



EVANS & PARTNERS  
**GLOBAL FLAGSHIP**  
FUND  
(ARSN 158 717 072)

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



# CORPORATE DIRECTORY

## RESPONSIBLE ENTITY

Walsh & Company Investments Limited  
(ACN 152 367 649)  
(AFSL 410 433)

Registered & Principal Office  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060  
**T** 1300 454 801  
**F** 1300 883 159

## DIRECTORS

Stuart Nisbett  
Warwick Keneally  
Mike Adams  
Peter Shear

## SECRETARIES

Hannah Chan  
Caroline Purtell

## REGISTERED OFFICE

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North Sydney NSW 2060  
**T** 1300 454 801  
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[www.globalflagshipfund.com.au](http://www.globalflagshipfund.com.au)

## UNIT REGISTER

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## AUDITOR

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## BANKERS

Macquarie Bank  
ANZ Bank  
J.P. Morgan

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).

**The ASX code is EGF.**

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# CHAIRMAN'S LETTER

FOR THE YEAR ENDED 30 JUNE 2020

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Welcome to the Annual Report for the Evans & Partners Global Flagship Fund (the **Fund** or **EGF**) for the financial year ending 30 June 2020 (**FY20**).

## FUND PERFORMANCE

The year was characterised by global markets achieving multi-year highs which then rapidly eroded with the spread of COVID-19 and the accompanying shut-downs. Global markets were hit hard in February and March, with the MSCI World Index (**Index**) falling 25%. Since the trough in March, the Index regained approximately half of these losses, up over 16%, to return 4.6% for FY20. The Fund generated a return of 3.9% over the same period and since inception, has returned 9.8% p.a. on a net tangible asset (**NTA**) basis, outperforming the Index by 1.9% p.a.

## THE IMPACT OF COVID-19 ON THE FUND

The impact of COVID-19 restrictions will continue to be felt throughout 2020 and probably into 2021 despite economies beginning to re-open. For the time-being, we are in a period of great uncertainty. It is too early to understand or estimate the full impact of the restrictions, despite the significant support provided by central banks and government agencies that has helped to support the global economy to date. Despite this support unemployment levels have risen and economic output has fallen.

Apart from the restrictions, significant uncertainty remains with respect to the longevity of the COVID-19 pandemic and its future impact on economies. Economic activity may remain subdued over the medium to longer term. We, like everyone else, are hopeful that one, or several, of the vaccines currently in stage three trials will prove effective. Pending broad deployment of an effective vaccine, or in the absence of any vaccine, we are also hopeful that there will be a continued positive transformation in business and consumer behaviour to accommodate ongoing safety restrictions, and thereby maintain global economies as effectively as is possible in these times. These factors, in concert with low interest rates and continued government support, should result in asset price support and an eventual resumption of broader economic activity.

## CAPITAL MANAGEMENT AND DISTRIBUTIONS

The Fund targets a cash distribution of 4.0% per annum based on Net Asset Value (**NAV**) (**Target Distribution**), paid semi-annually. Consistent with this, EGF paid a distribution of 3.25 cents per ordinary unit for the period ending December 2019 and 3.52 cents per ordinary unit for the period ending 30 June 2020. The Fund also made an additional distribution of 9.0 cents above the Target Distribution for the period ending 30 June 2020 that was reinvested in accordance with the Dividend Reinvestment Plan. In keeping with the policy of the Fund's Responsible Entity, Walsh & Company Investments Limited, to manage the capital and trading liquidity of the Fund throughout the year, the Fund conducted a buy-back of approximately 21% of total shares outstanding.

# CHAIRMAN'S LETTER

FOR THE YEAR ENDED 30 JUNE 2020

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## PORTFOLIO UPDATE AND MARKET CONDITIONS

Despite the extreme volatility experienced through FY20, the Fund performed in line with its investment objectives. The Investment Manager continued to position the portfolio at a lower risk level than the market, and responded to increasing risks in the second half of the year by increasing the defensive nature of the Fund. This positioning is currently evident in the overweight exposure to Consumer Staples and the Healthcare sectors. The Investment Manager's focus is on preserving investor capital in periods of market downturn and, accordingly, we are pleased with this year's outcome, with the Fund achieving this with a significant margin as markets fell in March. We believe the Fund's performance through the period was a result of a considered approach to investment management, and a commitment to identifying the best possible opportunities on a risk adjusted basis for investors.

FY20 has been a challenging year, we would like to thank you for your continued support and look forward to keeping you updated on the Fund's performance.

Yours faithfully,



**Stuart Nisbett**

**Independent Chairman of the Responsible Entity**

**Dated: 27 August 2020**



# INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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## OVERVIEW

Since its launch in July 2018, the Evans & Partners Global Flagship Fund (**EGF** or **Fund**) has outperformed the MSCI World Index (**Index**) by 4% on a net tangible asset (**NTA**) total return basis – an excellent outcome for unitholders and an achievement that we are proud of.

Over the 12 months to 30 June 2020 (**FY20**), the Fund returned 3.9%, marginally below its benchmark, which rose 4.6%. At the start of the global COVID-19 pandemic, we decided to reduce our exposure to market risk and hold a higher level of cash in the portfolio, causing the Fund to underperform the broader market's recovery.

The first half of 2020 will go down in history due to the rapid worldwide spread of COVID-19, and the extraordinary economic and social lockdown. The full impact of the virus on the economy is yet to be seen, but there has been an acute rise in unemployment which is likely to impact the economy for years to come. At this point, the impact on stock markets has only been mild, with markets positive over the last 12 months.

For the eight months up to February, the economy was strong, company profits were rising, and the stock market was beginning to build momentum. Australian investors benefited from a falling Australian dollar, helping the value of their overseas investments. The largest investment risk was political, either through elevated trade tensions between the US and China, or a less mainstream Democratic Presidential candidate.

COVID-19 spread into Europe in February 2020, leading to a widespread halt in economic activity. The impact on company profits is yet to be seen through the rest of 2020, though it is certain we are in an economic recession. Global stock markets fell 25% from the top to the bottom of the initial response, with the impact cushioned by a collapse in the Australian dollar. The response seemed appropriate given the uncertainty and the messages coming from corporate financial managers.

Since March, markets have recovered rapidly to a similar level seen in November 2019. This is good for fund investors, but the recovery has been quite unusual for this phase in a recession. Our response to the elevated level of uncertainty has been to position the fund to reduce downside risk, in the event we see another market contraction.

The market's recent recovery is due to some basic positives, such as the spread of COVID-19 slowing in many regions, and a strong response from governments and central banks. Perhaps the biggest boost has been comprehensive action to prevent companies and individuals defaulting on payments for rent, interest, and mortgages. Under the CARES act, the US government has provided support for loans to go into forbearance – pausing repayments rather than delinquency. In the US 8.5% of mortgages are in forbearance, accounting for over four million households, owing around \$1 trillion in missed payments. There have also been low levels of corporate bankruptcies and credit card delinquencies. Government and bank support has meant that the true impact of the recession is yet to be seen. The programs were implemented in late March and are generally six months in duration, so we will have to wait until the last quarter of 2020 to see if extension of these programs are granted.

The path of stock markets is highly uncertain over the coming years. There are plenty of excellent companies with long-term paths of growth that will prove to be profitable investments in the long run. There is also a broad class of stocks where the risk to profits outweighs the potential return. Because of the high uncertainty and lower reward on offer for taking on this uncertainty, EGF is cautiously positioned, with higher cash levels than



normal. We don't like holding any cash, and we will look for opportunities to reinvest as they present themselves. EGF outperformed the Index when stock markets fell, and we are confident we will hold onto the value of your investments in the event of further volatility.

The best performing sector over the past 12 months was again Information Technology, which appreciated 35%, on the back of higher than average growth and as the pandemic spread, these stock were some of the strongest beneficiaries as the demand for services that allow people and businesses to connect, operate and transact online accelerated. Other sectors that performed well included Healthcare (+15.9), Consumer Discretionary (+10.5%) and Communication Services (+9.3%). The Financials sector was one of the poorer performing sectors for the year, weighed down by a diminished growth outlook for consumer credit, higher provisioning for defaults, increasing COVID-19 related insurance claims. The Energy sector (-35.1%) was the worst performer, due to declining demand for oil as economies slowed and disagreements within OPEC. WTI crude oil futures ended the year down approximately 33% and while it was brief, traded as low as negative USD40 per barrel.

