

Aurora Fortitude Absolute Return Fund
ARSN 145 894 800

Annual Report
For the year ended 30 June 2020

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Director's Report

The directors of Aurora Funds Management Limited ("AFML") (ABN 69 092 626 885), in its capacity as the responsible entity of the Aurora Fortitude Absolute Return Fund ("the Fund"), present their annual report together with the financial statements of the Fund for the year ended 30 June 2020.

Principal activities

The Fund invests in accordance with the provisions of the Fund Constitution the current Product Disclosure Statement ("PDS") and Fund updates. On 16 March 2020, the Fund expanded its investment mandate to allow investments in listed and unlisted loan and debt instruments including, but not limited to, senior, unsecured, convertible and mezzanine loans. The Fund primarily invests in Australian listed equities, exchange traded derivatives and unlisted debt instruments.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as directors of Aurora Funds Management Limited during the year and up to the date of this report, unless otherwise stated:

John Patton
Victor Siciliano
Anthony Hartnell AM

Units on issue

	2020	2019
At 30 June:		
A-Class Units	16,938,519	19,991,128
B-Class Units	5,733,925	5,733,925

Review and results of operations

During the year, the Fund continued to invest in accordance with the target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution.

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID – 19) as a pandemic, which continues to spread globally. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is considerable uncertainty regarding the breadth and duration of the business disruptions related to COVID-19. The Fund continues to monitor the performance of its investments closely, and in-particular the loans receivable from RNY Australia Operating Company LLC ("RAOC") and the investment in units issued by RNY Property Trust ("RNY"). RAOC and RNY have specific exposure to the United States Commercial Property Market. The underlying five (5) US commercial properties held by RNY were reassessed by independent third party valuation experts at 30 June 2020, noting no decline in valuation. RNY owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RAOC.

Director's Report

Financial results for the year

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

	2020	2019
	\$	\$
Operating profit/(loss) before finance costs attributable to unitholders	378,698	(1,159,628)
Distributions paid and payable to A-Class Unitholders	-	(118,431)
Distributions paid and payable to B-Class Unitholders	-	(5,500,000)
Distribution (cents per unit) 30 September	-	0.17
Distribution (cents per unit) 31 December	-	0.16
Distribution (cents per unit) 31 March	-	0.15
Distribution (cents per unit) 30 June	-	0.14

Reconciliation of net assets for unit pricing and financial reporting purposes

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Accounting Australian Standards are outlined below:

	2020	2019
	\$	\$
Net assets for unit pricing purposes - Class A unitholders	4,535,291	5,755,122
Subsequent change in valuation of financial assets held at fair value through profit or loss	(67,081)	(861,624)
Other adjustments	(718)	1,061
Net assets attributable to Class B unitholder	805,643	746,752
Net assets under Australian Accounting Standards	5,273,135	5,641,311

Information on Underlying Performance

The performance of the Fund is subject to the performance of the Fund's underlying investment portfolio. There has been no change to the investment strategy of the Fund during the year, and the Fund continues to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution and any fund updates.

Strategy and Future Outlook

The Fund is predominantly invested in listed equities, with a focus on Australian equity securities. This is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations.

The Fund continues to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Director's Report

Significant changes in state of affairs

RNY Property Trust (ASX: RNY)

As at 30 June 2020, the combined ownership of the units in RNY by entities for which AFML is the Responsible Entity is 80.96%. The Fund owns 1.58% of the units in RNY.

Since 2 July 2018 AFML, in its capacity as the Investment Manager of RNY, has been actively working to create value from its investment in RNY, including by working with the US lender of the underlying five (5) US commercial properties by RNY, working with the property sub-manager to attract new tenants, and working with various stakeholders to improve the properties.

On 6 October 2020, Huntley Management Limited ("Huntley"), as responsible entity for RNY, announced that the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital, has been executed. The term of the Loan Agreement is three years, comprising an initial 6-month term, one 6-month extension and two 12-month extension terms following the initial term.

For the year ended 30 June 2020, the Fund has adopted significant judgements and estimates to calculate the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to RNY are outlined in Notes 4 and 7.

Molopo Energy Limited

The Fund holds an investment in Molopo Energy Limited (ASX: MPO). For the year ended 30 June 2020, the Fund has adopted significant judgements and estimates as to the fair value of this investment. The key sources of estimation uncertainty and fair value measurement in relation to MPO are outlined in Notes 4 and 7.

Product Disclosure Statement

On 27 April 2017, the Fund's Product Disclosure Statement (PDS) was withdrawn for new off-market retail applications. The PDS is currently being updated and the Fund will re-commence accepting off-market retail applications once the PDS has been lodged with Australian Securities and Investments Commission.

In the opinion of the Directors, other than the matters already referred to in this report, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

On 6 October 2020 Huntley Management Limited ("Huntley"), as responsible entity for RNY, announced that:

- the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital has been executed, and
- Huntley is finalising the documentation for its previously announced 1:1 Non-Renounceable Rights Issue, and will provide unitholders with its proposed timetable after the closure of the off-market all scrip takeover bid for RNY by Keybridge Capital Limited, which has been extended and will now close at 7:00pm on Wednesday 16 December 2020

Other than the changes mentioned above, no other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect:

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

Director's Report

Indemnity and insurance of Aurora Funds Management Limited

No insurance premiums have been paid for out of the assets of the Fund in relation to insurance cover provided to either the officers of Aurora Funds Management Limited or the auditors of the Fund. So long as the officers of Aurora Funds Management Limited act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Cost recovery and interests held in the Fund by the Responsible Entity or its associates

Costs recovered by the Responsible Entity and its associates out of Fund property during the year are disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates at the end of the financial year are disclosed in Note 16 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 12 of the financial statements.

The values of the Fund's assets and liabilities are disclosed on the Statement of Financial Position and derived using the basis set out in Note 8 to Note 11 of the financial statements.

