

Sandon Capital Activist Fund

**ABN 17 933 281 993**

Financial report for the financial year ended 30 June 2021

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## Directors' Report

The directors of One Fund Services Limited (ABN 56 615 523 003) (the "Trustee"), submit their report together with the financial statements for Sandon Capital Activist Fund ("the Fund") for the year ended 30 June 2021 and the auditor's report thereon.

### Trustee

The Fund's trustee is One Fund Services Limited. The registered office and principal place of business of the Trustee is Level 16 Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000.

### Directors

The Trustee of the Fund from 1 July 2020 to 10 May 2021 was Fundhost Limited. The following persons held office as directors of Fundhost during the period:

Name	Title
Valerie Anne Monge	Director
Paul Ernest Dortkamp	Director
Robert H Nagel	Director
Drew Wilson	Director

The Trustee of the Fund from 11 May 2021 is One Fund Services Limited. The following persons held office as directors of One Fund Services Limited during or since the end of the year and up to the date of this report:

Name	Title
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesner	Executive Director & Company Secretary
Michael Sutherland	Executive Director

### Principal Activities

The principal activity of the Fund during the financial year was the investment and management of securities in accordance with its investment objectives and guidelines as set out in the Information Memorandum (IM) and in accordance with the provisions of the Trust Deed.

The Fund did not have any employees during the financial year (2020: nil).

No significant change in the nature of these activities occurred during the financial year (2020: nil).

### Review of Operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Information Memorandum.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The resulting global travel restrictions, increased lockdowns in certain countries and restrictions on social gatherings are having an ongoing impact on business and economic activity both in Australia and overseas. The fair values of the Fund's assets as at 30 June 2021 reflect the conditions known as at that date. The evolving COVID-19 health situation and its impact on the broader economic environment and investment markets are being closely monitored.

## Directors' Report (continued)

### **Results**

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The net operating profit attributable to unitholders for the year ended 30 June 2021 was \$22,331,106 (2020: net operating (loss) of \$2,490,000).

### **Distributions**

In respect of the financial year ended 30 June 2021, no distribution was declared and paid to unitholders (2020: None payable).

### **Value of Assets and Units Issued**

The Fund's net assets at 30 June 2021 was \$58,292,508 (2020: \$32,497,000). The total number of units on issue as at 30 June 2021 was 23,037,706 (2020: 21,513,897).

### **Significant Changes in State of Affairs**

Fundhost resigned as Trustee of the Fund on 10 May 2021. One Fund Services Limited was appointed as Trustee of the Fund on 11 May 2021.

There were no other significant changes in the state of affairs in the Fund during the year.

### **Events Occurring After the Reporting Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future years.

### **Likely Developments and Expected Results of Operations**

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

In light of changing trends and the overall economic outlook brought about by the COVID-19 pandemic, the Fund's future operating results and near-and-long-term financial results could potentially be impacted.

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

Likely developments in the operations of the Fund and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Fund.

### **Environmental Regulation and Performance**

The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### **Indemnification of Directors, Officers and Auditors**

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

To the extent permitted by law, the Trustee has agreed to indemnify its auditors, Ernst & Young, as part of terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

### **Rounding**

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

**Directors' Report (continued)**

On behalf of the directors of the Trustee, One Fund Services Limited.

A handwritten signature in blue ink, appearing to read "Frank Tearle". The signature is written in a cursive, flowing style.

Frank Tearle  
Director

13 April 2022

## Director's Declaration

In the opinion of the directors of the Trustee of the Sandon Capital Activist Fund (the Fund),

- (i) The financial report and notes are prepared in accordance with the requirements of the Fund's Trust Deed, including:
  - a) complying with Australian Accounting Standards;
  - b) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the year ended on that date;
- (ii) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1;
- (iii) In the Director's opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Frank Tearle  
Director