## PORTFOLIO POSITIONING

At 30 June 2020, the sector allocation of the portfolio was:

SECTOR	EGF WEIGHT	MSCI WORLD INDEX WEIGHT
Information Technology	18.4%	17.2%
Health Care	17.6%	13.0%
Consumer Staples	16.6%	8.4%
Communication Services	11.4%	8.5%
Financials	9.6%	15.7%
Industrials	6.2%	11.2%
Consumer Discretionary	5.7%	10.3%
Utilities	4.6%	3.4%
Energy	1.0%	4.8%
Materials	0.0%	4.3%
Real Estate	0.0%	3.3%
Cash	8.9%	0.0%
<b>Total*</b>	<b>100.0%</b>	<b>100.0%</b>

\* Figures may not reconcile due to rounding.

Source: MSCI, Evans and Partners Investment Management Pty Limited

# INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

At 30 June 2020, the country allocation of the portfolio was:

SECTOR	EGF WEIGHT	MSCI WORLD INDEX WEIGHT
United States	42.9%	63.4%
United Kingdom	17.3%	5.4%
Europe (ex UK)	26.6%	15.4%
France	6.5%	3.8%
Denmark	4.6%	0.6%
Switzerland	4.0%	3.1%
Germany	3.5%	2.9%
Netherlands	3.3%	1.3%
Norway	2.9%	0.2%
Belgium	1.8%	0.3%
Other	4.4%	15.8%
Cash	8.9%	0.0%

\* Figures may not reconcile due to rounding.

Source: MSCI, Evans and Partners Investment Management Pty Limited

## TOP TEN STOCK HOLDINGS (AT 30 JUNE 2020)

COMPANY	SECTOR (GICS)
Alphabet Inc	Communication Services
Aon PLC	Financials
Coca-Cola Co/The	Consumer Staples
Danone SA	Consumer Staples
Microsoft Corp	Information Technology
Mowi ASA	Consumer Staples
Novartis AG	Health Care
Orsted A/S	Utilities
RELX PLC	Industrials
Unilever NV	Consumer Staples

Source: MSCI, Evans and Partners Investment Management Pty Limited

At 30 June 2020, the Evans & Partners Global Flagship Fund (**EGF** or **Fund**) was fully invested across a diversified portfolio of global equities and other assets consisting of 36 listed companies, cash and a residual investment managed by Steadview Capital.

The objective of the Fund is to provide investors with capital growth and attractive, risk-adjusted returns over the medium to long term through exposure to a portfolio of global listed equities. This well-diversified portfolio of global listed securities has been constructed by targeting what the investment team has considered to be undervalued opportunities that exhibit some or all of the following characteristics: quality management and good corporate governance standards; a sound business model; a solid financial position; and sufficient growth to justify a premium over the current price.

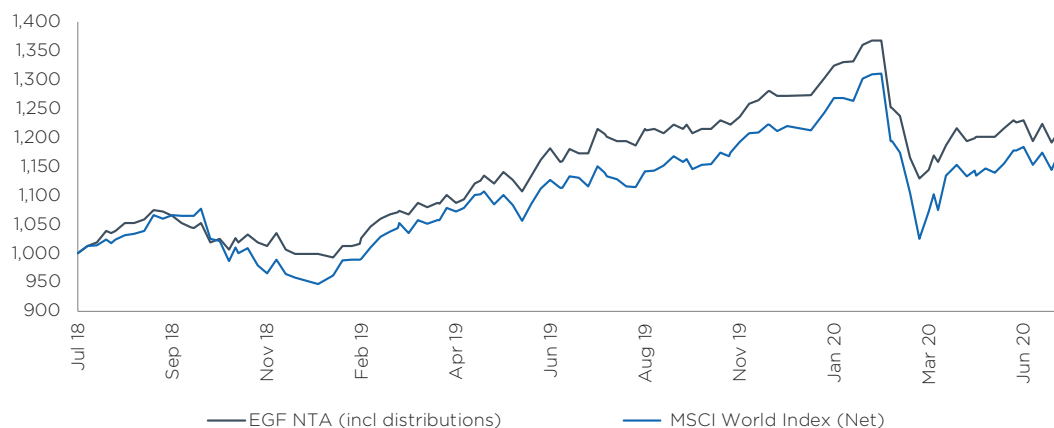
The investment team actively manages the risk profile of the Fund to provide Unitholders with an appropriate level of downside protection and upside gain as broader investor sentiment in the market fluctuates. The portfolio aims to be overweight countries and sectors that the investment team believes offer greater potential for higher risk-adjusted returns. The portfolio is also constructed to be more defensive in the market and seeks to avoid exposure to commodity prices. Relative the Index, the portfolio is overweight Consumer Staples, Communication Services and Healthcare, and underweight Financials and Industrials alongside more cyclical sectors such as Energy, Consumer Discretionary, Materials and Real Estate.

At a stock level and in response to the current volatile environment, the Fund exited McDonald's, due to concern over the solvency of franchise owners, and invested into Dollar General, a US grocery chain serving lower income customers in regional areas. Other portfolio changes through the year included the sale of Allianz insurance, Applied Materials, Fresenius Medical Care, and Pfizer and the acquisition of AXA insurance, Adobe software, and IQVIA.

## PERFORMANCE

As noted, since its launch in July 2018, the Fund has outperformed the Index by 4% or 1.9% per annum relative the Index.

### EGF performance relative to benchmark since inception



Source: MSCI, Evans and Partners Investment Management Pty Limited

# INVESTMENT MANAGER'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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The Fund was broadly neutral on market risk through the first period of strong markets, then became more defensive as COVID-19 spread. To reduce risk, exposure to pharmaceutical stocks, consumer staple goods like yoghurt and cleaning products, and clean energy providers was lifted. Cash levels were also increased to our maximum of 10%. These moves resulted in effective preservation of capital in the downturn. However, also resulted in underperformance as stocks rebounded strongly from the trough in March.

The best performing stocks in the Fund included Apple (+90%), Microsoft (+57%) and ASML (+81%). Apple's performance was driven by effective monetisation of its user base and conservative expectations for future growth whilst Microsoft posted record results driven by their cloud business, as remote working became commonplace worldwide. ASML, which provides equipment that enables ever-smaller electronic chips to be manufactured, saw growth driven by technological advancements and strong demand for its new EUV technology.

Detractors to performance included Royal Dutch Shell (-46%), as oil prices collapsed with demand for travel; Airbus (-49%) as travel restrictions hit demand for new planes; and Anheuser Busch (-42%), which saw beer sales collapse as bars closed and sporting events were cancelled.

## OUTLOOK

We see strong investment opportunities in the market, but our current view is that a conservative position is wise until we have greater clarity on the impacts of the pandemic and the economic outlook for regional and global economies. Investment selection will continue to prioritise capital preservation over chasing risky profits and will look for opportunities to deploy excess cash as market risk subsides.





# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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Evans & Partners Global Flagship Fund (**Fund**) is a listed managed investment scheme whose units are traded on the Australian Securities Exchange (**ASX**). The Fund has no employees, and its day-to-day functions and investment activities are managed by Walsh & Company Investments Limited (**Responsible Entity**) and Evans & Partners Investment Management Pty Limited (**Investment Manager**), respectively, in accordance with management agreements.

The directors of the Responsible Entity (**Board**) and the Investment Manager's directors and senior management recognise the importance of good corporate governance. The Fund's corporate governance charter, which incorporates the Fund's policies referred to below (**Corporate Governance Charter**), is designed to ensure the effective management and operation of the Fund and will remain under regular review. The Corporate Governance Charter is available on the Fund's website [globalflagshipfund.com.au](http://globalflagshipfund.com.au).

A description of the Fund's adopted practices in respect of the eight Principles and Recommendations from the Third Edition of the *ASX Corporate Governance Principles and Recommendations* (**ASX Recommendations**) are set out below. All these practices, unless otherwise stated, were in place for the entire year.

## 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### BOARD ROLES AND RESPONSIBILITIES

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Fund. This involves undertaking the following functions:

- providing and implementing the Fund's strategic direction;
- reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- overseeing the integrity of the Fund's accounting and corporate reporting systems, including the external audit;
- ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- reviewing and overseeing internal compliance and legal regulatory compliance;
- ensuring compliance with the Fund's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001 (Cth)*;
- overseeing the Fund's process for making timely and balanced disclosures of all material information concerning the Fund; and
- communication with and protecting the rights and interests of all unitholders.

The Board has established a formal policy, specified in Section 2 of the Corporate Governance Charter, which sets out its functions and responsibilities. A review of the policy is conducted annually.