Environmental regulation

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

Information on directors

The following persons were Directors of the Responsible Entity during the whole or part of the year and up to the date of this report.

Name:	John Patton
Title:	Managing Director
Qualifications:	Bachelor of Economics (Accounting), Chartered Accountant, Graduate Diploma in Applied Finance and Investment
Experience and expertise:	John was appointed as Managing Director of Aurora Funds Management Limited on 30 June 2016. John was previously a partner with Ernst & Young in the Transactions Advisory Services division and has over 25 years of professional services and industry experience. John has extensive corporate finance credentials, having been involved in over 250 corporate transactions, including mergers & acquisitions, structuring, debt & equity raisings, IPO's, management buy-outs, valuations, due diligence, financial modelling, restructuring and corporate advisory.
Other current directorships:	Metgasco Ltd
Former directorships (in the last 3 years):	Keybridge Capital Limited (retired 21 January 2020)
Special responsibilities:	Managing Director
Interests in units:	John Patton is a Director of Wairoa Nominees Pty Ltd. Wairoa Nominees Pty Ltd as trustee for Patton Family Trust holds 937,031.79 (2019: 932,497) units in the Fund.

Director's Report

Information on directors (continued)

Name: **Victor Siciliano**
Title: Executive Director
Qualifications: Bachelor of Business (Banking & Finance) and Master of Applied Finance (Investment Management) and is RG146 compliant.
Experience and expertise: Victor was appointed as Executive Director of Aurora Funds Management Limited on 9 January 2018. Victor has over 9 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor was employed as an assistant portfolio manager at boutique fund manager Sterling Equity and as an investment advisor at Macquarie Group.
Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Investment Manager
Interests in units: Victor Siciliano as trustee for the VS Family Trust holds 306,279.01 (2019: 304,796.83) units in the Fund.

Name: **Anthony Hartnell AM**
Title: Non-Executive Director
Qualifications: BEc LLB (Hons) (ANU), LLM (Highest Hons) (George Washington University)
Experience and expertise: Anthony was appointed as Non-Executive Director of Aurora Funds Management Limited on 2 March 2018. Anthony has over 50 years of legal experience with expertise in Corporate and Commercial Law, particularly, regulatory issues, corporate financing, takeovers, trade practices and collective investments, with more recent emphasis on investigations and enforcement actions.
Other current directorships: Molopo Energy Limited, Allegra Orthopaedics Limited and Parnell Pharmaceuticals Holdings Ltd.
Former directorships (in the last 3 years): None
Special responsibilities: Member of Compliance Committee, Chairman
Interests in units: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorship of all other types of entities, unless otherwise stated.

Director's Report

Board and Committee meetings

Director

	Full Board		Compliance Committee	
	Held	Attended	Held	Attended
John Patton	18	18	4	3*
Victor Siciliano	18	18	-	1*
Anthony Hartnell AM	18	15	4	3

Held: represent the number of meetings held during the time the director held office.

*For the Compliance Committee meeting held 12 September 2019, Victor Siciliano was appointed by Internal Member John Patton as his delegated representative.

Interests held by the Responsible Entity and Directors

The number of units in the Fund held by the Responsible Entity, their related parties and Directors at the date of this report are disclosed in Note 16 to the financial statements.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings. The Fund was not a party to any such proceedings during the year.

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 the following page.

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

On behalf of the directors



John Patton
Managing Director
30 November 2020
Melbourne

Auditor's Independence Declaration

To the Directors of Aurora Funds Management Limited as the Responsible Entity of Aurora Fortitude Absolute Return Fund

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Aurora Fortitude Absolute Return Fund for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 30 November 2020

Financial Statement

Statement of profit or loss and other comprehensive income For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Investment income			
Interest income		306,249	284,119
Loan establishment fees recharged		-	166,279
Dividend and distribution income		3,111	305,127
Net gains/(losses) on foreign exchange		6,865	(3,942)
Net gains/(losses) on financial instruments held at fair value through profit or loss		369,818	(1,072,557)
Other operating income		-	27,320
Total net investment income/(loss)		686,043	(293,654)
Expenses			
Management Fees	16	39,506	49,421
Recoverable costs of Responsible Entity	16	125,119	125,119
Recovery expenses	16	83,659	82,726
Administration costs		287	1,236
Other operating expenses	14	408	18,015
Legal costs		42,028	226,159
Interest expense		16,338	197,019
Loan establishment fees		-	166,279
Total operating expenses		307,345	865,974
Operating profit/(loss) for the year		378,698	(1,159,628)
Finance costs attributable to unitholders			
Distributions to unitholders	13	-	(5,618,431)
(Increase)/decrease in net assets attributable to unitholders	12	(378,698)	6,778,059
Profit/(loss) for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

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

Financial Statement

Statement of financial position As at 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Cash and cash equivalents	9	178	4,636
Dividends receivable		-	17,652
Loans receivable	10	2,949,549	2,032,961
Interest receivable		522,097	274,060
Loan establishment fee receivable		166,279	166,279
Other receivables		12,830	10,776
Financial assets held at fair value through profit or loss	11	1,738,321	3,242,363
Total assets		5,389,254	5,748,727
Liabilities			
Distributions payable	13	-	54,961
Other payables		116,119	52,455
Total liabilities (excluding net assets attributable to unitholders)		116,119	107,416
Net assets attributable to unitholders – liability	12	5,273,135	5,641,311
Liabilities attributable to unitholders		(5,273,135)	(5,641,311)
Net assets		-	-

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

Financial Statement

Statement of changes in equity For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Balance at the beginning of the financial year			
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total equity at the end of the financial year		-	-