13 April 2022

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
	<b>Note</b>	
<b>Investment income</b>		
Net gains/(losses) on financial instruments at fair value through profit or loss	23,591	(1,447)
Dividend income	2,825	241
Interest income	-	6
Other income	9	-
<b>Total investment income/(loss)</b>	<b>26,425</b>	<b>(1,200)</b>
<b>Expenses</b>		
Management fees	593	540
Performance fees	3,362	655
Transaction fees	2	-
Other expenses	137	95
<b>Total expenses</b>	<b>4,094</b>	<b>1,290</b>
Net operating profit/(losses) attributable to unitholders before finance costs	22,331	(2,490)
<b>Finance costs attributable to unitholders</b>		
(Increase)/decrease in net assets attributable to unitholders	6 (22,331)	2,490
<b>Profit/(loss) for the year</b>	<b>-</b>	<b>-</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>

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

## Statement of Financial Position as at 30 June 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	8 (a)	2,357	1,930
Financial assets held at fair value through profit or loss	5	56,995	31,894
Receivables	9	268	251
<b>Total assets</b>		<b>59,620</b>	<b>34,075</b>
<b>Liabilities</b>			
Payables	10	1,327	1,578
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,327</b>	<b>1,578</b>
<b>Net assets attributable to unitholders</b>		<b>58,293</b>	<b>32,497</b>

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



## Statement of Changes in Equity for the year ended 30 June 2021

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

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

## Statement of Cash Flows for the year ended 30 June 2021

	Year ended 30 June 2021	Year ended 30 June 2020
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Interest received	-	7
Dividends received	2,711	243
Other income received	31	-
Management fee paid	11 (517)	(542)
Performance fee paid	11 (2,691)	(655)
Audit fee paid	(8)	-
Other expenses paid	(277)	(68)
Payments for purchases of financial assets at fair value through profit or loss	(9,312)	(3,935)
Proceeds from sales of financial assets at fair value through profit or loss	8,140	3,613
<b>Net cash used in operating activities</b>	<b>8(b) (1,923)</b>	<b>(1,337)</b>
<b>Cash flows from financing activities</b>		
Proceeds from unitholder applications	3,950	1,565
Management fee rebates	600	663
Distributions paid to unitholders	-	(348)
Payments for unitholders redemptions	(2,200)	(683)
<b>Net cash provided by financing activities</b>	<b>2,350</b>	<b>1,197</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>427</b>	<b>(140)</b>
Cash and cash equivalents at the beginning of the year	1,930	2,070
<b>Cash and cash equivalents at the end of the year</b>	<b>8(a) 2,357</b>	<b>1,930</b>
<b>Non-cash financing activities</b>		
Increase in capital due to reinvestment of management fee rebates	305	220

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

## Notes to the Financial Statements

### 1. General Information

This financial report covers the Sandon Capital Activist Fund (the "Fund") as an individual entity.

The Fund is an unregistered investment scheme and was constituted on 23 April 2009. The financial report of the Fund is for the year ended 30 June 2021.

The financial report was approved by the Board of Directors of the Trustee 13 April 2022.

### 2. Adoption of New and Revised Accounting Standards

#### *New standards and interpretation not yet adopted*

All new accounting standards that are applicable for the Fund for the 30 June 2021 reporting period have been adopted and do not have a material impact on the financial report. There are no new accounting standards and interpretations that have been issued but not yet effective, that are material to the financial report or have been early adopted for the 30 June 2021 reporting period.

### 3. Significant Accounting Policies

#### *a) Statement of compliance*

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

#### *b) Basis of preparation*

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the *Australian Accounting Standards Board* ("AASB"), Australian Accounting Interpretations, and the financial reporting requirements of the Trust Deed.

The Fund is a for-profit unit trust for the purpose of preparing the financial report.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

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

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

All amounts are presented in Australian dollars as the functional and presentational currency of the Fund.

Prior year financial results are presented within this report as comparative information. The comparative information is adjusted from time to time for changes in accounting policies or for disclosures to improve the comparability of information.

#### *c) Going concern basis*

The financial report has been prepared on a going concern basis and the Fund is a for-profit unit trust for the purpose of preparing the financial report.

## Notes to the Financial Statements (continued)

### 3. Significant Accounting Policies (continued)

#### *d) Revenue and investment income recognition*

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

Net gains/(losses) on financial instruments at fair value through profit or loss are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year). This includes both realised and unrealised gains and losses but does not include interest or dividend income.

