



Absolute Equity
Performance

Absolute Equity Performance Fund Limited

ABN 17 608 552 496

Annual Report

for the period ended 30 June 2020

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

Corporate Directory

Directors

Marc Fisher	Chairman & Non-Independent Director
Graham Hand	Independent Director (resigned 26 November 2019)
Andrew Reeve-Parker	Independent Director
Raymond Da Silva Rosa	Independent Director (appointed 26 November 2019)

Secretaries

Lisa Dadswell

Investment Manager

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

Registered Office

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

Auditor

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

Share Register

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

Stock Exchange

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

Annual General Meeting

To be advised

Absolute Equity Performance Fund Limited
ABN 17 608 552 496
Annual Report – 30 June 2020

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Absolute Equity Performance Fund Limited
Chairman's Letter
30 June 2020

Dear Fellow Shareholders,

The fourth full financial year of investing for Absolute Equity Performance Fund Limited (AEG or the Company) ended on 30 June 2020. A 31.25% return for the Portfolio gave rise to an after-tax profit of \$23.81 million (24.51 cents per share) versus the prior year's loss of \$9.11 million (-8.98 cents per share).

Total shareholder return, as measured by share price movement and dividends paid over the course of the year, was 38.61%. This year, the Company paid a fully franked dividend yield of 5.80% (up from 5.14% in FY2019), equivalent to a grossed-up yield of 8.29% (up from 7.35% in FY2019).

AEG remains a unique offering on the ASX and is not comparable with often highly directional strategies employed by some listed investment companies. Our Portfolio is market neutral and domestic in nature and offers an attractive diversification opportunity for investors.

Possible De-listing

As mentioned in our ASX release on 13 July 2020, the Investment Manager has put forward a proposal to de-list AEG.

Whilst de-listing of LICs is a popular topic, this is generally due to poor performance. We do not believe that **43.2% over the past 12 months**¹ and **9.82% annualised since inception**² should be considered 'poor' performance. Whilst LICs are subject to discounts – and AEG is no exception – we believe that a discount is a good opportunity to initiate a long-term investment. It is also worth mentioning that AEG has traded at a premium for significant periods of its life.

We consider the strategy to be uniquely suited to an LIC structure due to receipt of franking credits on the long positions and not losing them on the short ones, combined with LIC accounting segregating profit and loss accounts from which dividends can be paid. We believe a clear demonstration of this was the announcement of 6c fully franked dividends during the 2019 financial year, despite portfolio performance being negative for the period.

We sincerely hope that this will not be our last Chairman's letter – but ultimately that decision may be down to you – our Shareholders.

Investment Strategy

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

Dividends

Subsequent to year end, the Company declared a fully franked final dividend of 2.6 cents per share, paid on 14 September 2020. The Company's Dividend Re-Investment Plan ("DRP") will not operate in relation to the final dividend.

Annual General Meeting

A date for the AGM is expected to be set in due course, delayed for a variety of factors that have colluded to make 2020 a challenging year to plan for. We will let you know as soon as possible, and in the meantime, thank you once again for your continued trust and support.



Marc Fisher
Chairman

30 September 2020

¹Portfolio performance as at 31 August before tax. These calculations are unaudited and intended to illustrate the performance of the investment portfolio minus corporate expenses. They are calculated including dividends. ²'Since inception (annualised)' is annualised NTA performance since listing at \$1.065 after listing related expenses.

Investment Manager's Report

Company Performance

The Company's portfolio of investments delivered a return of 31.25% for the 12 months ended 30 June 2020.

Portfolio Returns	
1 Year	31.25%
2 Years (p.a)	8.63%
Since Inception* (p.a)	7.08%

* Net Tangible Assets (NTA) performance since listing (at \$1.065 after listing-related expenses in December 2015). Includes the hypothetical re-investment of Dividends.

Total shareholder return, as measured by share price movement and dividends paid over the course of the year, was 38.6%.

Returns

In the year to June the strategy demonstrated its ability to make money in both a rising and falling market. Up until 31 January the market was up 6% and subsequently fell 16% to 30 June. For the financial year to 31 January the portfolio was up 28.1% and for the subsequent period when the market collapsed the portfolio was up 2.5%.

Over a long history the strategy has made money in rising and falling markets. Below we show the 20 strongest 12 month return periods for the share market and the strategy's return in that period. Noting we receive no headwind, or tailwind, from market direction the highlights of this chart are that we delivered a positive return in all of these periods and our average return was high, 18.6%.

Upside Capture

Top 20 Positive 12 Month ASX 200 Accum Index Returns

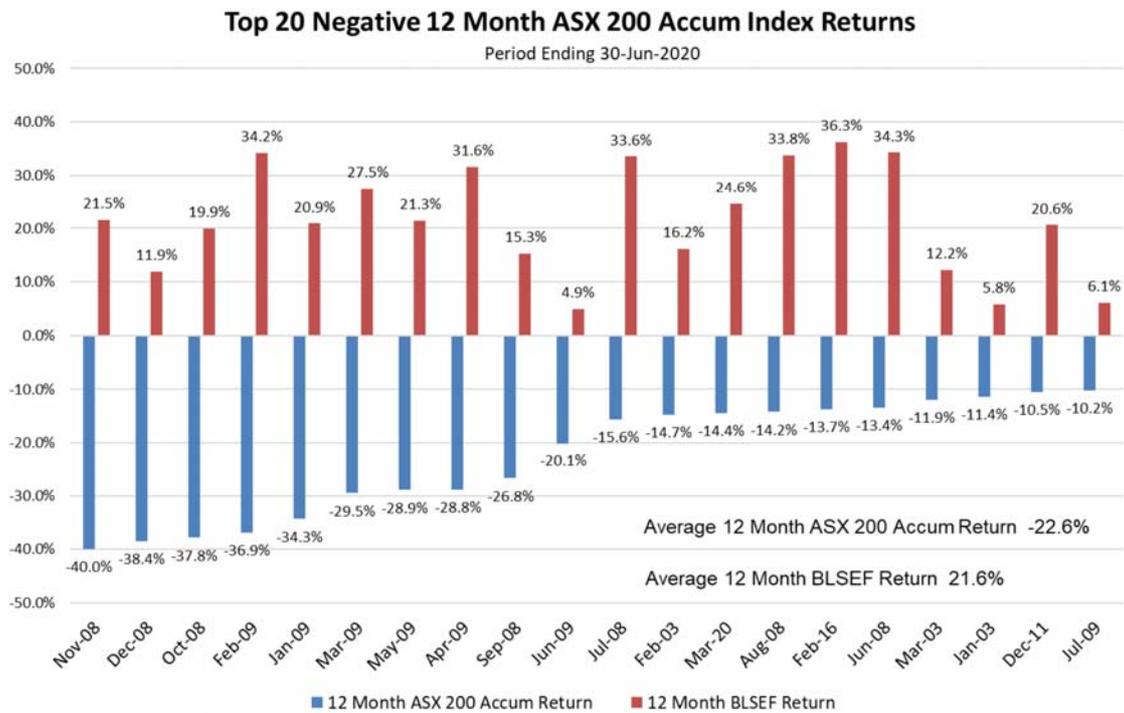


Note: The chart above and below use (pre-tax) monthly returns of our wholesale Bennelong Long Short Equity Fund (BLSEF) from July 2008 onwards and "pro forma" net returns of the Bennelong Securities Management Account from February 2002 to June 2008 that have been recalculated to reflect the identical terms as BLSEF.

