



Airlie
Funds Management

Airlie Australian Share Fund

Annual Report

For the year ended 30 June 2023

ABN 67 764 357 242

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Chairman's Report

for the year ended 30 June 2023

Dear Unitholders,

We are pleased to present the Annual Report for the Airlie Australian Share Fund (Managed Fund) (the "Fund"). The Fund is a managed investment scheme for which Magellan Asset Management Limited ("MAM") acts as both Responsible Entity and Investment Manager.

The Fund has been quoted on the Australian Securities Exchange under the AQUA Rules (ticker code: AASF) since 4 June 2020. As at 30 June 2023, the Fund had net assets of \$373.82 million and a Net Asset Value ("NAV") per unit of \$3.3897 per unit after providing for the final distribution of 6.68 cents per unit for the six months to 30 June 2023 (six months to 30 June 2022: 6.00 cents per unit). The Fund paid total distributions of 13.08 cents per unit (30 June 2022: 11.61 cents per unit) for the year and in addition passed on franking credits of 4.37 cents per unit to unitholders.

The Fund's portfolio is actively managed by MAM. The Fund's primary objective is to provide long-term capital growth and regular income through investment in Australian equities. To achieve this objective, the Fund invests in a portfolio of between 15 and 35 companies that MAM has identified based on their financial strength, attractive durable business characteristics and the quality of their management teams. MAM invests in these companies when its view of their fair value exceeds the prevailing market price.

For the year to 30 June 2023, the Fund returned 18.1% net of fees. This compares with the return of the benchmark index (S&P/ASX 200 Accumulation Index) of 14.8% over the same period. The Fund has delivered a return of 9.8% per annum net of fees since inception, compared with the benchmark index return of 7.7% per annum.

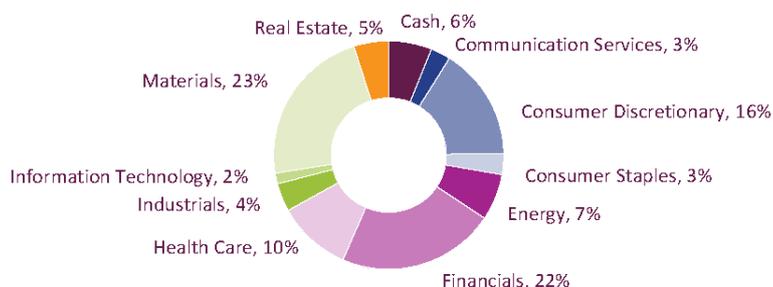
We encourage you to read Airlie's Year InReview 2023, in which the investment team at MAM provide their perspectives on the past year, what's surprised them and what they are looking out for in the year ahead. You can access Year InReview 2023 at: <https://www.airlifundmanagement.com.au/year-inreview-2023>. We also encourage you to read our monthly and quarterly Fund Reports which provide valuable insight into our investment strategies and portfolio managers' thoughts. These are released on ASX and can also be found on our website at: www.airlifundmanagement.com.au.

As per the 30 June 2023 Fund Update, the top 10 investments and portfolio positioning, based on GICS Sector classification, is highlighted below.

TOP 10 POSITIONS (BY WEIGHT)

| Company | Sector |
|--------------------------------|------------------------|
| BHP Group Ltd | Materials |
| CSL Ltd | Health Care |
| Commonwealth Bank of Australia | Financials |
| National Australia Bank Ltd | Financials |
| Mineral Resources Ltd | Materials |
| Macquarie Group Ltd | Financials |
| Wesfarmers Ltd | Consumer Discretionary |
| Aristocrat Leisure Ltd | Consumer Discretionary |
| James Hardie Industries Plc | Materials |
| Santos Ltd | Energy |

PORTFOLIO POSITIONING



The following report contains relevant financial statements and information which we recommend you read carefully.

Yours sincerely,

Robert Fraser
Chairman

Sydney, 28 August 2023

Responsible Entity's Report

for the year ended 30 June 2023

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946) ("MAM"), the Responsible Entity of Airlie Australian Share Fund (the "Fund") present their annual report on the Fund for the period ended 30 June 2023.

1. Directors

The following persons were Directors of MAM during the period and up to the date of this report:

| | | Appointed | Resigned |
|-----------------|--|------------------|-----------------|
| Robert Fraser | Chairman | 23 April 2014 | |
| David Dixon | Deputy Chairman and Non-Executive Director ¹ | 1 November 2022 | |
| John Eales | Non-Executive Director | 1 July 2017 | |
| Andrew Formica | Non-Executive Director ² | 26 July 2023 | |
| Colette Garnsey | Non-Executive Director | 30 November 2020 | |
| David George | Managing Director and Chief Executive Officer ³ | 19 July 2022 | |
| Hamish McLennan | Non-Executive Director | 1 March 2016 | |
| Kirsten Morton | Chief Operating Officer and Chief Financial Officer ⁴ | 5 October 2018 | 3 July 2023 |
| Karen Phin | Non-Executive Director | 23 April 2014 | 20 October 2022 |

¹ Mr Dixon was appointed Deputy Chairman and Non-Executive Director on 1 November 2022.

² Mr Formica was appointed Non-Executive Director on 26 July 2023.

³ Mr George was appointed Managing Director and Chief Executive Officer on 19 July 2022. Mr George was Chief Investment Officer from 17 October 2022 to 18 August 2023.

⁴ Ms Morton resigned as Director on 3 July 2023.

2. Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia, with the principal place of business at Level 36, 25 Martin Place, Sydney, New South Wales, 2000 and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code: AASF).

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. MAM is also Investment Manager, responsible for selecting and managing the assets of the Fund. In addition, the Responsible Entity, on behalf of the Fund, may also provide trading liquidity to investors on the ASX under the AQUA Rules by acting as a buyer and seller of units in the Fund. The Responsible Entity has appointed an independent market participant to act as its agent to execute its market making activities.