##### **Dividend income**

Dividend income is recognised on the ex-dividend date net of franking credits.

##### **Interest income**

Interest income is recognised for financial instruments not held at fair value through profit or loss using the effective interest method.

#### *e) Expenses*

All expenses, including Trustee's fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

#### *f) Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and cash balances held with brokers.

#### *g) Investments in financial instruments*

Investments in financial instruments are categorised in accordance with AASB 9 "Financial Instruments". This classification is determined by the purpose underpinning the acquisition of the investment.

Investments of the Fund that have been designated at fair value through profit or loss include Australian and New Zealand listed equity securities. All investments are initially recognised at fair value of the consideration paid including transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

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

Changes in the fair value of the investment are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

The equity investments were irrevocably designated as measured at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities.

The Fund recognises a financial asset when it becomes a party to the contractual provisions of the instrument. Purchases and sales of investments in financial instruments are accounted for as at the trade date.

#### *h) Taxation*

Under the current tax legislation, the Fund is not subject to income tax as it attributes the entirety of its taxable income to its unitholders.

**Notes to the Financial Statements (continued)****3. Significant Accounting Policies (continued)*****i) Distributions***

In accordance with the Trust Deed and applicable taxation legislation, the Fund fully distributes its distributable income to the unitholders by way of cash or reinvestment into the Fund. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributions to unitholders comprise the net distributable income of the Fund to which the unitholders are presently entitled as the Fund has not elected into the AMIT regime. The distributions (if any) are payable or attributable at the end of June each year.

***j) Foreign currency transactions***

The functional and presentation currency for the Fund is Australian Dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Comprehensive Income in the year in which they arise.

***k) Payables***

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

***l) Due to/from broker***

Amounts due to/from brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date and are normally settled within 2 business days. An allowance for expected credit loss of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

***m) Receivables***

Receivables may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Interest is accrued in accordance with the method outlined in note 3 (d). Amounts are generally received within 30 days of being recorded as receivables.

***n) Applications and redemptions***

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

***o) Management fees***

In accordance with the Fund's IM, the Trustee charges a management fee of 1.54% per annum (including net GST) of the gross assets of the Fund. These fees comprise of fees paid to the Investment Manager, Trustee, and administrative fees of the Fund. The fee is charged and payable monthly in arrears out of the assets of the Fund.

The Investment Manager fully rebates all investment management fees relating to the Future Generation Fund, and the rebate is paid via additional units.

***p) Performance fees***

The Fund's managers are entitled to a performance fee when the performance fee of the Fund has both exceeded the hurdle being the 1 Month Bank Bill Swap Rate (Mid) published by the ASX. The method of calculating the performance fees is detailed in the Trust Deed and summarised in the Information Memorandum (IM).

**Notes to the Financial Statements (continued)****3. Significant Accounting Policies (continued)****q) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem units in the Fund.

**r) Critical accounting judgements and key sources of estimation uncertainty**

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

The majority of the Fund's investments are listed equities measured at fair value through profit or loss. Where there is no market price available for an instrument, a valuation technique is used. Judgment is applied in selecting valuation techniques and setting valuation assumptions and inputs.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in note 3 (g) of these financial statements.

**s) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the tax authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Fees and expenses incurred by the Fund, such as audit fees, administration fees, custodial services, and investment management fees, will generally be subjected to GST at the rate of 10%. Given the nature of the Fund's activities, the Fund may not be entitled to claim input tax credits for the full amount of the GST incurred. However, the Fund may be entitled to Reduced Input Tax Credits ("RITC") of 55% to 75% in respect of certain fees and expenses incurred by the Fund.

**t) Redeemable units**

The units issued by the Fund provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Fund. AASB 132 "*Financial Instruments Presentation*" permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Fund's redeemable units do not meet the specified criteria and have been consequently classified as liabilities. The liability to unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

## Notes to the Financial Statements (continued)

**3. Significant Accounting Policies (continued)****u) Rounding of amounts**

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

**v) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**4. Financial Risk Management**

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

The Fund's overall financial risk management programme focuses on ensuring liquidity and valuation risks are managed and in compliance with the Fund's IM and the law. It also seeks to maximise the returns derived for the level of risk which the Fund is exposed to and seeks to minimise potential adverse effects on the Fund's financial performance.