The next chart shows performance of the strategy against the weakest 12 month returns of the share market. The highlights from this chart are that we have delivered a positive return in all of the market's 20 weakest 12-month periods in the last 18 years. Our average return in weak equity markets of 21.6% is higher than we have delivered in strong equity markets. We suspect this is likely a result of our investment philosophy which is to prefer companies with weaker financial attributes in the short portfolio. When conditions are buoyant the market tends to ignore or even favour weaker (more levered) companies.

Returns (continued)

Downside Capture



Our strategy is applied consistently through all phases of the market, i.e. we don't alter what we do to "chase" a hot market. It is disciplined application of our strategy which enables us to perform in rising and falling markets.

Fundamental Performance of Companies in the Portfolio

As the Portfolio carries close to zero net exposure to the equity market (our long and short portfolio are almost equal in size), the direction of the market has little influence on returns. This is demonstrated by the absence of correlation of returns with the share market and other asset classes. The driver of our returns comes entirely from the relative performance of the companies paired long/short.

Throughout the year the portfolio was well positioned to enjoy a high hit rate of strong financial performance in our long portfolio and weak financial performance in our short portfolio. We experienced many favourable results pre Covid-19, however the contrast between weak and strong has become more evident after Covid-19 has started having its impact. A number of companies in our short portfolio which had been stretching to meet hopeful forecasts and excessive dividends have been exposed.

Last year we highlighted that the market's appetite for yield had negatively impacted portfolio returns as our short portfolio included a number of companies with high pay out ratios which the market had bid up in pursuit of a strategy of buying an income stream. Many of those dividends have disappeared as companies scramble to preserve cash. We do not assess companies based on their yield.

Absolute Equity Performance Fund Limited
Investment Manager's Report
30 June 2020 (continued)

Dividends

The Company has settled into a semi-annual dividend payment policy, to the extent that there are sufficient profit reserves and franking credits available. The table below details the dividends paid or announced to date.

Announced	Paid	Franking	Amount
24 August 2020	14 September 2020	30%	2.6 cents
27 February 2020	23 April 2020	30%	2.5 cents
29 August 2019	11 October 2019	30%	4.0 cents
27 February 2019	23 April 2019	30%	2.0 cents
29 August 2018	19 October 2018	30%	2.5 cents
28 February 2018	18 May 2018	30%	2.0 cents
14 August 2017	6 December 2017	30%	2.5 cents

Sam Shepherd
Portfolio Manager
30 September 2020

Absolute Equity Performance Fund Limited
Portfolio Composition
30 June 2020

Long Equity Positions as at 30 June 2020

TPG Telecom Limited	
Resmed Inc	
Carsales.com Limited	
James Hardie Industries SE	
JB Hi-Fi Limited	
Xero Limited	
Bluescope Steel Limited	
Aristocrat Leisure Limited	
Magellan Financial Group Limited	
Qantas Airways Limited	
Macquarie Group Limited	
CSL Limited	
Transurban Group	
Orica Limited	
A2 Milk Company Limited	
Mineral Resources Limited	
Woolworths Group Limited	
Brambles Limited	
ALS Limited	
Ramsay Health Care Limited	
Origin Energy Limited	
Oil Search Limited	
Reece Limited	
Iluka Resources Limited	
Pointsbet Holdings Limited	
Link Administration Holdings Limited	
Crown Resorts Limited	
Insurance Australia Group Limited	
Netwealth Group Limited	
Worley Limited	
Tuas Limited	
Total Fair Value Long Portfolio	\$258,721,204
Total Fair Value Short Portfolio¹	\$(257,538,506)

¹ Total fair value of the short portfolio is not disclosed due to its sensitive nature.

Corporate Governance Statement

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations. The CGS is available on a Company's website (www.aepfund.com.au) under the "About Us" section.

Absolute Equity Performance Fund Limited

Directors' Report

For the year ended 30 June 2020

Directors' Report

The Directors present their Report together with the Financial Report of Absolute Equity Performance Fund Limited ("the Company") for the year ended 30 June 2020. All comparatives are for the year ended 30 June 2019.

Directors

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

Marc Fisher	Chairman & Non-Independent Director
Graham Hand	Independent Director (resigned 26 November 2019)
Andrew Reeve-Parker	Independent Director
Raymond Da Silva Rosa	Independent Director (appointed 26 November 2019)

Principal Activities

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

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

Updated Share Trading Policy

The Company announced on 11 November 2019 that it had adopted an updated Share Trading Policy ("Policy"). The policy is contained within the Company's Corporate Governance Charter and is summarised as follows:

- The Policy applies to persons defined as "Restricted Persons" of the Company
- Restricted Persons must restrict their buying and selling of the Company's shares within the Company trading window established by the Policy
- Restricted persons are the Board of Directors, Directors and Company Secretary of any subsidiary of the Company, any person who is entitled to receive equity performance rights and/or options as part of any equity incentive-based scheme of the Company, any executives and the Company Secretary
- Restricted persons are prohibited from dealing in the Company's shares during each period of five trading days immediately prior to and until the trading day after the results for the half year or full year are released to the market by way of ASX announcement and during each period of three trading days before the announcement of a dividend or any other capital management initiative that might have a material impact on the share price

Review of Operations

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

Investment operations for the year ended 30 June 2020 resulted in an operating profit before tax of \$28,996,359 (2019: loss of \$12,054,161) and an operating profit after tax of \$23,808,096 (2019: loss of \$9,111,146).

Asset backing for each ordinary share at 30 June 2020 after tax was \$1.23 (2019: \$1.04). Asset backing for each ordinary share at 30 June 2020 before tax was \$1.27 (2019: \$1.02).

Further information regarding the Company performance is contained in the Investment Manager's Report.

Coronavirus ("Covid-19")

The Covid-19 pandemic has resulted in significant declines in the market value of equity markets and future earnings from assets are also predicted to decline. However, the Directors do not expect this will affect the ability of the Company to continue as a going concern.

The fair value of the Company's financial assets have been based on the closing quoted prices at the end of the year. Where closing prices are not available, assessments and valuation methods to determine the fair value of assets are disclosed on Note 4 to the financial statements.