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## 2. STRUCTURE THE BOARD TO ADD VALUE

### COMPOSITION OF THE BOARD

The Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director in office during the reporting period are given in the Directors' Report, including the years in office, skills, experience, and expertise relevant to the position of director.

The directors of the Responsible Entity during the reporting period were:

- **Mr Stuart Nisbett** (Appointed on 19 December 2019)
- **Mr Peter Shear** (Appointed on 19 December 2019)
- **Mr Warwick Keneally**
- **Mr Mike Adams**
- **Mr Alex MacLachlan** (Resigned on 19 December 2019).

Having regard to the size of the Fund and the nature of its business, the Board has determined that a board with four members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Fund. However, the composition of the Board will be reviewed periodically.

The current Board comprises two independent directors, Stuart Nisbett and Peter Shear, and two non-independent directors, Warwick Keneally and Mike Adams, with the independent Chairperson holding the casting vote<sup>1</sup>. The Board however has established a Compliance Committee with a majority of external members who are responsible for:

- monitoring the extent to which the Responsible Entity complies with the Fund's relevant regulations, compliance plan that has been lodged with the Australian Securities and Investments Commission (**ASIC**) (**Compliance Plan**), Constitution and report the findings to the Board;
- reporting to ASIC if the Compliance Committee is of the view that the Responsible Entity has not complied with the Compliance Plan or any relevant laws;
- assessing at regular intervals whether the Fund's Compliance Plan is adequate; and
- making recommendations to the Responsible Entity about any changes that the Compliance Committee considers should be made to the Compliance Plan.

The Fund recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size of the Fund, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Fund and, if required, may establish committees to assist it in carrying out its functions. At that time, the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

Note:

<sup>1</sup> Prior to his appointment as a director of the Board, Stuart Nisbett was remunerated for services on investment committees for two of the Responsible Entity's unlisted funds. The Board is of the view that this association does not compromise Stuart Nisbett's independence because one of the investment committees was dissolved in 2017 and he ceased to be remunerated for the other investment committee prior to his appointment as director.

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Fund. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Fund.

## 3. ACT ETHICALLY AND RESPONSIBLY

### CODE OF CONDUCT

The Board has adopted a Code of Conduct, as specified in Section 5 of the Corporate Governance Charter, to define the basic principles of business conduct of the Fund and the Responsible Entity. This Code requires the Fund's personnel to abide by the policies of the Fund and the law. The Code of Conduct is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour.

### UNIT TRADING POLICY

The Board has established a Unit Trading Policy, as specified in Section 6 of the Corporate Governance Charter, which applies to trading in the Fund's units on the ASX. This policy outlines the permissible dealing of the Fund's units while in possession of price sensitive information and applies to all directors of the Responsible Entity.

The Policy imposes restrictions and notification requirements, including the imposition of discretionary blackout periods, trading windows and the need to obtain pre-trade approval.

### INSIDER TRADING POLICY

The Board has adopted an Insider Trading Policy, as specified in Section 7 of the Corporate Governance Charter, to apply to trading in the Fund's units on the ASX. This policy applies to all directors, executives and employees of the Responsible Entity. All directors, executives and employees of the Responsible Entity must not deal in the Fund's units while in possession of price sensitive information. In addition, the general Unit Trading Policy (see Section 6 of the Corporate Governance Charter) sets out additional restrictions which apply to directors and executives of the Responsible Entity.

## 4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### COMPLIANCE COMMITTEE

As a registered managed investment scheme, the Fund has a Compliance Plan. The Compliance Plan is reviewed comprehensively every year to ensure that the way in which the Fund operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to ensure the Fund complies with the relevant regulations, its Compliance Plan and its constitution. The Compliance Committee meets and reports to the Board on a quarterly basis.

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The Compliance Committee is structured with three members, the majority of which are external. Details of the Compliance Committee members are as follows:

**MIKE ADAMS** (INTERNAL MEMBER)

Refer to information on directors (page 19).

**BARRY SECHOS** (EXTERNAL MEMBER)

Barry is one of two external members of the Compliance Committee. Barry is a member of the compliance committee for the New Energy Solar Fund, the Evans & Partners Global Disruption Fund, the Fort Street Real Estate Capital Fund Series, the Cordish Dixon Private Equity Fund Series, the Australian Governance & Ethical Index Fund, the Evans & Partners Asia Fund, the Evans & Partners Australian Flagship Fund, the Venture Capital Opportunities Fund and the US Masters Residential Property Fund.

Barry is a Director of Sherman Group Pty Limited, a privately owned investment company, and is responsible for managing the legal, financial and operational affairs of Sherman Group of companies. Barry has 35 years experience in corporate law and finance having spent seven years as a banking and finance lawyer at Allens (Sydney, Singapore and London), and eight years as a Director of EquitiLink Funds Management and Aberdeen Asset Management Australia. Barry is also a Director of See Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Concentrated Leaders Fund Limited, an investment company listed on the ASX, Regeneus Limited, an ASX listed biotech company and a Director of Sherman Contemporary Art Foundation, a charitable cultural organisation.

**MICHAEL BRITTON** (EXTERNAL MEMBER)

Michael is one of two independent members of the Compliance Committee. He is a member of the compliance committee for the New Energy Solar Fund, the Fort Street Real Estate Capital Fund Series, the Cordish Dixon Private Equity Fund Series, the Evans & Partners Asia Fund, the Australian Governance & Ethical Index Fund, the Evans & Partners Australian Flagship Fund, the Venture Capital Opportunities Fund and the Evans & Partners Global Disruption Fund. He is also an independent member of Compliance Committees for NorthWest Australia (Schemes 2 & 3), Angas Asset Management Fund, Angas Prime and Angas Direct. Michael has over 36 years' of commercial and financial services experience, initially with Boral Limited and culminating in 13 years as General Manager of the corporate businesses of The Trust Company Limited (now part of Perpetual Limited) (**The Trust Company**) where he established the company's reputation as a leader in the delivery of independent responsible entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the responsible entity function in both conventional and stapled, ASX listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager (as recognised by ASIC), a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes.

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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Currently Michael is an independent director on the boards of the now unlisted Westfield Corporation Limited and Westfield America Management Limited (following Unibail Rodamco absorbing the Westfield offshore Shopping Malls). He is an independent director of the unlisted Knights Capital Group Limited, a Perth-based investor. He is the sole independent director of two special purpose companies involved in high profile wholesale debt capital and securitisation transactions in the aviation and motor vehicle industries and is also a panel member for the Australian Financial Complaints Authority (formerly Financial Ombudsman Services Limited).

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

The Board, having considered their overall responsibilities, the size and structure of the Fund and other duties performed by the Compliance Committee, does not consider it appropriate, at this time, to establish an audit committee.

## 5. MAKING TIMELY AND BALANCED DISCLOSURE

The Board is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and ASX Listing Rules, as well as releasing relevant information to the market and unitholders in a timely and direct manner to promote investor confidence in the Fund and its securities.

The Fund has adopted a Continuous Disclosure Policy (as specified in Section 4 of the Corporate Governance Charter) to ensure the Fund complies with its continuous disclosure requirements. This policy is administered by the Board and monitored by the Compliance Committee.

## 6. RESPECT THE RIGHTS OF UNITHOLDERS

### RIGHTS OF UNITHOLDERS

The Fund promotes effective communication with unitholders. The Board has developed a strategy within its Continuous Disclosure Policy to ensure that unitholders are informed of all major developments affecting the Fund's performance, governance, activities and state of affairs. This includes using a website to facilitate communication with unitholders. Each unitholder is also provided online access to Boardroom Pty Limited (**Registry**) to allow them to receive communications from, and send communication to, the Responsible Entity and the Registry. Information is communicated through announcements to the ASX, releases to the media and the dispatch of financial reports. Unitholders are provided with an opportunity to access such reports and releases electronically. Copies of all ASX announcements are linked to the Fund's website.

These include:

- monthly net tangible asset backing announcements;
- quarterly investment updates;
- the half-year report;
- the annual report;



- 
- occasional ASX announcements made to comply with the Fund's continuous disclosure requirements; and
  - occasional correspondence sent to unitholders on matters of significance to the Fund.

