

Smallco Investment Fund

ARSN 103 148 107

Annual Report

For the year ended 30 June 2024

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These financial statements cover Smallco Investment Fund as an individual entity.

The Responsible Entity of Smallco Investment Fund is Smallco Investment Manager Limited (ABN 89 092 626 090) (AFSL 224108). The Responsible Entity's registered office is:

Suite 903, Level 9
109 Pitt St
Sydney NSW 2000

Directors' Report

The Directors of Smallco Investment Manager Limited, the Responsible Entity of Smallco Investment Fund, present their report together with the financial statements of Smallco Investment Fund (the "Fund") for the year ended 30 June 2024.

Principal activities

The principal activity of the Fund during the financial year was conducting securities investment activities in Australia, investing predominantly in small Australian listed companies in accordance with the provision of the Fund's Constitution.

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 Smallco Investment Manager Limited during or since the end of the year and up to the date of this report:

Rob Hopkins
Bill Ryan
Michael Walsh
Robert Simpson (appointed 19 September 2023)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review and results of operations

During the year, the Fund continued 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's Constitution.

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

	Year ended	
	30 June 2024	30 June 2023
Operating profit/(loss) for the year (\$)	103,377,670	80,090,797
Distributions payable	32,230,380	13,756,908
Distribution cents per unit (CPU)	38.7206	17.5182

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the last available Product Disclosure Statement and 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.

Indemnification and insurance of officers

Other than detailed below, no indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Fund, or the Responsible Entity.

The Responsible Entity has paid premiums totalling \$61,505 plus GST (2023: \$63,591 plus GST) to insure each of the following directors of the Responsible Entity against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Fund other than conduct involving a willful breach of duty in relation to the Fund:

Rob Hopkins
Bill Ryan
Michael Walsh
Robert Simpson (appointed 19 September 2023)

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Proceedings on behalf of the Fund

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.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 13 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Auditor's Independence Declaration

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

This report is made in accordance with a resolution of the Directors of Smallco Investment Manager Limited.

A handwritten signature in black ink, appearing to read 'R. Simpson', with a long horizontal flourish extending to the right.

Robert Simpson on behalf of directors

Sydney
10 September 2024

Auditor's Independence Declaration Under Section 307c of the *Corporations Act 2001* to the Unitholders of Smallco Investment Fund

As lead engagement partner, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 there have been:

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

Yours sincerely,



Crowe Sydney



John Haydon
Senior Partner

10 September 2024
Sydney

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The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Smallco Investment Fund
Statement of Comprehensive Income
For the year ended 30 June 2024

Statement of Comprehensive Income

		Year ended	
		30 June 2024	30 June 2023
	Notes	\$	\$
Investment income			
Interest income from financial assets at amortised cost		1,994,804	552,189
Dividend income		4,656,600	4,239,344
Net gains on financial instruments at fair value through profit or loss		<u>115,395,212</u>	<u>81,399,290</u>
Total investment income		<u>122,046,616</u>	<u>86,190,823</u>
Expenses			
Management fees	13	6,606,731	5,437,646
Performance fees	13	11,098,591	-
Administration fees		149,351	125,750
Custody fees		55,739	47,674
Transaction costs		288,071	88,078
Remuneration of auditor	12	45,100	44,550
Expense reimbursement fees		424,940	356,010
Other operating expenses		<u>423</u>	<u>318</u>
Total operating expenses		<u>18,668,946</u>	<u>6,100,026</u>
Operating profit for the year		<u>103,377,670</u>	<u>80,090,797</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>103,377,670</u>	<u>80,090,797</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Smallco Investment Fund
Statement of Financial Position
As at 30 June 2024

Statement of Financial Position

		As at	
		30 June 2024	30 June 2023
	Notes	\$	\$
Assets			
Cash and cash equivalents	8	40,268,047	48,764,057
Receivables	10	1,527,661	558,542
Financial assets at fair value through profit or loss	5	492,013,356	359,829,529
Total assets		533,809,064	409,152,128
Liabilities			
Distributions payable	7	32,230,380	13,756,908
Payables	11	12,536,843	1,017,439
Total liabilities		44,767,223	14,774,347
Net assets attributable to unitholders - equity	6	489,041,841	394,377,781

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Smallco Investment Fund
Statement of Changes in Equity
For the year ended 30 June 2024**

