



# ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2020

**AIRLIE AUSTRALIAN SHARE FUND:** ABN 67 764 357 242

# AIRLIE AUSTRALIAN SHARE FUND

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# AIRLIE AUSTRALIAN SHARE FUND

## Chairman's Report for the year ended 30 June 2020

Dear Unitholders,

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

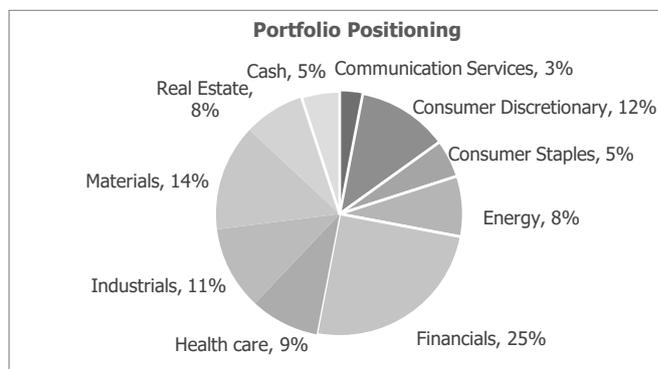
During the year, the Fund commenced trading on the Australian Securities Exchange ("ASX") (ticker code: AASF). Along with the existing application and redemption processes directly with the Responsible Entity, investors are now able to buy and sell units on the ASX. As at 30 June 2020, the Fund had net assets of \$26.8 million and a net asset value ("NAV") per unit of \$2.5808 (the NAV per unit differs from that reported to the ASX of \$2.6608 due to distributions payable and fee accruals). The Fund paid distributions of 10.0 cents per unit for the year ended 30 June 2020.

The Fund's Portfolio is actively managed by the investment team of Airlie Funds Management ("Airlie"). The Fund's primary objective is to provide long-term capital growth and regular income through investment in Australian equities. To achieve this, the Fund invests in a portfolio of between 15 and 35 companies that Airlie has identified based on their financial strength, attractive durable business characteristics and the quality of their management teams. Airlie invests in these companies when its view of their fair value exceeds the prevailing market price. For the 12 months to 30 June 2020, the Fund returned 1.6% net of fees. This compares with the return of the index (S&P/ASX 200 Accumulation Index) of -7.7% over the same period.

We would encourage you to read the Magellan InReview 2020, our annual investor communication published in July each year, which shares a collection of deeply thought-provoking investment perspectives from across the Magellan investment teams. You can access InReview 2020 at: [2020.magellaninreview.com.au](http://2020.magellaninreview.com.au). We would also encourage you to read our monthly and quarterly Fund Reports which provide valuable insight into our investment strategies and portfolio managers' thoughts. These are released on ASX and can also be found on our website: [www.airlifundmanagement.com.au](http://www.airlifundmanagement.com.au).

As at 30 June 2020, the Portfolio consisted of investments in 29 companies and had a cash position of 5%. The Fund's Portfolio positioning based on GICS Sector classification is highlighted below.

Top 10 holdings (at 30 June 2020)	Sector
BHP Group	Materials
Commonwealth Bank of Australia	Financials
CSL	Health Care
Wesfarmers	Consumer Discretionary
Mineral Resources	Materials
Origin Energy	Energy
Ampol	Energy
Aurixion Holdings	Industrials
Aristocrat Leisure	Consumer Discretionary
Westpac Banking Corporation	Financials



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

**Robert Fraser**  
Chairman

Sydney, 24 August 2020

# AIRLIE AUSTRALIAN SHARE FUND

## Responsible Entity's Report

### for the year ended 30 June 2020

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Airlie Australian Share Fund (the "Fund") present their annual report on the Fund for the period ended 30 June 2020.

#### 1. Directors

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

Name	Directorship	Appointed
Brett Cairns	Chief Executive Officer	22 January 2007
John Eales	Non-Executive Director	1 July 2017
Robert Fraser	Chairman	23 April 2014
Paul Lewis	Non-Executive Director	20 December 2006
Hamish McLennan	Non-Executive Director	1 March 2016
Kirsten Morton	Chief Financial Officer	5 October 2018
Karen Phin	Non-Executive Director	23 April 2014

#### 2. Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia and quoted on the Australian Securities Exchange ("ASX") under the AQUA Rules (ticker code: AASF). The Fund was registered on 22 December 2017 and commenced operating on 31 May 2018.

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

The Investment Manager is responsible for selecting and managing the assets of the Fund. Airlie Funds Management Pty Limited ("Airlie"), a wholly owned subsidiary of MAM, provided investment management services, in respect of the Fund, from 1 July 2019 to 30 November 2019. On 1 December 2019 MAM replaced Airlie as investment manager.