Financial risk management is carried out by the Investment Management team at Sandon Capital Pty Limited under its policies and in accordance with the Investment Management Agreement approved by the directors of the Trustee. The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below:

**a) Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on an ongoing basis.

The following table details the breakdown by credit rating of cash and cash equivalents held by the Fund:

	30 June 2021 \$'000	30 June 2020 \$'000
AA-	2,357	-
	<b>2,357</b>	<b>-</b>

There were no significant concentrations of credit risk to counterparties at 30 June 2021. The Fund only has a material credit risk exposure to the banks that holds the cash balances at 30 June 2021. Credit risk is mitigated by the Fund by investing their cash through Major Australian Banks.

**(i) Settlement of securities transactions**

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

**b) Market risk**

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices liquidity. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

## Notes to the Financial Statements (continued)

## 4. Financial Risk Management (continued)

*c) Price risk*

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of the changes in foreign exchange rates. Investments are classified on the Statement of Financial Position as financial assets held at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the IM. Between 0% and 99% of the net assets attributable to unitholders are invested in listed securities. Generally, any single listed security will have a maximum weighting of 7.5% of gross assets. There may be times when the Fund determines to employ leverage to enhance returns. It may employ derivatives or have the Fund borrow to achieve this.

The Fund is exposed, particularly through its equity portfolio, to market risks influencing investment valuations. These market risks include changes in a company's internal operations or management, economic factors and relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

The table below summarises the impact of an increase/decrease in the market value of the share portfolio on the Fund's net assets attributable to unitholders at 30 June and profit from operating activities. The analysis is based on the assumptions that the security prices increased/decreased by 10% with all other variables held constant and that the fair value of the Fund's portfolio moved according to this.

	As at 30 June 2021		As at 30 June 2020	
	Increased by 10% \$'000	Decreased by 10% \$'000	Increased by 10% \$'000	Decreased by 10% \$'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	5,700	(5,700)	3,189	(3,189)

*d) Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. The Fund's exposure to interest rate risk is set out on the following table:

	Impact on operating profit		Net assets attributable to unitholders	
	Higher/(Lower) 2021 \$'000	2020 \$'000	Higher/(Lower) 2021 \$'000	2020 \$'000
<b>Interest rate changes</b>				
Interest rate increase +1%	24	19	24	19
Interest rate decrease -1%	(24)	(19)	(24)	(19)



## Notes to the Financial Statements (continued)

## 4. Financial Risk Management (continued)

## d) Interest rate risk (continued)

	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>30 June 2021</b>			
<b>Assets</b>			
Cash and cash equivalents	2,357	-	2,357
Receivables	-	268	268
Financial assets at fair value through profit or loss	-	56,995	56,995
<b>Total Financial Assets</b>	<b>2,357</b>	<b>57,263</b>	<b>59,620</b>
<b>Liabilities</b>			
Payables	-	1,327	1,327
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,327</b>	<b>1,327</b>
<b>Net exposure</b>	<b>2,357</b>	<b>55,936</b>	<b>58,293</b>
<b>30 June 2020</b>			
<b>Assets</b>			
Cash and cash equivalents	1,930	-	1,930
Receivables	-	251	251
Financial assets at fair value through profit or loss	-	31,894	31,894
<b>Total Financial Assets</b>	<b>1,930</b>	<b>32,145</b>	<b>34,075</b>
<b>Liabilities</b>			
Payables	-	1,578	1,578
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,578</b>	<b>1,578</b>
<b>Net exposure</b>	<b>1,930</b>	<b>30,567</b>	<b>32,497</b>

## (iii) Foreign exchange risk

The Fund does not have any direct exposure to foreign exchange risk.

## e) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemption of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's Trust Deed.

All financial liabilities have maturity term within a month, other than net assets attributable to unitholders described below.

The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand. The Fund's policy is to hold between 1% and 100% in cash.