The Fund invests in a portfolio of between 15 and 35 Australian equities to produce wealth accumulation through active management. The Fund's primary investment objective is to provide long-term capital growth and regular income through investment in Australian equities (as detailed in the Product Disclosure Statement ("PDS"), dated 16 December 2022).

3. Significant Changes in State of Affairs

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

Responsible Entity's Report

for the year ended 30 June 2023

4. Review of Financial Results and Operations

4.1. Financial Results for the Period

The performance of the Fund, as represented by the results of its operations for the periods ended 30 June, was as follows:

| | 30 Jun 2023 | 30 Jun 2022 |
|--|----------------|-----------------|
| Results | | |
| Total net investment income/(loss) (\$'000) | 60,483 | (36,367) |
| Total expenses (\$'000) | (3,184) | (2,252) |
| Profit/(Loss) (\$'000) | 57,299 | (38,619) |
| Distributions | | |
| Distribution paid and payable (\$'000) | 13,606 | 10,460 |
| Distribution paid and payable (CPU) ¹ | 13.08 | 11.61 |
| Unit Price (NAV Per Unit) (\$)² | 3.3897 | 2.9846 |
| ASX Reported NAV Per Unit (\$)³ | 3.4564 | 3.0443 |

¹ Cents per unit.

² The Net Asset Value ("NAV") per unit represents the net assets of the Fund presented in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 10 of the Financial Statements).

³ The NAV per unit reported to the ASX will differ to the NAV per unit at balance date due to distributions payable and fee accruals.

Distribution Components

Distribution components, which can be found on the Airlie Funds Management website www.airlieaustraliansharefund.com.au, are as follows:

| | 31 Dec 2022 Interim Distribution CPU | 30 Jun 2023 Final Distribution CPU | 31 Dec 2021 Interim Distribution CPU | 30 Jun 2022 Final Distribution CPU |
|---|---|---|---|---|
| Domestic Income | | | | |
| Interest | 0.1749 | 0.2857 | 0.0032 | 0.0034 |
| Franked dividends | 3.0925 | 5.0523 | 4.4329 | 4.7410 |
| Franking credits | 1.6603 | 2.7124 | 2.3094 | 2.4700 |
| Unfranked dividends | - | - | 0.0186 | 0.0199 |
| Unfranked dividends - CFI | 0.3852 | 0.6294 | 0.1710 | 0.1829 |
| Other income | 0.2034 | 0.3323 | 0.1821 | 0.1947 |
| Other domestic income - NCMI | - | - | 0.0072 | 0.0077 |
| Foreign Sourced Income | 0.0620 | 0.1014 | 0.0480 | 0.0514 |
| Foreign income tax offsets | 0.0168 | 0.0274 | 0.0166 | 0.0178 |
| Capital Gains (TARP) | | | | |
| Discounted | 0.1243 | 0.0911 | 0.0124 | 0.0133 |
| Other | 0.0037 | 0.0060 | - | - |
| Capital Gains (NTARP) | | | | |
| Discounted | 1.0871 | - | 0.0001 | 0.0001 |
| AMIT CGT gross up amount | 1.2114 | 0.0911 | 0.0125 | 0.0134 |
| Other non-attributable amounts (tax deferred amounts) | 0.0555 | 0.0907 | 0.7220 | 0.7722 |
| Attribution Amount | 8.0771 | 9.4198 | 7.9360 | 8.4878 |
| Tax Offsets | | | | |
| Franking credits | (1.6603) | (2.7124) | (2.3094) | (2.4700) |
| Foreign income tax offsets | (0.0168) | (0.0274) | (0.0166) | (0.0178) |
| Cash Distribution | 6.4000 | 6.6800 | 5.6100 | 6.0000 |

Responsible Entity's Report

for the year ended 30 June 2023

4.2. Total Indirect Cost Ratio

The Total Indirect Cost Ratio ("ICR") is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage. Management costs, accrued within the Fund's unit prices on a daily basis, include management fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

| | 30 Jun 2023 % | 30 Jun 2022 % |
|----------------------------------|------------------|------------------|
| Management fee | 0.78 | 0.78 |
| Total Indirect Cost Ratio | 0.78 | 0.78 |

4.3. Performance Returns

The performance returns have been calculated using the redemption price for the Fund, which is after fees and expenses, assuming the reinvestment of distributions. The returns are calculated daily, compounded to produce longer period returns.

| | 30 Jun 2023 % | 30 Jun 2022 % |
|----------------------------------|------------------|------------------|
| Growth return ¹ | 13.6 | (10.6) |
| Distribution return ² | 4.5 | 3.2 |
| Total Return³ | 18.1 | (7.4) |

¹ The Growth return is calculated daily as a percentage by dividing the unit price (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

² The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

³ The Total return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

5. Strategy and Future Outlook

The Fund's investment objective is unchanged. 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. Therefore, 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.

The Fund provides daily unit prices, monthly fund updates, quarterly portfolio disclosures and annual investor reports, which can be found in the 'Funds' section of the Airlie Funds Management website, www.airlifundsmangement.com.au. Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

6. Interest in the Fund

The movement in units on issue in the Fund is disclosed in Note 8 to the Financial Statements.

7. Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the PDS.

The method of operating the Fund is not expected to change in the foreseeable future. However the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests.

8. Subsequent Events

On 25 July 2023, it was announced that Mr Andrew Formica was appointed as a Non-Executive Director with effect from 26 July 2023.

On 17 August 2023, it was announced that Mrs Deborah Page AM will be appointed as a Non-Executive Director with effect from 3 October 2023.

