

# **Firetrail S3 Global Opportunities Fund (Managed Fund)**

ARSN 653 717 625

## **Annual report - 30 June 2023**

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## Annual report - 30 June 2023

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These financial statements cover the Firetrail S3 Global Opportunities Fund (Managed Fund) as an individual entity.

The Responsible Entity of the Firetrail S3 Global Opportunities Fund (Managed Fund) is Pinnacle Fund Services Limited (ABN 29 082 494 362). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000.

## **Directors' report**

The directors of Pinnacle Fund Services Limited, the Responsible Entity of the Firetrail S3 Global Opportunities Fund (Managed Fund) ("the Fund"), present their report together with the financial statements of the Fund, for the financial year 30 June 2023.

### **Principal activities**

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund aims to outperform the MSCI World Net Total Return Index (AUD) over the long term. The Fund provides exposure to a concentrated portfolio of global equities through securities listed, or expected to be listed, on any globally recognised stock exchange.

The Fund aims to hold approximately 30 securities at any time. Only those securities that the Investment Manager has the highest conviction to generate the greatest returns will be included in the portfolio. The investment process employs fundamental analysis to identify the most attractive investment opportunities that currently meet, or are expected to meet, the Investment Manager's sustainable investment themes.

Firetrail Investments Pty Limited is the Investment Manager of the Fund.

The Fund did not have any employees during the financial year.

### **Directors**

The following persons held office as directors of Pinnacle Fund Services Limited during the financial year or since the end of the financial year and up to the date of this report:

Mr I Macoun  
Mr C Kwok  
Mr A Chambers (appointed 6 February 2023)  
Mr A Ihlenfeldt (resigned 6 February 2023)  
Mr A Whittingham (resigned 27 January 2023)

The Responsible Entity also has a Compliance Committee consisting of one non-external member and three external members.

The committee met four times during the financial year.

### **Review and results of operations**

There have been no significant changes to the operations of the Fund during the financial year. The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund.

The Firetrail S3 Global Opportunities Fund (Managed Fund) returned 18.17% (before fees) for the financial year ended 30 June 2023. This return compares to the benchmark return for the same financial year of 22.43%.

**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
**Directors' report**  
**For the year ended 30 June 2023**  
**(continued)**

**Directors' report (continued)**

**Review and results of operations (continued)**

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

	<b>Year ended</b>	Period
	<b>30 June</b>	3 November
	<b>2023</b>	2021 to
	<b>\$'000</b>	30 June
		2022
		\$'000
Total comprehensive income/(loss) for the financial year	<b>3,997</b>	(3,979)
Distributions - A Class		
Distributions paid and payable	<b>60</b>	61
Distributions (cents per unit)	<b>3.4375</b>	0.5993
Distributions - I Class		
Distributions paid and payable	<b>183</b>	197
Distributions (cents per unit)	<b>0.9129</b>	1.3207

**Significant changes in state of affairs**

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

**Matters subsequent to the end of the financial year**

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

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

**Likely developments and expected results of operations**

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

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

## **Directors' report (continued)**

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the officers of Pinnacle Fund Services Limited or the auditors of the Fund. So long as the officers of Pinnacle Fund Services Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are not indemnified out of the assets of the Fund.

### **Fees paid to and interests held in the Fund by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of the Fund's property during the financial year are disclosed in note 15 to the financial statements.

No fees were paid out of the Fund's property to the directors of the Responsible Entity during the financial year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 15 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the financial year is disclosed in note 14 to the financial statements.

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

### **Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

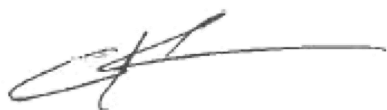
### **Rounding of amounts to the nearest thousand dollars**

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### **Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Mr C Kwok  
Director

Brisbane  
21 September 2023



## Auditor's Independence Declaration

As lead auditor for the audit of Firetrail S3 Global Opportunities Fund (Managed Fund) for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
21 September 2023

**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
**Statement of comprehensive income**  
**For the year ended to 30 June 2023**

**Statement of comprehensive income**

		Year ended 30 June 2023 \$'000	Period 3 November 2021 to 30 June 2022 \$'000
<b>Investment income</b>			
Interest income		25	–
Dividend/distribution income		319	319
Net gains/(losses) on financial instruments at fair value through profit or loss	5	3,733	(4,190)
<b>Total net investment income/(loss)</b>		<u>4,077</u>	<u>(3,871)</u>
<b>Expenses</b>			
Management fees	15	52	56
Performance fees	15	–	16
Transaction costs		27	31
Interest expense		–	5
Other operating expenses		1	–
<b>Total operating expenses</b>		<u>80</u>	<u>108</u>
<b>Operating profit/(loss) for the financial year</b>		<u>3,997</u>	<u>(3,979)</u>
Other comprehensive income/(loss)		–	–
<b>Total comprehensive income/(loss) for the financial year</b>		<u>3,997</u>	<u>(3,979)</u>

