

# **Pendal Australian Long/Short Fund**

ARSN 121 948 810

## **Annual Report for the year ended 30 June 2024**

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ARSN 121 948 810

## Annual Report

for the year ended 30 June 2024

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## Directors' report

The directors of Pendal Fund Services Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Pendal Australian Long/Short Fund (the Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2024 and the auditor's report thereon.

### Responsible Entity

The Responsible Entity of Pendal Australian Long/Short Fund is Pendal Fund Services Limited (ABN 13 161 249 332). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

### Directors

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

Amanda Apted (appointed 31 August 2023)  
Simone Mosse (appointed 23 January 2023)  
Anthony Serhan (appointed 6 December 2019)  
Richard Brandweiner (appointed 6 March 2019, resigned 31 July 2023)  
Justin Howell (appointed 7 May 2018, resigned 1 September 2023)

### Principal activities

The principal activity of the Scheme is to provide unitholders with an actively managed portfolio of Australian shares investing in both long and short positions.

The Scheme did not have any employees during the year.

There were no significant changes in the nature of the Scheme's activities during the year.

### Review and results of operations

During the year, the Scheme's assets were invested in accordance with the investment objective and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	<b>30 June 2024</b>	30 June 2023
Profit/(loss) (\$'000)	<u><b>54,619</b></u>	<u>52,830</u>
Distributions paid and payable (\$'000)	<u><b>23,464</b></u>	<u>19,534</u>
Distributions (cents per unit)	<u><b>4.319</b></u>	<u>4.076</u>

### Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 5 to the financial statements.

The value of the Scheme'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.

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

### **Significant changes in state of affairs**

Effective 9 February 2024, KPMG was appointed as auditor for the Scheme. This appointment followed the outcome of an audit tender process. In accordance with this process and section 329(5) of the *Corporations Act 2001*, the Scheme received the resignation of PricewaterhouseCoopers (PwC) following ASIC's consent to the resignation.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Scheme during the financial year.

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

No matter or circumstance has arisen since 30 June 2024 that has significantly affected or may significantly affect:

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

### **Likely developments and expected results of operations**

The Scheme will continue to be managed in accordance with the investment objective and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment market in which the Scheme 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.

### **Environmental regulation**

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

### **Fees paid to the Responsible Entity or its related parties**

Fees paid to the Responsible Entity and its related parties out of Scheme property during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the year.

### **Indemnity and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Pendal Fund Services Limited or the auditor of the Scheme. So long as the officers of Pendal Fund Services Limited act in accordance with the Scheme's Constitution and the law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditor of the Scheme is in no way indemnified out of the assets of the Scheme.

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

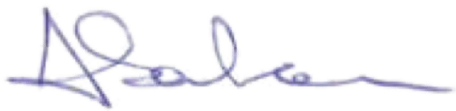
The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with the legislative instrument, unless otherwise indicated.

## Directors' report (continued)

### Lead auditor's independence declaration

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

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



Director

Sydney  
17 September 2024



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

To the Directors of Pental Fund Services Limited as the Responsible Entity of  
Pental Australian Long/Short Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Pental Australian Long/Short Fund for the financial year ended 30 June 2024 there have been:

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

*KPMG*

KPMG

*K Hopkins*

Karen Hopkins

*Partner*

Sydney

17 September 2024

**Pendal Australian Long/Short Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2024**

**Statement of comprehensive income**

	Notes	<b>30 June 2024 \$'000</b>	30 June 2023 \$'000
<b>Investment income</b>			
Dividend/distribution income*		<b>19,069</b>	18,139
Interest income		<b>1,057</b>	396
Net gains/(losses) on financial instruments at fair value through profit or loss		<b>39,787</b>	37,029
Gains/(losses) from short selling*		<b>(2,614)</b>	(510)
Other income		<u>-</u>	49
<b>Total investment income/(loss)</b>		<u><b>57,299</b></u>	<u>55,103</u>
<b>Expenses</b>			
Responsible Entity's fees	12	<b>2,364</b>	2,098
Other expenses*	3	<u><b>316</b></u>	<u>175</u>
<b>Total expenses</b>		<u><b>2,680</b></u>	<u>2,272</u>
<b>Profit/(loss)**</b>		<u><b>54,619</b></u>	<u>52,830</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income**</b>		<u><b>54,619</b></u>	<u>52,830</u>

\*The comparatives have been presented to align with the changes adopted for the current year. Refer to note 2.