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

Financial Statement

Statement of cash flows For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		2,012,279	20,388,969
Payments for purchases of financial instruments held at fair value through profit or loss		(138,200)	(18,628,630)
Loans advanced		(909,723)	(2,036,973)
Transaction costs on sale and purchase of financial instruments		(219)	(1,237)
Dividends and distributions received		20,763	306,403
Interest received		58,212	10,166
Insurance proceeds received		-	196,626
Other income		-	27,320
Interest paid		(16,338)	(197,020)
Management fees, recoverable costs of the Responsible Entity and recovery costs paid		(193,232)	(267,729)
GST received/(paid)		(2,054)	53,687
Loan establishment fee paid		-	(178,750)
Other operating expenses paid		(34,111)	(227,513)
Net cash inflow/(outflow) from operating activities	17(a)	797,377	(554,681)
Cash flows from financing activities			
Proceeds from applications by unitholders		-	6,173,525
Payments for redemptions by unitholders		(750,151)	-
Distributions paid		(51,684)	(5,615,112)
Net cash (outflow)/inflow from financing activities		(801,835)	558,413
Net (decrease)/increase in cash and cash equivalents		(4,458)	3,732
Cash and cash equivalents at the beginning of the year		4,636	904
Cash and cash equivalents at the end of the year	9	178	4,636
Non-cash financing activities	17(b)	3,277	8,890

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

Notes to Financial Statements

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Notes to Financial Statements

Note 1. General information

These financial statements cover Aurora Fortitude Absolute Return Fund (the "Fund") as an individual entity. The Fund commenced operations on 30 April 2006, and is domiciled in Australia.

The Responsible Entity of the Fund is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Suite 613, Level 6, 370 St Kilda Road, Melbourne VIC 3004. The financial statements are presented in Australian currency.

It is recommended that these financial statements are considered together with the current PDS and in accordance with the provisions of the governing documents of the Fund, and any public announcements made by the Fund during the year ended 30 June 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The principal activities of the Fund during the financial year were managing its investments in accordance with its investment strategy, the provisions of the Fund Constitution, the Product Disclosure Statement and Fund updates.

The financial statements were authorised for issue by the directors of the Responsible Entity as at the date of the directors' report. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

Note 2. Adoption of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There were no new, revised or amending Accounting Standards and Interpretations that were applicable and had a material impact.

The Fund has adopted AASB 16 Leases, however the impact is not material as the Fund has not entered into any leases as lessee which expire more than twelve months after 30 June 2020.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been 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 investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Notes to Financial Statements

Note 3. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Receivables

The Fund recognizes an allowance for Expected Credit Losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on 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 expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loan receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest method, less expected credit losses (ECLs) if any. AASB 9's impairment requirements use more forward looking information to recognize ECLs – the 'expected credit losses model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, and trade receivables.

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally due for settlement within 30 days of being recorded as receivables. For other receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. For amounts due from brokers, the Fund applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Notes to Financial Statements

Note 3. Significant accounting policies (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets - initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at either amortised cost or at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and business model. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(ii) Financial assets - subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments). The Fund's financial assets at amortised cost consists of trade receivables and loans to RNY Australia Operating Company LLC and the B-Class unitholder.
- Financial assets at fair value through profit or loss. The Fund's financial assets at fair value through profit or loss consists of listed equity investments and contracts for difference.

Payables

All expenses, including Responsible Entity's fees are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis. Unpaid amounts are recognised in the Statement of Financial Position as other payables.

Investment income

Interest income is recognised in profit or loss for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 6.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts when it is probable that the economic benefit will flow to the Fund and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Notes to Financial Statements

Note 3. Significant accounting policies (continued)

Investment income (continued)

Dividend income is recognised on the ex-dividend date, inclusive of any related foreign withholding tax. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Fund distributions are recognised on an entitlements basis.

Expenses

All expenses, including Responsible Entity's fees are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

Goods and Services Tax ('GST')

The GST incurred on the costs of various services provided to the Fund by third parties, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITCs) at a rate of 55% or 75%; hence management fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund. The benefit of imputation credits and foreign tax paid is passed on to unitholders.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

Notes to Financial Statements

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Key sources of estimation uncertainty

1. Molopo Energy Limited (ASX: MPO)

As at 30 June 2020, the Fund held an investment in the ordinary shares of MPO, which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this report.

As previously advised, the Directors consider that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, the Directors have considered the carrying value of the Trust's investment in Molopo and have decided to further write the value of its investment down from 0.5 cents to 0.4 cents. The rationale for this decision is summarised below:

- The Directors consider the appropriate carrying value of the Fund's investment in Molopo to be calculated as follows:
 - o cash reserves of \$9.984 million; less
 - o litigation provision of A\$8.97 million, being the Australian dollar equivalent of \$8.4 million Canadian dollars as at 30 June 2020. In the Molopo financial statements for the year ended 31 December 2018 this provision was removed as a liability in the balance sheet and disclosed as a contingent liability. It is still disclosed as a contingent liability in Molopo's financial statements for the year ended 31 December 2019. For the purpose of this valuation, Aurora has no reason to believe that this is not a reasonable estimate of the expected liability;
 - o divided by 249,040,648 ordinary shares on issue;
 - o the total estimated value equates to a value of **0.4 cents per share**.
- As more information is released by Molopo on the Drawbridge investment, including the outcome of the claim against the Former Directors, along with the Canadian litigation, it may be appropriate for the Fund to revisit the carrying value of its Molopo investment.

In its Quarterly Activities Report at 30 June 2020, Molopo advised that the legal proceedings which were brought by the Company in the Supreme Court of Victoria against the former Molopo directors are proceeding. The Responsible Entity has also lodged a letter of demand with Molopo and will continue to vigorously pursue its claim to recover value that has been lost by the former directors of Molopo.

The fair value of the Fund's investment in Molopo is based on significant estimates and judgements adopted by management of the Responsible Entity based on all available information about Molopo as at the date of the 30 June 2020 financial report.