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

**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
**Statement of financial position**  
**As at 30 June 2023**

**Statement of financial position**

	Notes	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	1,317	724
Margin accounts		78	90
Receivables	11	37	2,092
Financial assets at fair value through profit or loss	9	19,152	20,605
<b>Total assets</b>		<u>20,584</u>	<u>23,511</u>
<b>Liabilities</b>			
Distributions payable	7	–	258
Payables	12	9	1,830
Financial liabilities at fair value through profit or loss	10	51	28
<b>Total liabilities</b>		<u>60</u>	<u>2,116</u>
<b>Net assets attributable to unitholders - equity</b>	14	<u>20,524</u>	<u>21,395</u>

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



**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

**Statement of changes in equity**

		<b>Year ended 30 June 2023 \$'000</b>	Period 3 November 2021 to 30 June 2022 \$'000
<b>Total equity at the beginning of the financial year</b>	14	<u>21,395</u>	<u>–</u>
<b>Comprehensive income/(loss) for the financial year</b>			
Profit/(loss) for the financial year		3,997	(3,979)
<b>Total comprehensive income/(loss) for the financial year</b>		<u>3,997</u>	<u>(3,979)</u>
<b>Transactions with unitholders</b>			
Applications	14	21,825	32,416
Redemptions	14	(26,627)	(6,784)
Reinvestment of distributions	14	177	–
Distributions paid and payable	14	(243)	(258)
<b>Total transactions with unitholders</b>		<u>(4,868)</u>	<u>25,374</u>
<b>Total equity at the end of the financial year</b>		<u>20,524</u>	<u>21,395</u>

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

**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

**Statement of cash flows**

	<b>Year ended 30 June 2023</b>	Period 3 November 2021 to 30 June 2022
Notes	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	24,844	16,787
Purchase of financial instruments at fair value through profit or loss	(19,378)	(41,971)
Net movement in margins accounts	12	–
Transaction costs on financial instruments at fair value through profit or loss	(27)	(31)
Dividend/distribution received	312	301
Management fees paid	(53)	(49)
Performance fees paid	–	(16)
Interest received	25	–
Other expenses paid	(6)	(5)
RITC received/(paid)	2	(3)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5,731</b>	<b>(24,987)</b>
	16(a)	
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	21,822	32,416
Payments for redemptions by unitholders	(26,627)	(6,784)
Distributions paid	(322)	–
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(5,127)</b>	<b>25,632</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>604</b>	<b>645</b>
Cash and cash equivalents at the beginning of the financial year	724	–
Effects of exchange rate changes on cash and cash equivalents	(11)	79
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,317</b>	<b>724</b>
	16(b), 8	
Non-cash financing activities	177	–
	16(c)	

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

**Notes to the financial statements**

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## **1 General information**

These financial statements cover the Firetrail S3 Global Opportunities Fund (Managed Fund) ("the Fund") as an individual entity. The Fund was constituted on 3 November 2021. The Fund will terminate on the 3 November 2101 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Pinnacle Fund Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

The Custodian of the Fund is Citigroup Pty Limited.

The financial statements were authorised for issue by the directors on 21 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements after they have been issued.

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

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Firetrail S3 Global Opportunities Fund (Managed Fund) is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of financial assets and financial liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Financial assets and financial liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to unitholders.

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

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

#### *(i) Compliance with International Financial Reporting Standards*

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

#### *(ii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

*(iii) New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

### **(b) Financial instruments**

*(i) Classification*

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

*(ii) Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the financial year the asset is derecognised as net gains/(losses) on financial instruments at fair value through profit or loss.

*(iii) Measurement*

*Financial assets and financial liabilities at fair value through profit or loss*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately in the statement of comprehensive income. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value.

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

Further details on how the fair values of financial instruments are determined are disclosed in note 4.

*(iv) Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## **2 Summary of significant accounting policies (continued)**

### **(c) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders in accordance with the Fund's Constitution.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders, less any applicable transaction costs.

The units are carried at the redemption amount that is payable at balance sheet date if the unitholder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

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

### **(e) Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

### **(f) Investment income**

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend/distribution income when the Fund's right to receive payments is established. For dividends, this is the ex-dividend date.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

### **(g) Expenses**

All expenses, including manager's fees, are recognised in the statement of comprehensive income on an accruals basis.