The Board encourages full participation of unitholders at the general meetings to ensure a high level of accountability and identification with the Fund's strategy. Unitholders who are unable to attend the general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

## 7. RECOGNISE AND MANAGE RISK

The Board has accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Fund and its operations. It has not established a separate committee to deal with these matters as this responsibility will be undertaken by the Compliance Committee. The Board also monitors and appraises financial performance, including the approval of annual and half-year financial reports and liaising with the Fund's auditor.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes the Board conducts an annual review of its risk management framework to satisfy itself that the framework continues to be sound. A review of the risk management framework took place for the reporting period.

The Fund does not have any material exposure to economic, environmental and social sustainability risks.

The Board receives a letter half-yearly from the Fund's external auditor regarding their procedures and reporting that the financial records have been properly maintained and the financial statements comply with the Australian accounting standards.

The Responsible Entity provides declarations required by Section 295A of the *Corporations Act 2001 (Cth)* for all financial periods and confirms that in its opinion the financial records of the Fund have been properly maintained and that the financial statements and accompanying notes comply with the Australian Accounting Standards and give a true and fair view of the financial position and performance of the Fund, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Fund's external auditor.

Details of the Fund's financial risk management are set out in the notes to the financial statements in the annual report.

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

### REMUNERATION POLICY

Due to the relatively small size of the Fund and its operations, the Board does not consider it appropriate at this time to establish a formal remuneration committee.

Directors of the Fund are remunerated by the Responsible Entity. In accordance with the Fund's constitution, the Responsible Entity is entitled to a management fee for services rendered. Details of the Fund's related party transactions are disclosed in the notes to financial statements within the annual report. The Fund's constitution is available to unitholders on request.



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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The directors of Walsh & Company Investments Limited, the Responsible Entity of Evans & Partners Global Flagship Fund (**the Fund** or **EGF**) present their report together with the annual financial report for the Fund for the financial year ended 30 June 2020.

## DIRECTORS

The directors of the Responsible Entity at any time during or since the end of the financial year are shown below:

**Stuart Nisbett** (Appointed 19 December 2019)

**Peter Shear** (Appointed 19 December 2019)

**Warwick Keneally**

**Mike Adams**

**Alex MacLachlan** (Resigned 19 December 2019).

Directors were in office since the date of registration to the date of the report unless otherwise stated.

## INFORMATION ON DIRECTORS



### STUART NISBETT

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lend Lease Corporation in its development and commercial asset management divisions. Stuart was appointed to the Board of Walsh & Company Investments Limited on 19 December 2019.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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## ALEX MACLACHLAN

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company Group to over \$6 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy. Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies. Alex resigned from the Board of Walsh & Company Investments Limited on 19 December 2019.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.



## WARWICK KENEALLY

Warwick is Head of Finance at Walsh & Company, the Funds Management division of Evans Dixon Limited. Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.



### **MIKE ADAMS**

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high-net-worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director with MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.



### **PETER SHEAR**

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter was most recently Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young. Peter was appointed to the Board of Walsh & Company Investments Limited on 19 December 2019.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

## PRINCIPAL ACTIVITIES

The Fund is a registered managed investment scheme structured as a closed ended unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange (**ASX**) (ticker code: **EGF**). The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 15, 100 Pacific Highway, North Sydney, NSW, 2060.

The principal activities of the Fund during the financial year were to provide investors with capital growth and attractive risk-adjusted returns over the medium to long-term through exposure to a portfolio of global listed equities.

There were no significant changes in the nature of these activities of the Fund that occurred during the year.

## REVIEW OF OPERATIONS AND RESULTS

### FINANCIAL RESULTS FOR THE YEAR

The performance of the Fund, as represented by the result of its operations for the relevant years ended 30 June, were as follows:

RESULTS	2020	2019
Total net investment income (\$)	9,942,198	30,761,314
Total expenses (\$)	(2,542,450)	(3,339,945)
Profit (\$)	7,399,748	27,421,369
Distribution	2020	2019
Distribution (cents per unit)	15.77	11.60
Distribution total cash amount (\$)	15,483,724	13,558,550
Net asset value	2020	2019
Net asset value per unit (\$)	1.54	1.63

### PERFORMANCE RETURNS

The performance returns shown in the table below are for the relevant periods ended 30 June, and have been calculated using the net asset value per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions. The returns are calculated monthly and compounded to produce longer period returns.

<b>PERFORMANCE</b>	<b>2020 %</b>	<b>2019 %</b>
Growth return <sup>(i)</sup>	(5.6)	7.9
Distribution return <sup>(ii)</sup>	9.6	8.0
Total return <sup>(iii)</sup>	4.0	15.9

- (i) The Growth return is calculated as a percentage by dividing the end of period net asset value per unit by the net asset value per unit at the start of the period minus 1.
- (ii) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.
- (iii) The Total return is calculated as a percentage by dividing the end of period net asset value per unit (cum- distribution) by the net asset value per unit at the start of the period minus 1.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

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

## **FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the governing documents of the Fund. The method of operating the Fund is not expected to change in the foreseeable future, however the results of the Fund's operations may 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.

## **INDEMNITY AND INSURANCE**

Under the Fund's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid during, or since the end of, the financial year for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability 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 the auditor of the Fund.

## **ENVIRONMENTAL REGULATION**

The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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## FUND ASSETS

The value of the Fund's assets is disclosed in the Statement of financial position and derived using the basis set out in Note 3 to the financial statements.

## INTERESTS HELD BY THE RESPONSIBLE ENTITY AND DIRECTORS

The number of units in the Fund held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in Note 14 to the financial statements.

## INTERESTS IN THE FUND

The movement in units on issue in the Fund during the financial period is disclosed in Note 11 of the financial statements.

## FEES PAID TO THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of Fund assets during the financial period are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund assets to the Directors of the Responsible Entity during the financial period.

## EVENTS SUBSEQUENT TO REPORTING PERIOD

On 25 August 2020, the Responsible Entity of the Fund announced that it is exploring changing the Fund from a closed-ended listed unit trust to an open-ended unlisted unit trust in an effort to optimise the structure of the Fund for growth. As part of this review, the Responsible Entity will be assessing the options available, including continuing with status quo or changing to an open-ended unlisted structure that allows continuous applications and redemptions at the Fund's net tangible asset value per unit (subject to a buy/sell spread). The Responsible Entity will give further consideration to the advantages and disadvantages of each option before putting a proposal to unitholders for approval.

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect, the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

## OPTIONS

No options were granted over issued or unissued units in the Fund during, or since, the end of the year.

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## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Stuart Nisbett', with a stylized 'S' and 'N'.

Stuart Nisbett

**Chairman of Walsh & Company Investments Limited, Responsible Entity**

27 August 2020



# AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Walsh & Company Investments Limited (the Responsible Entity) of Evans & Partners Global Flagship Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Evans & Partners Global Flagship Fund for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Jessica Davis

Partner

Sydney

27 August 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 \$	2019 \$
<b>Investment income</b>			
Interest income		22,489	65,321
Dividend and distribution income		2,614,779	3,281,132
Other income		-	24,094
Net gain on financial assets at fair value through profit or loss		8,043,330	26,418,732
Net foreign currency (losses)/gains		(738,400)	972,035
<b>Total net investment income</b>		<b>9,942,198</b>	<b>30,761,314</b>
<b>Expenses</b>			
Management and administration fees	14	(2,288,172)	(2,212,989)
Performance fees	14	(166,814)	(847,773)
Investment transaction costs	14	(87,464)	(269,023)
Other expenses		-	(10,160)
<b>Total expenses</b>		<b>(2,542,450)</b>	<b>(3,339,945)</b>
<b>Profit before income tax expense</b>		<b>7,399,748</b>	<b>27,421,369</b>
Income tax expense		-	-
<b>Profit after income tax expense for the year</b>		<b>7,399,748</b>	<b>27,421,369</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>7,399,748</b>	<b>27,421,369</b>
		<b>CENTS</b>	<b>CENTS</b>
Basic earnings per unit	6	6.95	23.26
Diluted earnings per unit	6	6.95	23.26

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	7	14,318,255	8,557,919
Receivables	8	268,345	305,812
Financial assets	9	145,690,403	189,892,182
<b>Total assets</b>		<b>160,277,003</b>	<b>198,755,913</b>
<b>Liabilities</b>			
Payables	10	84,545	598,332
Distributions payable		12,056,174	9,950,894
<b>Total liabilities</b>		<b>12,140,719</b>	<b>10,549,226</b>
<b>Net assets</b>		<b>148,136,284</b>	<b>188,206,687</b>
<b>Equity</b>			
Issued capital	11	145,901,335	177,887,761
Retained earnings		2,234,949	10,318,926
<b>Total equity</b>		<b>148,136,284</b>	<b>188,206,687</b>