The Fund's principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales 2000.

The Fund invests in a portfolio of between 15 and 35 Australian equities to produce wealth accumulation through active management. The Fund's primary investment objective is to provide long-term capital growth and regular income through investment in Australian equities (as detailed in the Product Disclosure Statement ("PDS"), dated 22 May 2020).

#### 3. Significant Changes In State Of Affairs

On the 4 June 2020, the Fund was admitted to trading status on the ASX under the AQUA Rules (ticker code: AASF). There were no other significant changes in the state of affairs of the Fund during the period.

#### 4. Review Of Financial Results And Operations

##### a) Financial Results For The Period

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

	30 June 2020	30 June 2019
<b>Results</b>		
Total net investment income (\$)	96,135	1,033,233
Total expenses (\$)	209,338	118,654
<b>Profit/(Loss) (\$)</b>	<b>(113,203)</b>	<b>914,579</b>
<b>Distributions</b>		
Distribution paid and payable to unitholders (\$)	995,417	367,628
Distribution paid and payable (cents per unit) (refer 4 a) (i) for components)	10.00	5.95
<b>Unit Price (NAV Per Unit) (\$) <sup>(A)</sup></b>	<b>2.5808</b>	<b>2.6372</b>
<b>ASX Reported NAV Per Unit (\$) <sup>(B)</sup></b>	<b>2.6608</b>	<b>n/a</b>

<sup>(A)</sup> The Net Asset Value ("NAV") per unit represents the net assets of the Fund presented in the Statement Of Financial Position at 30 June divided by the number of units on issue at 30 June (as shown in Note 8 to the financial statements).

<sup>(B)</sup> The NAV per unit reported to the ASX on 1 July 2020 will differ to the NAV per unit at balance date due to distributions payable and fee accruals. The Fund was admitted to trading status on the ASX on 4 June 2020 and hence there is no comparative.

## AIRLIE AUSTRALIAN SHARE FUND

# Responsible Entity's Report for the year ended 30 June 2020

### 4. Review Of Financial Results And Operations (continued)

#### a) Financial Results For The Period (continued)

(i) Distribution components for the interim and final distributions, which can be found on the Airlie Australian Share Fund website [www.airlieaustraliansharefund.com.au](http://www.airlieaustraliansharefund.com.au), are as follows:

	Interim Distribution Paid 31 December 2019 cents per unit	Final Distribution Payable 30 June 2020 cents per unit	Interim Distribution Paid 31 December 2018 cents per unit	Final Distribution Payable 30 June 2019 cents per unit
<b>Domestic Income</b>				
Interest	-	0.0636	-	0.1346
Franked dividends	2.0000	2.8871	2.0000	3.2364
Franking credits	0.8500	1.7925	0.8500	1.9398
Unfranked dividends	-	0.3396	-	0.1118
Conduit foreign income	-	0.2977	-	0.1959
Other income	-	0.4398	-	0.2134
<b>Foreign Sourced Income</b>	-	-	-	0.0547
Foreign income tax offsets	-	0.0946	-	0.0106
<b>Capital Gains</b>				
Discounted	-	0.0329	-	-
(CGT concession)	-	0.0329	-	-
Other non-attributable amounts (tax deferred amounts)	-	3.8118	-	-
<b>Attribution Amount</b>	2.8500	9.7925	2.8500	5.8973
<b>Tax Offsets</b>				
Franking credits	(0.8500)	(1.7925)	(0.8500)	(1.9398)
<b>Cash Distribution</b>	2.0000	8.0000	2.0000	3.9469

The market impacts arising from the COVID-19 pandemic on the Fund, including downward movements in market prices of the portfolio, are discussed in Note 1(g) of the Financial Statements.

#### b) Total Indirect Cost Ratio ("ICR")

The ICR, for the periods ended 30 June, is the ratio of the Fund's actual management costs over the average portfolio value expressed as a percentage. Management costs, accrued within the Fund's unit prices on a daily basis, include management fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	30 June 2020 %	30 June 2019 %
Management fee	0.78	0.78
<b>Total Indirect Cost Ratio</b>	0.78	0.78

# AIRLIE AUSTRALIAN SHARE FUND

## Responsible Entity's Report for the year ended 30 June 2020

### 4. Review Of Financial Results And Operations (continued)

#### c) Performance Returns

The performance returns, for the periods ended 30 June, have been calculated using the NAV per unit for the Fund, which is after fees and expenses, assuming the reinvestment of distributions at NAV per unit. The returns are calculated daily, compounded to produce longer period returns.