Dividends

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

Final fully franked dividend of 2.5 cents per share paid on 11 October 2019 as recommended in last year's report
Fully franked special dividend of 1.5 cents per share paid on 11 October 2019 as recommended in last year's report
Interim fully franked dividend of 2.5 cents per share paid on 23 April 2020
Fully franked dividend of 2.6 cents per share to be paid on 14 September 2020

**Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)**

Financial Position

The net asset value of the Company as at 30 June 2020 was \$113,449,089 (2019: \$105,901,788).

Matters Subsequent to the End of the Financial Year

Subsequent to year-end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 14 September 2020.

On 13 July 2020, the Company had received a non-binding proposal from Bennelong Long Short Equity Management Pty Limited ("the Company's Manager"). The proposal detailed an amalgamation of the Company and an unlisted managed investment scheme, Bennelong Market Neutral Fund; which is managed by the Company's Manager. The proposal is designed to eliminate the share price discount due to the difference between the Company's net tangible asset position and its current share price, and improving liquidity. The Company is currently considering the advantages and disadvantages of the proposal and Shareholders will be notified in due course.

Mr Jeff Phillips resigned as the Company's Joint Secretary on 20 August 2020. Ms Lisa Dadswell, will remain the sole Company Secretary of the Company.

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

Likely Developments and Expected Results of Operations

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders. The Investment Strategy is fixed and its implementation will be reviewed from time to time at the discretion of the Investment Manager, with oversight from the Company. The Investment Manager will review its Investment Strategy regularly in light of the ongoing Covid-19 pandemic.

Environmental Regulation

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

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

Information on Directors

Marc Fisher Chairman & Non-Independent Director

Experience and Expertise

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

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

Other Current Directorships

Marc Fisher holds domestic directorships in Perma Capital Pty Limited, HARC International Pty Limited, ZG Advisors Pty Limited and a newly established fintech business. Marc also holds directorships in overseas companies in both the technology and financial services sectors.

Former Directorships in Last Three Years

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

Special Responsibilities

Chairman of the Board

Interests in Shares and Options

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

Interests in Contracts

Marc Fisher has no interests in contracts of the Company.

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)

Information on Directors (continued)

Raymond Da Silva Rosa Independent Director (appointed 26 November 2019)

Experience and Expertise

Raymond Da Silva Rosa is a Professor of Finance at UWA Business School, The University of Western Australia and Chair of UWA Academic Board and Council. Raymond wrote his PhD on the share market consequences of corporate takeovers and he has maintained a research interest in this area, supported by several Australian Research Council Grants. He lectures in Investment Analysis and Advanced Corporate Finance. He has taught Mergers & Acquisitions and Investments to MBA classes at UWA and Melbourne Business School. He has also presented a behavioural finance unit at the Stern School of Business, New York University.

Raymond is a co-author of the first Australian edition of Investments by Bodie, Ariff, Da Silva Rosa, Kane & Marcus (published by McGraw-Hill, June 2007). He is a former President of the Accounting & Finance Association of Australian & New Zealand (AFAANZ) and a member of the Editorial Board of Accounting & Finance Journal, the premier Australian academic journal in its field. Raymond has served as an expert witness in several past and on-going court cases, mostly on matters relating to market efficiency. In 2018 he was a member of the three-person Independent Panel Reviewing the Economic Regulation Authority (ERA) Draft Rate of Return Guidelines. He is presently a member of the Queensland Competition Authority's (QCA) panel for advice on the appropriate weighted average cost of capital (WACC) for delivery of particular utility services.

Other Current Directorships

Raymond Da Silva Rosa is not a Director in any other company.

Former Directorships in Last Three Years

Raymond Da Silva Rosa has not held any other directorships of listed companies within the last three years.

Interests in Shares and Options

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

Interests in Contracts

Raymond Da Silva Rosa has no interests in contracts of the Company.

Company Secretaries

Lisa Dadswell

Lisa is employed by Boardroom Pty Limited in their Corporate Secretarial Services Division in Sydney. She is an Associate of the Institute of Chartered Secretaries and Administrators and has an Honours Degree in Law.

Jeff Phillips

Jeff is the Chief Financial Officer of Bennelong Funds Management and has 22 years of experience in financial services, the last 15 being in funds management. He joined Bennelong in June 2012. Leading the finance team, he is responsible for the operations, reporting and product management functions. Prior to joining Bennelong, Jeff spent eight years with Aviva Investors/Portfolio Partners in senior finance and operational roles. Other previous employers include Brand Finance, Morgan Stanley (London office) and PricewaterhouseCoopers. Jeff holds a Bachelor of Economics (Accounting) from Monash University and is a Member of Chartered Accountants Australia & New Zealand. He is also on the board of Melbourne-based community organisation, Family Life.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Directors' Meetings	
	A	B
Marc Fisher	5	5
Graham Hand (resigned 26 November 2019)	2	2
Andrew Reeve-Parker	5	5
Raymond Da Silva Rosa (appointed 26 November 2019)	3	3

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the period

**Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)**

Remuneration Report (Audited)

This Report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act 2001. Lisa Dadswell in her capacity as one of the Company Secretaries was remunerated under a service agreement with Boardroom Limited. Jeff Phillips in his capacity as one of the Company Secretaries, is the CFO of Bennelong Funds Management, an entity associated with the Investment Manager. Please refer to Note 17 to the financial statements which sets out the details of remuneration paid to the Investment Manager.

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

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

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

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

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current and prior financial year. The Directors did not receive payment of their remuneration in respect of the quarter ended 30 June 2020 until after year end.

	Short term employee benefits	Post-employment benefits	Total
	Salary and fees	Superannuation	
2020			
Name	\$	\$	\$
Marc Fisher	35,000	-	35,000
Graham Hand	19,721	1,874	21,595
Andrew Reeve-Parker	27,397	2,603	30,000
Raymond Da Silva Rosa	7,676	729	8,405
Total Director Remuneration	89,794	5,206	95,000
2019			
Name	\$	\$	\$
Marc Fisher	35,000	-	35,000
Graham Hand	27,397	2,603	30,000
Andrew Reeve-Parker	27,397	2,603	30,000
Total Director Remuneration	89,794	5,206	95,000

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

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

Director Related Entity Remuneration

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

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

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2020 the Investment Manager was paid a Management Fee of \$1,763,595 (2019: \$1,695,137) (including reduced input tax credits "RITC"). As at 30 June 2020, the balance payable to the Investment Manager was \$151,838 (2019: \$133,305) (including RITC).

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Director Related Entity Remuneration (continued)

Performance Fee

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

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

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

As at 30 June 2020, the balance of Performance Fee payable to the Investment Manager was \$4,535,827 (2019: \$nil) (including RITC).