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	ISSUED CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
<b>Balance at 1 July 2018</b>	<b>145,449,424</b>	<b>(3,543,893)</b>	<b>141,905,531</b>
Profit after income tax expense for the year	-	27,421,369	27,421,369
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>27,421,369</b>	<b>27,421,369</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>			
Issue of ordinary units (Note 11)	45,635,473	-	45,635,473
Unit buy-backs (Note 11)	(13,163,404)	-	(13,163,404)
Buy-back costs (Notes 11 and 14)	(33,732)	-	(33,732)
Distributions paid or payable (Note 5)	-	(13,558,550)	(13,558,550)
<b>Balance at 30 June 2019</b>	<b>177,887,761</b>	<b>10,318,926</b>	<b>188,206,687</b>
	ISSUED CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
<b>Balance at 1 July 2019</b>	<b>177,887,761</b>	<b>10,318,926</b>	<b>188,206,687</b>
Profit after income tax expense for the year	-	7,399,748	7,399,748
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>7,399,748</b>	<b>7,399,748</b>
<b>Transactions with unitholders in their capacity as unitholders:</b>			
Issue of ordinary units (Note 11)	8,589,741	-	8,589,741
Unit buy-backs (Note 11)	(40,472,457)	-	(40,472,457)
Buy-back costs (Notes 11 and 14)	(103,711)	-	(103,711)
Distributions paid or payable (Note 5)	-	(15,483,724)	(15,483,724)
<b>Balance at 30 June 2020</b>	<b>145,901,334</b>	<b>2,234,950</b>	<b>148,136,284</b>

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Interest income received		28,169	88,702
Dividends and distributions received		2,586,249	3,114,815
Payments to suppliers		(72,240)	(1,727,677)
Management and administration fees paid		(2,677,096)	(3,265,338)
<b>Net cash used in operating activities</b>	<b>15</b>	<b>(134,918)</b>	<b>(1,789,498)</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(26,467,754)	(166,440,587)
Receipts from disposal of investments		78,428,991	117,299,927
<b>Net cash from/(used in) investing activities</b>		<b>51,961,237</b>	<b>(49,140,660)</b>
<b>Cash flows from financing activities</b>			
Payments for unit buy-backs	11	(40,631,577)	(13,163,404)
Distributions paid	5	(4,788,703)	(4,740,887)
Payment of buy-back costs	11	(103,711)	(33,733)
<b>Net cash used in financing activities</b>		<b>(45,523,991)</b>	<b>(17,938,024)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>6,302,328</b>	<b>(68,868,182)</b>
Cash and cash equivalents at the beginning of the financial year		8,557,919	77,309,926
Effects of exchange rate changes on cash and cash equivalents		(541,992)	116,175
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7</b>	<b>14,318,255</b>	<b>8,557,919</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## 1. GENERAL INFORMATION

Evans & Partners Global Flagship Fund (the **Fund**) is a Managed Investment Scheme registered and domiciled in Australia. The Fund is a for-profit entity. The principal activities of the Fund is to provide investors with capital growth and attractive risk-adjusted returns over the medium to long-term through exposure to a portfolio of global listed equities.

The financial statements were authorised for issue by the directors of the Responsible Entity on 27 August 2020. The directors have the power to amend and reissue the financial statements.

## 2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

### ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to their operations and effective for the current year. The impact of the adoption is not material to the Fund's financial report in the current or future reporting periods and on foreseeable future transactions.

### ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that are effective for annual reporting periods beginning on or after 1 January 2020 have not been early adopted in preparing these financial statements. There are no standards that are not yet effective and that are expected to have a material impact on the Fund.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and are based on historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

### STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the AASB and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The following accounting policies have been adopted in the preparation and presentation of the financial report.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## FOREIGN CURRENCY TRANSLATION

The functional and presentation currency of the Fund is Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of financial position date. Non-monetary items 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of profit or loss and other comprehensive income. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and derivatives, respectively. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the Statement of profit or loss and other comprehensive income.

## INVESTMENT INCOME

### i. Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

### ii. Interest income

Interest income is recognised in profit or loss using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### iii. Net change in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of profit or loss and other comprehensive income.

## TAXES

### i. Income tax

Under current Australian income tax laws, the Fund is not liable to pay income tax provided its distributable income for each income year is fully distributed to Unitholders, by way of cash or reinvestment.

The Fund primarily invests in international securities and may incur reclaimable withholding tax by certain countries on investment income and realised gains. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

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## ii. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The Fund qualifies for reduced input tax credits at a minimum of 55%.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are presented in the Statement of cash flows on a gross basis.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity 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.

## RECEIVABLES

Receivables include balances due from brokers, dividends and distributions receivable, reduced input tax credit receivable and other receivables. Amounts are generally received within 30 days of being accrued for. Receivable amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition.

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

## FINANCIAL INSTRUMENTS

Financial instruments, incorporating financial assets and financial liabilities, are recognised on trade date, when the Fund becomes a party to the contractual provisions of the instrument.

The Fund classifies its investments based on its business model for managing those financial assets and their

contractual cash flow characteristics. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund evaluates the information about its investments on a fair value basis together with other related financial information.

The Fund holds financial assets comprising equity securities and unlisted unit trusts. These securities are mandatorily classified as fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## **i. Financial assets**

Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of profit or loss and other comprehensive income. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of profit or loss and other comprehensive income. Financial assets not at fair value through profit or loss, including receivables are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method and are assessed for impairment based on the expected credit loss model.

## **ii. Financial liabilities**

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of profit or loss and other comprehensive income. Financial liabilities not at fair value through profit or loss, including payables, are measured initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

## **iii. Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire.

## **iv. Fair value**

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

## **TRADE AND OTHER PAYABLES**

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods or services. The balance is unsecured and is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

## **ISSUED CAPITAL**

### **i. Ordinary units**

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of ordinary units are recognised as a deduction from equity.

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## ii. Distributions to unitholders

Distributions to unitholders are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Board of the Responsible Entity on or before the end of the financial period. A distribution payable is recognised in the Statement of financial position where the amount is not yet distributed at balance date.

## EARNINGS PER UNIT

### i. Basic and diluted earnings per unit

Basic earnings per unit is determined by dividing the profit or loss excluding any cost of servicing equity other than ordinary units by the weighted average number of ordinary units outstanding during the financial period. Diluted earnings per unit is the same as basic earnings per unit because there are no dilutive potential ordinary units.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, when certain financial instruments are fairly valued using valuation techniques, observable data is used to the extent practicable. Management may be required to make estimates and any changes in assumptions would affect the reported fair value of financial instruments.

The expected credit loss (**ECL**) impairment model has not materially impacted the Fund.

## 4. OPERATING SEGMENTS

The Fund operates in Australia and has one business operation, that being to invest in a portfolio of global equities to provide investors with capital growth and attractive risk-adjusted returns over the medium to long-term. The Fund is engaged solely in investing activities, generating capital growth and deriving revenue from dividend and distribution income and interest income.

## 5. DISTRIBUTIONS PAID

Distributions paid during the financial year were as follows:

	2020 \$	2019 \$
Distributions - 3 cents per unit paid on 4 February 2019	-	3,612,522
Distributions - 8.6087 cents per unit paid on 2 August 2019	-	9,946,028
Distributions - 3.25 cents per unit paid on 3 February 2020	3,432,416	-
Distributions - 12.52 cents per unit paid on 31 July 2020	12,051,308	-
	<b>15,483,724</b>	<b>13,558,550</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The Fund's Distribution Reinvestment Plan (**DRP**) was available to eligible unitholders during the year ended 30 June 2020.

Under the terms of the **DRP**, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund. Units are issued and/or transferred to **DRP** participants at a price that is determined by the Responsible Entity in accordance with the **DRP** Rules.

Investors who participated in the **DRP** received units at an issue price that includes a 5% discount to the Net Asset Value (**NAV**) per unit. The full cost of the discount will be paid for by the Responsible Entity in its personal capacity and is recognised as a receivable in the Statement of financial position.