NAV moves as a result of a number of factors including movements in asset prices and unitholder subscriptions and redemptions. Asset prices move daily and intraday indicative NAV per unit and daily NAV per unit are available in the 'Funds' section of the Airlie Australian Share Fund website, www.airlifundsmangement.com.au and also the ASX website. Subsequent to balance date, as at 24 August 2023, the Fund had a NAV per unit of \$3.4421 with a net asset value of \$392,456,000 and 114,018,000 units on issue.

Responsible Entity's Report

for the year ended 30 June 2023

Other than the above and items disclosed throughout this Responsible Entity's Report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods.

9. Indemnification and Insurance of Directors and Officers

The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity.

During the period, MAM paid an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

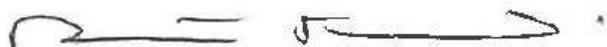
10. Rounding of Amounts

The Fund is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Responsible Entity's Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.

11. 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 8.

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



Robert Fraser

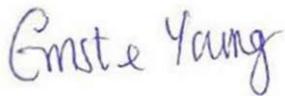
Chairman

Sydney, 28 August 2023

Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as Responsible Entity for Airlie Australian Share Fund

As lead auditor for the audit of Airlie Australian Share Fund for the financial year ended 30 June 2023, I declare 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Clare Sporle

Partner

Sydney, 28 August 2023

Statement of Profit or Loss and Comprehensive Income

for the year ended 30 June 2023

| | Note | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|------|-----------------------|-----------------------|
| Investment Income | | | |
| Dividend and distribution income | | 13,451 | 12,198 |
| Interest income | | 607 | 8 |
| Net change in fair value of investments | | 46,425 | (48,573) |
| Total Net Investment Income/(Loss) | | 60,483 | (36,367) |
| Expenses | | | |
| Management fees | 11 | 2,756 | 1,940 |
| Transaction costs | | 381 | 281 |
| Withholding tax on dividends | | 47 | 31 |
| Total Expenses | | 3,184 | 2,252 |
| Profit/(Loss) | | 57,299 | (38,619) |
| Other comprehensive income | | - | - |
| Total Comprehensive Income/(Loss) | | 57,299 | (38,619) |
| Basic Earnings Per Unit (Cents) | 9 | 54.42 | (53.59) |
| Diluted Earnings Per Unit (Cents) | 9 | 54.42 | (53.59) |

The above Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Financial Position

as at 30 June 2023

| | Note | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|----------------------------------|------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 21,242 | 10,059 |
| Receivables | 5 | 2,861 | 1,655 |
| Investments | 6 | 358,207 | 297,135 |
| Total Assets | | 382,310 | 308,849 |
| Liabilities | | | |
| Distributions payable | 2 | 7,367 | 6,074 |
| Payables | 7 | 1,121 | 624 |
| Total Liabilities | | 8,488 | 6,698 |
| Total Unitholders' Equity | | 373,822 | 302,151 |

The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity

for the year ended 30 June 2023

| | Note | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|--|------|-----------------------|-----------------------|
| Total Unitholders' Equity at beginning of the Period | | 302,151 | 101,498 |
| Transactions with Unitholders in their Capacity as Owners: | | | |
| Units issued | | 136,983 | 264,514 |
| Units issued under Distribution Reinvestment Plan and management fee rebates | | 1,900 | 1,678 |
| Units redeemed | | (110,905) | (16,460) |
| Distributions paid and payable | 2 | (13,606) | (10,460) |
| Total Transactions with Unitholders | | 14,372 | 239,272 |
| Profit/(loss) | | 57,299 | (38,619) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) | | 57,299 | (38,619) |
| Total Unitholders' Equity at the end of the Period | | 373,822 | 302,151 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Cash Flows

for the year ended 30 June 2023

| | Note | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|------|-----------------------|-----------------------|
| Cash Flows from Operating Activities | | | |
| Dividends and distributions received (net of withholding tax) | | 13,139 | 11,086 |
| Interest received | | 547 | 3 |
| Management fees paid | | (2,563) | (1,624) |
| Transaction costs paid | | (381) | (281) |
| Net Cash Inflow/(Outflow) from Operating Activities | 4 | 10,742 | 9,184 |
| Cash Flows from Investing Activities | | | |
| Purchase of investments | | (209,088) | (305,082) |
| Proceeds from sale of investments | | 194,078 | 55,746 |
| Net Cash Inflow/(Outflow) from Investing Activities | | (15,010) | (249,336) |
| Cash Flows from Financing Activities | | | |
| Receipts from issue of units | | 136,886 | 264,928 |
| Payments for redemption of units | | (110,887) | (16,401) |
| Distributions paid | | (10,548) | (4,566) |
| Net Cash Inflow/(Outflow) from Financing Activities | | 15,451 | 243,961 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 11,183 | 3,809 |
| Cash and cash equivalents at the beginning of the period | | 10,059 | 6,250 |
| Cash and Cash Equivalents at the end of the Period | 3 | 21,242 | 10,059 |

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2023

Overview

The Fund is a registered managed investment scheme under the *Corporations Act 2001* and quoted on the ASX under the AQUA Rules (ticker code: AASF). In accordance with the Fund's Constitution, it commenced on the date that the first unit was issued, which was 31 May 2018. The Fund will terminate on the day immediately preceding the 80th anniversary of the Date of Commencement, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

MAM (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This financial report was authorised for issue by the Directors of the Responsible Entity on 28 August 2023. The Directors have the power to amend and reissue this financial report.

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

1. Basis of Preparation

This general purpose financial report is presented in Australian Dollars and has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board, other mandatory professional reporting requirements and the Fund's Constitution. The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All material balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at balance date.

All amounts in the financial statements are rounded to the nearest thousand dollars (\$'000) or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial period.

The Fund has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date.

1.2. Functional and Presentation Currency

Balances 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.

1.3. Investment Income

Dividend and Distribution Income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax, which is recorded as an expense in profit or loss. Dividends and distributions received are presented net of withholding tax in the Statement of Cash Flows.