	30 June 2020 %	30 June 2019 %
<b>Performance</b>		
Growth return <sup>(A)</sup>	(2.1)	1.4
Distribution return <sup>(B)</sup>	3.7	2.4
<b>Total Return <sup>(C)</sup></b>	<b>1.6</b>	<b>3.8</b>

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

<sup>(B)</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

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

### 5. Strategy And Future Outlook

The Fund's investment objective is unchanged and the Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement.

As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement of expected results of operations. The Fund provides daily unit prices, monthly fund updates and quarterly portfolio disclosure, which can be found on the Airlie Australian Share Fund website, [www.airlieaustraliansharefund.com.au](http://www.airlieaustraliansharefund.com.au). These Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

### 6. Interest In The Fund

The movement in units on issue in the Fund is disclosed in Note 8 to the financial statements.

### 7. Likely Developments And Expected Results Of Operations

The results of the Fund's operations will continue to be affected by a number of other 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.

### 8. Subsequent Events

In a release to the ASX on 7 August 2020, the Fund reported a NAV per unit of \$2.5962 and 10,865,716 units on issue as at 31 July 2020.

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

### 9. Indemnification And Insurance Of Directors And Officers

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

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

## AIRLIE AUSTRALIAN SHARE FUND

# Responsible Entity's Report for the year ended 30 June 2020

### 10. 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 the Directors of the Responsible Entity.



**Robert Fraser**  
Chairman

Sydney, 24 August 2020



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

As lead auditor for the audit of the financial report of Airlie Australian Share Fund for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

**Ernst & Young**

**Clare Sporle**

Partner

Sydney, 24 August 2020

## AIRLIE AUSTRALIAN SHARE FUND

# Statement Of Profit Or Loss And Comprehensive Income

for the year ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Investment Income</b>			
Dividend and distribution income		780,515	492,287
Interest income		7,988	11,257
Net change in fair value of investments		(692,799)	529,689
Other income		431	-
<b>Total Net Investment Income</b>		96,135	1,033,233
<b>Expenses</b>			
Management fees	11 c)	169,926	96,605
Brokerage costs		39,412	21,348
Withholding tax on dividends		-	701
<b>Total Expenses</b>		209,338	118,654
<b>Profit/(Loss)</b>		(113,203)	914,579
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		(113,203)	914,579
<b>Basic Earnings Per Unit (Cents)</b>	9	(1.38)	18.46
<b>Diluted Earnings Per Unit (Cents)</b>	9	(1.38)	18.46

The above Statement Of Profit Or Loss And Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

## AIRLIE AUSTRALIAN SHARE FUND

# Statement Of Financial Position

as at 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Assets</b>			
Cash and cash equivalents	3	1,184,641	1,213,348
Receivables	5	368,693	168,917
Investments	6	26,160,558	16,706,944
<b>Total Assets</b>		<b>27,713,892</b>	<b>18,089,209</b>
<b>Liabilities</b>			
Payables	7	80,359	440,825
Distributions payable	2	830,840	260,237
<b>Total Liabilities</b>		<b>911,199</b>	<b>701,062</b>
<b>Total Unitholders' Equity</b>		<b>26,802,693</b>	<b>17,388,147</b>

The above Statement Of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

## AIRLIE AUSTRALIAN SHARE FUND

# Statement Of Changes In Equity

for the year ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Total Unitholders' Equity At Beginning Of The Period</b>		17,388,147	7,171,250
Transactions with unitholders in their capacity as owners:			
Ordinary units:			
Issue of units		14,276,313	9,989,969
Issue of units under Dividend Reinvestment Plan		55,701	16,396
Units redeemed		(3,808,848)	(336,419)
Distributions paid and payable	2	(995,417)	(367,628)
<b>Total transactions with unitholders</b>		<b>9,527,749</b>	<b>9,302,318</b>
Comprehensive income for the period:			
Profit/(loss)		(113,203)	914,579
Other comprehensive income		-	-
<b>Total comprehensive income/(loss)</b>		<b>(113,203)</b>	<b>914,579</b>
<b>Total Unitholders' Equity At End Of The Period</b>		<b>26,802,693</b>	<b>17,388,147</b>

The above Statement Of Changes In Equity should be read in conjunction with the accompanying notes to the financial statements.