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

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

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

Equity Instrument Disclosures Relating to Directors

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

Ordinary Shares Held

2020

Director	Balance at 1 July 2019	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2020
Marc Fisher ¹	124,083	-	-	-	124,083
Graham Hand *	136,363	-	-	(136,363)	-
Andrew Reeve-Parker ²	307,252	-	-	-	307,252
Raymond Da Silva Rosa **	-	-	-	-	-
	567,698	-	-	(136,363)	431,335

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

* Held by Graham Hand at resignation date of 26 November 2019

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

** Appointed 26 November 2019

2019

Director	Balance at 1 July 2018	Acquisitions	Disposals	Balance at 30 June 2019
Marc Fisher	1	124,082	-	124,083
Graham Hand ³	227,272	-	90,909	136,363
Andrew Reeve-Parker ⁴	307,252	-	-	307,252
	534,525	124,082	90,909	567,698

³ 136,363 shares beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 shares beneficially held by Deborah Karen Solomon

⁴ 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Other Equity-related Director Transactions

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

Loans

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

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between Shareholders and Directors.

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

	2016	2017	2018	2019	2020
	\$ *	\$	\$	\$	\$
Revenue	9,436,283	17,255,623	28,864,772	5,234,203	48,603,871
Net profit/ (loss) attributable to members	1,586,866	3,540,816	9,478,818	(9,111,146)	23,808,096
Share price at year end	1.180	1.125	1.165	0.875	1.120
Dividends paid (cents per share)	0.00	0.00	4.50	4.50	6.50

* From date of incorporation of 2 October 2015

End of Remuneration Report

Insurance and Indemnification of Officers and Auditors

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

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

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Proceedings on Behalf of the Company

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

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

Non-Audit Services

During the year Pitcher Partners, the Company's Auditor, did not perform any other services in addition to their statutory duties for the Company except as disclosed in Note 15 to the financial statements.

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

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

Absolute Equity Performance Fund Limited
Directors' Report
For the year ended 30 June 2020 (continued)

Rounding of Amounts to Nearest Dollar

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

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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



Marc Fisher
Chairman

30 September 2020

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

In relation to the independent audit of Absolute Equity Performance Fund Limited for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

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



S M Whiddett
Partner

Pitcher Partners
Sydney

30 September 2020

Absolute Equity Performance Fund Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2020 \$	30 June 2019 \$
Investment income from ordinary activities			
Net realised (losses)/ gains on disposal of investments		(3,428,989)	140,264
Net unrealised gains/ (losses) on fair value movement of investments		44,938,130	(3,639,184)
Interest income received		325,261	1,231,939
Dividend income received		6,769,469	7,501,184
		<u>48,603,871</u>	<u>5,234,203</u>
Net income			
Expenses			
Management fees		(1,763,595)	(1,695,137)
Performance fees		(4,535,827)	-
Administration fees		(51,098)	(43,819)
Prime broker fees		(9,085)	(9,868)
Stock loan fees		(1,143,028)	(1,119,477)
Dividends paid on borrowed stock		(11,033,489)	(13,447,432)
Legal fees		(3,427)	-
Brokerage commission		(623,838)	(359,359)
Accounting fees		(18,843)	(50,413)
Share registry fees		(49,325)	(52,971)
Tax fees		(15,730)	(14,240)
Directors' fees		(95,000)	(93,730)
Secretarial fees		(34,257)	(29,017)
ASX fees		(55,752)	(61,858)
Audit fees		(68,344)	(27,565)
Other expenses		(106,874)	(283,478)
		<u>(19,607,512)</u>	<u>(17,288,364)</u>
Total expenses		(19,607,512)	(17,288,364)
Profit/ (Loss) before income tax		28,996,359	(12,054,161)
Income tax (expense)/ benefit	6	(5,188,263)	2,943,015
Profit/ (Loss) for the period after income tax		23,808,096	(9,111,146)
Other comprehensive income/ (loss)			
Other comprehensive income/ (loss) for the period, net of tax		-	-
Total comprehensive income/ (loss) for the period		23,808,096	(9,111,146)
			Cents
Earnings/ (Loss) per share for profit/ (loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/ (loss) per share	20	24.51	(8.98)

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

Absolute Equity Performance Fund Limited
Statement of Financial Position
As at 30 June 2020

Statement of Financial Position

	Note	30 June 2020 \$	30 June 2019 \$
Assets			
Cash and cash equivalents	7	118,093,156	96,796,138
Trade and other receivables	8	2,510,275	1,814,260
Financial assets at fair value through profit or loss	9	258,721,204	237,739,364
Deferred tax asset	6	<u>20,771,512</u>	<u>16,751,390</u>
Total assets		<u>400,096,147</u>	353,101,152
Liabilities			
Trade and other payables	10	5,170,056	649,370
Financial liabilities at fair value through profit or loss	9	257,538,506	231,819,884
Deferred tax liability	6	<u>23,938,496</u>	<u>14,730,110</u>
Total liabilities		<u>286,647,058</u>	247,199,364
Net Assets		<u>113,449,089</u>	<u>105,901,788</u>
Equity			
Issued capital	11	99,604,773	109,525,108
Accumulated losses	12	(12,192,471)	(12,192,471)
Profits reserve	12	<u>26,036,787</u>	<u>8,569,151</u>
Total Equity		<u>113,449,089</u>	<u>105,901,788</u>

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

Absolute Equity Performance Fund Limited
Statement of Changes in Equity
For the year ended 30 June 2020

Statement of Changes in Equity

	Note	Issued Capital \$	Profits Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019		<u>109,525,108</u>	<u>8,569,151</u>	<u>(12,192,471)</u>	<u>105,901,788</u>
Profit for the period	12	-	-	23,808,096	23,808,096
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	12	-	23,808,096	(23,808,096)	-
<u>Transactions with owners:</u>					
Dividend paid	13	-	(6,340,460)	-	(6,340,460)
Shares bought-back	11	(9,920,335)	-	-	(9,920,335)
Balance at 30 June 2020		<u>99,604,773</u>	<u>26,036,787</u>	<u>(12,192,471)</u>	<u>113,449,089</u>
Balance at 1 July 2018		<u>109,111,714</u>	<u>10,192,554</u>	<u>(142,946)</u>	<u>119,161,322</u>
(Loss) for the period	12	-	-	(9,111,146)	(9,111,146)
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	12	-	2,938,379	(2,938,379)	-
<u>Transactions with owners:</u>					
Dividend paid	13	-	(4,561,782)	-	(4,561,782)
Shares issued on dividends re-invested	11	413,394	-	-	413,394
Balance at 30 June 2019		<u>109,525,108</u>	<u>8,569,151</u>	<u>(12,192,471)</u>	<u>105,901,788</u>

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

Absolute Equity Performance Fund Limited
Statement of Cash Flows
For the year ended 30 June 2020