Net Change in Fair Value of Investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net change in fair value does not include dividend and distribution income.

Interest Income

Interest income is recognised on an accrual basis using the effective interest rate method.

1.4. Expenses

All expenses are recognised in profit or loss on an accruals basis.

Notes to the Financial Statements

for the year ended 30 June 2023

1.5. Income Tax

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows Managed Investment Trusts that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund has elected into the AMIT regime effective from the date of registration.

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

1.6. Goods and Services Tax

The Goods and Services Tax ("GST") incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") at a rate of 55%-75% and is also eligible to recover GST on offshore transactions. Management fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position as a receivable or payable. Cash flows are included in the Statement of Cash Flows on a gross basis.

1.7. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements required the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 12). As all investments are valued with reference to the listed quoted prices and the Fund's cash is held at strongly rated financial institutions, the Fund's financial assets and liabilities are not subject to significant judgement or complexity.

Notes to the Financial Statements

for the year ended 30 June 2023

2. Distributions to Unitholders

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's PDS. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable or distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively. The Responsible Entity may attribute an amount to a unitholder on redemption.

The Fund intends to target a cash distribution yield of 4% per annum, paid semi-annually for the periods ended June and December. The Target Cash Distribution ("TCD") for each period will be determined by using the average of the month-end NAV per unit over a two year rolling period ending on the last business day of the prior distribution period.

Distributions to unitholders are recognised directly in equity and presented in the Statement of Changes in Equity. A distribution payable is recognised in the Statement of Financial Position where the distribution has been declared but remains unpaid at balance date.

Distributions for the periods ended 30 June are as follows:

| | \$'000 | CPU | Date Paid |
|----------------------------------|--------|------|-------------|
| Period ended 30 June 2023 | | | |
| Interim distribution paid | 6,239 | 6.40 | 18 Jan 2023 |
| Final distribution payable | 7,367 | 6.68 | 21 Jul 2023 |

| | \$'000 | CPU | Date Paid |
|----------------------------------|--------|------|-------------|
| Period ended 30 June 2022 | | | |
| Interim distribution paid | 4,386 | 5.61 | 19 Jan 2022 |
| Final distribution payable | 6,074 | 6.00 | 21 Jul 2022 |

The Fund paid total distributions of 13.0800 CPU for the period (June 2022: 11.6100 CPU) and in addition passed on franking credits of 4.3727 cents per unit and foreign income tax credits of 0.0442 CPU to unitholders (June 2022: franking credits of 4.7794 CPU and foreign income tax credits of 0.0344).

On 6 July 2023, MAM announced the TCD for the six month period ended 31 December 2023 will be 6.85 CPU.

Distribution Reinvestment Plan

The Fund's Distribution Reinvestment Plan ("DRP") was available to eligible unitholders during the period. Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price determined by MAM in accordance with the DRP Rules. Details of the DRP for the interim and final distributions are as follows:

| | 31 Dec 2022 Interim Distribution | 30 Jun 2023 Final Distribution | 31 Dec 2021 Interim Distribution | 30 Jun 2022 Final Distribution |
|--|--|--------------------------------------|--|--------------------------------------|
| DRP issue price (\$) | 3.3149 | 3.3896 | 3.6371 | 2.9844 |
| DRP unitholder participation rate (%) | 4.15 | 9.14 | 29.59 | 24.85 |
| Number of units issued under DRP | 77,355 | 198,482 | 356,768 | 505,538 |
| Value of units issued under DRP (\$'000) | 256 | 673 | 1,298 | 1,509 |
| DRP issue date | 18 Jan 2023 | 21 Jul 2023 | 19 Jan 2022 | 21 Jul 2022 |

Notes to the Financial Statements

for the year ended 30 June 2023

3. Cash and Cash Equivalents

| | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|--|-----------------------|-----------------------|
| Cash at bank - denominated in Australian Dollars | 21,242 | 10,059 |
| Total Cash and Cash Equivalents | 21,242 | 10,059 |

Cash comprises cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4. Statement of Cash Flows Reconciliation

| | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|-----------------------|-----------------------|
| Reconciliation of Net Cash Flows from Operating Activities | | |
| Profit/(Loss) | 57,299 | (38,619) |
| Net change in fair value of investments | (46,425) | 48,573 |
| Fee rebates reinvested into units in the Funds | 161 | 214 |
| Net (increase)/decrease in receivables | (333) | (1,135) |
| Net increase/(decrease) in payables | 40 | 151 |
| Net Cash Inflow/(Outflow) from Operating Activities | 10,742 | 9,184 |
| Non-Cash Investing and Financing Activities | | |
| Fee rebates reinvested into units in the Fund | 161 | 214 |
| Distributions reinvested into units in the Fund | 1,765 | 1,438 |

5. Receivables

| | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|-----------------------|-----------------------|
| Due from brokers - receivable for securities sold | 802 | - |
| Dividend and distribution receivable | 1,644 | 1,379 |
| Applications receivable | 277 | 180 |
| Recoverable GST | 73 | 65 |
| Interest receivable | 65 | 5 |
| Other receivable | - | 26 |
| Total Receivables | 2,861 | 1,655 |

Receivables comprise amounts due from brokers for sales of assets unsettled at balance date, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method and adjusted for changes in foreign exchange rates where applicable. A provision is deducted from receivables for uncollectible amounts based on expected credit losses, if applicable. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The Fund applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

At balance date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (June 2022: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2022: 30 to 90 days). No amounts are impaired or past due at 30 June 2023 or 30 June 2022.

Notes to the Financial Statements

for the year ended 30 June 2023

6. Investments

The Fund classifies its equity securities as financial assets and liabilities at fair value through profit or loss.