Statement of Changes in Equity

	Notes	Year ended	
		30 June 2024	30 June 2023
		\$	\$
Total equity opening balance		394,377,781	342,726,590
Comprehensive income for the financial year			
Profit for the year	6	103,377,670	80,090,797
Other comprehensive income		-	-
Total comprehensive income		103,377,670	80,090,797
Transactions with unitholders			
Applications	6	36,611,317	5,698,357
Redemptions	6	(22,593,485)	(26,394,630)
Reinvestment of distributions	6	9,498,938	6,013,575
Distributions paid and payable	6	(32,230,380)	(13,756,908)
Total transactions with unitholders		(8,713,610)	(28,439,606)
Total equity at the end of the financial year		489,041,841	394,377,781

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Smallco Investment Fund
Statement of Cash Flows
For the year ended 30 June 2024**

Statement of Cash Flows

	Year ended	
	30 June 2024	30 June 2023
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial assets at fair value through profit or loss	90,879,232	38,453,522
Payments for purchase of financial assets at fair value through profit or loss	(107,667,847)	(31,609,973)
Interest income received from financial assets at amortised cost	1,961,225	476,504
Dividends received	4,656,600	4,239,344
Management fees paid	(6,544,344)	(5,320,199)
Performance fees paid	(455,365)	-
GST on performance fees received (paid)	-	1,302,842
Transaction costs paid	(315,522)	(47,902)
Payment of other operating expenses	(662,854)	(559,538)
Net cash inflow/(outflow) from operating activities	9(a) (18,148,875)	6,934,600
Cash flows from financing activities		
Proceeds from applications by unitholders	36,771,174	5,738,665
Payments for redemptions by unitholders	(22,860,339)	(26,068,376)
Distributions paid to unitholders	(4,257,970)	(2,988,466)
Net cash inflow/(outflow) from financing activities	9,652,865	(23,318,177)
Net (decrease) in cash and cash equivalents	(8,496,010)	(16,383,577)
Cash and cash equivalents at the beginning of the year	48,764,057	65,147,634
Cash and cash equivalents at the end of the year	8 40,268,047	48,764,057
Non-cash financing activities	9(b) 9,498,938	6,013,575

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

Notes to the Financial Statements

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1 General information

These financial statements cover Smallco Investment Fund (the "Fund") as an individual entity. The Fund was constituted on 31 October 2000 as a wholesale unit trust, commenced operations on 20 November 2000 and subsequently registered with the Australian Securities and Investments Commission on 24 December 2002. The Fund will be terminated on the 80th anniversary of the day before the Fund commenced.

Smallco Investment Fund is a registered managed investment scheme under the *Corporations Act 2001*.

The principal activity of the Fund during the financial year was conducting securities investment activities in Australia, investing predominantly in small Australian listed companies in accordance with the provision of the Fund's Constitution.

The Responsible Entity of the Fund is Smallco Investment Manager Limited (ABN 89 092 626 090) (AFSL 224108) (the "Responsible Entity"). The Responsible Entity's registered office is Suite 903, Level 9, 109 Pitt St, Sydney, NSW 2000.

The financial statements of the Fund are for the year ended 30 June 2024. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on the date the Directors' Declaration was signed. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policy information

The accounting policies that are material to the fund are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

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

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

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

2 Summary of material accounting policy information (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards and interpretations not yet adopted

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

(b) Financial instruments

(i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, management and other expenses payable, redemptions payable, other payables and due to brokers).

(ii) Recognition/derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

2 Summary of material accounting policy information (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, due from brokers and receivables are carried at amortised cost.

(iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, due from brokers and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss ("ECL") approach is 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when the Fund has 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of Financial Position.

(c) Net assets attributable to unitholders

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

2 Summary of material accounting policy information (continued)

(c) Net assets attributable to unitholders (continued)

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

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund's units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

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

(d) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Investment income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) 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, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the Statement of Comprehensive Income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an offset to dividend income. 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 Comprehensive Income.

Trust distributions are recognised on an entitlement basis.

Other income is recognised on an accruals basis.

(f) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

2 Summary of material accounting policy information (continued)

(g) Income tax

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

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised losses are not distributed to unitholders but are retained in the Fund to be offset against any future realised capital gains. If realised capital gains exceed realised losses, the excess is distributed to the unitholders.

(h) Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity.

(i) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

A separate distributions payable is recognised in the Statement of Financial Position.

Distributions declared effective 30 June in relation to unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(j) Applications and redemptions

Unit application and redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue, adjusted for buy/sell spreads at 0.45%.

(k) 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 investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 55%; hence investment management fees, custodial fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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.

(l) Use of estimates and judgements

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

For the majority of the Fund's financial instruments, quoted market prices are readily available.