2. RNY Property Trust (ASX: RNY)

The Directors have determined to carry the Fund's investment in RNY Property Trust ("RNY") at \$0.011 (being 1.1 cents) per unit at 30 June 2020. In reaching this position, the Directors considered the following factors:

Notes to Financial Statements

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

2. RNY Property Trust (ASX: RNY)

- RNY units are thinly traded on the ASX, and were suspended from trading on 1 April 2019 due to delays experienced in finalising its audited financial statements for the year ended 31 December 2018 and half year ended 30 June 2019, followed by the Audit Disclaimer Opinion issued in relation to the year ended 31 December 2019. Historically, RNY has traded at a discount to the underlying net asset position.
- On 23 September 2019, RNY announced it had completed an independent valuation of its five (5) commercial office properties in the New York tri-state area, resulting in a 16% uplift on previous valuations and a material uplift in RNY's Net Tangible Asset ("NTA") backing. Given RNY's suspension from trading on the ASX, there was no actively traded market available for the Directors to determine the market value for RNY's securities. As such, the independent valuation obtained by RNY was considered the most appropriate basis on which to determine the carrying value of RNY, with the Fund's direct investments being carried at \$0.044 per unit, a small discount to RNY's improved NTA of \$0.047 per unit.
- On 29 June 2020, Keybridge Capital Limited ("Keybridge") announced its intention to make an off-market all scrip takeover bid for RNY at an implied offer price of \$0.011 per RNY unit ("Keybridge Offer"), with its Bidder's Statement being dispatched on 28 August 2020. On 28 September 2020, Keybridge issued a substantial holder notice stating it had acquired a relevant interest of 1.01% in RNY (from parties not related to AFML) through acceptances into the Keybridge Offer. On 16 November 2020, Keybridge announced that it had extended the offer period for the Keybridge Offer, which will now close at 7.00pm on Wednesday, 16 December 2020. AFML has also elected to accept a portion of the holdings of the Managed Investment Schemes for which it is the Responsible Entity into the Keybridge Offer.

Having regard to the above factors, and as consequence of the acceptances into the Keybridge Offer, the implied offer price of \$0.011 per RNY unit is now the most readily observable price for RNY securities. Therefore, the Directors have determined a fair value of \$0.011 per unit in RNY.

On 6 October 2020 Huntley Management Limited ("Huntley"), as responsible entity for RNY, announced that:

- the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital ("Lender"), has been executed.
- Huntley is finalising the documentation for its previously announced 1:1 Non-Renounceable Rights Issue, and will provide unitholders with its proposed timetable after the closure of the Keybridge Offer.

The Fund has loans receivable from RNY Australia Operating Company ("RAOC" : \$2,119,825) at 30 June 2020. RNY Property Trust ("RNY") owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RAOC. RNY has a positive net asset position of \$12.26 million as per the Appendix 4D lodged by RNY with the ASX on 31 August 2020. The Directors consider the loans owing by RAOC to the Fund at 30 June 2020 to be fully recoverable and therefore there is no Expected Credit Loss associated with these loans.

For the majority of the Fund's other financial instruments, quoted market prices are readily available. However, there may be certain financial instruments, for example, over-the-counter derivatives or unquoted securities which are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the team that created them. For more information on how fair value is calculated please see Note 7 to the financial statements.

The carrying amount of loan receivables are assessed at each reporting date, and require the Fund to make determinations as to the likelihood of recovery.

For certain other financial instruments, including payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Notes to Financial Statements

Note 5. Operating segments

Identification of reportable operating segments

The Fund comprised the single business segment which operates solely in the business of investment management within Australia. While the Fund operates within Australia only (the geographical segment), the Fund may have asset exposures in different countries and across different industries.

Operating segment information

As the Fund operates in a single operating segment, these financial statements represent the required financial information of that segment.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM') which has been identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 6. Financial Instruments

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

Financial risk management

The Fund's activities expose it to a variety of financial risks which is reflected in the Fund's net gains/losses: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

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

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

(a) Market risk

(i) Price risk

Price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by the Responsible Entity through ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly by the investment manager on a total portfolio basis, which includes the effect of any derivatives.

Notes to Financial Statements

Note 6. Financial Instruments

(a) Market risk (continued)

(i) Price risk (continued)

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Investments are classified in the Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

A sensitivity analysis was performed showing how the effect of a 10% increase and a 10% decrease in market prices would have increased/decreased the impact on operation profit/net assets attributable to unitholders as at 30 June 2020. The results of this analysis are disclosed in Note 6(b).

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to the Fund's loans to, and interest income from, RNY Australia Operating Company LLC ("RAOC") which are denominated in \$USD. Refer to Note 10 for further information on the loans receivable from RAOC.

The following table demonstrates the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant.

	Impact on operating profit/net assets attributable to unitholders unitholders	
	-5%	5%
	\$	\$
30 June 2020	(20,761)	20,761
30 June 2019	(17,698)	17,698

(iii) Interest rate risk

The Fund is exposed to interest rate risk on financial instruments with variable interest rates.

The Fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The only financial assets held by the Fund subject to interest rate risk are cash and cash equivalents.

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest-bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain assets that use interest rates as input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There is no significant direct interest rate risk in the Fund as the Fund does not hold interest rate sensitive financial instruments. The interest rates on deposits at bank and on bank overdrafts are both rates referenced to RBA cash rate.

Notes to Financial Statements

Note 6. Financial Instruments (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

A sensitivity analysis was performed showing how the effect of a 100 basis point increase and a 100 basis point decrease in interest rates on cash and cash equivalents would have increased/decreased the impact on operating profit/net assets attributable to unitholders as at 30 June 2020. The results of this analysis are disclosed in Note 6(b).