The Fund discloses the fair value measurements of financial assets and financial liabilities using a three-level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Fund's, or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

Notes to the Financial Statements

for the year ended 30 June 2023

Details of Investments

| | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|--------------------------------|-----------------------|-----------------------|
| Investments (Level 1) | | |
| BHP | 47,589 | 31,573 |
| CSL | 29,354 | 24,326 |
| Commonwealth Bank of Australia | 26,643 | 22,149 |
| National Australia Bank | 18,335 | 14,186 |
| Mineral Resources | 17,583 | 15,652 |
| Macquarie Bank | 15,682 | 13,592 |
| Wesfarmers | 14,598 | 13,280 |
| Aristocrat Leisure | 13,673 | 11,587 |
| James Hardie Industries | 13,107 | 8,334 |
| Santos | 12,857 | 3,525 |
| Seven Group | 12,188 | 7,157 |
| Ampol | 12,186 | 6,585 |
| Medibank | 12,075 | 8,333 |
| QBE Insurance Group | 11,842 | - |
| Woolworths | 11,497 | 10,116 |
| News Corp Class B | 10,701 | 8,831 |
| Resmed Inc CDI's | 10,403 | - |
| Tabcorp | 9,903 | 4,438 |
| Premier Investments | 9,853 | 5,767 |
| Charter Hall | 8,663 | 7,850 |
| PWR Holdings | 8,099 | 10,399 |
| Waypoint | 5,728 | 5,172 |
| Orora | 4,616 | - |
| Nick Scali | 4,448 | 5,422 |
| Dicker Data | 4,357 | 9,022 |
| Region Group | 4,297 | - |
| Northern Star | 3,455 | 3,677 |
| Reece Australia | 1,868 | 4,071 |
| Iress | 1,393 | - |
| IPH | 1,214 | - |
| EBOS Group | - | 9,322 |
| ARB | - | 8,918 |
| SCA | - | 6,352 |
| The Lottery Corporation | - | 5,367 |
| Smart Group | - | 4,467 |
| Woodside Energy Group | - | 4,178 |
| Silk Laser | - | 1,518 |
| Life360 | - | 1,156 |
| MLG Oz | - | 813 |
| Total Investments | 358,207 | 297,135 |

The Fund does not hold any level 2 or 3 assets. There have been no transfers between any of the three levels in the hierarchy during the period and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

Notes to the Financial Statements

for the year ended 30 June 2023

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Fund is the transaction price. Brokerage costs are expensed immediately in the profit or loss. Subsequent to initial recognition, all financial assets and liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss. The net change in fair value does not include dividend or distribution income.

Purchases and sales are recognised on trade date, being the date the Fund commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership are passed to a third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Fund is the closing price for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

During the period 530 listed security transactions were made, incurring brokerage costs of \$381,000.

7. Payables

| | Note | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|------|-----------------------|-----------------------|
| Due to brokers - payable for securities purchased | | 786 | 347 |
| Management fees payable | 11 | 257 | 217 |
| Redemptions payable | | 78 | 60 |
| Total Payables | | 1,121 | 624 |

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Fund becomes obliged to make payments in respect of the purchase of these goods and services.

At balance date, all payables mature in 0 to 90 days (30 June 2022: 0 to 90 days).

Notes to the Financial Statements

for the year ended 30 June 2023

8. Unitholders' Equity

| | 30 Jun 2023 No. of Units | 30 Jun 2022 No. of Units |
|---|-----------------------------|-----------------------------|
| Units on Issue | | |
| Opening balance | 101,235,874 | 30,419,336 |
| Units issued | 79,927,778 | 112,831,700 |
| Units issued under DRP and management fee rebates | 625,244 | 460,033 |
| Units redeemed | (71,505,879) | (42,475,195) |
| Units on Issue at end of the Period | 110,283,017 | 101,235,874 |

Entering and exiting the Fund

Investors can enter or exit the Fund via buying/selling units on the ASX or by applications/withdrawals direct to/from the Responsible Entity. The method of entry into the Fund does not affect the method of exit from the Fund. The entry and exit price received and investment minimums are set out in the Fund's PDS which can be found in the 'Funds' section of the Airlie Funds Management website, www.airlifundmanagement.com.au.

Ordinary Units

Applications received for units in the Fund are recorded net of entry fees. Redemptions from the Fund are recorded gross of exit fees. The Fund recognises units issued or redeemed when settled, which is trade date.

Each unit confers upon the unitholder an equal interest in the Fund, and is of equal value to other units in the Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Fund. The rights of unitholders are contained in the Fund's Constitution and include:

- the right to receive a distribution determined in accordance with the provisions of the Fund's Constitution;
- the right to attend and vote at meetings of unitholders;
- the right to participate in the termination and winding up of the Fund; and
- the right to redeem units, subject to restrictions disclosed in the Fund's PDS. Those restrictions may include where trading in units on the ASX are suspended for five consecutive business days. In this case, unitholders may apply to the Responsible Entity to make an off-market withdrawal of their investment from the Fund when the Fund is liquid. Where the Fund ceases to be liquid, units may only be withdrawn once an offer is made to all investors in the Fund in accordance with the Fund's Constitution.

There may be other circumstances where off-market withdrawals from the Fund are suspended for up to 28 days, including where:

- it is impracticable for the Responsible Entity, or the Responsible Entity is unable, to calculate the NAV of the Fund;
- the payment of withdrawal proceeds involves realising a significant portion of the Fund's assets which would, in the Responsible Entity's opinion, result in remaining investors bearing a disproportionate amount of capital gains tax or expenses, or suffering any other disadvantage or diminution of the value of units held;
- the Responsible Entity reasonably considers it would be in the interests of investors, or it is otherwise permitted by law; or
- the Responsible Entity receives withdrawal requests of an aggregate value that in its reasonable estimate exceeds 5% of the Fund's assets.

There are no separate classes of units and each unit in the Fund has the same rights attaching to it as all other units of the Fund.