Statement of Cash Flows

	Note	30 June 2020	30 June 2019
		\$	\$
Cash flows from operating activities			
Proceeds from sale of investments		291,523,567	175,035,523
Payment for investments		(245,648,794)	(178,485,752)
Interest received		399,208	1,250,832
Dividends received		6,504,973	7,509,152
Dividends paid on borrowed stock		(11,223,116)	(13,427,008)
Interest paid		(18,843)	(50,413)
Management fees paid		(1,745,062)	(1,715,911)
Performance fees paid		-	(2,775,531)
Payment for other expenses		<u>(2,222,043)</u>	<u>(2,080,832)</u>
Net cash provided by/ (used in) operating activities	19	<u>37,569,890</u>	<u>(14,739,940)</u>
Cash flows from financing activities			
Dividends paid		(6,340,460)	(4,148,388)
Shares bought-back		<u>(9,920,334)</u>	<u>-</u>
Net cash (used in) financing activities		<u>(16,260,794)</u>	<u>(4,148,388)</u>
Net increase/ (decrease) in cash and cash equivalents held		21,309,096	(18,888,328)
Cash and cash equivalents at beginning of financial year		96,796,138	115,685,640
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>(12,078)</u>	<u>(1,174)</u>
Cash and cash equivalents at end of financial year	7	<u><u>118,093,156</u></u>	<u><u>96,796,138</u></u>
Non cash financing activities			
Dividends reinvested		<u>-</u>	<u>413,394</u>

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020

1 General Information

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

The financial statements were authorised for issue on [x] August 2020 by the Directors of the Company.

2 Significant Accounting Policies

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

(a) Basis of Preparation

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

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

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

(b) Investments

(i) Classification

The financial assets and financial liabilities are categorised as "financial instruments designated at fair value through profit or loss". The fair value through profit or loss classification is available for the majority of the financial assets and liabilities held by the Company and the financial liabilities arising from the units must be fair valued.

(ii) Recognition/Derecognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the Statement of Profit or Loss. Subsequent to initial recognition, all instruments 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.

(iv) Impairment

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

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2020, there are no expected credit losses recognised (30 June 2019: nil)

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

2 Significant Accounting Policies (continued)

(c) Fair Value Measurement

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

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

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

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

(d) Income and Expenditure

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

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

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

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

(e) Income Tax

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

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

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

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

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

2 Significant Accounting Policies (continued)

(f) Goods and Services Tax (GST)

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

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

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and Other Receivables

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

(i) Trade and Other Payables

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

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

(j) Share Capital

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

(k) Profits Reserve

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

(l) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(m) Operating Segments

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

See Note 3 for detailed disclosures on operating segments.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

2 Significant Accounting Policies (continued)

(n) Critical Accounting Estimates and Judgements

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

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

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

(i) Deferred tax asset

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

(o) New Accounting Standards and Interpretations adopted

AASB 16: *Leases* is applicable to annual reporting periods beginning on or after 1 January 2019. This standard does not have a material impact on the Company's financial statements.

(p) New and Amended Accounting Standards not adopted

No new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2020, will result in any material change in relation to the financial statements of the Company.

(q) Functional and Presentation Currency

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

3 Segment Information

The Company only operates within one segment - securities. The Company invests in cash and equity investments.

Geographic Segments

The Company operates in one geographic area in Australia only.

2020	Securities	Total
	\$	\$
Revenue	48,603,871	48,603,871
Expenses	(19,607,512)	(19,607,512)
Profit before tax	28,996,359	28,996,359
Profit after tax	23,808,096	23,808,096
Assets		
Segment assets	376,814,360	376,814,360
Trade and other receivables	-	2,510,275
Deferred tax asset	-	<u>20,771,512</u>
		<u>400,096,147</u>
Liabilities		
Segment liabilities	257,538,506	257,538,506
Trade and other payables	-	5,170,056
Deferred tax liability	-	<u>23,938,496</u>
		<u>286,647,058</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

3 Segment Information (continued)

	Securities	Total
	\$	\$
2019		
Revenue	5,234,203	5,234,203
Expenses	(17,288,364)	(17,288,364)
(Loss) before tax	(12,054,161)	(12,054,161)
(Loss) after tax	(9,111,146)	(9,111,146)
Assets		
Segment assets	334,535,502	334,535,502
Trade and other receivables	-	1,814,260
Deferred tax asset	-	<u>16,751,390</u>
		<u>353,101,152</u>
Liabilities		
Segment liabilities	231,819,884	231,819,884
Trade and other payables	-	649,370
Deferred tax liability	-	<u>14,730,110</u>
		<u>247,199,364</u>
	Australia	Total
	\$	\$
2020		
Revenue	48,603,871	48,603,871
Assets	400,096,147	400,096,147
	Australia	Total
	\$	\$
2019		
Revenue	5,234,203	5,234,203
Assets	353,101,152	353,101,152

4 Financial Risk Management

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

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

(a) Market Risk

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

(i) Price Risk

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

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

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

4 Financial Risk Management (continued)

A breakdown of the Company's investment sector net exposure as at 30 June 2020 and 2019 are below:

	2020 \$	2019 \$
Consumer Discretionary	2,226,078	(4,541,620)
Consumer Staples	(7,099,052)	(7,930,508)
Energy	-	13,063,701
Financials	(2,087,379)	(12,982,611)
Resources	12,120,688	-
Banks	1,536,122	-
Health Care	(2,486,398)	3,714,945
Industrials	24,967,413	21,953,101
Information Technology	(4,758,669)	7,402,726
Materials	(5,323,698)	5,417,792
Telecommunication Services	5,557,964	(75,404)
Utilities	(23,470,371)	(20,102,642)
	<u>1,182,698</u>	<u>5,919,480</u>

(ii) *Cash Flow and Fair Value Interest Rate Risk*

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

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

	Floating Interest rate \$	Non- Interest bearing \$	Total \$
At 30 June 2020			
Financial assets			
Cash and cash equivalents	118,093,156	-	118,093,156
Trade and other receivables	-	2,510,275	2,510,275
Financial assets held at fair value through profit or loss	-	258,721,204	258,721,204
	<u>118,093,156</u>	<u>261,231,479</u>	<u>379,324,635</u>
Financial liabilities			
Trade and other payables	-	(5,170,056)	(5,170,056)
Financial liabilities held at fair value through profit or loss	-	(257,538,506)	(257,538,506)
	<u>-</u>	<u>(262,708,562)</u>	<u>(262,708,562)</u>
Net exposure to interest rate risk	<u>118,093,156</u>	<u>(1,477,083)</u>	<u>116,616,073</u>
At 30 June 2019			
Financial assets			
Cash and cash equivalents	96,796,138	-	96,796,138
Trade and other receivables	-	1,814,260	1,814,260
Financial assets held at fair value through profit or loss	-	237,739,364	237,739,364
	<u>96,796,138</u>	<u>239,553,624</u>	<u>336,349,762</u>
Financial liabilities			
Trade and other payables	-	(649,370)	(649,370)
Financial liabilities held at fair value through profit or loss	-	(231,819,884)	(231,819,884)
	<u>-</u>	<u>(232,469,254)</u>	<u>(232,469,254)</u>
Net exposure to interest rate risk	<u>96,796,138</u>	<u>7,084,370</u>	<u>103,880,508</u>

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2020 is 0.25% (2019: 1.25%).