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

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2020				
Financial assets	AUD	AUD	AUD	AUD
Cash and cash equivalents	178	-	-	178
Dividends receivable	-	-	-	-
Loans receivable	-	2,949,549	-	2,949,549
Interest receivable	-	-	522,097	522,097
Loan establishment fee receivable	-	-	166,279	166,279
Other receivables	-	-	12,830	12,830
Financial assets held at fair value through profit or loss	-	-	1,738,321	1,738,321
Financial liabilities				
Distribution payable	-	-	-	-
Financial liabilities held at fair value through profit or loss	-	-	(116,119)	(116,119)
Net exposure	178	2,949,549	2,323,408	5,273,135

	Floating interest rate	Fixed interest rate	Non interest bearing	Total
30 June 2019				
Financial assets	AUD	AUD	AUD	AUD
Cash and cash equivalents	4,636	-	-	4,636
Dividends receivable	-	-	17,652	17,652
Loans receivable	-	2,032,961	-	2,032,961
Interest receivable	-	-	274,060	274,060
Loan establishment fee receivable	-	-	166,279	166,279
Other receivables	-	-	10,776	10,776
Financial assets held at fair value through profit or loss	-	-	3,242,363	3,242,363
Financial liabilities				
Distribution payable	-	-	(54,961)	(54,961)
Financial liabilities held at fair value through profit or loss	-	-	(52,455)	(52,455)
Net exposure	4,636	2,032,961	3,603,714	5,641,311

Notes to Financial Statements

Note 6. Financial Instruments (continued)

(b) Price risk and Interest rate risk

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to the price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and historical market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Price Risk		Interest Rate Risk	
	Impact on operating profit/net assets attributable to unitholders			
	-10%	10%	-100 bps	+100 bps
	\$	\$	\$	\$
30 June 2020	(173,832)	173,832	(2)	2
30 June 2019	(324,236)	324,236	(46)	46

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

The main concentration of credit risk to which the Fund is exposed arises from cash and cash equivalents, amounts due from the loans receivable, and amounts due from other receivables.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring transactions are undertaken with a large number of counterparties.

The Fund has a prime brokerage agreement with Interactive Brokers, the Fund's Prime Broker, and some of the Fund's assets will be pledged as collateral for amounts drawn under the overdraft facility. There was no overdraft position as at 30 June 2020 (2019: nil).

Certain assets of the Fund will be held by the Prime Broker in segregated accounts together with assets deposited by it on behalf of other customers of the Prime Broker. Such assets will not be mixed with the property of the Prime Broker and should not be available to third party creditors of the Prime Broker in the event of insolvency of the Prime Broker. However, the assets of the Fund held by the Prime Broker will be subject to a charge to secure the Fund's obligations to the Prime Broker.

The Fund has a material credit risk exposure to the party from whom loans and interest are receivable (RNY Australia Operating Company LLC and the B-Class unitholder) at 30 June 2020.

Notes to Financial Statements

Note 6. Financial Instruments (continued)

(c) Credit risk (continued)

The Fund has a credit risk exposure to the banks (Westpac and Interactive Brokers) that hold the Fund's cash assets at 30 June 2020.

An analysis of exposure by rating is set out in the table below:

	2020	2019
	\$	\$
Rating		
AA (Westpac Bank)	124	129
BBB (Interactive Brokers)	54	4,507
BBB (RNY Australia Operating Company LLC)	2,119,825	2,032,961
BBB (B-Class unitholder)	829,724	-
Total	2,949,727	2,037,597

(i) Settlement of securities transactions

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

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of BBB or higher. In accordance with the Fund's Constitution, the investment manager monitors the Fund's credit position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

(iii) Loans and interest receivable

The exposure to credit risk for loans and interest receivable is considered low given the net asset position of RNY Australia Operating Company LLC and the B-Class unitholder.

(iv) Other

The Fund is not materially exposed to credit risk on other financial assets. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired, nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund was exposed to daily cash redemptions of redeemable units up until February 2016. From February 2016 to August 2016, daily applications and redemptions were suspended by the Responsible Entity. Daily cash redemptions re-commenced on 8 September 2016 until 31 December 2016. From 1 January 2017, the Responsible Entity announced that redemption requests will be processed on a quarterly basis, with the first redemption date being 31 March 2017.

The Fund was also exposed to daily margin calls on derivatives. It therefore primarily holds investments that are traded in an active market and can be readily disposed. However, the Fund holds an investment in Molopo Energy Limited which are to be vested in ASIC to sell over a period of 6 months. The Fund also holds investments in Aurora Property Buy-Write Income Trust and RNY Property Trust, the securities of which are suspended from trading on the ASX as at the date of this report. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

Notes to Financial Statements

Note 6. Financial Instruments (continued)

(d) Liquidity risk (continued)

The investment manager monitors liquidity on a daily basis. Compliance with the Fund's policy is reported to the Board on a monthly basis.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

30 June 2020	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
Liabilities					
Distribution payable	-	-	-	-	-
Other payables	116,119	-	-	-	116,119
Net assets attributable to unitholders	-	5,273,135	-	-	5,273,135
Contractual cash flows	116,119	5,273,135	-	-	5,389,254
30 June 2019	Less than 1 month	1-6 months	6-12 months	1-2 years	Total
Liabilities					
Distribution payable	54,961	-	-	-	54,961
Other payables	52,455	-	-	-	52,455
Net assets attributable to unitholders	-	5,641,311	-	-	5,641,311
Contractual cash flows	107,416	5,641,311	-	-	5,748,727

Offsetting of financial assets and liabilities

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

Notes to Financial Statements

Note 7. Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis through profit or loss (FVTPL).

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

Fair value hierarchy

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

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

The Fund values its investments in accordance with the accounting policies within this note to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

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

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

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

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

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

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

Notes to Financial Statements

Note 7. Fair value measurement (continued)

The following tables detail the Fund's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

	Level 1	Level 2	Level 3	Total
30 June 2020	\$	\$	\$	\$
Financial assets				
Financial assets held for trading:				
Derivatives	-	-	-	-
Financial assets designated at fair value through profit or loss:				
Equity securities	73,473	1,518,346	127,433	1,719,252
Contracts for difference	19,069	-	-	19,069
Total financial assets	92,542	1,518,346	127,433	1,738,321
30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading:				
Derivatives	-	-	-	-
Financial assets designated at fair value through profit or loss:				
Equity securities	1,359,707	-	660,782	2,020,489
Contracts for difference	1,221,874	-	-	1,221,874
Total financial assets	2,581,581	-	660,782	3,242,363

Refer to Note 4 for further information on how the fair value of the Level 3 investments has been determined.