Notes to the Financial Statements

for the year ended 30 June 2023

9. Earnings per Unit

Basic Earnings Per Unit ("EPU") is calculated as profit/(loss) for the period divided by the weighted average number of units on issue. Diluted earnings per unit is calculated by adjusting the basic earnings per unit to take into account the effect of any changes in income or expense associated with dilutive potential units and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary units.

| | 30 Jun 2023 | 30 Jun 2022 |
|---|-------------|-------------|
| Basic EPU | | |
| Profit/(loss) attributable to unitholders (\$'000) | 57,299 | (38,619) |
| Weighted average number of units for basic EPU | 105,296,283 | 72,063,780 |
| Basic EPU (Cents) | 54.42 | (53.59) |
| Diluted EPU | | |
| Profit/(loss) attributable to unitholders (\$'000) | 57,299 | (38,619) |
| Weighted average number of units for diluted EPU | 105,296,283 | 72,063,780 |
| Diluted EPU (Cents) | 54.42 | (53.59) |
| Earnings Reconciliation | | |
| Profit/(loss) used in the calculation of basic and diluted EPU (\$'000) | 57,299 | (38,619) |

As the Fund has no potential dilutive units, basic and diluted EPU are equal. Since the end of the period, the Fund has issued ordinary units under the DRP (refer Note 2).

10. Net Asset Value per Unit

The NAV per unit represents the net assets of the Fund presented in the Statement of Financial Position at balance date divided by the number of units on issue at balance date (refer Note 8).

| | 30 Jun 2023 | 30 Jun 2022 |
|--------------|-------------|-------------|
| | \$ | \$ |
| NAV per unit | 3.3897 | 2.9846 |

The NAV per unit at balance date may differ from the NAV per unit reported to the ASX due to distributions payable and fee accruals.

Asset prices move daily and daily unit prices are available in the 'Funds' section of the Airlie Funds Management website, www.airlifundmanagement.com.au. Subsequent to balance date, as at 24 August 2023, the Fund had a NAV per unit of \$3.4421 with net asset value of \$392,456,000 and 114,018,000 units on issue.

Notes to the Financial Statements

for the year ended 30 June 2023

11. Related Parties

Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of Magellan Financial Group Limited ("MFG") (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity. MAM and MFG and are considered related parties of the Fund.

Key Management Personnel

Key management personnel ("KMP") are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Fund. The Responsible Entity is responsible for managing the activities of the Fund and is considered to be a KMP. The Fund does not employ personnel in its own right.

The Directors of MAM are considered to be KMP. The Directors of MAM during the period and up to the date of this report are: Mr David Dixon (appointed 1 November 2022), Mr John Eales, Mr Andrew Formica (appointed 26 July 2023), Mr Robert Fraser, Ms Colette Garnsey, Mr David George (appointed 19 July 2022), Mr Hamish McLennan, Ms Kirsten Morton (resigned 3 July 2023) and Ms Karen Phin (resigned 20 October 2022). The Fund did not pay any compensation to the Directors of the Responsible Entity.

Management Fees

The Responsible Entity is entitled to receive management fees from the Fund for managing the assets and overseeing the operations of the Fund. The management fee is 0.78% per annum (net of any applicable reduced input tax credits) of the value of the Fund, calculated daily. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated daily based on the NAV (before fees) of the Fund reflected in the daily unit prices of the Fund and are payable at the end of each month.

Management fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1.6). The management fees paid/payable by the Fund are as follows:

| | 30 Jun 2023 | 30 Jun 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Management fees | 2,756,321 | 1,939,622 |
| Total Fees Expensed in the Statement of Profit or Loss and Comprehensive Income | 2,756,321 | 1,939,622 |
| Total Fees Payable in the Statement of Financial Position | 256,702 | 216,580 |

Transactions with Related Parties

The number of units held and related transactions during the period by each KMP, including their personally-related parties, in the Fund is as follows:

| | 30 Jun 2022 | | | | 30 Jun 2023 | | | |
|---------------------------|--|-------------------|------|----------------------------------|--|-------------------|------|----------------------------------|
| | Acquired/ disposed Number ¹ | Holding Number | % | Distribution paid/ payable | Acquired/ disposed Number ¹ | Holding Number | % | Distribution paid/ payable |
| | | | | \$ ² | | | | \$ ² |
| Directors | | | | | | | | |
| Brett Cairns ³ | 335 | 21,324 | na | - | - | - | na | - |
| John Eales | - | 16,685 | 0.02 | 1,937 | - | 16,685 | 0.02 | 2,182 |
| Paul Lewis ⁴ | 6,629 | 422,384 | na | - | - | - | na | - |
| Karen Phin ⁵ | - | 19,049 | 0.02 | 2,212 | - | 19,049 | na | na |

¹ Includes DRP units allotted.

² Represents the interim distribution paid and final distribution payable for the period, comprising cash paid and DRP units issued.

³ Holdings shown at date of resignation, 6 December 2021.

⁴ Holdings shown at date of resignation, 30 September 2021.

⁵ Holdings shown at date of resignation, 24 October 2022.

Transactions between the Fund and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other KMP held units in the Fund.

Notes to the Financial Statements

for the year ended 30 June 2023

12. Capital and Financial Risk Management

Financial Risk Management

The Fund's investment portfolio primarily comprises listed equity investments. The Fund's primary investment objective is to provide long-term capital growth and regular income (as detailed in the PDS). The Fund's investing activities expose it to various types of risks including concentration risk, market risk, liquidity risk and credit risk.

Financial risk management is carried out under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Fund's PDS and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The following disclosures in relation to the various risks of the Fund's portfolio have been based on the Fund's direct holdings.

Concentration Risk

Concentration risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. The Fund holds a concentrated portfolio of investments, and the returns of the Fund may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Fund's unit price, and also increases the risk of poor performance.