The Fund estimates that the resultant ECL derived from using impairment model has not materially impacted the Fund. Please see Note 3(c) or more information on credit risk.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.

2 Summary of material accounting policy information (continued)

(m) Comparative revisions

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

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price 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 last available Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Investment Manager under policies approved by the Board of Directors of the Responsible Entity.

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

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. All investments present a risk of loss of capital.

As the majority of the Fund's investments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

The Responsible Entity mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board of the Responsible Entity. The majority of the net assets attributable to unitholders are invested in Australian equity securities. Majority of the Fund's equity investments are publicly traded and are listed. Compliance with the Fund's last available Product Disclosure Statement is reported to the Board of the Responsible Entity on a quarterly basis.

The Fund has built in procedures to ensure adherence to the Fund's investment guidelines at all times.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector. The table below is a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

Sector	30 June 2024 Fund's equity portfolio (%)	30 June 2023 Fund's equity portfolio (%)
Consumer discretionary	22.07	26.40
Communication services	22.01	22.03
Financials	15.06	14.65
Materials	1.00	-
Real estate	4.65	1.67
Technology	35.21	35.25
Total	100.00	100.00

The table in Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests move by +/- 15% (2023: +/- 15%).

The comparative information has been revised due to a change in the sector analysis allocation process.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Compliance with the Fund's last available Product Disclosure Statement is reported to the Board of the Responsible Entity on a quarterly basis.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

	Floating interest rate \$	Non- interest bearing \$	Total \$
As at 30 June 2024			
Assets			
Cash and cash equivalents	40,268,047	-	40,268,047
Receivables	-	1,527,661	1,527,661
Financial assets at fair value through profit or loss	-	492,013,356	492,013,356
Total assets	40,268,047	493,541,017	533,809,064
Liabilities			
Distributions payable	-	32,230,380	32,230,380
Payables	-	12,536,843	12,536,843
Total liabilities	-	44,767,223	44,767,223
Net exposure	40,268,047	448,773,794	489,041,841
As at 30 June 2023			
Assets			
Cash and cash equivalents	48,764,057	-	48,764,057
Receivables	-	558,542	558,542
Financial assets at fair value through profit or loss	-	359,829,529	359,829,529
Total assets	48,764,057	360,388,071	409,152,128
Liabilities			
Distributions payable	-	13,756,908	13,756,908
Payables	-	1,017,439	1,017,439
Total liabilities	-	14,774,347	14,774,347
Net exposure	48,764,057	345,613,724	394,377,781

The table in Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit/(loss) and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that interest rates change by +/- 75 basis points (2023: +/- 75 basis points) from the year end rates with all other variables held constant.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on the Investment Manager's and the Responsible Entity's best estimates. 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 the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/(loss)/ Net assets attributable to unitholders			
	Price risk		Interest rate risk	
	+15%	-15%	+75bps	-75bps
	\$	\$	\$	\$
30 June 2024	73,802,003	(73,802,003)	302,010	(302,010)
30 June 2023	53,974,429	(53,974,429)	365,730	(365,730)

In determining the impact of an increase/decrease in operating profit/(loss) and 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

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in cash and cash equivalents, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Investment Manager aims to reduce credit risk by following the investment objectives explicitly set out in its last available Product Disclosure Statement in terms of the assets it can invest in.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2024 and 30 June 2023, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A+ or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

(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 the securities purchased have been received by the broker. The trade will fail if either party fails to meet its obligations.

3 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A+ (2023: A+) (as determined by the Standards and Poor's) or higher.

(iii) Other

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

The clearing and depository operations for the Fund's security transactions are primarily with J.P. Morgan Chase Bank, N.A. (Sydney Branch). J.P. Morgan Chase Bank, N.A. (Sydney Branch), the Sub-custodian of MUFG Corporate Markets (previously Link Fund Solutions Pty Limited) (the Custodian), is a member of a major securities exchange, and at 30 June 2024 had a credit rating of A+ (2023: A+). In August 2023, Perpetual Corporate Trust Limited was appointed as a custodian for the fund and holds a portion of the Fund's cash positions. Perpetual Corporate Trust Limited is part of an ASX listed company. Perpetual holds the Fund's cash in Australia and New Zealand Banking Group Limited which at 30 June 2024 had a credit rating of AA- (2023: AA-).

(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 is exposed to daily cash redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

The Responsible Entity minimises liquidity and cash flow risk through:

- limiting exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

The Responsible Entity monitors the Fund's cash flow requirements daily in relation to the trading account taking into account upcoming distributions and trading activity.