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

4 Financial Risk Management (continued)

(a) Market Risk (continued)

Sensitivity Analysis

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

	2020	2019
	\$	\$
Price Risk		
Financial assets and liabilities at fair value through profit or loss		
Change in Profit before tax		
• Increase in net portfolio prices by 10%	118,270	591,948
• Decrease in net portfolio prices by 10%	(118,270)	(591,948)

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

	2020	2019
	\$	\$
Interest Rate Risk		
Change in Profit before tax		
• Increase in interest rate by 2%	2,361,863	1,935,923
• Decrease in interest rate by 2%	(2,361,863)	(1,935,923)
Change in Equity		
• Increase in interest rate by 2%	2,361,863	1,935,923
• Decrease in interest rate by 2%	(2,361,863)	(1,935,923)

(b) Credit Risk

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

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

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

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

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

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

Management of the Risk

The risk was managed as follows:

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

4 Financial Risk Management (continued)

(c) Liquidity Risk

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

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

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

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

Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities

	Less than 1 month \$	More than 1 month \$	Total contractual undiscounted cash flows \$
At 30 June 2020			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	257,538,506	257,538,506
Trade and other payables	5,170,056	-	5,170,056
Total financial liabilities	<u>5,170,056</u>	<u>257,538,506</u>	<u>262,708,562</u>
At 30 June 2019			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	231,819,884	231,819,884
Trade and other payables	649,370	-	649,370
Total financial liabilities	<u>649,370</u>	<u>231,819,884</u>	<u>232,469,254</u>

5 Fair Value Measurements

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

(a) Fair Value Hierarchy

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

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

5 Fair Value Measurements (continued)

(i) *Recognised fair value measurements*

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2020				
Financial assets at FVTPL				
Australian listed equity securities	258,721,204	-	-	258,721,204
Total financial assets	258,721,204	-	-	258,721,204
Financial liabilities at FVTPL				
Australian listed equity securities sold short	257,538,506	-	-	257,538,506
Total financial liabilities	257,538,506	-	-	257,538,506
At 30 June 2019				
Financial assets at FVTPL				
Australian listed equity securities	237,739,364	-	-	237,739,364
Total financial assets	237,739,364	-	-	237,739,364
Financial liabilities at FVTPL				
Australian listed equity securities sold short	231,819,884	-	-	231,819,884
Total financial liabilities	231,819,884	-	-	231,819,884

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

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

The carrying amounts of all financial instruments are reasonable approximations of the respective instrument's fair value.

	2020 \$	2019 \$
6 Income Tax Expense/ (Benefit)		
(a) Numerical Reconciliation of Income Tax Benefit/ (Expense) to Prima Facie Tax Payable		
Prima facie tax on profit/ (loss) before income tax at 30% (2019: 30%)	8,698,907	(3,616,248)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	(206,329)	7,500
Imputation credit gross up	495,461	646,472
Foreign income withholding tax gross up	15,313	10,618
Prior year losses now recouped	(2,163,550)	-
Under/ over adjustments	-	8,643
Imputation credits and foreign income tax offset converted to tax loss	(1,651,539)	-
Income tax expense/ (benefit)	5,188,263	(2,943,015)
The applicable weighted average effective tax rates are as follows:	17.89%	24.41%
The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.		
Total income tax expense/ (benefit) results from:		
Deferred tax liability	9,208,385	3,063,404
Deferred tax asset	(4,020,122)	(6,006,419)
Income tax expense/ (benefit)	5,188,263	(2,943,015)

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

6 Income Tax (Expense)/ Benefit (continued)

	2020	2019
	\$	\$
(b) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Revenue losses	6,201,737	16,555,921
Capitalised costs	<u>14,569,775</u>	<u>195,469</u>
	<u>20,771,512</u>	<u>16,751,390</u>
Movements:		
Opening balance	16,751,390	10,744,971
Charged/credited:		
- to profit or loss	4,020,122	6,006,419
- directly to equity		<u>-</u>
Closing balance	<u>20,771,512</u>	<u>16,751,390</u>

(c) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Fair value adjustments	23,838,829	14,503,463
Accruals	<u>99,667</u>	<u>226,647</u>
	<u>23,938,496</u>	<u>14,730,110</u>
Movements:		
Opening balance	14,730,110	11,666,707
Charged/credited:		
- to profit or loss	<u>9,208,386</u>	<u>3,063,403</u>
Closing balance	<u>23,938,496</u>	<u>14,730,110</u>

7 Cash and Cash Equivalents

Current

Cash at bank	<u>118,093,156</u>	<u>96,796,138</u>
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8 Trade and Other Receivables

Current

Dividends receivable	1,306,040	1,041,544
GST receivable	44,248	29,967
Unsettled trades	1,114,134	619,331
Other receivables	<u>45,853</u>	<u>123,418</u>
	<u>2,510,275</u>	<u>1,814,260</u>

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

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

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

	2020	2019
	\$	\$
Current		
Financial assets at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities	<u>258,721,204</u>	<u>237,739,364</u>
Financial liabilities at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities sold short	<u>257,538,506</u>	<u>231,819,884</u>
Changes in fair values of financial assets and liabilities are measured at fair value through profit or loss and are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.		

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

10 Trade and Other Payables

Current		
Management fees payable	151,838	133,305
Performance fees payable	4,535,827	-
Dividend payable	202,380	392,007
Unsettled trades	118,495	-
Other payables	<u>161,516</u>	<u>124,058</u>
	<u>5,170,056</u>	<u>649,370</u>

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

11 Issued Capital

	30 June 2020		30 June 2019	
	No of shares	\$	No of shares	\$
(a) Share Capital				
Ordinary shares	<u>92,152,920</u>	<u>99,604,773</u>	<u>101,629,036</u>	<u>109,525,108</u>
(b) Movements in ordinary share capital				
30 June 2020		Number of shares		Application price
				\$
Opening balance at 1 July 2019		101,629,036		109,525,108
Shares issued on dividends re-invested *		-		-
Shares bought-back	(c)	<u>(9,476,116)</u>		<u>(9,920,335)</u>
Closing balance		<u>92,152,920</u>		<u>99,604,773</u>
30 June 2019				
Opening balance at 1 July 2018		101,264,236		109,111,714
Shares issued on dividends re-invested	(d)	244,568	\$1.189	290,813
Shares issued on dividends re-invested	(d)	<u>120,232</u>	\$1.007	<u>122,581</u>
Closing balance		<u>101,629,036</u>		<u>109,525,108</u>

* As the share price for the Company was less than the Company's NTA at the time of the final and interim dividend payments on 11 October 2019 and 23 April 2020 respectively, cash available for distribution as dividends on shares subject to the dividend reinvestment plan was used to acquire the Company's shares on-market and therefore no new shares were issued.