## **2 Summary of significant accounting policies (continued)**

### **(h) Income tax**

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

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded net of withholding taxes in the statement of comprehensive income.

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

### **(i) Distributions**

Distributions are payable as set out in the Fund's Product Disclosure Statement and/or Fund's Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Fund.

### **(j) Increase/(decrease) in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. The Fund's distributions are classified as distributions paid and payable in the statement of changes in equity.

### **(k) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

### **(l) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the financial year. The due from brokers balance is held for collection and consequently measured at amortised cost. These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

## **2 Summary of significant accounting policies (continued)**

### **(m) Receivables**

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each financial year from the time of last payment in accordance with the policy set out in note 2(f). Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

### **(n) Payables**

Payables include liabilities, amounts due to brokers and accrued expenses owing by the Fund which are unpaid as at the end of the financial year. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

### **(o) Applications and redemptions**

Applications received for units in the Fund are recorded net of any entry fees, if any, as a payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed. The Responsible Entity of the Fund does not currently impose any entry fees on applications and exit fees on redemptions.

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue, less any applicable transaction costs.

### **(p) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% hence investment management fees have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.



## **2 Summary of significant accounting policies (continued)**

### **(q) Use of estimates**

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques which are periodically reviewed by experienced personnel.

Valuation techniques include using observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see note 4 to the financial statements.

### **(r) Rounding of amounts**

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

## **3 Financial risk management**

### **(a) Objectives, strategies, policies and processes**

Firetrail employs a fundamental investment approach to the Fund's long portfolio to identify companies that it believes are undervalued over the medium term. Firetrail employs fundamental and systematic investment techniques in the Fund's short portfolio with the aim of generating positive returns and mitigating risk. The investment style is unconstrained, which means Firetrail will invest in both 'growth' and "value" companies, as well as across diverse industries and sectors. Firetrail employs a bottom-up approach to portfolio construction. Risk management is integrated throughout the process to understand and control stock specific, macroeconomic and market risk in the Fund.

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

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions. The maximum loss of capital on forward currency contracts is limited to the notional contract values of those positions.

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

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below:

### 3 Financial risk management (continued)

#### (b) Market risk

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

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

The Fund may be materially affected by market, economic, social and/or political conditions globally and in the jurisdictions and sectors in which it invests or operates. The below table shows the Fund's investments by geography as at 30 June 2023 and 30 June 2022:

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
United States	<b>13,882</b>	13,959
Europe	<b>2,390</b>	5,192
United Kingdom	<b>646</b>	647
Others	<b>2,234</b>	807
	<b><u>19,152</u></b>	<u>20,605</u>

#### (i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure arises from the Fund's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

The Fund may be materially affected by market, economic and political conditions globally. The Fund invests in a portfolio of securities across several industry sectors, with no individual security holding being greater than 10%, and no individual industry exposure being greater than 20%.

The Fund's overall market positions are monitored on a daily basis by the Fund's Investment Manager and are reviewed at least quarterly by the Board.

Compliance with the Fund's Product Disclosure Statement is reported to the Board on a quarterly basis.

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Price risk (continued)

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Listed equity securities*	19,137	20,587
Derivatives assets - Futures	15	-
Derivatives assets - Forward foreign exchange contracts	-	18
Derivatives liabilities - Futures	-	(14)
Derivatives liabilities - Forward foreign exchange contracts	(51)	(14)
<b>Total</b>	<b>19,101</b>	<b>20,577</b>

\*Listed equity securities include listed equities and listed unit trusts.

The table below indicates the effect of price movements on net assets attributable to unitholders (and net operating profit/(loss)), with all other variables held constant.

	<b>30 June</b>	
	<b>2023</b>	30 June
	<b>\$'000</b>	2022
		\$'000
Equity price increased by 10%	1,914	2,059
Equity price decreased by 10%	(1,914)	(2,059)

The Fund is not materially exposed to price risk for derivative financial instruments held.

##### (ii) Foreign exchange risk

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

The Fund holds financial assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Investment Manager hedges the capital component of all overseas listed security purchases back into Australian dollars. Hedging of the income exposure is at the Investment Manager's discretion. However, for accounting purposes, the Fund does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

Compliance with the Fund's policy is reported to the Board on a quarterly basis.

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

The table below summarises the Fund's financial assets and financial liabilities, monetary and non-monetary, which are denominated in foreign currencies and Australian dollars.