Transfers between levels

There were two transfers between levels for the year ended 30 June 2020 (30 June 2019: no transfers), being the transfer of the investment in Aurora Property Buy-Write Income Trust from Level 1 to Level 2, and the transfer of the investment in RNY Property Trust from Level 3 to Level 2.

Valuation techniques for fair value measurements

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The Fund's investment in Aurora Property Buy-Write Income Trust ("AUP") is valued at \$3.4707 per unit, being the Net Asset Value of AUP at 30 June 2020 based on the audited financial statements of AUP. AUP was suspended from trading on the ASX on 2 April 2020, however when this suspension is lifted, the Fund's investment in AUP will be marked to market based on the ASX traded price. At 30 June 2019 the Fund's investment in AUP was valued at \$1.75 per unit, being the last traded price on the ASX at 30 June 2019.

The Fund's investment in RNY Property Trust (ASX: RNY) was valued at 30 June 2020 based on the most recent off-market selling price. The Fund's investment in RNY Property Trust was valued at 30 June 2019 using the discounted Net Tangible Assets.

Notes to Financial Statements

Note 7. Fair value measurement (continued)

Valuation techniques for fair value measurements (continued)

Reconciliation of level 2 fair values

Financial assets measured using significant unobservable inputs (level 2) are shown below:

	2020 \$	2019 \$
Opening Balance	-	-
Transfers in/(out) of level 2	1,518,346	-
Closing Balance	1,518,346	-

Reconciliation of level 3 fair values

Financial assets measured using significant unobservable inputs (level 3) are shown below:

	2020 \$	2019 \$
Opening Balance	660,782	882,353
Transfers in/(out) of level 3	(182,909)	-
Change in value of financial asset held at fair value through profit or loss	(350,440)	(221,571)
Closing Balance	127,433	660,782

Accounting policy for fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison where applicable, with external sources of data.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

Notes to Financial Statements

Note 8. Derivatives

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

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

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

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

The Fund holds the following derivative instruments:

(a) Contracts for difference

A contract for differences ("CFD") is an arrangement made in financial derivatives trading where the differences in the settlement between the open and closing trade prices are cash-settled. There is no delivery of physical goods or securities with CFDs.

The Fund's derivative financial instruments at year end are detailed as follows:

	Contractual/ notional	Fair values	
		Assets	Liabilities
30 June 2020	\$	\$	\$
Contracts for difference	-	19,069	-

	Contractual/ notional	Fair values	
		Assets	Liabilities
30 June 2019	\$	\$	\$
Contracts for difference	-	1,221,874	-

Notes to Financial Statements

Note 9. Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank	178	4,636
Total cash and cash equivalents	178	4,636

Accounting policy for cash and cash equivalents

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

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

Note 10. Loans receivable

	2020	2019
	\$	\$
Loans receivable from RNY Australia Operating Company LLC:		
AUD\$1,500,000 repayable on 30 days notice. Interest charged at 22% p.a. to 1 May 2019, 12% p.a. from 1 June 2019	1,500,000	1,500,000
AUD\$109,000 repayable on 30 days notice. Interest charged at 12% p.a.	109,000	109,000
USD\$77,000 repayable on 30 days notice. Interest charged at 12% p.a.	111,761	109,635
USD\$24,480 repayable on 30 days notice. Interest charged at 12% p.a.	35,531	34,855
AUD\$70,000 repayable on 30 days notice. Interest charged at 12% p.a.	70,000	70,000
USD\$147,118.24 repayable on 30 days notice. Interest charged at 12% p.a.	213,533	209,471
AUD\$80,000 repayable on 30 days notice. Interest charged at 12% p.a.	80,000	-
Loans receivable from RNY Australia Operating Company LLC:	2,119,825	2,032,961
Loan receivable from B-Class unitholder	829,724	-
Total loans receivable	2,949,549	2,032,961

The loans receivable by the Fund from RNY Australia Operating Company LLC which are denominated in US dollars have been translated to Australian dollars at the rate of USD\$1 = AUD\$1.451435 at 30 June 2020 (30 June 2019: USD\$1 = AUD\$1.423827).

The spread of COVID-19 has caused significant volatility in Australian and international markets. There is considerable uncertainty regarding the breadth and duration of the business disruptions related to COVID-19. The Fund continues to monitor the performance of its investments closely, and in-particular the investment in units issued by RNY Property Trust ("RNY"), and loans receivable from RNY Australia Operating Company LLC ("RAOC"). RNY and RAOC have specific exposure to the United States Commercial Property Market. The underlying five (5) US commercial properties held by RNY Property Trust ("RNY") were reassessed by independent third party valuation experts at 30 June 2020, noting no decline in valuation. RNY owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RAOC.

Notes to Financial Statements

Note 11. Financial assets held at fair value through profit or loss

	2020	2019
	\$	\$
Equity securities		
Listed Australian equity securities	1,719,252	2,020,488
Total equity securities	1,719,252	2,020,488
Derivatives		
Contracts for difference	19,069	1,221,875
Total derivatives	19,069	1,221,875
Total financial assets held at fair value through profit or loss	1,738,321	3,242,363

An overview of the risk exposure relating to financial assets held at fair value through profit or loss is included in Note 6.