# AIRLIE AUSTRALIAN SHARE FUND

## Statement Of Cash Flows

for the year ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Cash Flows From Operating Activities</b>			
Dividends and distributions received (net of withholding tax)		771,258	447,250
Interest received		8,798	11,458
Other income received		431	294
Management fees paid		(163,082)	(91,693)
Brokerage costs paid		(40,782)	(21,711)
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	4 a)	576,623	345,598
<b>Cash Flows From Investing Activities</b>			
Purchase of investments		(22,479,748)	(20,444,994)
Proceeds from sale of investments		11,930,807	10,998,358
<b>Net Cash Inflows/(Outflows) From Investing Activities</b>		(10,548,941)	(9,446,636)
<b>Cash Flows From Financing Activities</b>			
Receipts from issue of units		14,148,928	10,002,969
Payments for redemption of units		(3,836,204)	(309,063)
Distributions paid		(369,113)	(94,136)
<b>Net Cash Inflows/(Outflows) From Financing Activities</b>		9,943,611	9,599,770
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>		(28,707)	498,732
Cash and cash equivalents at the beginning of the period		1,213,348	714,616
<b>Cash And Cash Equivalents At The End Of The Period</b>	3	1,184,641	1,213,348

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### Overview

Airlie Australian Share Fund (the "Fund") is a registered managed investment scheme under the *Corporations Act 2001* and was admitted to trading status on the Australian Securities Exchange ("ASX") under the AQUA Rules on 4 June 2020. In accordance with the Fund's Constitution, it commenced on the date that the first unit was issued, which was 31 May 2018. The Fund will terminate on the day immediately preceding the 80th anniversary of the Date of Commencement, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946) is the Responsible Entity of the Fund.

This annual financial report was authorised for issue by the Directors of the Responsible Entity on 24 August 2020. The Directors have the power to amend and reissue this financial report.

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

### 1. Basis Of Preparation

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

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

#### a) Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### b) Functional And Presentation Currency

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

#### c) Investment Income

##### Dividend And Distribution Income

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

##### Net Change In Fair Value Of Investments

Realised and unrealised gains and losses on investments are measured at fair value through profit or loss.

##### Interest Income

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

#### d) Expenses

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

#### e) Income Tax

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

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

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 1. Basis Of Preparation (continued)

#### f) Goods And Services Tax ("GST")

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

#### g) Critical Accounting Estimates And Judgements

Whilst the deterioration of market conditions since March 2020 due to the COVID-19 pandemic resulted in a decline in prices of some of the Fund's investments and also some investment portfolio changes, the Fund has experienced very few financial reporting impacts arising from COVID-19. No asset impairments have been recorded as the Fund's investments are classified as level 1 and level 2 in the fair value hierarchy (as defined in Note 6) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Fund's receivables, which comprise interest on cash balances and dividends, as they have since been collected or the counterparties have been assessed to have strong credit ratings. Furthermore, no other material assets or liabilities of the Fund involved forward-looking information or variables impacted by COVID-19.

In preparing these financial statements, the Directors have taken into account the impacts of COVID-19 in making judgements, estimates and assumptions that affect the amounts reported in the financial statements. The estimates and judgements are continually evaluated and are based on historical experience and various other factors, including reasonable expectations of future events. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 12 c)). As the investments are valued with reference to the listed quoted prices and the Fund's cash is held with strongly rated financial institutions, the Fund's financial assets are not subject to significant judgement or complexity nor are the Fund's liabilities.

### 2. Distributions To Unitholders

	30 June 2020	30 June 2019
Interim distribution paid to unitholders (\$)	164,577	107,391
Final distribution payable to unitholders (\$)	830,840	260,237
<b>Total Distribution To Unitholders (\$)</b>	<b>995,417</b>	<b>367,628</b>
The total distribution consisted of:		
Income (\$)	599,542	367,628
Return of capital (\$)	395,875	-
<b>Total Distribution (Cents Per Unit)</b>	<b>10.00</b>	<b>5.95</b>

Final distributions for the Fund for the six months ended 30 June 2020, shown in the table above, were paid on 14 July 2020, and the interim distributions, for the six months ended 31 December 2019, were paid on 8 January 2020.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement ("PDS"). Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

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

## AIRLIE AUSTRALIAN SHARE FUND

# Notes To The Financial Statements

for the year ended 30 June 2020

## 2. Distributions To Unitholders (continued)

### a) Distribution Reinvestment Plan ("DRP")

A DRP operated in the Fund for the current period.