## 6. EARNINGS PER UNIT

	2020 \$	2019 \$
Profit after income tax	7,399,748	27,421,369

	NUMBER	NUMBER
Weighted average number of ordinary units used in calculating basic earnings per unit	106,464,487	117,905,780
Weighted average number of ordinary units used in calculating diluted earnings per unit	106,464,487	117,905,780

	CENTS	CENTS
Basic earnings per unit	6.95	23.26
Diluted earnings per unit	6.95	23.26

## 7. CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank	14,318,255	8,557,919
	<b>14,318,255</b>	<b>8,557,919</b>

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## 8. RECEIVABLES

	2020 \$	2019 \$
Other receivables	49,404	115,401
Dividends receivable	218,941	190,411
	<b>268,345</b>	<b>305,812</b>

## 9. FINANCIAL ASSETS

	2020 \$	2019 \$
Equity investments - listed	138,645,859	181,492,031
Managed funds - unlisted	7,044,544	8,400,151
	<b>145,690,403</b>	<b>189,892,182</b>

Refer to Note 13 for further information on fair value measurement.

The market values of the individual investments held at the end of the reporting period are set out immediately before the Unitholder Information.

## 10. PAYABLES

	2020 \$	2019 \$
Accrued expenses	-	13,376
Unsettled trades	84,545	243,651
Accrued performance fee	-	341,305
	<b>84,545</b>	<b>598,332</b>

Refer to Note 12 for further information on financial instruments.

## 11. ISSUED CAPITAL

	2020 UNITS	2019 UNITS	2020 \$	2019 \$
<b>Ordinary units - fully paid</b>	96,198,687	115,380,718	145,901,335	177,887,761



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## MOVEMENTS IN ORDINARY UNIT CAPITAL

	DATE	UNITS	\$
<b>Balance</b>	<b>1 July 2018</b>	<b>93,954,583</b>	<b>145,449,424</b>
Issue of ordinary units at \$1.46 per unit (distribution reinvested)	3 August 2018	945,978	1,382,054
Issue of ordinary units at \$1.54 per unit (distribution reinvested)	3 August 2018	27,916,894	42,994,620
Issue of ordinary units at \$1.43 per unit (distribution reinvested)	4 February 2019	879,694	1,258,799
Unit buy-backs		(8,316,431)	(13,163,404)
Buy-back costs		-	(33,732)
<b>Balance</b>	<b>30 June 2019</b>	<b>115,380,718</b>	<b>177,887,761</b>
Issue of ordinary units at \$1.57 per unit (distribution reinvested)	2 August 2019	686,391	1,078,447
Issue of ordinary units at \$1.65 per unit (distribution reinvested)	2 August 2019	3,923,829	6,476,998
Issue of ordinary units at \$1.74 per unit (distribution reinvested)	3 February 2020	593,969	1,034,296
Unit buy-backs		(24,386,220)	(40,472,457)
Buy-back costs		-	(103,711)
<b>Balance</b>	<b>30 June 2020</b>	<b>96,198,687</b>	<b>145,901,334</b>

## ORDINARY UNITS

All units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions from time to time by the Responsible Entity.

## UNIT BUY-BACK

There is a current on-market unit buy-back.

## CAPITAL MANAGEMENT

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to \$145,901,334 as at 30 June 2020 (2019: \$177,887,761). The Fund is not subject to any externally imposed capital requirements.

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## 12. FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT

The Fund's financial instruments primarily comprise of listed equity investments and unlisted managed funds. The Fund's investment objective is to provide investors with capital growth and attractive risk-adjusted returns over the medium to long-term through exposure to a portfolio of global listed equities (as stipulated in the Fund's current Product Disclosure Statement and Constitution). The main risks the Fund is exposed to through its financial instruments are market risk (including foreign currency risk, equity price risk and interest rate risk), credit risk and liquidity risk.

### MARKET RISK

#### FOREIGN CURRENCY RISK

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in US dollars (**USD**), Euros (**EUR**), Pound sterling (**GBP**), Swiss Franc (**CHF**), Danish Krone (**DKK**) and Norwegian Krone (**NOK**). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Fund's financial assets or liabilities denominated in currencies other than the Australian dollar.

The Fund's total net exposure to fluctuations in foreign currency exchanges rates at Statement of financial position date was:

	ASSETS			
	2020 \$	2019 \$	2020 %	2019 %
USD	96,162,878	115,049,264	61%	58%
EUR	27,703,673	45,390,619	17%	23%
GBP	16,257,196	18,928,247	10%	10%
DKK	7,352,660	5,541,746	5%	3%
CHF	6,428,231	7,020,823	4%	3%
NOK	4,563,645	5,327,224	3%	3%
	<b>158,468,283</b>	<b>197,257,923</b>	<b>100%</b>	<b>100%</b>

The remaining net carrying value of the Fund's financial assets and financial liabilities not disclosed above are in Australian currency.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The Fund has performed sensitivity analysis relating to its exposure to its currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which would result from a change in these risks on financial assets and financial liabilities, with all other variables remaining constant, as follows:

2020					
AUD STRENGTHENED			AUD WEAKENED		
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY

## Financial assets and financial liabilities

10%	(14,406,208)	(14,406,208)	(10%)	17,607,587	17,607,587
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2019					
AUD STRENGTHENED			AUD WEAKENED		
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY

## Financial assets and financial liabilities

10%	(17,932,538)	(17,932,538)	(10%)	21,917,547	21,917,547
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## EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual securities. The equity price risk exposure arises from the Fund's investments in equity securities. The Investment Manager manages the Fund's equity price risk in accordance with the Fund's investment objectives and policies, as detailed in the current Product Disclosure Statement.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Statement of profit or loss and other comprehensive income, all changes in market conditions will directly affect investment income.

The following table illustrates the effect on profit before tax and equity from possible changes in the value of equity investments, with all other variables remaining constant.

2020					
AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY

## Equity investments and managed funds

15%	21,853,560	21,853,560	(15%)	(21,853,560)	(21,853,560)
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2019					
AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
<b>Equity investments and managed funds</b>					
15%	28,483,827	28,483,827	(15%)	(28,483,827)	(28,483,827)

### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk on its variable rate cash deposits. The Fund currently does not hedge against this exposure.

The Fund's exposure to interest rate risk is limited to cash deposits. At 30 June 2020, approximately 91.05% of the financial assets were non-interest bearing and 8.95% of the financial assets were at a floating rate, represented by the cash and cash equivalents balance on the Statement of financial position.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on financial assets that are subject to variable interest rates:

2020					
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
<b>Cash at bank</b>					
1%	143,183	143,183	(1%)	(143,183)	(143,183)

2019					
% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
<b>Cash at bank</b>					
1%	85,579	85,579	(1%)	(85,579)	(85,579)

### CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund is exposed to credit risk primarily from cash and cash equivalents. Other credit risk arising from outstanding settlements is considered small due to the short settlement period involved.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider relevant, historical analysis and forward looking information in determining any expected credit losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

At the reporting date, all receivables and cash and cash equivalents are held with approved counterparties and are either callable on demand or due within 30 days. Management consider the probability of default to be low and, as a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

The clearing and depository operations of the Fund's security transactions are mainly concentrated with one counterparty, JP Morgan. As at 30 June 2020, all investments and substantially all cash is held in custody by JP Morgan, which holds a long term issuer credit rating of A+ (Moody's rating). The remaining cash at 30 June 2020 is held with financial institutions that have a credit rating of at least A.

## LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's exposure to liquidity risk is minimal. The risk is managed by ensuring that sufficient cash and cash equivalents is maintained to meet ongoing operating requirements and investments are primarily held in actively traded markets. The majority of the Fund's listed securities are considered readily realisable as they are listed on global Stock Exchanges. However, to the extent that the underlying funds are invested in illiquid securities that may be difficult to sell at short notice or at desired prices, this may result in diminished redemption prices for the Fund, or in declining markets, loss of capital through a decline in the value of the investment in the underlying fund.

## REMAINING CONTRACTUAL MATURITIES

The following are contractual maturities of financial liabilities.

2020	6 MONTHS OR LESS \$	6 MONTHS TO 1 YEAR \$	REMAINING CONTRACTUAL MATURITIES \$
<b>Non-derivatives</b>			
Payables	(84,545)	-	(84,545)
Distributions payable	(12,051,308)	-	(12,051,308)
<b>Total non-derivatives</b>	<b>(12,135,853)</b>	<b>-</b>	<b>(12,135,853)</b>
2019	6 MONTHS OR LESS \$	6 MONTHS TO 1 YEAR \$	REMAINING CONTRACTUAL MATURITIES \$
<b>Non-derivatives</b>			
Payables	(598,332)	-	(598,332)
Distributions payable	(9,946,028)	-	(9,946,028)
<b>Total non-derivatives</b>	<b>(10,544,360)</b>	<b>-</b>	<b>(10,544,360)</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial assets and liabilities reflect their fair value.

