable to the ordinary equity holders of the Company

<u>(17.25)</u>	<u>1.56</u>
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(b) Weighted Average Number of Shares used as Denominator

**No. of
shares**

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

<u>90,918,828</u>	<u>92,096,015</u>
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As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

Absolute Equity Performance Fund Limited
Directors' Declaration
For the year ended 30 June 2022

In accordance with a resolution of the Directors of Absolute Equity Performance Fund Limited ("the Company"), the Directors of the Company declare that:

- (a) the financial statements and notes set out on pages 13 to 31 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 Company's financial position as at 30 June 2022 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) note 2(a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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



Marc Fisher
Chairman

29 September 2022

Level 16, Tower 2 Darling Park
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Sydney NSW 2000

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GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Independent Auditor's Report
To the Members of Absolute Equity Performance Fund Limited
ABN 17 608 552 496**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Absolute Equity Performance Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. 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 Company 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<i>Existence, Completeness and Valuation of Financial Assets and Financial Liabilities</i> <i>Refer to Note 9: Financial assets and liabilities at fair value through profit or loss</i>	
<p>We focused our audit effort on the existence, completeness and valuation of the Company's financial assets and financial liabilities as they are the most significant driver of the Company's Net Tangible Assets and profit.</p> <p>All of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as "Level 1" (i.e. where the valuation is based on quoted prices in active markets).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the design and implementation of the investment management processes and controls; ▪ Reviewing and evaluating the independent auditor's report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; ▪ Reviewing and evaluating the independent auditor's report on internal controls (ASAE 3402 Assurance Report on Controls at a Service Organisation) for the Administrator. ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and obtaining bridging letters and confirmations from the Administrator and the Custodian; ▪ Obtaining confirmation of the investment holdings directly from the Custodian; ▪ Recalculating and assessing the Company's valuation of individual investment holdings to independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.
<i>Accuracy of Management Fees and Performance Fees</i> <i>Refer to Note 10: Trade and other payables, Note 17 Related party transactions</i>	
<p>We focused our audit effort on the accuracy of calculating the management fees and performance fees as they are significant expenses of the Company and their calculation may require adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager. Key inputs include portfolio composition and valuation and high watermark mechanism in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the design of controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the year and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; ▪ Testing of adjustments for major events such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees; ▪ Testing of key inputs such as portfolio composition and valuation, set percentage use in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the financial year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the Directors' Report for the financial year ended 30 June 2022. In our opinion, the Remuneration Report of Absolute Equity Performance Fund Limited, for the financial year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



C I Chandran
Partner

29 September 2022



Pitcher Partners
Sydney

Absolute Equity Performance Fund Limited
Shareholder Information
30 June 2022

Shareholder Information

The Shareholder information set out below was applicable as at 23 September 2022.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Holding	Class of equity security Ordinary shares		
	No of Shareholders	Shares	Percentage (%)
1 – 1000	130	36,903	0.04
1,001 – 5,000	190	614,936	0.68
5,001 – 10,000	267	2,107,327	2.33
10,001 – 100,000	1,211	41,656,328	46.15
100,001 and over	127	45,849,455	50.80
	1,925	90,264,949	100.00

There are 91 shareholders each with an unmarketable parcel of shares being a holding of \$500 or less, for a combined total of 7,967 shares.

B. Equity Security Holders

Twenty largest quoted equity security holders:

Name	Ordinary shares	
	Number held	Percentage of issued shares (%)
HSBC Custody Nominees (Australia) Limited	3,631,089	4.023
Citicorp Nominees Pty Limited	3,299,269	3.655
UBS Nominees Pty Limited	2,700,000	2.991
R W Kirby Pty Limited	2,172,512	2.407
Lazarus Securities Pty Limited <Client A/C>	1,820,227	2.017
Netwealth Investments Limited <Wrap Services A/C>	1,661,464	1.841
BNP Paribas Nominees Pty Limited <IB AU Noms Retailclient DRP>	1,550,469	1.718
Perpetual Corporate Trust Limited <Affluence Lic Fund>	1,275,000	1.413
Gold Tiger Investments Pty Limited	1,210,110	1.341
BNP Paribas Nominees Pty Limited Hub24 Custodial Serv Limited <DRP A/C>	1,183,692	1.311
DCM Bluelake Partners Pty Limited	1,150,000	1.274
Mr Peter Michael Wilmshurst & Ms Gabrielle Rosa Baron <MAJ Superannuation Fund A/C>	985,784	1.092
Netwealth Investments Limited <Super Services A/C>	834,141	0.924
Perpetual Corporate Trust Limited <AIF>	800,000	0.886
Winchelada Pty Limited	775,000	0.859
Aris Nominees Pty Limited <Shreeve Super A/C>	768,681	0.852
Charles Sturt University <CSU Foundation A/C>	562,400	0.623
Mr James William Tonkin & Mrs Sharon Kathleen Tonkin <Tonkin Family S/F A/C>	541,645	0.600
Certane CT Pty Limited <BC1>	400,000	0.443
Mark Lipzker Pty Limited <C M S Super Fund A/C>	356,750	0.395
Total	27,678,233	30.663
Total Remaining Holders Balance	62,586,716	69.337

C. Substantial Holders

The Company has not been advised of any Shareholder holding a substantial shareholding in Absolute Equity Performance Fund Limited.

D. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when poll is called, otherwise each Shareholder present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and Loyalty Options of the Company on all Member Exchanges of the ASX Limited.

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.

H. On-market Buy Back

On 12 July 2021, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 9.2 million ordinary shares within the next 12 months. The share buy-back commenced on 5 October 2021 and a total of 1,830,863 shares have been bought back and subsequently cancelled.

The buy-back was suspended following the announcement of the consultation and review process on 16 February 2022.