Unitholders may request their distributions to be applied as subscriptions for additional units in the Fund at the Issue Price (as determined by the Fund's Constitution). DRP details for the interim and final dividends are as follows:

	Interim Distribution Paid 31 December 2019	Final Distribution Payable 30 June 2020	Interim Distribution Paid 31 December 2018	Final Distribution Payable 30 June 2019
DRP issue price (\$)	2.8246	2.5808	2.3215	2.6372
DRP unitholder participation rate (%)	12.59	10.04	14.84	13.45
Number of ordinary units issued under DRP	7,336	32,170	6,863	13,264
Value of ordinary units issued under DRP (\$)	20,723	83,025	15,932	34,978
DRP issue date	1 January 2020	14 July 2020	1 January 2019	1 July 2019

## 3. Cash And Cash Equivalents

	30 June 2020 \$	30 June 2019 \$
Cash at bank - denominated in Australian Dollars	1,184,641	1,213,348
<b>Total Cash And Cash Equivalents</b>	<b>1,184,641</b>	<b>1,213,348</b>

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

## 4. Statement Of Cash Flows Reconciliation

	30 June 2020 \$	30 June 2019 \$
<b>a) Reconciliation Of Net Cash Flows From Operating Activities</b>		
Profit/(Loss)	(113,203)	914,579
Adjusted for:		
Net change in fair value of investments	692,799	(529,689)
Changes in operating receivables and payables		
- Net (increase)/decrease in receivables	(9,817)	(46,850)
- Net increase/(decrease) in payables	6,844	7,558
<b>Net Cash Inflows/(Outflows) From Operating Activities</b>	<b>576,623</b>	<b>345,598</b>
<b>b) Non-Cash Investing And Financing Activities</b>		
Distributions reinvested into units in the Fund	55,701	16,396

## AIRLIE AUSTRALIAN SHARE FUND

# Notes To The Financial Statements

for the year ended 30 June 2020

### 5. Receivables

	30 June 2020 \$	30 June 2019 \$
Due from brokers - receivable for securities sold	167,968	105,394
Applications receivable	127,385	-
Dividend receivable	68,085	58,828
Recoverable GST and foreign withholding tax	5,010	3,640
Interest receivable	245	1,055
<b>Total receivables</b>	<b>368,693</b>	<b>168,917</b>

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

#### Ageing Analysis Of Receivables

At balance date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (June 2019: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2019: 30 to 90 days). No amounts are impaired or past due at 30 June 2020 or 30 June 2019.

### 6. Investments

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

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

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

## AIRLIE AUSTRALIAN SHARE FUND

# Notes To The Financial Statements

for the year ended 30 June 2020

### 6. Investments (continued)

Company Name	30 June 2020 \$	30 June 2019 \$
<b>Investments (Level 1)</b>		
Equity securities listed on the ASX:		
BHP Billiton	2,049,370	1,458,832
Commonwealth Bank Of Australia	2,044,072	1,222,826
CSL	2,021,915	984,485
Wesfarmers	1,556,408	604,378
Mineral Resources	1,169,621	151,388
Origin Energy	1,127,984	797,865
Ampol	1,110,319	-
Aurizon Holdings	1,110,291	188,026
Aristocrat Leisure	1,068,323	795,525
Westpac Banking	1,055,586	1,641,448
Coles Group	1,055,406	265,211
Medibank	1,040,385	-
Macquarie Bank	1,035,615	751,337
Waypoint	1,018,269	-
Suncorp Group	872,013	912,619
Telstra	847,717	-
Reece Australia	744,252	408,554
SCA	740,056	-
Smart Group	653,860	387,301
James Hardie Industries	588,680	291,122
Centuria Industrial	521,487	644,240
Qantas Airways	461,863	350,525
Nick Scali	439,344	-
Premier Investments	389,091	204,522
Pendal Group	344,588	-
Credit Corp	337,167	-
AMP	280,116	180,828
Metcash	241,449	375,508
Healius	235,311	-
Caltex Australia	-	734,555
Vicinity Centres	-	585,102
Brambles	-	476,972
Insurance Australia Group	-	446,569
Lifestyle Communities	-	438,899
Whitehaven Coal	-	357,388
TPG Telecom	-	347,741
ASX	-	292,661
GPT	-	215,970
Bapcor	-	194,547
<b>Total Equity Securities</b>	<b>26,160,558</b>	<b>16,706,944</b>

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

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

## AIRLIE AUSTRALIAN SHARE FUND

# Notes To The Financial Statements

for the year ended 30 June 2020

### 6. Investments (continued)

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

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

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement Of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

### 7. Payables

	Note	30 June 2020 \$	30 June 2019 \$
Due to brokers - payable for securities purchased		61,842	401,796
Management fees payable	11 c)	18,517	11,673
Redemptions payable		-	27,356
<b>Total Payables</b>		<b>80,359</b>	<b>440,825</b>

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

#### Maturities Of Payables

At balance date, all payables mature in 0 to 90 days (June 2019: 0 to 90 days).