The Fund's concentration risk is managed in accordance with the portfolio risk controls for the Fund, which are approved by MAM's Investment Committee.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices and interest rates.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The size and diversification of the portfolio is sufficient to ensure the Fund's returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolio are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the return of the Fund may increase or decrease by different amounts.

For illustrative purposes an increase of 5% in the market prices of each of the Fund's investments held at balance date, assuming all other variables remain constant, would have had the following impact on the Fund's profit/(loss) and unitholders' equity.

| | 30 Jun 2023 \$'000 | 30 Jun 2022 \$'000 |
|---|-----------------------|-----------------------|
| Impact on unitholders' equity and profit/(loss) | 17,910 | 14,857 |

A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary exposure to interest rate movements arises on the Fund's cash balances. The value of cash balances is sensitive to the RBA cash rate.

Interest rate movements have an insignificant impact upon the Fund's recorded net profit or equity.

Notes to the Financial Statements

for the year ended 30 June 2023

Market Making Risk

The Responsible Entity, on behalf of the Fund, may provide liquidity to investors on the ASX by acting as a buyer and seller of units in the Fund. At the end of each business day, the Responsible Entity, on behalf of the Fund, may create or cancel units by applying for or redeeming its net position in units bought or sold on the ASX. The Responsible Entity has appointed an independent market participant to act as its agent to transact and facilitate settlement on its behalf.

Market making risk comprises: i) the risk that the market making agent makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX.

In order to mitigate this risk, the Responsible Entity, on behalf of the Fund, has the discretion to increase the spread at which it makes a market and also has the right to cease making a market subject to its obligations under the AQUA Rules and ASX Operating Rules.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth.

This risk is managed by the Fund maintaining sufficient cash and cash equivalents to meet its normal operating requirements and holding investments that are traded in an active market and can be readily disposed.

In addition, to manage the Fund's overall liquidity, the Responsible Entity has the discretion to suspend capital withdrawals from the Fund for up to 28 days if it is impracticable for the Responsible Entity or if the Responsible Entity is unable to calculate the NAV of the Fund, the withdrawal request would reasonably require the Responsible Entity to sell 5% or more (by value of the net assets of the Fund), the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the Responsible Entity reasonably considers it to be in the interests of remaining unitholders of the Fund.

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$8,488,000 (June 2022: \$6,698,000) within 30 days. The Fund has cash and receivables totalling \$24,103,000 (June 2022: \$11,714,000) to cover these liabilities.

Credit Risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss to the Fund. Market prices generally take counterparty credit into account and therefore the risk of loss is implicitly provided for in the carrying value of financial assets and liabilities held at fair value.

The Fund's maximum exposure to credit risk is the carrying amount of all cash and cash equivalents, financial assets and receivables recognised in the Statement of Financial Position as well as the value of any financial commitments which the Fund would assume in the event of counterparty default.

The Fund minimises concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by financial intermediaries with acceptable credit ratings as determined by a recognised rating agency. To further mitigate this risk, the credit rating and financial positions of the brokers used by the Fund are regularly monitored. Credit risk relating to outstanding settlements is considered low due to the short settlement periods involved.

The Fund is also exposed to the credit risk of The Northern Trust Company ("NT") which is the appointed custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's long-term deposit/debt is rated at balance date, by Standard and Poor's as AA- and by Moody's as Aa2 (June 2022: Standard and Poor's as AA- and by Moody's as Aa2).

Notes to the Financial Statements

for the year ended 30 June 2023

13. Segment Information

An operating segment is a distinguishable component of the Fund that is engaged in business activity from which the Fund earns revenues and incurs expenses, whose operating results are regularly reviewed by the Fund's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as the Chief Executive Officer.

The Fund's investments are managed on a single portfolio basis and in one business segment being equity investment, as well as in one geographic segment being Australia. The Fund continues to have foreign exposures as it invests in companies which operate internationally.

14. Auditor's Remuneration

The following amounts were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund, Ernst & Young Australia:

| | 30 Jun 2023 | 30 Jun 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| Fees for audit and review of statutory financial reports | 28,770 | 27,400 |
| Fees for audit related assurance services ¹ | 1,292 | 1,279 |
| Fees for other services: | | |
| Taxation compliance services ² | 7,000 | 7,000 |
| Total Auditor Remuneration | 37,062 | 35,679 |
| % of non-audit fees paid to auditor | 22.4% | 23.2% |

¹ Comprises review of ICR calculations.

² Comprises review of income tax returns and distribution calculations.

Auditor Tenure

MAM as Responsible Entity or Trustee has appointed Ernst & Young as auditor. Ernst & Young is the auditor of all Funds where MAM is the Responsible Entity or Trustee. The external audit was last put out to tender in 2018, which aligned to the auditor's 10 year anniversary, and Ernst & Young was reappointed auditor (where relevant to a Fund that was formed prior to 2018) as it scored highest across all requirements and the Board of the Responsible Entity or Trustee was satisfied that appropriate safeguards were in place to ensure the required independence of Ernst & Young. Ms Clare Sporle has served as lead audit partner since August 2019. In accordance with the *Corporations Act 2001* the next rotation of the lead audit partner is planned to occur after the completion of the 30 June 2024 financial year audit.

15. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Fund has no contingent assets, liabilities or commitments (June 2022: nil).

16. Subsequent Events

On 25 July 2023, it was announced that Mr Andrew Formica was appointed as a Non-Executive Director with effect from 26 July 2023.

On 17 August 2023, it was announced that Mrs Deborah Page AM will be appointed as a Non-Executive Director with effect from 3 October 2023.

Other than the above and items disclosed throughout this financial report, there have been no matters or circumstances arising after the end of the period that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future financial periods.