30 June 2023	Australian Dollars A\$'000	US Dollars A\$'000	Euro A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
Cash and cash equivalents	1,216	3	97	–	1	1,317
Margin accounts	205	(127)	–	–	–	78
Receivables	4	20	5	–	5	34
Due from brokers – receivable for securities sold	3	–	–	–	–	3
Financial assets held at fair value through profit or loss	–	13,882	2,390	646	2,234	19,152
Payables	(6)	–	–	–	–	(6)
Due to brokers – payable for securities purchased	–	(3)	–	–	–	(3)
Financial liabilities at fair value through profit or loss	–	(13)	(9)	–	(29)	(51)
	<u>1,422</u>	<u>13,762</u>	<u>2,483</u>	<u>646</u>	<u>2,211</u>	<u>20,524</u>
<b>Contract/notional value for forward foreign exchange contracts:</b>						
Open forward foreign exchange contracts (buy)	1,834	–	–	–	550	2,384
Open forward foreign exchange contracts (sell)	(550)	(550)	(1,284)	–	–	(2,384)
	<u>1,284</u>	<u>(550)</u>	<u>(1,284)</u>	<u>–</u>	<u>550</u>	<u>–</u>

**Firetrail S3 Global Opportunities Fund (Managed Fund)**  
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**(continued)**

**3 Financial risk management (continued)**

**(b) Market risk (continued)**

*(ii) Foreign exchange risk (continued)*

30 June 2022	Australian Dollars A\$'000	US Dollars A\$'000	Euro A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
Cash and cash equivalents	720	4	–	–	–	724
Margin accounts	208	(118)	–	–	–	90
Receivables	3	13	5	–	–	21
Due from brokers						
– receivable for securities sold	548	–	–	886	637	2,071
Financial assets held at fair value through profit or loss	–	13,959	5,192	647	807	20,605
Distribution payables	(258)					(258)
Payables	(7)	–	–	–	–	(7)
Due to brokers						
– payable for securities purchased	(637)	–	–	(550)	(636)	(1,823)
Financial liabilities at fair value through profit or loss	–	(14)	(14)	–	–	(28)
	<u>577</u>	<u>13,844</u>	<u>5,183</u>	<u>983</u>	<u>808</u>	<u>21,395</u>
Contract/notional value for forward foreign exchange contracts:						
Open forward foreign exchange contracts (buy)	1,000	1,000	–	–	–	2,000
Open forward foreign exchange contracts (sell)	(1,000)	–	(1,000)	–	–	(2,000)
	<u>–</u>	<u>1,000</u>	<u>(1,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>

The table below indicates the effect of a reasonably possible movement of the currency rates against the Australian Dollar on the statement of comprehensive income, with all other variables held constant.

**30 June 2023**

Currency	AUD equivalent in exposure by currency A\$'000	Change in currency rate		Effect on net profit attributable to unitholders	
		Increase	(Decrease)	Increase	(Decrease)
	A\$'000	%	%	A\$'000	A\$'000
US Dollars	13,762	10	(10)	(1,251)	1,529
Euro	2,483	10	(10)	(226)	276
British Pounds	646	10	(10)	(59)	72
Other Currencies	2,211	10	(10)	(201)	246
				<u>(1,737)</u>	<u>2,123</u>

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

30 June 2022

	AUD equivalent in exposure by currency	Change in currency rate		Effect on net profit attributable to unitholders	
		Increase	(Decrease)	Increase	(Decrease)
	A\$'000	%	%	A\$'000	A\$'000
Currency					
US Dollars	13,844	10	(10)	(1,258)	1,538
Euro	5,183	10	(10)	(471)	576
British Pounds	983	10	(10)	(90)	109
Other Currencies	808	10	(10)	(73)	90
				<u>(1,892)</u>	<u>2,313</u>

##### (iii) Cash flow and fair value interest rate risk

The majority of the Fund's financial assets and financial liabilities are non-interest bearing. Interest bearing financial assets and interest bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

#### (c) Credit risk

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

##### (i) General Approach

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considered both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2023 and 30 June 2022, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### **3 Financial risk management (continued)**

#### **(c) Credit risk (continued)**

##### *(ii) Derivative financial instruments*

For derivative financial instruments, the Responsible Entity has established limits such that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty and all contracts are with counterparties included in the Board's Approved Counterparties list. Derivatives may be traded on an exchange (exchange traded), or they may be privately negotiated contracts, which are referred to as Over The Counter (OTC) derivatives. The Fund's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties. Exchange traded and OTC-cleared derivative contracts have reduced credit risk as the counterparty is a clearing house. The clearing house is responsible for managing the risk associated with the process on behalf of their members and ensuring it has adequate resources to fulfill its obligations when they become due. Clearing house members are required to provide initial margins in accordance with the exchange rules in the form of cash or securities and provide daily variation margins in cash to cover changes in market values. Further, all members are generally required to contribute to (and guarantee) the compensation or reserve fund which may be used in the event of default and shortfall of a member. The Fund also restricts its exposure to credit losses on the trading of certain OTC derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on the net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements.