### 13. FAIR VALUE MEASUREMENT

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the Statement of financial position and in the notes to the financial statements.

The fair values of:

- other assets and other liabilities approximate their carrying value.
- listed securities included in equity investments are readily traded on global Stock Exchanges in a standardised form. The fair value of listed securities is determined by valuing them at the last quoted sale price as at the end of the reporting period.
- unlisted investments have been valued at the redemption price at balance date. For unlisted investments where there is no organised financial market, the fair value has been based on a reasonable estimation of the underlying net assets of the investments.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at measurement date;

**Level 2:** 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 3:** unobservable inputs for the asset or liability.

2020	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>Assets</b>				
Equity investments – listed	138,645,859	–	–	138,645,859
Managed funds – unlisted	–	7,044,544	–	7,044,544
<b>Total assets</b>	<b>138,645,859</b>	<b>7,044,544</b>	<b>–</b>	<b>145,690,403</b>

2019	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>Assets</b>				
Equity investments – listed	181,492,031	–	–	181,492,031
Managed funds – unlisted	–	8,400,151	–	8,400,151
<b>Total assets</b>	<b>181,492,031</b>	<b>8,400,151</b>	<b>–</b>	<b>189,892,182</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

The Fund determines Level 2 fair values for unlisted investments at the redemption price at balance date.

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between hierarchy levels during the year (2019: nil).

While the COVID-19 pandemic has caused uncertainty and market volatility during the year, the Fund has continued to follow its established policies and process (as set out in this note) in managing risk and determining the fair value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

## 14. RELATED PARTY TRANSACTIONS

### KEY MANAGEMENT PERSONNEL

Stuart Nisbett, Mike Adams, Peter Shear and Warwick Keneally are directors of the Responsible Entity, Walsh & Company Investments Limited, and are deemed to be key management personnel. Alex MacLachlan resigned as director of the Responsible Entity effective 19 December 2019.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

As at the reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

	2020 UNITS	2019 UNITS
Alex MacLachlan (Resigned 19 December 2019)	-	16,304
Warwick Keneally	7,341	7,100
	<b>7,341</b>	<b>23,404</b>

### RESPONSIBLE ENTITY SERVICES

#### i. Responsible Entity fee

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. Walsh & Company Investments Limited, as Responsible Entity, receives a Responsible Entity fee of 0.10% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

Total Responsible Entity fee paid or payable to the Responsible Entity for the year ended 30 June 2020 was \$74,543 (2019: \$49,681), exclusive of GST, and included in management and administration fees in profit or loss.

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## ii. Custodial services

The Responsible Entity provided custodial services, together with JP Morgan, to the Fund in its personal capacity under a custody arrangement with Walsh & Company Investments Limited during the period up to 19 December 2019.

Effective 19 December 2019, the Fund's custodial services were outsourced to external party providers. The Responsible Entity bears the cost of the custodial services and, as such, there were no custody fees paid out of the assets of the Fund.

## iii. Fund Administration services

Australian Fund Accounting Services Pty Limited, a related party of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. The Responsible Entity bears the cost of the fund administration services and, as such, there were no fund administration fees paid out of the assets of the Fund.

## INVESTMENT MANAGEMENT FEE

The Investment Manager provides investment management services to the Fund, including overseeing the assessment of market conditions and investment opportunities, the selection and recommendation of investments, monitoring the Fund's investment portfolio, and determining and recommending the retention or sale of investment in the Fund's portfolio. In connection with the provision of services as Investment Manager, Evans and Partners Investment Management Pty Limited, a related party of the Responsible Entity, received an Investment Management fee of 1.25% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

Total Investment management fee paid or payable to Evans & Partners Investment Management Pty Limited for the year ended 30 June 2020 was \$2,208,134 (2019: \$2,145,454), exclusive of GST, and included in management and administration fees in profit or loss.

## LEGAL AND CONSULTING SERVICES

Effective January 2020, the Responsible Entity entered into an agreement with MDA1 Pty Limited, trading as MA Law, to provide legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited. Mike Adams previously provided similar services an employee of a non-related entity to the Fund. The Responsible Entity bears the cost of the legal and consulting services and, as such, there were no legal and consulting fees paid out of the assets of the Fund.

## BROKERAGE FEE

ED Operations Pty Limited (formerly Dixon Advisory & Superannuation Services Limited), a related party of the Responsible Entity, was engaged as a broker by the Fund and received brokerage of 0.25% on all transactions undertaken as part of the Fund's buy-back program up to 1 October 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Effective 1 October 2019, Evans & Partners Pty Ltd, also a related party of the Responsible Entity and broker of the Fund, was engaged to provide brokerage under the Fund's buy-back program. There was no change in the brokerage fee structure under the buy-back program as a result of the change in brokers.

Total brokerage fee paid or payable to the related parties of the Responsible Entity for the year ended 30 June 2020 was \$101,181 (2019: \$25,767, exclusive of GST), and recognised as buy-back costs in changes in equity.

## PERFORMANCE FEE

The Investment Manager may be paid a performance fee of 10% (inclusive of the net effect of GST) of the excess return of the Fund above the higher of the MSCI World Net Total Return Index over the Calculation Period and the yield of 10-year US Government Bonds over each six month period ending 31 March and 30 September in each year.

Total performance fees paid or payable to the related party of the Responsible Entity for the year ended 30 June 2020 was \$166,814 (2019: \$847,773), exclusive of GST, and recognised as performance fees in profit or loss.

## 15. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2020 \$	2019 \$
Profit after income tax expense for the year	7,399,748	27,421,369
<b>Adjustments for:</b>		
Net gain on financial assets at fair value through profit or loss	(8,043,330)	(26,418,732)
Transaction costs	87,464	288,498
Foreign currency movements	738,400	(972,035)
<b>Change in operating assets and liabilities:</b>		
Decrease/(increase) in receivables	37,467	(87,963)
Decrease in payables, excluding unsettled trades	(354,667)	(2,043,773)
Decrease in other assets	-	23,138
<b>Net cash used in operating activities</b>	<b>(134,918)</b>	<b>(1,789,498)</b>

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## 16. REMUNERATION OF AUDITOR

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Fund:

	2020 \$	2019 \$
<b>Audit services - KPMG</b>		
Audit or review of the financial statements	29,045	30,200
<b>Other services - KPMG</b>		
Taxation review	5,000	5,000
	<b>34,045</b>	<b>35,200</b>

Walsh & Company Investments Limited, the Responsible Entity of the Fund, bears the fees for the audit and other services paid to KPMG for the reporting period.

## 17. EVENTS AFTER THE REPORTING PERIOD

On 25 August 2020, the Responsible Entity of the Fund announced that it is exploring changing the Fund from a closed-ended listed unit trust to an open-ended unlisted unit trust in an effort to optimise the structure of the Fund for growth. As part of this review, the Responsible Entity will be assessing the options available, including continuing with status quo or changing to an open-ended unlisted structure that allows continuous applications and redemptions at the Fund's net tangible asset value per unit (subject to a buy/sell spread). The Responsible Entity will give further consideration to the advantages and disadvantages of each option before putting a proposal to unitholders for approval.

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect, the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

## 18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

No material amounts of contingent liabilities or capital commitments exist at balance date.

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

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In the opinion of the directors of Walsh & Company Investments Limited, the Responsible Entity of Evans & Partners Global Flagship Fund:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 3 of the financial statements;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the directors



**Stuart Nisbett**

**Chairman of Walsh & Company Investments Limited, Responsible Entity**

27 August 2020





# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020



## Independent Auditor's Report

To the unitholders of Evans & Partners Global Flagship Fund

### Opinion

We have audited the **Financial Report** of Evans & Partners Global Flagship Fund (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2020
- 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 including a summary of significant accounting policies
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 fulfilled our other ethical responsibilities in accordance with the Code.