Directors' Declaration

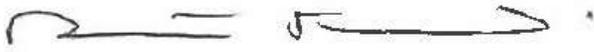
for the year ended 30 June 2023

In the Directors' opinion,

- a. the financial statements and notes set out on pages 9 to 25 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position of the Fund as at 30 June 2023 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
 - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and
- 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.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2023.

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



Robert Fraser

Chairman

Sydney, 28 August 2023

Independent auditor's report to the unitholders of Airlie Australian Share Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of Airlie Australian Share Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. 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 Fund 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 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 judgment, 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, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant

1. Investment existence and valuation

The Fund has a significant investment portfolio consisting of listed equities. As at 30 June 2023, the fair value of these investments were 93.7% of the total assets of the Fund.

As detailed in the Fund's accounting policy, disclosed in Note 6 of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore existence and valuation of the investment portfolio was a key audit matter.

2. Management and performance fees

For the year ended 30 June 2023, management fees totalled \$2.8m which equates to 86.6% of total expenses and performance fees were nil. Management fees, paid to the investment manager, Magellan Asset Management Limited, are the most significant expense for the Fund.

The Fund's accounting policy for management fees is disclosed in Note 11 of the financial report. All expenses are recognised on an accrual basis, with performance fees recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period.

Due to the complexity of the performance fee arrangements this was considered to be a key audit matter.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Fund's 2023 annual report, 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.

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How our audit addressed the key audit matter

Our audit procedures included the following:

Assessed the effectiveness of the controls relating to the recognition and valuation of investments.

Obtained and assessed the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the year ended 30 June 2023 and evaluated the auditor's qualifications, competence and objectivity and the results of their procedures.

Obtained third party confirmations of the balances of investment holdings, including cash accounts, at 30 June 2023.

Assessed the fair value of all listed investments in the portfolio held at 30 June 2023 by comparing to independently sourced market prices.

Assessed the adequacy of the disclosures in Note 6 and Note 12 of the financial report in accordance with the requirements of Australian Accounting Standards.

Our audit procedures included the following:

Assessed the effectiveness of the controls in relation to the calculation of management fees.

Obtained and assessed the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the period ended 30 June 2023 and evaluated the auditor's qualifications, competence and objectivity and results of their procedures.

Recalculated management fees in accordance with contractual arrangements.

Assessed the adequacy of the disclosures in Note 11 of the financial report.

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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 to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Clare Sporle'.

Clare Sporle

Partner

Sydney, 28 August 2023

Unitholder Information

Distribution of Unitholders

The distribution of unitholders of the Fund as at 16 August 2023 is as follows:

| | Number of unit holders | Number of units | Percentage of units on issue % |
|---|------------------------|--------------------|--------------------------------|
| 1-1,000 | 247 | 98,576 | 0.09 |
| 1,001-5,000 | 504 | 1,575,352 | 1.40 |
| 5,001-10,000 | 415 | 2,995,112 | 2.65 |
| 10,001-100,000 | 551 | 13,216,063 | 11.72 |
| 100,001 and over | 55 | 94,901,317 | 84.14 |
| Total | 1,772 | 112,786,420 | 100.00 |
| Number of holders with less than a marketable parcel of units | 31 | 2,438 | - |

Twenty Largest Unitholders

The names of the 20 largest unitholders in the Fund as at 16 August 2023 are as follows:

| | Number of units | Percentage of units on issue % |
|---|--------------------|--------------------------------|
| Bond Street Custodians (Portfolio Manager A/C) | 26,294,726 | 23.31 |
| The Trust Company (Ptal) | 9,042,917 | 8.02 |
| BT Portfolio Services (Panorama A/C) | 7,973,436 | 7.07 |
| Netwealth Investment (Super Services A/C) | 7,399,523 | 6.56 |
| Netwealth Investments (Wrap A/C) | 7,029,027 | 6.23 |
| The Trust Company (Ptal) (Cash A/C) | 5,865,357 | 5.20 |
| HSBC Custody Nominees (Australia) | 4,393,152 | 3.90 |
| BNP Paribas Nominees Hub24 Custodial Services (DRP A/C) | 2,601,344 | 2.31 |
| Asgard Capital Management (Asgard & Ibs Holdings A/C) | 2,507,116 | 2.22 |
| HSBC Custody Nominees (Australia) (A/C 011-477395-061) | 2,067,987 | 1.83 |
| Mattrow (Mattrow Unit A/C) | 2,000,000 | 1.77 |
| Harveycrest (The AFF No. 3 Trust) | 1,844,510 | 1.64 |
| Harveycrest (The AFF No. 4 Trust) | 1,844,510 | 1.64 |
| Harveycrest (The AFF No. 2 Trust) | 1,844,510 | 1.64 |
| Investment Custodial Services (C) | 1,270,710 | 1.13 |
| NCOBF (N&C O'Brien Family Foundation A/C) | 1,149,000 | 1.02 |
| Citicorp Nominees ACF (2224440000) | 765,644 | 0.68 |
| ITH Super (IT & DJ Heffernan Super A/C) | 693,243 | 0.61 |
| Tayside Australia | 620,584 | 0.55 |
| Certane CT (Shield Master Fund A/C) | 605,428 | 0.53 |
| Total Units Held By The 20 Largest Unitholders | 87,812,724 | 77.86 |
| Total Units On Issue | 112,786,420 | |

Units

All issued units carry one vote per unit and the right to distributions.

Corporate Information

Directors of the Responsible Entity

Robert Fraser - Chairman
David Dixon - Deputy Chairman
John Eales AM
Andrew Formica
Colette Garnsey OAM
David George - Managing Director and Chief Executive Officer
Hamish McLennan

Company Secretary of the Responsible Entity

Marcia Venegas

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Website

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Auditor

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200 George Street
Sydney NSW 2000

Unit Registrar

Apex Fund Services
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Fax: +61 2 9247 2822
Email: magellanfunds@apexgroup.com

Securities Exchange Listing

Australian Securities Exchange code: AASF