##### *(iii) Settlement of securities transactions*

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

##### *(iv) Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A (as determined by the Standard & Poor's (S&P)).

##### *(v) Other*

The Fund is not materially exposed to credit risk on other financial assets.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely Citigroup Pty Limited. Citigroup Pty Limited at 30 June 2023 had a credit rating of A (S&P) and A3 (Moody's). At 30 June 2023, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by Citigroup Pty Limited.

##### *(vi) Maximum exposure to credit risk*

The maximum exposure to credit risk before any credit enhancements at the end of each financial year is the carrying amount of the financial assets.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash, as the majority are listed on global exchanges. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a daily basis. The Fund's policy is reviewed annually. In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2023 and 2022.

The Fund's Constitution provides for daily application and redemption of units and it is therefore exposed to liquidity risk of meeting unitholder redemptions at any time. Units are redeemed on demand at the unitholder's option. At 30 June 2023, net assets attributable to unitholders was \$20,524,043 (2022: \$21,395,186).

#### *Maturity analysis for non-derivative financial liabilities*

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Net assets attributable to unitholders is not considered a financial liability but has been included below as units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table will be representative of the actual cash flows, as holders of these instruments typically retain them for the medium to the long term.

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
<b>30 June 2023</b>				
Due to brokers - payable for securities purchased	3	-	-	-
Accrued expenses	-	6	-	-
Net assets attributable to unitholders	<b>20,524</b>	-	-	-
<b>Contractual cash flows (excluding derivatives)</b>	<b>20,527</b>	<b>6</b>	-	-
	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	12-60 months \$'000
<b>30 June 2022</b>				
Distributions payable	258	-	-	-
Due to brokers - payable for securities purchased	1,823	-	-	-
Accrued expenses	-	7	-	-
Net assets attributable to unitholders	21,395	-	-	-
<b>Contractual cash flows (excluding derivatives)</b>	<b>23,476</b>	<b>7</b>	-	-

The Fund is not materially exposed to liquidity risk for derivative financial instruments held.



#### **4 Fair value measurements**

The Fund measures and recognises the below financial assets and financial liabilities at fair value through profit or loss on a recurring basis.

The Fund has no financial assets or financial liabilities measured at fair value after initial recognition on a non-recurring basis in the current financial year.

##### **Fair value hierarchy**

###### *Classification of financial assets and financial liabilities*

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

###### *(i) Fair value in an active market (level 1)*

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

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the last traded price; the appropriate quoted market price for financial liabilities is the last traded price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

###### *(ii) Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the financial year applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the financial year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of financial year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The foreign currency contracts are valued at the forward rate.

#### 4 Fair value measurements (continued)

##### Fair value hierarchy (continued)

(ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such trusts.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

Valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

##### Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022.

As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities*	19,137	–	–	19,137
Derivatives - Futures	–	15	–	15
<b>Total financial assets</b>	<b>19,137</b>	<b>15</b>	<b>–</b>	<b>19,152</b>

<b>Financial liabilities at fair value through profit or loss:</b>				
Derivatives - Forward foreign exchange contracts	–	51	–	51
<b>Total financial liabilities</b>	<b>–</b>	<b>51</b>	<b>–</b>	<b>51</b>

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities*	20,587	–	–	20,587
Derivatives - Forward foreign exchange contracts	–	18	–	18
<b>Total financial assets</b>	<b>20,587</b>	<b>18</b>	<b>–</b>	<b>20,605</b>

<b>Financial liabilities at fair value through profit or loss:</b>				
Derivatives - Futures	–	14	–	14
Derivatives - Forward foreign exchange contracts	–	14	–	14
<b>Total financial liabilities</b>	<b>–</b>	<b>28</b>	<b>–</b>	<b>28</b>

\*Listed equity securities include listed equities and listed unit trusts.

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

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

	Year ended 30 June 2023 \$'000	Period 3 November 2021 to 30 June 2022 \$'000
<b>Financial assets</b>		
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	4,527	(3,478)
Net realised* gains/(losses) on financial assets at fair value through profit or loss	<u>(743)</u>	<u>(684)</u>
<b>Total financial assets</b>	<u>3,784</u>	<u>(4,162)</u>
<b>Financial liabilities</b>		
Net unrealised gains/(losses) on financial liabilities at fair value through profit or loss	<u>(51)</u>	<u>(28)</u>
<b>Total financial liabilities</b>	<u>(51)</u>	<u>(28)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>3,733</u>	<u>(4,190)</u>

\*Realised gains and losses are determined using the historical cost information.