### 8. Unitholders' Equity

	30 June 2020 Number Of units	30 June 2019 Number Of units
<b>Ordinary Units</b>		
Opening balance	6,593,515	2,756,402
Units issued	4,839,913	3,964,809
Units issued under DRP	20,600	7,041
Units redeemed	(1,068,528)	(134,737)
Closing balance	<b>10,385,500</b>	<b>6,593,515</b>

#### Entering and exiting the Fund

The Fund was admitted to trading status on the ASX under the AQUA Rules on 4 June 2020. Previously investors could only enter or exit the Fund by applications to or withdrawals directly from the Responsible Entity. Investors can now enter or exit the Fund via buying/selling units on the ASX or by applications/withdrawals direct to/from the Responsible Entity. The method of entry into the Fund does not affect the method of exit from the Fund.

There are important differences between entering and exiting the Fund by applying for and withdrawing units directly with the Responsible Entity or via the ASX. These differences include, but are not limited to, the entry and exit price received, and whether investment minimums apply. Further details are available in the Fund's PDS.

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 8. Unitholders' Equity (continued)

#### Ordinary Units

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

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

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

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

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

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

### 9. Earnings Per Unit

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

	30 June 2020	30 June 2019
<b>Basic EPU</b>		
Profit/(loss) attributable to unitholders (\$)	(113,203)	914,579
Weighted average number of units for basic EPU	8,193,541	4,954,646
<b>Basic EPU (Cents)</b>	(1.38)	18.46
<b>Diluted EPU</b>		
Profit/(loss) attributable to unitholders (\$)	(113,203)	914,579
Weighted average number of units for diluted EPU	8,193,541	4,954,646
<b>Diluted EPU (Cents)</b>	(1.38)	18.46
<b>Earnings Reconciliation</b>		
Profit/(loss) used in the calculation of basic and diluted EPU (\$)	(113,203)	914,579

As the Fund has no potential dilutive units basic and diluted EPU are equal.

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 10. NAV Per Unit

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

	30 June 2020 \$	30 June 2019 \$
NAV per unit	2.5808	2.6372

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

### 11. Related Parties

#### a) Responsible Entity

The Responsible Entity of the Fund is MAM. MAM is a wholly-owned subsidiary of Magellan Financial Group Limited ("MFG") (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity. Airlie Funds Management Pty Limited ("Airlie") provided investment management services, in respect of the Fund, from 1 July 2019 to 30 November 2019. On 1 December 2019 MAM replaced Airlie as investment manager. Airlie is a wholly-owned subsidiary of the Responsible Entity. MAM, MFG and are considered related parties of the Fund.

#### b) Key Management Personnel

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

The Directors of MAM are considered to be KMP. The Directors of MAM during the period and up to the date of this report are: Dr Brett Cairns, Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan, Ms Kirsten Morton and Ms Karen Phin. The Fund did not pay any compensation to the Directors of the Responsible Entity.

#### c) Management Fees

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

Management fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1 f)). The management fees paid/payable by the Fund are as follows:

	30 June 2020 \$	30 June 2019 \$
Management fees	169,926	96,605
<b>Total Fees Expensed In The Statement Of Profit Or Loss And Comprehensive Income</b>	<b>169,926</b>	<b>96,605</b>
<b>Total Fees Payable In The Statement Of Financial Position</b>	<b>18,517</b>	<b>11,673</b>

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 11. Related Parties (continued)

#### d) Transactions With Related Parties

##### Unit holdings In The Fund

Number of units held by each KMP, including their personally-related parties, in the Fund is as follows:

					30 June 2020
	Units acquired (A)	Units redeemed	Units held at end of period		Distribution paid/payable (B)
Director	Number	Number	Number	%	\$
Karen Phin	-	-	19,049	(c)	1,905
Brett Cairns	20,000	-	20,000	(c)	1,600

					30 June 2019
	Units acquired (A)	Units redeemed	Units held at end of period		Distribution paid/payable (B)
Director	Number	Number	Number	%	\$
Karen Phin	19,049	-	19,049	0.29	1,133

(A) Includes the reinvestment of 30 June 2018 and June 2019 distributions paid in the periods ended 30 June 2019 and 2020 respectively.

(B) Represents the current period interim distribution paid and final distribution payable, comprising cash paid and DRP units issued.

(C) Holding less than 0.1%.

### 12. Capital And Financial Risk Management

#### a) Financial Risk Management

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

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

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

#### b) Concentration Risk

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

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

#### c) Market Risk

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

#### i) Equity Price Risk

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

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 12. Capital And Financial Risk Management (continued)

#### c) Market Risk (continued)

##### i) Equity Price Risk (continued)

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

	30 June 2020 \$	30 June 2019 \$
Impact on unitholders' equity and net profit	1,308,028	835,347

A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect on the Fund's net profit and unitholders' equity.