\*\*The Scheme's net assets attributable to unitholders have been restated from liability to equity for the year ended 30 June 2023 in line with requirements of AASB 132 *Financial Instruments: Presentation*.

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

**Pendal Australian Long/Short Fund**  
**Statement of financial position**  
**As at 30 June 2024**

**Statement of financial position**

	Notes	<b>30 June 2024 \$'000</b>	30 June 2023 \$'000
<b>Assets</b>			
Cash and cash equivalents	10(b)	<b>22,609</b>	20,167
Margin accounts		<b>1,177</b>	1,060
Receivables	8	<b>2,132</b>	1,926
Financial assets at fair value through profit or loss	6	<u><b>536,535</b></u>	<u>425,091</u>
<b>Total assets</b>		<u><b>562,453</b></u>	<u>448,244</u>
<b>Liabilities</b>			
Distributions payable	4	<b>17,475</b>	13,853
Payables	9	<b>246</b>	4,578
Financial liabilities at fair value through profit or loss	7	<u><b>13,556</b></u>	<u>4,646</u>
<b>Total liabilities</b>		<u><b>31,277</b></u>	<u>23,077</u>
<b>Net assets attributable to unitholders - equity*</b>	5	<u><b>531,176</b></u>	<u>425,167</u>

\*The Scheme's net assets attributable to unitholders have been restated from liability to equity for the year ended 30 June 2023 in line with requirements of AASB 132 *Financial Instruments: Presentation*.

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



**Pendal Australian Long/Short Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2024**

**Statement of changes in equity**

	Notes	30 June 2024 \$'000	30 June 2023* \$'000
<b>Total equity at the beginning of the year</b>	5	<b>425,167</b>	361,156
<b>Comprehensive income</b>			
Profit/(loss)		<b>54,619</b>	52,830
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>54,619</b>	52,830
<b>Transactions with unitholders</b>			
Applications	5	<b>56,690</b>	4,460
Redemptions	5	<b>(1,212)</b>	(725)
Units issued upon reinvestment of distributions	5	<b>19,376</b>	26,980
Distributions to unitholders	4,5	<b>(23,464)</b>	(19,534)
<b>Total transactions with unitholders</b>		<b>51,390</b>	11,181
<b>Total equity at the end of the year</b>	5	<b>531,176</b>	425,167

\*The Scheme's net assets attributable to unitholders have been restated from liability to equity for the year ended 30 June 2023 in line with the requirements of AASB 132 *Financial Instruments: Presentation*.

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

**Pendal Australian Long/Short Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2024**

**Statement of cash flows**

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss*		76,788	48,952
Payments for purchase of financial instruments at fair value through profit or loss		(143,850)	(57,399)
Amount paid to brokers for margin		(117)	(827)
Dividends/distributions received*		18,796	17,930
Interest received		1,050	388
Gains/(losses) from short selling*		(2,614)	(510)
Other income received		-	7
Responsible Entity's fees paid		(2,319)	(2,081)
Performance fees paid		-	(928)
Other expenses paid*		(325)	(175)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<u>(52,591)</u>	<u>5,357</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		56,690	4,460
Payments for redemptions by unitholders		(1,191)	(725)
Distributions paid		(466)	(516)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>55,033</u>	<u>3,219</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,442</b>	8,576
Cash and cash equivalents at the beginning of the year		<u>20,167</u>	11,591
<b>Cash and cash equivalents at the end of the year</b>	10(b)	<u><b>22,609</b></u>	<u>20,167</u>

\*The comparatives have been presented to align with the changes adopted for the current year. Refer to note 2.