## 6 Auditor's remuneration

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

	Year ended 30 June 2023 \$	Period 3 November 2021 to 30 June 2022 \$
<b>PricewaterhouseCoopers Australian firm</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	46,525	37,475
Audit of compliance plan	<u>3,565</u>	<u>3,350</u>
<b>Total remuneration of audit services</b>	<u>50,090</u>	<u>40,825</u>
<b>Non-audit services</b>		
Taxation compliance services	<u>5,900</u>	<u>5,500</u>
<b>Total remuneration for non-audit services</b>	<u>5,900</u>	<u>5,500</u>
<b>Total remuneration for PricewaterhouseCoopers</b>	<u>55,990</u>	<u>46,325</u>

The fees for audit and non-audit services are paid by the Investment Manager out of the management fee that they earn.

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## 7 Distributions to unitholders

The distributions were paid/payable as follows:

	Year ended		Period ended	
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
<b>A Class</b>				
Distributions paid - December	60	3.4375	–	–
Distributions payable - June	–	–	61	0.5993
	<u>60</u>		<u>61</u>	
<b>I Class</b>				
Distributions paid - December	183	0.9129	–	–
Distributions payable - June	–	–	197	1.3207
	<u>183</u>		<u>197</u>	

## 8 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	1,317	724
<b>Total cash and cash equivalents</b>	<u>1,317</u>	<u>724</u>

## 9 Financial assets at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities*	19,137	20,587
Derivatives - Futures	15	–
Derivatives - Forward foreign exchange contracts	–	18
<b>Total financial assets at fair value through profit or loss</b>	<u>19,152</u>	<u>20,605</u>

\*Listed equity securities include listed equities and listed unit trusts.

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

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## 10 Financial liabilities at fair value through profit or loss

	As at 30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Derivatives - Futures	–	14
Derivatives - Forward foreign exchange contracts	51	14
<b>Total financial liabilities at fair value through profit or loss</b>	<u>51</u>	<u>28</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

## 11 Receivables

	As at 30 June 2023 \$'000	30 June 2022 \$'000
Applications receivable	3	–
Accrued income	25	18
GST receivable	1	3
Due from brokers - receivable for securities sold	3	2,071
Other receivables	5	–
<b>Total receivables</b>	<u>37</u>	<u>2,092</u>

## 12 Payables

	As at 30 June 2023 \$'000	30 June 2022 \$'000
Due to brokers - payable for securities purchased	3	1,823
Accrued expenses	6	7
<b>Total payables</b>	<u>9</u>	<u>1,830</u>

## 13 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

### 13 Derivative financial instruments (continued)

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

#### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

#### (b) Forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward foreign exchange contracts are valued at the prevailing bid price at the end of each financial year. The Fund recognises a gain or loss equal to the change in fair value at the end of each financial year.

The Fund's derivative financial instruments as at 30 June 2023 and 30 June 2022 are detailed below:

#### 30 June 2023

	Long	Short	Fair values	
	Contract/ notional value \$'000	Contract/ notional value \$'000	Assets \$'000	Liabilities \$'000
Futures	–	1,180	15	–
Forward foreign exchange contracts	2,384	2,384	–	51
	<u>2,384</u>	<u>3,564</u>	<u>15</u>	<u>51</u>

#### 30 June 2022

	Long	Short	Fair values	
	Contract/ notional value \$'000	Contract/ notional value \$'000	Assets \$'000	Liabilities \$'000
Futures	–	854	–	14
Forward foreign exchange contracts	2,000	2,000	18	14
	<u>2,000</u>	<u>2,854</u>	<u>18</u>	<u>28</u>

An overview of the risk exposure relating to derivatives is included in note 3.

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#### 14 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