### 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 period.

This matter was 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 this matter.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



#### Valuation and existence of financial assets at fair value through profit or loss (\$145.7m)

Refer to Note 9 Financial Assets

The key audit matter	How the matter was addressed in our audit
<p>Financial assets at fair value through profit or loss comprise investments in listed global securities and an unlisted managed fund (investments).</p> <p>Valuation and existence of investments is a key audit matter due to:</p> <ul style="list-style-type: none"><li>• Size of the Fund's portfolio of listed securities. These investments represent 87% of the Fund's total assets at year end;</li><li>• A position in an unlisted managed fund which represents 5% of total assets;</li><li>• The degree of audit effort and resources involved in gathering sufficient appropriate audit evidence on the valuation, existence and completeness of investments; and</li><li>• The importance of the performance of these investments in driving the Fund's investment income and capital performance.</li></ul> <p>As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"><li>• We assessed the appropriateness of the accounting policies applied by the Fund, including those relevant to the fair value of investments, against the requirements of the accounting standards;</li><li>• We obtained the custodians' GS007 (Guidance Statement 007 Audit Implications of the User of Service Organisations for Investment Management Services) independent assurance report to understand the custodians' processes and assess controls to record and value the Fund's investments;</li><li>• We assessed the reputation, professional competence and independence of the auditors of the GS007 assurance report;</li><li>• We checked the ownership of the investments to custody reports to test existence of investments being valued;</li><li>• For listed global securities, we checked the valuation of a sample of investments, as recorded in the general ledger, to externally quoted market prices from relevant stock exchanges as at year end;</li><li>• For the unlisted managed fund:<ul style="list-style-type: none"><li>• We checked the valuation of investment, as recorded in the general ledger, to independently requested and obtained confirmation of investment amounts from the investment manager; and</li><li>• We obtained the latest available audited financial statements and evaluated the opinion issued and liquidity of underlying investments for their impact to our procedures.</li></ul></li></ul>

#### Other Information

Other Information is financial and non-financial information in Evans & Partners Global Flagship Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Walsh & Company Investments Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors of Walsh & Company Investments Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our Auditor's Report.

KPMG

Jessica Davis

Partner

Sydney

27 August 2020



# INVESTMENTS AT MARKET VALUE

AS AT 30 JUNE 2020

Investments at market value at 30 June 2020.

INVESTMENTS	MARKET VALUE \$	% OF TOTAL
Adidas AG	2,280,879	2%
Adobe Inc	4,035,903	3%
Airbus SE	1,964,003	1%
Alphabet Inc	10,680,056	7%
Anheuser-Busch Companies LLC	2,928,147	2%
Aon Plc	4,966,362	3%
Apple Inc	4,280,574	3%
ASML Holding	3,723,841	3%
Astrazeneca Plc	4,069,066	3%
Axa	3,483,124	2%
Beazley Plc	2,651,338	2%
Coca-Cola Co	4,562,240	3%
Danone	4,908,771	3%
Dollar General Corp	3,035,796	2%
Ebay Inc	3,799,073	3%
Facebook Inc	4,473,638	3%
HCA Healthcare	2,601,202	2%
Illumina Inc	1,441,055	1%
Intel Corp	3,679,939	3%
IQVIA Holdings	2,774,707	2%
Johnson & Johnson	4,074,460	3%
Mastercard Inc	1,627,785	1%
Merck & Co	4,368,927	3%
Microsoft Corp	6,132,128	4%
Mowi ASA	4,563,645	3%
Novartis AG	6,428,231	4%
Orsted AS	7,352,660	5%
Pepsi Co Inc	1,427,020	1%
Relx Plc	4,729,955	3%
Royal Dutch Shell	1,583,043	1%
Siemens AG	3,239,121	2%
Steadview Capital Fund	7,044,543	5%
Unilever NV	8,103,933	6%
United Health Group	2,350,029	2%
US Bancorp	3,200,348	2%
Vodafone Group Plc	3,124,861	2%
<b>Total Portfolio Value</b>	<b>145,690,403</b>	<b>100%</b>

## TRANSACTIONS

The total number of transactions in the Fund's securities during the reporting period was 177.

# UNITHOLDER INFORMATION

AS AT 31 JULY 2020

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The unitholder information set out below was applicable as at 31 July 2020.

## DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY UNITS
1 to 1,000	87
1,001 to 5,000	132
5,001 to 10,000	255
10,001 to 100,000	2,376
100,001 and over	136
	<b>2,986</b>
<b>Holding less than a marketable parcel</b>	<b>50</b>

# UNITHOLDER INFORMATION

AS AT 31 JULY 2020

## EQUITY SECURITY HOLDERS

### TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of quoted equity securities are listed below:

	ORDINARY UNITS	
	NUMBER HELD	% OF TOTAL UNITS ISSUED
ROSEBANK STAFF SUPER FUND PTY LTD ROSEBANK STAFF S/FUND A/C	342,511	0.34
ROMEDIC PTY LTD JAMES YATES MEDICAL S/F A/C	307,710	0.31
MRS LORRAINE MARY HAWES & MR DAVID CHARLES HAWES HAWES FAMILY SUPER FUND A/C	290,021	0.29
INTEGRITY SUPER PTY LTD DEVABALINI SUPER FUND A/C	263,871	0.26
J & V KING PTY LTD JOHN G KING S/F A/C	248,521	0.25
ISS NOMINEES PTY LIMITED ISS SUPERANNUATION FUND A/C	244,222	0.24
MONARO SUPER PTY LTD WILLIAM JOHN EARLE SUPER A/C	227,860	0.23
MR DANIEL GEZA BEDO & MRS CATHERINE BEDO THE BEDO SUPER FUND A/C	218,690	0.22
MARY MACOUN PTY LTD MARY MACOUN PTY LTD S/F A/C	209,383	0.21
ASSESS PTY LTD ARISTIDES FAMILY A/C	208,968	0.21
STEELETOWN PTY LTD R & L TOWN SUPER FUND A/C	201,337	0.20
WARRINGINE PTY LTD SCHNEIDER SUPER FUND A/C	199,201	0.20
ALDWOOD INVESTMENTS PTY LTD WOOD FAMILY SUPER FUND A/C	192,257	0.19
ABP SUPERANNUATION PTY LIMITED ABP SUPERANNUATION FUND A/C	191,963	0.19
MAYACE PTY LTD PETTINGELL & GILLAM S/F A/C	188,172	0.19
DR PHILLIP SELDON COCKS & MRS PRISCILLA JANE COCKS P S COCKS PRACTICE S/F A/C	187,989	0.19
JM & JE MCKENNA PTY LTD JM & JE MCKENNA S/FUND A/C	186,044	0.18
MR DAVID GREGORY WILLIAMS & MS MEGAN CLAIRE WILLIAMS DAVID G WILLIAMS S/F A/C	181,643	0.18
MR DAVID LEWIS SOUTHWOOD & MRS GLEN SOUTHWOOD	179,876	0.18
M/S MARIAN RUTHA MANCELL PETTIT & M/S ELISABETH JOY BUNYAN PETTIT FAMILY SUPER FUND A/C	173,821	0.17
	<b>4,444,060</b>	<b>4.41</b>

### UNQUOTED EQUITY SECURITIES

There are no unquoted equity securities.

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## SUBSTANTIAL HOLDERS

There are no substantial holders in the Fund.

## VOTING RIGHTS

The voting rights attached to ordinary units are set out below:

### ORDINARY UNITS

On a show of hands every member must present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

There are no other classes of equity securities.

## MANAGEMENT AGREEMENT

Evans and Partners Investment Management Pty Limited (ACN 619 080 045) (**Investment Manager**) has been appointed to act as investment manager for the Evans & Partners Global Flagship Fund (**Fund**) under a Deed of Novation and Amendment dated 22 June 2018 between the Investment Manager, Walsh & Company Investments Limited (**Responsible Entity**) as Responsible Entity of the Fund and the former investment manager, Walsh & Company Asset Management Pty Limited (**Investment Management Agreement** or **IMA**).

The IMA is for an Initial Term commencing on the date of allotment of units following the Fund's IPO in 2012 and expiring on the date 10 years after the date of allotment, unless terminated earlier in accordance with its terms. The IMA will be automatically extended upon the expiry of the Initial Term for a further term of one year and, if not terminated earlier, on each subsequent anniversary of the expiry of the Initial Term.

Under the IMA, the Investment Manager is entitled to be paid a monthly management fee of 2% (exclusive of GST) per annum of the gross asset value of the Portfolio calculated at the end of the month preceding the date of payment of the management fee. Following the Restructure of the Fund, as per the Notice of Meeting dated 28 May 2018, effective from 22 June 2018, the waiver of the management fees to which the Investment Manager is entitled under the Management Agreement has been amended to 1.25% (exclusive of GST) per annum of the gross value of the assets of the Fund.



Responsible Entity:

**WALSH & COMPANY**

INVESTMENTS LIMITED

ACN 152 367 649 | AFSL 410 433