The Fund's listed securities are considered readily realisable as they are listed on the Australian Securities Exchange.

(i) Maturities of non-derivative financial liabilities

All non-derivative liabilities of the Fund in the current and prior year have maturities of less than one month.

4 Fair value measurement

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

- Financial assets at fair value through profit or loss (see Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The Fund values its investments in accordance with the accounting policies set out in Note 2 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.

(a) 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 close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last sale price.

4 Fair value measurement (continued)

(a) Fair value in an active market (level 1) (continued)

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June.

As at 30 June 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Australian listed equity securities	492,013,356	-	-	492,013,356
Total financial assets	492,013,356	-	-	492,013,356

As at 30 June 2023

Financial assets

Australian listed equity securities	359,829,529	-	-	359,829,529
Total financial assets	359,829,529	-	-	359,829,529

(c) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy as at the end of the reporting period.

(d) Financial instruments not carried at fair value

The carrying values of receivables and payables approximate their fair values due to their short-term nature.

Net assets attributable to unitholders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

Smallco Investment Fund
Notes to the Financial Statements
For the year ended 30 June 2024
(continued)

5 Financial assets at fair value through profit or loss

	As at	
	30 June 2024	30 June 2023
	\$	\$
Australian listed equity securities	492,013,356	359,829,529
Total financial assets at fair value through profit or loss	492,013,356	359,829,529

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and 4 to the financial statements.

6 Net assets attributable to unitholders - equity

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

	Year ended		Year ended	
	30 June 2024	30 June 2024	30 June 2023	30 June 2023
	Units	\$	Units	\$
Opening balance	78,529,043	394,377,781	81,386,392	342,726,590
Applications	6,821,863	36,611,317	1,165,883	5,698,357
Redemptions	(4,004,024)	(22,593,485)	(5,451,261)	(26,394,630)
Reinvestment of distributions	1,891,428	9,498,938	1,428,029	6,013,575
Distributions paid and payable	-	(32,230,380)	-	(13,756,908)
Profit for the period	-	103,377,670	-	80,090,797
Closing balance	83,238,310	489,041,841	78,529,043	394,377,781

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

Units are redeemed on demand at the unitholders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

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

The Fund monitors the level of daily applications and redemptions relative to the cash levels of the Fund to manage this risk and aims to ensure there is adequate liquidity to meet the needs of unitholders.

Smallco Investment Fund
Notes to the Financial Statements
For the year ended 30 June 2024
(continued)

7 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2024 \$	30 June 2024 CPU	30 June 2023 \$	30 June 2023 CPU
Distributions payable	32,230,380	38.7206	13,756,908	17.5182
Total distributions	32,230,380	38.7206	13,756,908	17.5182

8 Cash and cash equivalents

	As at	
	30 June 2024 \$	30 June 2023 \$
Cash at bank	40,268,047	48,764,057
Total cash and cash equivalents	40,268,047	48,764,057

These accounts are earning a floating interest rate between 2.13% and 4.35% as at 30 June 2024 (2023: between 1.93% and 4.00%).

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

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

	Year ended	
	30 June 2024 \$	30 June 2023 \$
Profit for the year	103,377,670	80,090,797
Proceeds from sale of financial assets at fair value through profit or loss	90,879,232	38,453,522
Payments for purchase of financial assets at fair value through profit or loss	(107,667,847)	(31,609,973)
Net (gains) on financial instruments at fair value through profit or loss	(115,395,212)	(81,399,290)
Net change in receivables and other assets	(969,119)	1,328,771
Net change in payables and other liabilities	11,626,401	70,773
Net cash inflow/(outflow) from operating activities	(18,148,875)	6,934,600

9 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

(b) Non-cash financing activities

	Year ended	
	30 June 2024	30 June 2023
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	9,498,938	6,013,575
Total non-cash financing activities	9,498,938	6,013,575

10 Receivables

	As at	
	30 June 2024	30 June 2023
	\$	\$
Interest receivable	109,264	75,685
GST receivable	1,418,397	482,857
Total receivables	1,527,661	558,542

11 Payables

	As at	
	30 June 2024	30 June 2023
	\$	\$
Management and other expenses payable	765,699	579,134
Performance fees payable	11,455,318	-
Redemptions payable	80,819	347,673
Monies not allocated to units	200,165	40,308
Other payables	34,842	50,324
Total payables	12,536,843	1,017,439

12 Remuneration of auditor

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

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Crowe Sydney		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	37,100	36,950
Audit of compliance plan	8,000	7,600
Total remuneration for audit and other assurance services	45,100	44,550
Total remuneration of Crowe Sydney	45,100	44,550

The remuneration to auditor is paid directly by the Fund according to the Fund's Constitution.