##### ii) Interest Rate Risk

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

The primary exposure to interest rates arises on cash balances held by the Fund, which are all held in floating interest rate accounts. Based on the Australian Dollar cash balances held by the Fund, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have had the following impact on the Fund's net profit and unitholders' equity, at balance date:

	30 June 2020 \$	30 June 2019 \$
Australian Dollar cash balances	1,185	1,213

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on interest income earned.

The level of cash held by the Fund may vary from time to time, depending on the level of recent capital flows into and out of the Fund, and on the Investment Manager's judgement. The cash balances held by the Fund as at balance date may therefore not be typical of the amounts of cash generally held by the Fund.

The Fund did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

##### iii) Market Making Risk

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

Market making risk comprises:

- i) the risk that the market making agent makes an error in executing the Fund's market making services. If the market making agent does not fulfil its settlement processing obligations in a correct and timely manner, the Fund could suffer a loss; and
- ii) the risk of an error in the execution of market making activities, or in the price at which units are transacted on the ASX. As many overseas stock exchange markets in which the Fund invests are closed during the ASX trading day, it is not possible for the Responsible Entity to hedge the Fund's market making activities. This may result in either a cost or a benefit to the Fund.

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

##### d) Liquidity Risk

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

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

# AIRLIE AUSTRALIAN SHARE FUND

## Notes To The Financial Statements

for the year ended 30 June 2020

### 12. Capital And Financial Risk Management (continued)

#### d) Liquidity Risk (continued)

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

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$911,199 (June 2019: \$701,062) within 30 days. The Fund has cash and receivables totalling \$1,553,334 (June 2019: \$1,382,265) to cover these liabilities.

#### e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value.

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

The Responsible Entity has appointed the Northern Trust Company ("NT") as the Fund's custodian. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's senior debt is rated, as at balance date, by Standard and Poor's as A+ and by Moody's as A2 (June 2019: Standard and Poor's as A+ and by Moody's as A2).

At balance date the Fund's maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statement Of Financial Position.

### 13. Segment Information

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

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

### 14. Auditor's Remuneration

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

	30 June 2020 \$	30 June 2019 \$
<b>Audit Services</b>		
Audit and review of financial reports	24,800	10,400
Other assurance services	1,267	1,364
<b>Non-Audit Services</b>		
Taxation	6,700	6,600
<b>Total Auditor's Remuneration</b>	<b>32,767</b>	<b>18,364</b>

## **AIRLIE AUSTRALIAN SHARE FUND**

# Notes To The Financial Statements

for the year ended 30 June 2020

### **15. Contingent Assets, Contingent Liabilities And Commitments**

At balance date, the Fund has no contingent assets, contingent liabilities or commitments. (June 2019: nil).

### **16. Subsequent Events**

In a release to the ASX on 7 August 2020, the Fund reported a NAV per unit of \$2.5962 and 10,865,716 units on issue as at 31 July 2020.

Other than the items disclosed throughout this Financial Report and the above, there have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Fund's operations, the results of its operations, or the Fund's state of affairs in future years. Asset prices move daily and daily unit prices are available on the MFG website, [www.magellangroup.com.au](http://www.magellangroup.com.au) and also the ASX website.

## AIRLIE AUSTRALIAN SHARE FUND

# Directors' Declaration

for the year ended 30 June 2020

In the opinion of the Directors,

- a) the financial statements and notes of Airlie Australian Share Fund as set out on pages 9 to 24 are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the financial position of the Fund as at 30 June 2020 and of its performance as represented by the results of its operations and cash flows for the period ended on that date; and
  - ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, International Financial Reporting Standards as disclosed in Note 1 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2020.

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



**Robert Fraser**  
Chairman

Sydney, 24 August 2020

## Independent Auditor's Report to the members of Airlie Australian Share Fund

### Opinion

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

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the period ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### Why significant

#### 1. Investment existence and valuation

The Fund has significant investment portfolio consisting primarily of listed equities. As at 30 June 2020, the value of these listed equities, was \$26,160,558 which equates to 94% of the total assets of the Fund.

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

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

#### 2. Management and performance fees

Management fees, paid to the investment manager, Magellan Asset Management Limited, are the most significant expense for the Fund.

The Fund's accounting policy for management fees is described in Note 11c to the financial report. All expenses are recognised on an accruals basis.

As at 30 June 2020, management fees totalled \$169,926 which equates to 81% of total expenses.

Due to the complexity of the arrangements and the quantum of the amounts involved, this was considered to be a key audit matter

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the recognition and valuation of investments;

We obtained and considered the assurance reports on the controls of the Fund's custodians and administrators in relation to investment management services and considered the auditor's qualifications and objectivity and results of their procedures;

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020;

We assessed the fair value of all investments in the portfolio held at 30 June 2020 to independent market price sources; and

We assessed the adequacy of the disclosures in Note 6 to the financial report.