## Notes to the Financial Statements (continued)

**4. Financial Risk Management (continued)*****e) Liquidity risk (continued)***

Generally, unitholders may access their investment at the end of each calendar quarter (March, June, September, December) by giving the Trustee at least 30 days' notice (in writing) of your intention to redeem. The Fund employs a feature known as a "liquidity gate". The liquidity gate of this Fund means that the Trustee is not obliged to allow redemptions representing more than 20% of the Fund's net tangible assets ("NTA") during any single redemption period. This feature is designed to minimise any adverse effects that redeeming investors may have on the application of the Fund's investment strategy and continuing unitholders.

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

The Fund monitors the level of weekly applications and redemptions relative to the liquid assets in the Fund. During the year, the Fund's strategy is to hold up to 100% of the Fund's assets in cash when suitable investments cannot be found or in order to manage risk. Liquid assets include cash and cash equivalents and listed equities.

The Fund invests mostly in Australian listed companies, corporate bonds, floating rate notes and cash.

**5. Investments in Financial Instruments*****a) Financial assets at fair value through profit or loss***

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Listed and unlisted equity securities	56,995	31,894
<b>Total financial assets at fair value through profit or loss</b>	<b>56,995</b>	<b>31,894</b>

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

There were no financial liabilities at fair value through profit or loss as of 30 June 2021 and 30 June 2020.

***c) Fair Value Hierarchy***

Financial instruments carried at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued using quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using 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), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability. The prices for the Fund are based on redemption unit price quoted by the Trust Deed.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

## Notes to the Financial Statements (continued)

## 5. Investments in Financial Instruments (continued)

## c) Fair Value Hierarchy (continued)

The following table shows an analysis of financial instruments held at the balance date, recorded at fair value by level of the fair value hierarchy:

<b>At 30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	56,437	-	-	56,437
Unlisted equity securities	-	-	558	558
<b>Total</b>	<b>56,437</b>	<b>-</b>	<b>558</b>	<b>56,995</b>

<b>At 30 June 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	31,666	-	-	31,666
Unlisted equity securities	-	-	228	228
<b>Total</b>	<b>31,666</b>	<b>-</b>	<b>228</b>	<b>31,894</b>

There was a movement of \$324,407 from Level 1 to Level 3 to reclassify an investment during the year (2020: nil).

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period.

	<b>Level 3</b>	<b>Level 3</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	228	294
Transfer from level 1 instrument	324	-
Total gains/(losses) - profit and loss	6	(66)
<b>Closing balance*</b>	<b>558</b>	<b>228</b>

\*Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

*Level 3 investments comprise:*

As at 30 June 2021, the Fund held unlisted equity securities of \$558,024 (2020: \$228,000). During the financial year, there was a transfer between level 1 and level 3 instruments of \$324,407.

*Valuation process for Level 3 valuations and sensitivity analysis of the significant unobservable inputs*

Valuation of level 3 securities is performed monthly. Unlisted equity securities are initially valued at cost, with adjustments to the market value of the unlisted equity securities made through valuation techniques adopted by the Investment Manager.

The valuation committee considers the valuation and valuation methodologies applied to the relevant securities, and reviews available security-specific and general market information in order to make a fair value determination.

Securities which are fair-valued are monitored and reviewed to ensure their value remains in line with the statement of valuation.

Valuation techniques are set out in the pricing policy of the Investment Manager and can include liquidity discounting.

The inherent uncertainty in the valuation of such investments may result to a significant difference between the Fund's estimates of fair value and the fair values had observable inputs been available.

## Notes to the Financial Statements (continued)

## 5. Investments in Financial Instruments (continued)

## c) Fair Value Hierarchy (continued)

The table below discloses the valuation technique used in the valuation for level 3 investments and quantifies the effect of significant unobservable inputs used to value investments that fall in this category. Securities valued at nil have not been included in the following table.