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

## **1 General information**

These financial statements cover Pendal Australian Long/Short Fund (the Scheme) as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme was constituted on 28 August 2006. The Scheme will terminate within 80 years from the date of commencement in accordance with the provisions of the Scheme's Constitution (as amended). The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is Pendal Fund Services Limited. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

The financial statements were authorised for issue by the directors of the Responsible Entity on 17 September 2024. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of material accounting policies**

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

### **(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 (AASB) and the *Corporations Act 2001* in Australia. The Scheme is a for-profit entity for the purpose of preparing the financial statements.

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

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

The Scheme 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 at the reporting date.

#### *Compliance with International Financial Reporting Standards*

The financial statements also comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

#### *Functional and presentation currency*

The financial statements are presented in Australian dollars, which is the Scheme's functional currency.

#### *Use of estimates*

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the current changing market conditions are assessed and estimated. Actual results may differ from these estimates.

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 13(d).

## 2 Summary of material accounting policies (continued)

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

#### *Comparatives*

The Scheme's net assets attributable to unitholders for the comparative period have been restated from liability to equity in line with the requirements of AASB 132 *Financial Instruments: Presentation*. The Scheme met all the requirements for equity classification in the prior year and the classification of the Scheme's net assets attributable to unitholders as liability was due to an error.

The overall changes to the financial statements for the comparative period are summarised below:

1. The statement of financial position was restated to reflect the classification of net assets attributable to unitholders as equity.
2. The statement of comprehensive income was restated to remove the finance costs comprising distributions to unitholders of (\$19,534,000) and changes in net asset attributable to unitholders of (\$33,296,000). Profit or loss and other comprehensive income were restated from nil to \$52,830,000.
3. The statement of changes in equity was restated to reflect the classification of the Scheme's net assets attributable to unitholders as equity which includes transactions with unitholders as disclosed under note 5 for the comparative period.

Certain comparative figures have been restated to conform with the changes in the classification and presentation for current year.

#### *New standards, amendments and interpretations adopted by the Scheme*

The Scheme has adopted the following Australian Accounting Standards for the reporting period beginning 1 July 2023:

- (i) AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* (AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2)

AASB 2021-2 became effective for annual reporting periods beginning on or after 1 January 2023. The amendments require the disclosure of material accounting policies rather than significant accounting policies and clarify the distinction between accounting policies and accounting estimates. The amendments do not result in any changes to the accounting policies.

There are no other new accounting standards, amendments and interpretations that are effective for the first time for the reporting period beginning 1 July 2023 and have a material impact on the financial statements of the Scheme.

#### *New standards, amendments and interpretations effective after 1 July 2024 and have not been early adopted*

A number of new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Scheme.

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

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

#### *(i) Classification*

The Scheme classifies its investments based on its business model for managing those financial instruments and their contractual cash flow characteristics. The Scheme's investment portfolio is managed and its performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is to evaluate the information about its investments on a fair value basis together with other related financial information.

Derivatives and equity securities are classified as financial assets at fair value through profit or loss.

The Scheme makes short sales in which borrowed security is sold in anticipation of a decline in the market value of that security, or may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

#### *(ii) Recognition/derecognition*

The Scheme recognises its investments on the date it becomes party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial instruments from this date.

Investments are derecognised on the date the Scheme becomes party to the sale contractual agreement (trade date).

#### *(iii) Measurement*

At initial recognition, investments are measured at fair value. Transaction costs are expensed in profit or loss as incurred. Subsequently, all investments are measured at fair value without any deduction for estimated future selling costs. Gains and losses arising from changes in the fair value measurement are recognised in profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further details of fair value measurement are disclosed in note 13(d).

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is 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.

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

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

The units can be put back to the Scheme at any time for cash based on the redemption price, which is a reasonable approximation of the proportionate share of the Scheme's net asset value. The carrying amount of these units at the redemption price represents the expected cash flows on redemption of these units at the reporting date if the unitholders exercise their right to put the units back to the Scheme.

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

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

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Scheme classifies the net assets attributable to unitholders as equity as it satisfies the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instruments are in the class of instruments that is subordinate to all other classes of instruments and the class features are identical;
- no contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instrument; and
- the total expected cash flows attributable to the puttable financial instruments 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 include cash at bank and other short term and highly liquid financial assets with a maturity period of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

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

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

The carrying amount of margin accounts is a reasonable approximation of fair value.