	As at			
	30 June 2023 Units	30 June 2022 Units	30 June 2023 \$'000	30 June 2022 \$'000
<b>A Class</b>				
Balance as at 1 July	10,092,020	–	8,615	–
Applications	6,638,177	11,252,373	12,961	11,804
Redemptions	(14,751,410)	(1,160,353)	(13,109)	(1,049)
Units issued upon reinvestment of distributions	3,793	–	12	–
Distributions paid and payable	–	–	(60)	(61)
Profit/(loss) for the financial year	–	–	1,441	(2,079)
<b>Closing balance</b>	<b>1,982,580</b>	<b>10,092,020</b>	<b>9,860</b>	<b>8,615</b>
<b>I Class</b>				
Balance as at 1 July	14,926,956	–	12,780	–
Applications	10,164,224	21,205,955	8,864	20,612
Redemptions	(14,629,964)	(6,278,999)	(13,518)	(5,735)
Units issued upon reinvestment of distributions	193,429	–	165	–
Distributions paid and payable	–	–	(183)	(197)
Profit/(loss) for the financial year	–	–	2,556	(1,900)
<b>Closing balance</b>	<b>10,654,645</b>	<b>14,926,956</b>	<b>10,664</b>	<b>12,780</b>
<b>Total net assets attributable to unitholders</b>			<b>20,524</b>	<b>21,395</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. For the financial year ended 30 June 2023, there were two separate classes of units and each unit has the same right attaching to it as all other units in the same class of the Fund. Unitholders of A class and I class units are both entitled to being notified of any general meetings regarding of the Fund, voting rights and dividends. The difference between the class units is in regards to fees as outlined in the relevant Product Disclosure Statements.

#### Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption, excluding any applicable transaction costs.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy was to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents and listed equities. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

## 15 Related party transactions

### Responsible entity

The Responsible Entity of the Firetrail S3 Global Opportunities Fund (Managed Fund) is Pinnacle Fund Services Limited.

Pinnacle Investment Management Limited is the parent company of Pinnacle Fund Services Limited. Pinnacle Investment Management Group Limited is the ultimate holding company of Pinnacle Fund Services Limited.

Firetrail Investments Pty Limited is the Investment Manager of the Fund.

### Key management personnel

#### Directors

Key management personnel includes persons who were directors of Pinnacle Fund Services Limited and Pinnacle Investment Management Limited at any time during the financial year as follows:

#### Pinnacle Fund Services Limited

Mr I Macoun  
 Mr C Kwok  
 Mr A Chambers (appointed 6 February 2023)  
 Mr A Ihlenfeldt (resigned 6 February 2023)  
 Mr A Whittingham (resigned 27 January 2023)

#### Pinnacle Investment Management Limited

Mr I Macoun  
 Mr C Kwok (appointed 27 January 2023)  
 Mr A Chambers (appointed 27 January 2023)  
 Mr D Longan (appointed 27 January 2023)  
 Mr A Ihlenfeldt (resigned 27 January 2023)  
 Mr A Whittingham (resigned 27 January 2023)

#### Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

### Management fees and other transactions

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the financial year and amounts payable at financial year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	<b>Year ended 30 June 2023 \$</b>	Period 3 November 2021 to 30 June 2022 \$
Management fees for the financial year paid/payable by the Fund	<b>52,190</b>	55,613
Performance fees for the financial year paid/payable by the Fund	–	15,707
Management fees payable to the Investment Manager at the reporting date	<b>5,538</b>	7,030



## 15 Related party transactions (continued)

### Management fees and other transactions (continued)

The management fee (0.72% p.a. for A Class and nil for I Class) is calculated daily based on the net asset value of the Fund.

Responsible Entity fees are paid by the Investment Manager out of the fees that they earn.

### Related party unitholdings

Parties related to the Fund (including Pinnacle Fund Services Limited, its related parties and other schemes managed by Pinnacle Fund Services Limited), held units in the Fund as follows:

#### 2023

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Firetrail Investments PL – A Class	–	920,598	4,578,320	22.31	5,523,590	4,602,992	–
Firetrail S3 Global Opportunities Fund Hedged – I Class	7,426,805	2,628,655	2,631,021	12.82	248,908	5,047,058	23,927

#### 2022

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Firetrail Investments PL – A Class	–	–	–	–	1,160,353	1,160,353	–
Firetrail Investments PL – I Class	–	–	–	–	6,278,569	6,278,569	–
Firetrail S3 Global Opportunities Fund Hedged – I Class	–	7,426,805	6,358,088	29.36	7,427,235	430	98,085

## **15 Related party transactions (continued)**

### **Investments**

The Fund did not hold any investments in Pinnacle Fund Services Limited or its related parties during the financial year.

### **Key management personnel compensation**

Key management personnel of Pinnacle Fund Services Limited are paid by Pinnacle Services Administration Pty Ltd. Payments made from the Fund to Pinnacle Fund Services Limited do not include any amounts directly attributable to key management personnel remuneration.

### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the financial year.

### **Other transactions within the Fund**

From time to time directors of Pinnacle Fund Services Limited, or their director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are not material in nature.