We assessed the effectiveness of the controls in relation to the calculation of management fees;

We obtained and considered the assurance report on the controls of the Fund's administrator in relation to Fund Administration Services for the period ended 30 June 2020 and considered the auditor's qualifications and objectivity and results of their procedures;

We recalculated management fees in accordance with contractual arrangements; and

We assessed the adequacy of the disclosures in Note 11c of the financial report.

### **Information Other than the Financial Report and Auditor's Report**

The directors of Magellan Asset Management (the "Responsible Entity") are responsible for the other information. The other information comprises the information included in the Fund's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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



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

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

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

A handwritten signature in blue ink that reads 'Ernst &amp; Young' in a cursive style.

**Ernst & Young**

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

**Clare Sporle**

Partner

Sydney, 24 August 2020

# AIRLIE AUSTRALIAN SHARE FUND

## Unitholder Information

### Distribution of Unitholders

The distribution of unitholders of the Fund as at 13 August 2020 is as follows:

Distribution of holdings	Number of unit holders	Number of units	Percentage of units on issue %
1-1,000	69	34,807	0.309
1,001-5,000	89	288,162	2.557
5,001-10,000	42	334,588	2.969
10,001-100,000	73	1,948,205	17.290
100,001 and over	15	8,661,886	76.874
<b>Total</b>	<b>288</b>	<b>11,267,649</b>	<b>100.00</b>
Number of holders with less than a marketable parcel of units	7	816	0.007

### Twenty Largest Unitholders

The names of the 20 largest unitholders in the Fund as at 13 August 2020 are listed below:

Holder Name	Number of units	Percentage of units on issue %
Mattrow Pty Ltd (Mattrow Unit a/c)	2,000,000	17.750
Bond Street Custodians Limited (Portfolio Manager Acc)	1,964,987	17.439
The Trust Company (Ptal) Limited (CAL (MS- Cash) a/c)	1,551,339	13.768
BT Portfolio Services Limited (Panorama a/c)	870,385	7.725
Netwealth Investments Limited (Wrap Account)	516,802	4.587
Josseck Pty Ltd (The Josseck Family a/c)	418,902	3.718
Investment Custodial Services Limited (R)	223,885	1.987
Rushleigh Services Pty Ltd (Taboga Super Fund a/c)	190,016	1.686
MOE Pty Ltd	186,916	1.659
Investment Custodial Services Limited (C)	163,614	1.452
BT Portfolio Services Limited (R)	127,450	1.131
Greybox Holdings Pty Ltd	114,894	1.020
Noel Whittaker Holdings Pty Ltd (Whittaker Family Super a/c)	114,000	1.012
The Trust Company (PTAL) Limited (CAL a/c)	113,703	1.009
Asgard Capital Management Limited (Asgard & IBS Holdings a/c)	104,995	0.932
Mr Kevin White + Mrs Margaret White (White Family Super Fund a/c)	93,601	0.831
HSBC Custody Nominees (Australia) Limited (011-289881-061)	90,859	0.806
BT Portfolio Services Limited (C)	86,004	0.763
Mr Gerard Damian Doherty	76,502	0.679
Mr Anthony Thomas Williams	76,000	0.674
<b>Total Units Held By The 20 Largest Unitholders</b>	<b>9,084,854</b>	<b>80.628</b>
<b>Total Units On Issue</b>	<b>11,267,649</b>	

### Units

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

# AIRLIE AUSTRALIAN SHARE FUND

## Corporate Information

### **Directors Of The Responsible Entity**

Brett Cairns (Chief Executive Officer)  
John Eales  
Robert Fraser (Chairman)  
Paul Lewis  
Hamish McLennan  
Kirsten Morton (Chief Financial Officer)  
Karen Phin

### **Company Secretary Of The Responsible Entity**

Marcia Venegas

### **Registered Office**

Level 36, 19 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9235 4888  
Fax: +61 2 9235 4800  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)

### **Auditor**

Ernst & Young  
200 George Street  
Sydney NSW 2000

### **Unit Registrar**

Mainstream Fund Services Pty Ltd  
Level 1, 51 – 57 Pitt Street  
Sydney NSW 2000  
Telephone: +61 2 9247 3326  
Fax: +61 2 9251 3525  
Email: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com)

### **Securities Exchange Listing**

Australian Securities Exchange  
ASX Code: AASF

### **Website**

<http://www.airlieaustraliansharefund.com.au>

### **Corporate Governance Statement**

The Corporate Governance Statement for the Fund can be found on the Magellan website at <http://www.magellangroup.com.au> under Reports and ASX releases for the Fund.