### **(f) Receivables**

Receivables include accrued income.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme measures 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 Scheme measures 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.

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

The carrying amount of receivables is a reasonable approximation of fair value due to their short term nature.

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

### **(g) Payables**

Payables include accrued expenses, redemption monies owed by the Scheme and payables for securities purchased which are unpaid at the end of the reporting period.

The carrying amount of payables is a reasonable approximation of fair value due to their short term nature.

### **(h) Investment income**

Interest income from financial assets at amortised cost is recognised 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 profit or loss when the Scheme's right to receive payment is established.

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

### **(i) Expenses**

All expenses, including Responsible Entity's fees, are recognised in profit or loss on an accruals basis.

### **(j) Income tax**

The Scheme is not subject to income tax provided the taxable income of the Scheme is attributed to its unitholders each financial year. Unitholders are subject to income tax at their own marginal tax rates on amounts attributable to them.

The benefits of franking credits and foreign tax paid are passed on to unitholders, provided certain conditions are met.

### **(k) Distributions**

In accordance with the Scheme's Constitution, the Scheme distributes its distributable income and any other amounts as determined by the Responsible Entity.

### **(l) Goods and Services Tax**

The Goods and Services Tax (GST) is incurred on the cost of various services provided to the Scheme by third parties. The Scheme qualifies for Reduced Input Tax Credit (RITC); hence expenses such as Responsible Entity's fees have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office.

### **(m) Rounding of amounts**

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the legislative instrument, unless otherwise indicated.



### 3 Other expenses

	30 June 2024 \$'000	30 June 2023 \$'000
Transaction costs	243	155
Sundry expenses	73	20
<b>Total</b>	<b>316</b>	<b>175</b>

### 4 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2024 \$'000	30 June 2024 CPU	30 June 2023 \$'000	30 June 2023 CPU
Distributions paid - December	5,989	1.200	5,681	1.200
Distributions payable - June	17,475	3.119	13,853	2.876
<b>Total distributions</b>	<b>23,464</b>		<b>19,534</b>	

### 5 Net assets attributable to unitholders

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

	30 June 2024 Units'000	30 June 2023 Units'000	30 June 2024 \$'000	30 June 2023* \$'000
Opening balance	481,680	444,590	425,167	361,156
Applications	58,276	5,108	56,690	4,460
Redemptions	(1,323)	(823)	(1,212)	(725)
Units issued upon reinvestment of distributions	21,572	32,805	19,376	26,980
Distributions to unitholders	-	-	(23,464)	(19,534)
Profit/(loss)	-	-	54,619	52,830
<b>Closing balance</b>	<b>560,205</b>	<b>481,680</b>	<b>531,176</b>	<b>425,167</b>

\*The Scheme's net assets attributable to unitholders have been restated from liability to equity for the year ended 30 June 2023 in line with the requirements of AASB 132 *Financial Instruments: Presentation*.

As stipulated within the Scheme's Constitution, each unit represents a right to an individual unit in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Scheme.



## 5 Net assets attributable to unitholders (continued)

### *Capital risk management*

The Scheme 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 Scheme is subject to daily applications and daily redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application and to defer or adjust a redemption if the exercise of such discretion is in the best interests of unitholders.

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

	30 June 2024 \$'000	30 June 2023 \$'000
Derivatives		
Futures	139	68
Equity securities	<u>536,396</u>	<u>425,023</u>
<b>Total financial assets at fair value through profit or loss</b>	<u><b>536,535</b></u>	<u><b>425,091</b></u>

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

	30 June 2024 \$'000	30 June 2023 \$'000
Equity securities sold short	<u>13,556</u>	<u>4,646</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><b>13,556</b></u>	<u><b>4,646</b></u>

## 8 Receivables

	30 June 2024 \$'000	30 June 2023 \$'000
Dividends/distributions receivable	2,026	1,836
Interest receivable	15	8
Other receivables	<u>91</u>	<u>82</u>
<b>Total receivables</b>	<u><b>2,132</b></u>	<u><b>1,926</b></u>