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

11 Issued Capital (continued)

(c) Share Buy-Back

On 17 June 2019, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 10.2 million ordinary shares within the next 12 months. The share buy-back commenced on 1 July 2019 and during the year ended 30 June 2020, 9,476,116 shares have been bought-back. The shares bought-back were subsequently cancelled.

(d) Dividend Reinvestment Plan

Under the terms of the DRP, 244,568 and 120,232 ordinary shares were acquired on-market for DRP participants at \$1.189 and \$1.007 per share respectively. These shares were applied to the holdings of the DRP participants as at the dividend payment date of 19 October 2018 and 23 April 2019.

The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's NTA per Share at the relevant time when dividends are being invested.

If the prevailing share price is greater than or equal to NTA per share, DRP participants will be issued new shares. If the prevailing share price is less than the NTA per share, the Company may buy the securities on-market and if additional securities are required to satisfy DRP Participants, issue new shares.

(d) Capital Risk Management

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

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

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

	2020	2019
	\$	\$
12 Profits Reserve and Accumulated Losses		
(a) Profits Reserve		
Profits reserve	<u>26,036,787</u>	<u>8,569,151</u>
Movements:		
Opening balance	8,569,151	10,192,554
Transfer of profits during the year	23,808,096	2,938,379
Dividends paid	<u>(6,340,460)</u>	<u>(4,561,782)</u>
Balance as at the end of the year	<u>26,036,787</u>	<u>8,569,151</u>
(b) Accumulated Losses		
Accumulated losses	<u>(12,192,471)</u>	<u>(12,192,471)</u>
Movements:		
Opening balance	(12,192,471)	(142,946)
Profit/ (Loss) for the year	23,808,096	(9,111,146)
Transfer of profits during the year	<u>(23,808,096)</u>	<u>(2,938,379)</u>
Balance as at the end of the year	<u>(12,192,471)</u>	<u>(12,192,471)</u>

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

13 Dividends

	2020	2019
	\$	\$
(a) Dividends Paid		
Interim fully franked dividend of 2.5 cents per share	2,382,735	2,030,176
2019 fully franked final dividend of 2.5 cents per share and special dividend of 1.5 cents per share	<u>3,957,725</u>	<u>2,531,606</u>
	<u>6,340,460</u>	<u>4,561,782</u>

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

Since year end, the Directors have declared a final dividend of 2.6 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the dividends with an ex-dividend date of 28 August 2020 and a record date of 31 August 2020, expected to be paid on 14 September 2020 out of the profits reserve at 30 June 2020, but not recognised as liability at year end, is:

	<u>2,394,491</u>	<u>3,979,705</u>
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(c) Dividend Reinvestment Plan

The Company's Dividend Re-Investment Plan ("DRP") will not operate in relation to the final dividend. The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's net tangible asset value ("NTA") per Share at the relevant time when dividends are being invested.

If the prevailing share price is greater than or equal to NTA per share, DRP participants will be issued new shares. If the prevailing share price is less than the NTA per share, the Company may buy the securities on-market and if additional securities are required to satisfy DRP Participants, issue new shares.

(d) Dividend Franking Account

The franked portions of the final dividends recommended after 30 June 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year.

	2020	2019
	\$	\$
Opening balance of franking account	2,503,872	2,199,313
Franking credits on dividends received	1,651,539	2,154,907
Franking credits on dividends paid	<u>(2,717,339)</u>	<u>(1,850,348)</u>
Closing balance of franking account	<u>1,438,072</u>	<u>2,503,872</u>
Franking credits on dividends receivable	973,818	118,886
Adjustments for tax payable/refundable in respect of the current period's profits and the receipt of dividends	<u>-</u>	<u>-</u>
Adjusted franking account balance	<u>2,411,890</u>	<u>2,622,758</u>
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year *	<u>(1,026,210)</u>	<u>(1,705,588)</u>
Franking credits available for subsequent reporting years	<u>1,385,680</u>	<u>917,170</u>

* The dividends to be paid on 14 September 2020 will utilise \$1,026,210 of the above franking credits based on the current shares on issue.

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

14 Key Management Personnel Disclosures

	2020	2019
	\$	\$
(a) Key Management Personnel Compensation		
Short-term employee benefits	89,794	89,794
Post-employment benefits	5,206	5,206
	95,000	95,000

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 13.

(b) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Shareholdings

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

2020

Director	Balance at 1 July 2019	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2020
Marc Fisher ¹	124,083	-	-	-	124,083
Graham Hand *	136,363	-	-	(136,363)	-
Andrew Reeve-Parker ²	307,252	-	-	-	307,252
Raymond Da Silva Rosa **	-	-	-	-	-
	567,698	-	-	(136,363)	431,335

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

* Held by Graham Hand at resignation date of 26 November 2019

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

** Appointed 26 November 2019

2019

Director	Balance at 1 July 2018	Acquisitions	Disposals	Balance at 30 June 2019
Marc Fisher	1	124,082	-	124,083
Graham Hand ³	227,272	-	90,909	136,363
Andrew Reeve-Parker ⁴	307,252	-	-	307,252
	534,525	124,082	90,909	567,698

³ 136,363 shares beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 shares beneficially held by Deborah Karen Solomon

⁴ 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

15 Remuneration of Auditors

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

Pitcher Partners

	2020 \$	2019 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	45,950	44,500
<i>Other assurance services</i>		
NTA assurance services	11,825	-
Total remuneration for audit and other assurance services	57,775	44,500
<i>Taxation services</i>		
Tax compliance services	15,730	10,200
Total remuneration of Pitcher Partners	73,505	54,700

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

16 Contingencies and Commitments

The Company had no material contingent liabilities or commitments as at 30 June 2020 (2019: nil).

17 Related Party Transactions

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

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

Jeff Phillips, the Company Co-Secretary, is the CFO of Bennelong Funds Management, an entity associated with the Investment Manager, Bennelong Long Short Equity Management Pty Limited.

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

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2020 the Investment Manager was paid a Management Fee of \$1,763,595 (2019: \$1,695,137) (including reduced input tax credits "RITC"). As at 30 June 2020, the balance payable to the Investment Manager was \$151,838 (2019: \$133,305) (including RITC).