Notes to Financial Statements

Note 12. Net assets attributable to unitholders

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

A-Class Units	2020 No.	2019 No.	2020 \$	2019 \$
Opening balance	19,991,128	18,371,738	4,894,559	6,245,845
Applications	-	1,591,098	-	430,710
Redemptions	(3,063,992)	-	(750,151)	-
Units issued upon reinvestment of distributions	11,383	28,292	3,277	8,890
Increase/(decrease) in net assets attributable to unitholders	-	-	319,897	(1,790,886)
Closing balance	16,938,519	19,991,128	4,467,582	4,894,559

B-Class Units	2020 No.	2019 No.	2020 \$	2019 \$
Opening balance	5,733,925	-	746,752	-
Applications	-	5,733,925	-	5,733,925
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	58,801	(4,987,173)
Closing balance	5,733,925	5,733,925	805,553	746,752

Total Units	2020 No.	2019 No.	2020 \$	2019 \$
Opening balance	25,725,053	18,371,738	5,641,311	6,245,845
Applications	-	7,325,023	-	6,164,635
Redemptions	(3,063,992)	-	(750,151)	-
Units issued upon reinvestment of distributions	11,383	28,292	3,277	8,890
Increase/(decrease) in net assets attributable to unitholders	-	-	378,698	(6,778,059)
Closing balance	22,672,444	25,725,053	5,273,135	5,641,311

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

Accounting policy for net assets attributable to unitholders

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund.

Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets for the Fund, divided by the number of units on issue.

Notes to Financial Statements

Note 12. Net assets attributable to unitholders (continued)

Accounting policy for net assets attributable to unitholders (continued)

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

The Fund is subject to redemption guidelines where redemption requests are processed and paid on a quarterly basis (up to a maximum of a total of 5% of the Funds Under Management ("FUM") of the Fund in the relevant quarter).

Note 13. Distribution to unitholders

The distributions for the year were as follows:

Distribution to A-Class unitholders	2020	2020	2019	2019
	\$	CPU	\$	CPU
Distributions paid	-	-	63,470	0.48
Distributions payable	-	-	54,961	0.14
Total distributions	-	-	118,431	0.62

Distribution to B-Class unitholders	2020	2020	2019	2019
	\$	CPU	\$	CPU
Distributions paid	-	-	5,500,000	96.83
Distributions payable	-	-	-	-
Total distributions	-	-	5,500,000	96.83

Total distribution to unitholders	2020	2020	2019	2019
	\$	CPU	\$	CPU
Distributions paid	-	-	5,563,470	97.31
Distributions payable	-	-	54,961	0.14
Total distributions	-	-	5,618,431	97.45

Accounting policy for distribution to unitholders

The Fund distributes its distributable income in accordance with the Fund Constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit or loss as finance costs attributable to unitholders. The unpaid amount is recognised in the Statement of Financial Position.

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

Notes to Financial Statements

Note 14. Other operating expenses

	2020	2019
	\$	\$
Travel expenses	-	2,772
Write off of non-recoverable GST	-	7,143
Brokerage on futures margin account	-	7,989
Other operating expenses	408	111
Total other operating expenses	408	18,015

The Fund announced via a fund update that effective 8 August 2017, Aurora Funds Management Limited may begin charging all its normal operating expenses to the Fund in accordance with the Constitution.

Note 15. Remuneration of auditors

During the financial year, the following fees were paid or payable by the Responsible Entity on behalf of the Fund for services provided by the auditor of the Fund. The auditor of the Fund is Grant Thornton Audit Pty Ltd. The Responsible Entity is responsible for paying this remuneration of auditor on behalf of the Fund.

	2020	2019
	\$	\$
Audit and other assurance services		
Audit and review of financial statements	17,500	13,835
Audit of compliance plan	4,500	4,692
Total remuneration for audit and other assurance services	22,000	18,527
Taxation services		
Tax compliance services	10,270	4,779
Total remuneration for tax services	10,270	4,779
Total remuneration of auditors	32,270	23,306

Note 16. Related party transactions

Responsible Entity

The Responsible Entity of Aurora Fortitude Absolute Return Fund is Aurora Funds Management Limited. In the period to 30 June 2020, Aurora Funds Management Limited held units in Aurora Fortitude Absolute Return Fund, as set out below.

Key management personnel unitholdings

As at 30 June 2020, Wairoa Nominees Pty Ltd as trustee for Patton Family Trust holds 937,031.79 (2019: 932,497.23) units in Aurora Fortitude Absolute Return Fund. John Patton is Managing Director of Aurora Funds Management Limited.

As at 30 June 2020, Victor Siciliano as trustee for the VS Family Trust holds 306,279.01 (2019: 304,796.83) units in Aurora Absolute Return Fund. Victor Siciliano is Executive Director of Aurora Funds Management Limited.

Notes to Financial Statements

Note 16. Related party transactions (continued)

Key management personnel compensation

Key management personnel are paid by Aurora Funds Management Limited. Payments made from the Fund to Aurora Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

Related party unitholdings

Aurora Funds Management Limited holds 10,259 units (30 June 2019: 10,259 units) in the Fund, the fair value of which is \$2,706 (30 June 2019: \$2,511). Distributions of \$Nil (30 June 2019: \$4,556) were paid/payable by the Fund to Aurora Funds Management Limited.

Aurora Absolute Return Fund holds 6,631,871 units (30 June 2019: 8,701,218 units) in the Fund, the fair value of which is \$1,749,487 (30 June 2019: \$2,130,058). Distributions of \$Nil (30 June 2019: \$4,350) were paid/payable by the Fund to Aurora Absolute Return Fund.

Other related party information

Aurora Corporate

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) as Trustee for the Aurora Investments Unit Trust (Aurora Corporate) owns 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity of Aurora Fortitude Absolute Return Fund.

Aurora Corporate Pty Ltd (formerly Seventh Orion Pty Ltd) is 50% owned by John Patton, the Managing Director of Aurora Funds Management Limited, and 50% owned by Victor Siciliano, an Executive Director of Aurora Funds Management Limited.

Directorships

Mr John Patton was appointed to the Boards of the following listed entities held by other managed investment schemes also managed by the Responsible Entity:

- Mr Patton was appointed to the Board of Keybridge Capital Limited as a Non-Executive Director on 10 August 2016 and was subsequently appointed to the role of Chairman on 13 October 2016. On 21 January 2020, Mr Patton retired from his position as Director and Chairman of Keybridge Capital Limited.
- Mr Patton was appointed to the Board of Metgasco Limited as a Non-Executive Director on 19 September 2016.