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

## 16 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended 30 June 2023 \$'000	Period 3 November 2021 to 30 June 2022 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Net profit/(loss) for the financial year	3,997	(3,979)
Proceeds from sale of financial instruments at fair value through profit or loss	24,844	16,787
Purchase of financial instruments at fair value through profit or loss	(19,378)	(41,971)
Net (gains)/losses on financial instruments at fair value through profit or loss	(3,733)	4,190
Net movement in margins accounts	12	–
Net change in receivables	(10)	(21)
Net change in payables	(1)	7
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5,731</b>	<b>(24,987)</b>
<b>(b) Cash and cash equivalents</b>		
Cash at bank	1,317	724
	<b>1,317</b>	<b>724</b>
<b>(c) Non-cash financing activities</b>		
Distributions reinvestments	177	–
	<b>177</b>	<b>–</b>

As described in note 2(j), income not distributed is included in net assets attributable to unitholders. The change in this amount each financial year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## 18 Events occurring after the reporting period

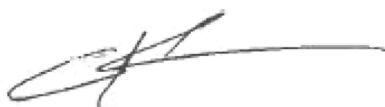
No significant events have occurred since the end of the financial year which would impact on the financial position of the Fund as at 30 June 2023 or on the results and cash flows of the Fund for the financial year ended on that date.

## **Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 34 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Mr C Kwok  
Director

Brisbane  
21 September 2023



## Independent auditor's report

To the unitholders of Firetrail S3 Global Opportunities Fund (Managed Fund)

Report on the audit of the financial report

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### Our opinion

In our opinion:

The accompanying financial report of Firetrail S3 Global Opportunities Fund (Managed Fund) (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the director's declaration.

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

### Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Registered Scheme, its accounting processes and controls and the industry in which it operates.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall materiality of \$205k, which represents approximately 1% of the Registered Scheme's net assets.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose net assets as the benchmark because, in our view, it is the metric against which the performance of the Registered Scheme is most commonly measured and is a generally accepted benchmark in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Registered Scheme made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> </ul> <p>Our audit approach reflected the nature of the investments held and consideration of activities performed by the Registered Scheme and by third party service providers, specifically relating to unit registry, fund administration, valuations and custody services.</p>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> <li>Existence and valuation of financial assets and financial liabilities held at fair value through profit and loss.</li> </ul> </li> </ul> <p>These are further described in the Key audit matters section of our report.</p>



We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## 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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Existence and valuation of financial assets &amp; financial liabilities through profit or loss</i></b> <i>Refer to note 2 (Summary of significant accounting policies) and note 4 (Fair value measurement)</i></p> <p>At 30 June 2023, the value of the Registered Scheme’s investment portfolio, which was comprised primarily of investments in listed equity securities, futures and forward foreign exchange contracts, was \$19.1m.</p> <p>As described in note 2 of the financial report, these investments are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.</p> <p>The existence and valuation of financial assets &amp; financial liabilities through profit or loss was a key audit matter because they represent the principal element of the statement of financial position, accounting for approximately 93% of net assets. A discrepancy in the existence or valuation of financial assets &amp; financial liabilities through profit or loss could cause the net assets attributable to unitholders to be materially misstated which could also impact the Registered Scheme’s performance as the valuation of financial assets &amp; financial</p>	<p>Our audit procedures included, amongst others:</p> <p><b>Existence procedures</b></p> <p>For the Registered Scheme’s custodially held investments, we obtained a confirmation from the custodian and reconciled the investment holdings per the custodian confirmation with the holdings per the Registered Scheme’s accounting records.</p> <p>Tested key reconciliations between the accounting records of the Registered Scheme and the records of the custodians and other relevant counterparties. Obtained supporting evidence to validate any material reconciling items as at year end.</p> <p><b>Valuation procedures</b></p> <p>We obtained observable market price data and compared this to the prices used by the Registered Scheme to value those investments at period end.</p> <p>We obtained the most recent reports issued by the service organisations providing custody services and valuation services to the Registered Scheme setting out the controls in place at those service organisations (including controls in</p>



*Key audit matter*

liabilities through profit or loss is the main driver of movements in the statement of comprehensive income of the Registered Scheme.

*How our audit addressed the key audit matter*

relation to existence and valuation of financial assets & financial liabilities through profit or loss). These reports include an audit opinion over the design and operating effectiveness of those controls. We assessed the reports by:

- Developing an understanding of the control objectives and associated control activities.
- Evaluating the tests undertaken by the auditor; and
- Evaluating the results of these tests and the conclusions formed by the auditor on the design and operational effectiveness of controls to the extent relevant to our audit of the Registered Scheme.
- Assessed whether the responsible entity can take assurance from the reports by assessing the complimentary end user controls outlined in each of the control reports.

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**Other information**

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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### **Responsibilities of the directors for the financial report**

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Registered Scheme 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 of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

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### **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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf).

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Ben Woodbridge'.

Ben Woodbridge  
Partner

Brisbane  
21 September 2023