Performance Fee

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

Performance calculation period is:

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

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

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

Absolute Equity Performance Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2020 (continued)

17 Related Party Transactions (continued)

As at 30 June 2020, the balance of Performance Fee payable to the Investment Manager was \$4,535,827 (2019: \$nil) (including RITC).

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

18 Events Occurring after the Reporting Year

Subsequent to year-end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 14 September 2020.

On 13 July 2020, the Company had received a non-binding proposal from Bennelong Long Short Equity Management Pty Limited ("the Company's Manager). The proposal detailed an amalgamation of the Company and an unlisted managed investment scheme, Bennelong Market Neutral Fund; which is managed by the Company's Manager. The proposal is designed to eliminate the share price discount due to the difference between the Company's net tangible asset position and its current share price, and improving liquidity. The Company is currently considering the advantages and disadvantages of the proposal and Shareholders will be notified in due course.

Mr Jeff Phillips resigned as the Company's Joint Secretary on 20 August 2020. Ms Lisa Dadswell, will remain the sole Company Secretary of the Company.

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

	2020	2019
	\$	\$
19 Reconciliation of Profit/ (Loss) after Income Tax to Net Cash Inflow from Operating Activities		
Profit/ (Loss) for the year	23,808,096	(9,111,146)
Unrealised (gains)/ losses on market value movement	(44,950,208)	3,638,010
Unrealised foreign exchange losses	12,076	1,174
Change in operating assets and liabilities:		
(Increase)/ Decrease in trade and other receivables	(201,213)	20,041
Decrease/ (Increase) in investments held for trading	49,310,685	(3,589,330)
Increase/ (Decrease) in trade and other payables	4,402,191	(2,755,675)
Increase/ (Decrease) in deferred taxes	5,188,263	(2,943,014)
Net cash inflow/ (outflow) from operating activities	<u>37,569,890</u>	<u>(14,739,940)</u>
20 Earnings/ (Loss) per Share		
Profit/ (loss) after income tax used in the calculation of earnings per share	<u>23,808,096</u>	<u>(9,111,146)</u>
		Cents
(a) Basic Earnings/ (Loss) per Share		
Basic earnings/ (loss) per share attributable to the ordinary equity holders of the Company	<u>24.51</u>	<u>(8.98)</u>
(b) Weighted Average Number of Shares used as Denominator		No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>97,140,554</u>	<u>101,456,828</u>

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

Absolute Equity Performance Fund Limited
Directors' Declaration
For the year ended 30 June 2020

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

- (a) the financial statements and notes set out on pages 16 to 35 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) note 2(a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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



Marc Fisher
Chairman

30 September 2020

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

We have audited the financial report of Absolute Equity Performance Fund Limited ("the Company") which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key audit matter	How our audit addressed the matter
<p align="center">Existence and Valuation of Financial Assets and Financial Liabilities Refer to Note 9: Financial Assets and Liabilities at Fair Value through Profit or Loss</p>	
<p>We focused our audit effort on the valuation and existence of the Company's financial assets and financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profits.</p> <p>The Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as "level 1" (i.e. where the valuation is based on quoted prices in the market).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the investment management processes and controls; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and obtaining bridging letters and confirmations from the Administrator and the Custodian; ▪ Obtaining confirmations of the investment holdings directly from the Custodian; ▪ Recalculating the Company's valuation of individual investment holdings using independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Key audit matter	How our audit addressed the matter
Accuracy, Completeness and Existence of Management and Performance Fees Refer to Note 10: Trade and other payables and Note 17: Related party transactions	
<p>We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions and other relevant expenses. Key inputs include portfolio movements and benchmarking in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; ▪ Testing of adjustments such as company dividends and taxes, capital raisings and capital reductions used in the calculation of management and performance fees; ▪ Testing of key inputs used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Absolute Equity Performance Fund Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



S M Whiddett
Partner

30 September 2020



Pitcher Partners
Sydney

Absolute Equity Performance Fund Limited
Shareholder Information
30 June 2020

Shareholder Information

The Shareholder information set out below was applicable as at 28 September 2020.

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

A. Distribution of Equity Securities

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

Holding	Class of equity security Ordinary shares		
	No of Shareholders	Shares	Percentage (%)
1 – 1000	113	26,461	0.03
1,001 – 5,000	211	690,706	0.75
5,001 – 10,000	305	2,477,741	2.69
10,001 – 100,000	1,570	53,427,034	58.01
100,001 and over	134	35,473,870	38.52
	2,333	92,095,812	100.00

There are 80 shareholders each with an unmarketable parcel of shares being a holding of \$500 or less, for a combined total of 4,379 shares.

B. Equity Security Holders

Twenty largest quoted equity security holders:

Name	Ordinary shares	
	Number held	Percentage of issued shares (%)
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	3,126,654	3.395
HSBC Custody Nominees (Australia) Limited	2,627,391	2.853
R W Kirby Pty Ltd	1,580,165	1.716
MDSC Super Fund Pty Ltd <MSV Super Fund A/C>	1,305,660	1.418
Gold Tiger Investments Pty Ltd	1,210,110	1.314
Mr Peter Michael Wilmshurst & Ms Gabrielle Rosa Baron <Maj Superannuation Fund A/C>	985,784	1.070
Netwealth Investments Limited <Wrap Services A/C>	849,936	0.923
Invia Custodian Pty Limited <Twilight House A/C>	750,000	0.814
Mrs Monica Shepherd	679,915	0.738
Mrs Barbara Kim Shepherd	629,595	0.684
Somersby Springs Pty Limited <Penn Super Fund Macquarie A/C>	490,715	0.533
Charles Sturt University <CSU Foundation A/C>	488,400	0.530
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	467,809	0.508
Mr Peter Bernard Lucas & Mrs Nga Le Lucas <JourneySuper S/F A/C>	400,000	0.434
Dr Stephen David Same & Mrs Terri Lee Same <STS Superannuation Fund A/C>	355,153	0.386
GDH Holdings Pty Ltd <GJ And Dr Higham Family A/C>	351,100	0.381
Mark Lipzker Pty Ltd <C M S Super Fund A/C>	339,608	0.369
DAP1000 Pty Ltd	310,000	0.337
Ovingdale Pty Ltd <Superannuation Fund A/C>	300,000	0.326
Squirrell Pty Ltd <Heiton Super Fund A/C>	295,000	0.320
Total	17,542,995	19.049
Total Remaining Holders Balance	92,095,812	80.951

C. Substantial Holders

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

D. Voting Rights

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

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

E. Stock Exchange Listing

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

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.

H. On-market Buy Back

On 17 June 2019, the Company announced it intended to undertake an on market share buy-back of up to 10% of the Company's issued share capital or approximately 10.2 million ordinary shares within the next 12 months.

The Company has appointed Morgans Financial Limited to act on behalf of the Company in relation to the share buy-back process and the buy-back commenced on 1 July 2019.