## 9 Payables

	30 June 2024 \$'000	30 June 2023 \$'000
Responsible Entity's fees payable	225	180
Redemptions payable	21	-
Payables for securities purchased	-	4,398
<b>Total payables</b>	<b>246</b>	<b>4,578</b>

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

	30 June 2024 \$'000	30 June 2023 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss)	54,619	52,830
Proceeds from sale of financial instruments at fair value through profit or loss*	76,788	48,952
Payments for purchase of financial instruments at fair value through profit or loss	(143,850)	(57,399)
Amount paid to brokers for margin	(117)	(827)
(Increase)/decrease in dividends/distributions receivable	(190)	(209)
(Increase)/decrease in interest receivable	(7)	(8)
(Increase)/decrease in other receivables	(9)	(42)
Increase/(decrease) in payables	45	(911)
Net (gains)/losses on financial instruments at fair value through profit or loss	(39,787)	(37,029)
Income reinvested	(83)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(52,591)</b>	<b>5,357</b>
<b>(b) Components of cash and cash equivalents</b>		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	22,609	20,167
<b>Total cash and cash equivalents</b>	<b>22,609</b>	<b>20,167</b>
<b>(c) Non-cash financing activities</b>		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	19,376	26,980

## 11 Remuneration of auditors

	30 June 2024 \$	30 June 2023 \$
<i>Audit and other assurance services - KPMG:</i>		
Audit of financial statements	13,973	-
Other regulatory assurance services	2,736	-
<i>Audit and other assurance services - PricewaterhouseCoopers Australia (PwC):</i>		
Audit of financial statements	-	18,488
Other regulatory assurance services	-	2,602
<b>Total</b>	<b>16,709</b>	<b>21,090</b>

Audit fees were paid or payable by the Responsible Entity.

## 12 Related party transactions

### Responsible Entity

The Responsible Entity of Pendal Australian Long/Short Fund is Pendal Fund Services Limited (ABN 13 161 249 332), a wholly owned subsidiary of Perpetual Limited (ACN 000 431 827).

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel.

### Key management personnel

#### (a) Directors

The directors of Pendal Fund Services Limited during the year or since the end of the year and up to the date of this report were as follows:

Amanda Apted (appointed 31 August 2023)  
Simone Mosse (appointed 23 January 2023)  
Anthony Serhan (appointed 6 December 2019)  
Richard Brandweiner (appointed 6 March 2019, resigned 31 July 2023)  
Justin Howell (appointed 7 May 2018, resigned 1 September 2023)

#### (b) Other key management personnel

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

### Transactions with key management personnel

Key management personnel services are provided by Pendal Fund Services Limited and included in the Responsible Entity's fees. There is no separate charge for these services. There was no compensation paid directly by the Scheme to any of the key management personnel during the year.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their related entities at any time during the reporting period.

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

### **Responsible Entity's fees and other transactions**

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive management fees. The Scheme incurred management fees (inclusive of GST and net of RITC) of 0.50% per annum for the year ended 30 June 2024. The management fees are calculated by reference to the net asset value of the Scheme.

The Responsible Entity is also entitled to receive a performance fee if the performance of the Scheme exceeds its benchmark as disclosed in the Scheme's Product Disclosure Statement.

The transactions during the year and amounts payable at the reporting date between the Scheme and the Responsible Entity were as follows:

	<b>30 June 2024</b>	30 June 2023
	<b>\$</b>	<b>\$</b>
Responsible Entity's fees	<b>2,363,987</b>	2,098,459
Responsible Entity's fees payable	<b>225,019</b>	179,594

No performance fees were paid or payable for the year ended 30 June 2024 and 30 June 2023.

## **13 Financial risk management**

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

A risk management framework has been established by the Responsible Entity of the Scheme to monitor the Scheme's compliance with its governing documents and to minimise risks in its investment activities. This framework incorporates a regular assessment process to ensure procedures and controls adequately manage the investment activities. The Scheme is permitted to use derivative products. However, the use of derivatives must be consistent with the investment strategy and restrictions specified in the Scheme's governing documents.