	Fair Value 30 June 2021 \$'000	Valuation technique	Unobservable input	Sensitivity used	Effect on fair value +/- \$'000
Unlisted equity securities	558	Comparable trading multiples	Book value/shares	+/-10%	56/(56)

## 6. Net Assets Attributable to Unitholders

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

	Year ended 30 June 2021		Year ended 30 June 2020	
	No. of Units ('000)	\$'000	No. of Units ('000)	\$'000
Opening balance	21,514	32,497	19,203	31,110
Reinvestments	948	600	1976	3,202
Applications	1,179	3,897	1,313	2,127
Redemptions	(603)	(1,032)	(978)	(1,452)
Increase/(decrease) in net assets attributable to unitholders	-	22,331	-	(2,490)
<b>Closing balance</b>	<b>23,038</b>	<b>58,293</b>	<b>21,514</b>	<b>32,497</b>

## 7. Distributions to Unitholders

The Fund intends to distribute all net realised gains and income annually as at 30 June. Distributions are expected but not guaranteed.

As at 30 June 2021, no distribution was payable (2020: nil).

## 8. Cash and Cash Equivalents

(a) Cash and cash equivalents include cash at banks and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
Cash at banks	2,357	1,930
<b>Total cash and cash equivalents</b>	<b>2,357</b>	<b>1,930</b>

## Notes to the Financial Statements (continued)

## 8. Cash and Cash Equivalents (continued)

(b) Cash and cash equivalents include cash at banks and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 30 June 2021	Year ended 30 June 2020
	\$'000	\$'000
Increase/(decrease) in net assets attributable to unitholders	22,331	(2,490)
Net gains on financial assets and liabilities at fair value through profit or loss	(23,591)	1,447
Payments for purchases of financial assets and liabilities at fair value through profit or loss	(9,312)	(3,935)
Proceeds from sales of financial assets and liabilities at fair value through profit or loss	8,140	3,613
Distributions to unitholders	-	-
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in other assets	(228)	19
Increase in other payables	737	9
<b>Net cash provided by operating activities</b>	<b>(1,923)</b>	<b>(1,337)</b>

## 9. Receivables

	30-Jun-21	30-Jun-20
	\$'000	\$'000
GST receivable	145	9
Dividends and distributions receivable	123	9
Interest receivable	-	-
Management fee rebate receivable	-	22
Due from brokers	-	211
	<b>268</b>	<b>251</b>

## 10. Payables

	30 June 2021	30 June 2020
	\$'000	\$'000
Management fees payable	119	43
Performance fees payable	671	-
Recoverable expenses payable	27	37
Due to brokers	457	330
Redemptions payable	-	1,168
Applications to be processed	53	-
	<b>1,327</b>	<b>1,578</b>

## 11. Related Party Transactions

The Trustee of the Fund is One Fund Services Limited.

**a) Management fees paid and payable to Investment Manager (Sandon Capital Pty Limited – ABN 98 130 853 691)**

Management fees are the fees charged to manage and oversee the operation of the Fund. Under the Constitution, the Trustee charges a management fee between 1.54% per annum of the gross assets of the fund excluding borrowings, including net GST.

These comprise:

- Investment Management fees,
- the Trustee's base fees, and
- custodian, fund administration and registry base fees.

The fee is charged and payable monthly in arrears out of the assets of the Fund.

## Notes to the Financial Statements (continued)

## 11. Related Party Transactions (continued)

**a) Management fees paid and payable to Investment Manager (Sandon Capital Pty Limited – ABN 98 130 853 691) (continued)**

The Constitution allows for the Trustee to pay or reimburse itself from the assets of the Fund for any expenses the Trustee incurs in respect of the Fund in relation to the proper performance of its duties. The Fund also bears all expenses incidental to its operations and business, including, all transactional costs including brokerage, banking, sales and purchase commissions and charges and exchange fees, interest, withholding taxes and other governmental charges.

The following management fees were paid or payable out of the Fund's property during the year ended 30 June 2021:

- Management fees of \$593,108 were incurred for the year ended 30 June 2021 (2020: \$540,338).
- Management fees payable at 30 June 2021 were \$119,019 (2020: \$42,590).

**b) Performance fees paid and payable to the Investment Manager**

The Fund will (if applicable) pay the Investment Manager a performance fee.

The Performance Fee is 15.38% of the amount by which the Fund outperforms the Fund's benchmark over each month. The fee is payable to the Investment Manager.

The benchmark is the 1 Month Bank Bill Swap Rate (Mid) (Benchmark) published by ASX.

The calculation is based on comparing unit prices at the end of the month with those at the start.