Aurora Funds Management Limited ("AFML") was appointed as Investment Manager of RNY Property Trust ("RNY") on 2 July 2018. Mr Victor Siciliano was appointed to the Boards of the following entities:

- Aurora Funds Management Corp. ("AFMC")
- Aurora Asset Management Corp. ("AAMC")
- RNY Australia Operating Company LLC ("RAOC")
- RA 560 White Plains Road LLC ("RA560")
- RA 580 White Plains Road LLC ("RA580")
- RA 55 CLB LLC ("RA55CLB")
- RA 6800 Jericho Turnpike LLC ("RA6800")
- RA 6900 Jericho Turnpike LLC ("RA6900")
- RNY Australia AC Mezz Borrower LLC ("RAAMB")

RNY owns 100% of RNY Australia LPT Corp ("RALPT"), which in turn owns 75% of RAOC, which in turn owns 100% of RAAMB, which in turn owns 100% of each of RA560, RA580, RA55CLB, RA6800 and RA6900. AFMC owns the other 25% of RAOC.

AFML owns 100% of each of AFMC and AAMC.

Notes to Financial Statements

Note 16. Related party transactions (continued)

Investments

The Fund holds 1,412,951 units (30 June 2019: 1,412,951 units) in Aurora Global Income Trust, the fair value of which is \$73,473 (30 June 2019: \$211,660). Distributions of \$Nil (30 June 2019: \$5,652) were paid/payable by the Aurora Global Income Trust to the Fund.

The Fund holds 414,936 units (30 June 2019: 454,044 units) in Aurora Property Buy-Write Income Trust, the fair value of which is \$1,440,118 (30 June 2019: \$794,577). Distributions of \$Nil (30 June 2019: \$64,111) were paid/payable by Aurora Property Buy-Write Income Trust to the Fund.

On 31 October 2019 the Fund purchased 2,954,545 units in RNY Property Trust from Aurora Property Buy-Write Income Trust ("AUP") for consideration of \$130,000. AFML is the Responsible Entity of AUP. The fair value of the investment at 30 June 2020 is \$32,500.

Responsible entity's/manager's fees and other transactions

Under the terms of the Fund Constitution, the Responsible Entity is entitled to receive fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Fund as follows:

- Management fee payable to the Responsible Entity is 1.49% (including GST) per annum;
- Performance fee of 20.50% (including GST) per annum is applied to the total excess between the Total Unit Holder Return (TUR) and the RBA Cash Rate plus 1% daily. Performance fees are payable half-yearly.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Fund Constitution.

The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	2020 \$	2019 \$
Management fees for the year paid/payable by the Fund to the Responsible Entity	39,506	49,421
Recoverable costs of Responsible Entity for the year paid/payable by the Fund to the Responsible Entity	125,119	125,119
Other expenses for the year paid/payable by the Fund to the Responsible Entity	83,659	82,756
Balance owing to the Responsible Entity at the end of the reporting period	82,745	27,693

No amounts were paid by the Fund directly to the key management personnel of Aurora Funds Management Limited.

Loans

The Fund owns 1.58% of the units in RNY Property Trust, which in turn owns 100% of RNY Australia LPT Corp, which in turn owns 75% of RNY Australia Operating Company LLC.

The Fund has advanced loans totalling \$2,119,825 to RNY Australia Operating Company LLC at 30 June 2020 (30 June 2019: \$2,032,961), denominated in \$AUD and \$USD. Interest is payable on these loans at 12% per annum. The loans are unsecured. For the year ended 30 June 2020 interest of \$248,106 (30 June 2019: \$273,990) is payable on the loans.

Notes to Financial Statements

Note 17. Reconciliation of profit to net cash inflow/(outflow) from operating activities

	2020	2019
	\$	\$
(a) Reconciliation of profit/(loss) to net cash inflow from operating activities		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	378,698	(6,778,059)
Distribution to unitholders	-	5,618,431
Proceeds from sale of financial instruments held at fair value through profit or loss	2,012,279	20,389,913
Purchase of financial instruments held at fair value through profit or loss	(138,200)	(18,627,667)
Transaction costs on sale and purchase of financial instruments	(219)	-
Net (gains)/losses on financial instruments held at fair value through profit or loss	(369,818)	1,072,557
Net change in other receivables	(1,149,027)	(2,255,813)
Net change in payables	63,664	25,957
Net cash inflow/(outflow) from operating activities	797,377	(554,681)
	2020	2019
	\$	\$
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	3,277	8,890

Note 18. Events after the reporting period

On 6 October 2020 Huntley Management Limited ("Huntley"), as responsible entity for RNY, announced that:

- the Amended and Restated Senior Loan Agreement ("Loan Agreement") with its US lender, ACORE Capital ("Lender"), has been executed, and
- Huntley is finalising the documentation for its previously announced 1:1 Non-Renounceable Rights Issue, and will provide unitholders with its proposed timetable after the closure of the off-market all scrip takeover bid for RNY by Keybridge Capital Limited, which has been extended and will now close at 7:00pm on Wednesday 16 December 2020.

Other than the events mentioned above, no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

Note 19. Commitments

There were no commitments for the expenditure as at 30 June 2020 (2019: Nil).

Note 20. Contingent assets and liabilities

There were no contingent assets and liabilities as at 30 June 2020 (2019: Nil).

Director's Declaration

The Directors of the Responsible Entity declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund; and
- (d) The directors have been given the declarations of the Responsible Entity made pursuant to s295(5) of the *Corporations Act 2001*.

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

On behalf of the Responsible Entity, Aurora Funds Management Limited.



John Patton
Managing Director
30 November 2020

Independent Auditor's Report

To the Unitholders of Aurora Fortitude Absolute Return Fund

Report on the audit of the financial report

Opinion

We have audited the financial report of Aurora Fortitude Absolute Return Fund (the Fund), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of 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 2020 and of its 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* (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.

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

The Directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Responsible Entity 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 related 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 30 November 2020