All investment securities present a risk of loss of capital. The maximum loss of capital on investment securities is generally limited to the fair values of those positions. On equities sold short, the maximum loss of capital is unlimited. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The Scheme's asset managers aim to manage these risks through the use of consistent and carefully considered investment strategy and guidelines specifically tailored for the Scheme's investment objective. Risk management techniques are used in the selection of investments. Asset managers will only purchase securities (including derivatives) which meet the prescribed investment criteria. Risk may also be reduced by diversifying investments across several asset managers, markets, regions or different asset classes and counterparties.

The Scheme uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of currency risk, interest rate risk and price risk; and credit ratings analysis for credit risk.

### **(a) Market risk**

#### *(i) Currency risk*

Currency risk arises as the fair value or future cash flows of monetary assets and liabilities denominated in foreign currency will fluctuate due to changes in exchange rates. The currency risk relating to non-monetary assets and liabilities is a component of price risk and not currency risk. However, management monitors the exposures on all foreign currency denominated assets and liabilities.

### 13 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Currency risk (continued)

The Scheme did not have any exposure to currency risk at the reporting date.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Scheme is exposed to cash flow interest rate risk on financial instruments with floating interest rates. Financial instruments with fixed interest rates expose the Scheme to fair value interest rate risk.

The Scheme's exposure to interest rate risk is limited to its cash and cash equivalents, which earn/charge a floating rate of interest.

##### (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Scheme is exposed to price risk predominantly through its investments for which prices in the future are uncertain.

The fair value of the Scheme's investments exposed to price risk were as follows:

	30 June 2024 \$'000	30 June 2023 \$'000
Derivatives	139	68
Equity securities	<u>522,840</u>	<u>420,377</u>
	<u>522,979</u>	<u>420,445</u>

The table presented in note 13(a)(iv) summarises sensitivity analysis to price risk. This analysis assumes that all other variables remain constant.

##### (iv) Sensitivity analysis

The following table summarises the sensitivity of profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on management's estimates, having regard to a number of factors, including historical correlation of the Scheme's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusual large market movements resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

### 13 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iv) Sensitivity analysis (continued)

	Sensitivity rates	Impact on profit/net assets attributable to unitholders	
		30 June 2024 \$'000	30 June 2023 \$'000
<b>Price risk</b>	+10%	53,741	-
	-10%	(53,741)	-
	+15%	-	64,158
	-15%	-	(64,158)

#### (b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The Scheme is exposed to counterparty credit risk on derivative financial instruments and cash and cash equivalents. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired or past due but not impaired.

##### (i) Derivative financial instruments

The risk of counterparty default in a derivative transaction is minimised by predominantly using exchange traded derivatives (except for currency hedging, contracts for differences and occasionally other approved over the counter instruments). The exchange traded derivatives are only executed and cleared through approved members of the exchanges. For over the counter derivatives, minimum credit ratings apply for counterparties at the time of entering into a contract and ISDA agreements are put in place with counterparties.

##### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a high grade credit rating.

#### (c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The Scheme is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives.

The Scheme's investments in equity securities are considered to be readily realisable. The Scheme primarily holds investments in an active market which can be readily disposed. Only a limited proportion of these investments may not be actively traded on a stock exchange.

In order to manage the Scheme's overall liquidity, asset managers will only purchase securities (including derivatives) which meet the Scheme's investment criteria, including the assessment of saleability in different market conditions. The Scheme's investment strategy generally defines a minimum liquidity level for the Scheme which is monitored regularly.

### 13 Financial risk management (continued)

#### (c) Liquidity risk (continued)

The following tables summarise the contractual maturities of financial liabilities, including interest payments where applicable:

30 June 2024	Contractual cash flows			
	Carrying amount \$'000	less than 6 months \$'000	6 - 12 months \$'000	more than 12 months \$'000
<b>Non-derivative financial liabilities</b>				
Distributions payable	17,475	17,475	-	-
Payables	246	246	-	-
Financial liabilities at fair value through profit or loss	13,556	13,556	-	-
<b>Total</b>	<b>31,277</b>	<b>31,277</b>	<b>-</b>	<b>-</b>

30 June 2023	Contractual cash flows			
	Carrying amount \$'000	less than 6 months \$'000	6 - 12 months \$'000	more than 12 months \$'000
<b>Non-derivative financial liabilities</b>				
Distributions payable	13,853	13,853	-	-
Payables	4,578	4,578	-	-
Financial liabilities at fair value through profit or loss	4,646	4,646	-	-
<b>Total</b>	<b>23,077</b>	<b>23,077</b>	<b>-</b>	<b>-</b>

#### (d) Fair value measurement

The Scheme classifies fair value measurement of its financial assets and liabilities by level of the following fair value hierarchy:

- 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### 13 Financial risk management (continued)

#### (d) Fair value measurement (continued)

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

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

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.