The net asset value for these calculations is adjusted for and to take account of applications, redemption and distributions over the month. It is net of ongoing Trustee and Investment Manager fees as well as recurring expenses, but before the performance fee itself, as well as any non-recurring expenses and nonrecurring Trustee fees.

Investors have the protection of a 'high-water mark'. The performance fee is not payable if the end of month unit price is lower than the highest previous end of month price.

The following performance fees were paid or payable out of the Fund's property for the year ended 30 June 2021:

- Performance fees of \$3,361,878 were incurred for the year ended 30 June 2021 (2020: \$655,252).
- Performance fees payable at 30 June 2021 were \$670,502 (2020: nil).

**c) Key management personnel****(i) Directors**

Key management personnel of the Trustee, Fundhost Limited, during the dates between 1 July 2020 and up to 10 May 2021, were:

Name	Title
Valerie Anne Monge	Director
Paul Ernest Dortkamp	Director
Robert H Nagel	Director
Drew Wilson	Director

## Notes to the Financial Statements (continued)

## 11. Related Party Transactions (continued)

## c) Key management personnel (continued)

## (i) Directors (continued)

Units held in the Sandon Capital Activist Fund by the previous Trustee and by Directors and their respective related parties in aggregate up until 30 June 2021 were:

Unitholder	Number of Units held opening	% Interest held	Number of units acquired	Number of units disposed	Number of Units held closing	Distributions paid/payable by the Fund (\$)
Ridgway Super Fund	34,398	0.16	-	-	34,398	-
<b>Total</b>	<b>34,398</b>	<b>0.16</b>	-	-	<b>34,398</b>	-

Key management personnel of the Trustee, One Fund Services Limited, during the dates from 10 May 2021 up until now are:

Name	Title
Frank Tearle	Executive Director & Company Secretary
Sarah Wiesner	Executive Director & Company Secretary
Michael Sutherland	Executive Director

Key management personnel of the current Trustee and their associated entities do not hold any units in the Fund during the year and as at 30 June 2021.

## (ii) Other Key Management Personnel

The key management personnel of the Investment Manager at any time during the financial period are:

Name	Title
Gabriel Radzyminski	CIO and Portfolio Manager
Campbell Morgan	Portfolio Manager
Derek Skeen	COO

Units held in the Sandon Capital Activist Fund by the Other Key Management Personnel and their respective related parties in aggregate are:

Unitholder	Number of Units held opening	% Interest held	Number of units acquired	Number of units disposed	Number of Units held closing	Distributions paid/payable by the Fund (\$)
	'000		'000	'000	'000	\$'000
Glen Brae Capital	529	2.44	30	-	561	-
CJ Morgan & MM Power Super Fund	43	0.24	12	-	55	-
Sandon Capital Pty Ltd	-	-	572	-	572	-
<b>Total</b>	<b>572</b>	<b>2.68</b>	<b>614</b>	-	<b>1,189</b>	-

Except as disclosed above, no key management personnel have entered into any other transactions with the Fund during the financial period and there were no material balances involving key management personnel's interests outstanding at the end of the financial period.

## Notes to the Financial Statements (continued)

**12. Auditor's Remuneration**

The auditor of the Fund is Ernst & Young.

	30 June 2021	30 June 2020
	\$	\$
Audit and review of the financial reports	15,000	8,100
Tax services	-	4,050
<b>Total auditor's remuneration payable</b>	<b>15,000</b>	<b>12,150</b>

**13. Contingent Assets and Liabilities and Commitments**

There are no contingent assets and liabilities and commitments as at 30 June 2021 (2020: Nil).

**14. Subsequent Events**

No items, transactions or events of a material and unusual nature have arisen between the end of the report which significantly affected or may significantly affect the operation of the entity, the results of those operations or the state of the affairs of the entity in future financial years.





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## **Independent Auditor's Report to the unitholders Sandon Capital Activist Fund**

### **Opinion**

We have audited the financial report of Sandon Capital Activist Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### **Basis for opinion**

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

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

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

The directors of One Fund Services Limited as the Trustee of the Fund (the "Trustee") are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



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

*Ernst & Young*

Ernst & Young  
Sydney  
13 April 2022