13 Related party transactions

The Responsible Entity and Investment Manager of Smallco Investment Fund is Smallco Investment Manager Limited (ABN 89 092 626 090) (AFSL 224108). Accordingly, transactions with entities related to Smallco Investment Manager Limited are disclosed below.

The Responsible Entity has engaged MUFG Corporate Markets (formerly Link Fund Solutions Pty Limited) to serve as the Custodian and Administrator of the Fund. Additionally, Perpetual Corporate Trust Limited has been appointed as the Custodian for a portion of the Fund's cash. Both contracts are established under standard commercial terms and conditions.

(a) Directors

Key management personnel include persons who were Directors of Smallco Investment Manager Limited at any time during or since the end of the financial year and up to the date of this report.

Rob Hopkins
Bill Ryan
Michael Walsh
Robert Simpson (appointed 19 September 2023)

(b) Other key management personnel

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

(c) Transactions with key management personnel

The following transactions occurred with key management personnel during the reporting period:

13 Related party transactions (continued)

(c) Transactions with key management personnel (continued)

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Application for units	13,104,863	1,111,805
Total	13,104,863	1,111,805

(d) Key management personnel compensation

Key management personnel are paid by Smallco Investment Manager Limited and the Fund.

During the year the following fees were paid or payable to key management personnel by the Fund.

	Short-term benefits in fees	
	30 June 2024	30 June 2023
	\$	\$
Key management personnel compensation		
Michael Walsh	16,188	16,406
	16,188	16,406

(e) Key management personnel loans

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

(f) Other transactions within the Fund

From time to time, Smallco Investment Manager Limited or its director-related entities may invest in or withdraw from the Fund.

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

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution/last available Product Disclosure Statement, the Investment Manager is entitled to receive management fees of up to 1.40% per annum (including GST less RITC), calculated by reference to the average daily net assets of the Fund and payable monthly by the Fund.

The Responsible Entity has stated that the amount of normal operating expenses met by the Fund is 0.14% for the year ended 30 June 2024 (year ended 30 June 2023: 0.15%) per annum of the Fund's net asset value. The administration fee is not capped and may increase if expenses reasonably and properly incurred by the Investment Manager in connection with the Fund increase above historic levels. The amount of normal operating expenses is calculated at the end of the financial year.

Under the terms of the Fund's Constitution/last available Product Disclosure Statement, the Investment Manager is also entitled to receive a performance fee of 18.64% (including GST less RITC) of the performance above the Fund's previous end-of six-month period high after adjusting for the impact of applications, redemptions and distributions. Payable six monthly in arrears.

13 Related party transactions (continued)

Transactions with related parties have taken place in the ordinary course of business. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Management fees for the year paid by the Fund	6,606,731	5,437,646
Performance fees for the year paid by the Fund	11,098,591	-
Expense reimbursement fees for the year paid by the Fund	470,040	400,560
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	765,699	579,134
Aggregate performance fees payable at the end of the reporting period	11,455,318	-

Smallco Investment Manager Limited is the Responsible Entity of Smallco Investment Fund and provides accounting, treasury and investment services to the Fund in accordance with the Fund's Constitution. Key management personnel are paid by Smallco Investment Manager Limited. Payments made from the Fund to Smallco Investment Manager Limited do not include any amounts directly attributable to the compensation of key management personnel.

(h) Related party unitholdings

Apart from key management personnel, no other parties related to the Fund (including Smallco Investment Manager Limited, its related parties and other schemes managed by Smallco Investment Manager Limited), held units in the Fund at the end of the year.

(i) Investments

The Fund did not hold any investments in Smallco Investment Manager Limited or its related parties during the year.

14 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent assets and liabilities and commitments

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

Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of Smallco Investment Manager Limited.



Robert Simpson on behalf of directors

Sydney
10 September 2024

Independent Auditor's Report to the Unitholders of Smallco Investment Fund

Opinion

We have audited the financial report of Smallco Investment Fund (the Fund) which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration of Smallco Investment Manager Limited, as the Responsible Entity of the Fund.

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 2024 and of its financial performance for the year then ended; 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 & 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.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation Crowe's personnel involved in preparing this document, please speak to your Crowe adviser.

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The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors 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 ability of the Fund 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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.



Crowe Sydney



John Haydon
Senior Partner

10 September 2024
Sydney