Equity securities and exchange traded derivatives are valued at the last traded price. For the majority of these financial instruments, information provided by the independent pricing services is relied upon for valuation.

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

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

Valuation models use 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 the assumptions for these factors could affect the reported fair value of financial instruments. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 30 June 2024 and 30 June 2023.

#### Recognised fair value measurements

The following table presents the financial assets and liabilities by fair value hierarchy levels:

30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Derivatives				
Futures	139	-	-	139
Equity securities	536,396	-	-	536,396
<b>Total</b>	<b>536,535</b>	<b>-</b>	<b>-</b>	<b>536,535</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Equity securities sold short	13,556	-	-	13,556
<b>Total</b>	<b>13,556</b>	<b>-</b>	<b>-</b>	<b>13,556</b>



### 13 Financial risk management (continued)

#### *Recognised fair value measurements (continued)*

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Derivatives				
Futures	68	-	-	68
Equity securities	425,023	-	-	425,023
Total	425,091	-	-	425,091
Financial liabilities at fair value through profit or loss				
Equity securities sold short	4,646	-	-	4,646
Total	4,646	-	-	4,646

#### *Transfers between levels*

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

There were no transfers between levels as at 30 June 2024 and 30 June 2023.

### 14 Derivative financial instruments

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 currency exchange rates, index of prices or rates, credit rating, credit index or other variables.

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.

Derivative transactions include many different instruments such as foreign currency forward contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme'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 Scheme against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- 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 Scheme.

## **14 Derivative financial instruments (continued)**

The Scheme held the following derivative financial instruments during the year:

### **(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.

### **Risk exposures and fair value measurements**

Information about the Scheme's exposure to financial risks and the methods and assumptions used in determining fair values is provided in note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the derivative financial instruments.

## **15 Events occurring after the reporting period**

No significant events have occurred since the reporting date which would have an impact on the financial position of the Scheme as at 30 June 2024 or on the results and cash flows of the Scheme for the year ended on that date.

## **16 Contingent assets, liabilities and commitments**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

## **Directors' declaration**

In the opinion of the directors of Pendal Fund Services Limited, the Responsible Entity of Pendal Australian Long/Short Fund:

- (a) the financial statements and notes, set out on pages 6 to 25, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Scheme 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 and Interpretations as issued by the International Accounting Standards Board.

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



Director

Sydney  
17 September 2024



# Independent Auditor's Report

To the unitholders of Pental Australian Long/Short Fund

## Opinion

We have audited the **Financial Report** of Pental Australian Long/Short Fund (the Scheme).

In our opinion, the accompanying Financial Report of the Scheme gives a true and fair view, including of the Scheme's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2024;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year ended;
- Notes, including material accounting policies; and
- Directors' Declaration.

## Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other Information

Other Information is financial and non-financial information in Pental Australian Long/Short Fund's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Pental Fund Services Limited (the Responsible entity) are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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



## Emphasis of matter - restatement of comparative financial information

We draw attention to Note 2 of the Financial Report which states the amounts reported in the previously issued 30 June 2023 financial statements have been restated and disclosed as comparative financial information in these financial statements. Our opinion is not modified in respect of this matter. The financial report of the Scheme for the year ended 30 June 2023 was audited by another auditor who issued an unmodified opinion on that financial report on 19 September 2023.

## Responsibilities of the Directors for the Financial Report

The Directors of Pendal Fund Services Limited (the Responsible entity) are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG  
KPMG

*K Hopkins*  
Karen Hopkins  
Partner  
Sydney  
17 September 2024