



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

AIRLIE AUSTRALIAN SHARE FUND: ABN 67 764 357 242

AIRLIE AUSTRALIAN SHARE FUND

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AIRLIE AUSTRALIAN SHARE FUND

Responsible Entity's Report

for the year ended 30 June 2019

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 report on the Fund for the year ended 30 June 2019.

1.0 Directors

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

Name	Directorship	Appointed
Brett Cairns	Chief Executive Officer	22 January 2007
Hamish Douglass	Chief Investment Officer ^(A)	21 November 2006
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

^(A) On 5 October 2018, Mr Douglass resigned as a Director of MAM and was appointed Chairman of Magellan Financial Group Limited ("MFG") the parent company of MAM.

1.1 Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia, with a principal place of business at Level 36, 19 Martin Place, Sydney, New South Wales 2000. The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018.

Airlie Funds Management Pty Limited ("Airlie"), a wholly owned subsidiary of MAM, provides investment management services in respect of the Fund. Airlie is a specialist Australian equities fund manager which brings together some of Australia's most experienced industry participants. Airlie has an active, value-based investment style that aims to deliver attractive long-term capital growth and regular income to its investors. Founded by John Sevier and David Cooper in 2012 and headquartered in Sydney, Airlie manages a range of Australian equities strategies, primarily for institutional and high net wealth clients.

The Fund invests in a portfolio of between 15 and 35 Australian equities to produce significant wealth accumulation through active management. The Fund's primary investment objective is to provide long-term capital growth and regular income (as detailed in the Product Disclosure Statement, issued 22 May 2018).

1.2 Significant Changes In State Of Affairs

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

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Responsible Entity's Report for the year ended 30 June 2019

1.3 Review Of Financial Results And Operations

a) Financial Results For The Year

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

	30 June 2019	Inception to 30 June 2018 (A)
Results		
Total net investment income (\$)	1,033,233	244,968
Total expenses (\$)	118,654	8,578
Net Operating Profit/(Loss) (\$)	914,579	236,390
Distributions		
Distribution paid and payable to unitholders (\$)	367,628	3,141
Distribution paid and payable (cents per unit) (refer (i) below for components)	5.95	0.11
Unit Price		
Unit price (net asset value) (ex-distribution) (\$)	2.6372	2.6017
Redemption unit price (ex-distribution) (\$)	2.6335	2.5980
Indirect Cost Ratio ^(B)		
Management fee (%)	0.78	0.06
Total Indirect Cost Ratio (%)	0.78	0.06

(A) The Fund commenced trading on 31 May 2018 ("inception").

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

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

	Interim Distribution Paid 31 December 2018 cents per unit	Final Distribution Payable 30 June 2019 cents per unit	Final Distribution Inception to 30 June 2018 cents per unit
Domestic Income			
Interest	-	0.1346	0.0423
Franked dividends	2.0000	3.2364	-
Franking credits	0.8500	1.9398	-
Unfranked dividends	-	0.1118	-
Conduit foreign income	-	0.1959	-
Other income	-	0.2134	0.0651
Foreign Sourced Income			
Foreign income tax offsets	-	0.0106	-
Attribution Amount	2.8500	5.8973	0.1139
Franking credits	(0.8500)	(1.9398)	-
Foreign income tax offsets	-	(0.0106)	-
Cash Distribution	2.0000	3.9469	0.1139

AIRLIE AUSTRALIAN SHARE FUND

Responsible Entity's Report for the year ended 30 June 2019

1.3 Review Of Financial Results And Operations (continued)

b) Performance Returns

The performance returns shown in the following table are for the periods ended 30 June and have been calculated using redemption unit prices of the Fund, which is after fees and expenses, assuming the reinvestment of distributions at exit price. The returns are calculated daily, compounded to produce longer period returns.

	30 June 2019	Inception to 30 June 2018 (A)
	%	%
Growth return ^(B)	1.4	4.1
Distribution return ^(C)	2.4	0.1
Total Return^(D)	3.8	4.2

(A) The Fund commenced trading on 31 May 2018. As a result, the performance returns were measured from inception to 30 June 2018.

(B) 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

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

(D) 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

c) Strategy And Future Outlook

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

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. These Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

1.4 Interest In The Fund

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

The unitholders' equity of the Fund is \$17,388,147 at 30 June 2019 (June 2018: \$7,171,250).

1.5 Likely Developments And Expected Results Of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the Product Disclosure Statement. The method of operating the Fund is not expected to change in the foreseeable future however the results of the Fund's operations may be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

1.6 Events Subsequent To The End Of The Year

Other than the items disclosed throughout this Financial Report, 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 financial years.

1.7 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 year 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 2019

1.8 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 7.

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



Robert Fraser
Chairman

Sydney, 30 August 2019



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Auditor's Independence Declaration to the unitholders of Airlie Australian Share Fund

As lead auditor for the audit of Airlie Australian Share Fund for the financial year ended 30 June 2019, 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

Rita Da Silva
Partner
Sydney, 30 August 2019

AIRLIE AUSTRALIAN SHARE FUND

Statement Of Profit Or Loss And Comprehensive Income for the year ended 30 June 2019

	Note	30 June 2019 \$	22 Dec 2017 to 30 June 2018 (A) \$
Investment Income			
Dividend and distribution income		492,287	14,786
Interest income		11,257	1,256
Net change in fair value of investments		529,689	228,926
Total Net Investment Income		1,033,233	244,968
Expenses			
Management fees	9 c)	96,605	3,842
Brokerage costs		21,348	4,736
Withholding tax on dividends		701	-
Total Expenses		118,654	8,578
Profit/(Loss) For The Year		914,579	236,390
Other comprehensive income for the year		-	-
Total Comprehensive Income For The Year		914,579	236,390

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018.

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 2019

	Note	30 June 2019 \$	30 June 2018 \$
Assets			
Cash and cash equivalents	3	1,213,348	714,616
Receivables	5	168,917	29,673
Investments	6	16,706,944	7,060,406
Total Assets		18,089,209	7,804,695
Liabilities			
Payables	7	440,825	630,304
Distribution payable	2	260,237	3,141
Total Liabilities		701,062	633,445
Total Unitholders' Equity		17,388,147	7,171,250

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 2019

	Note	30 June 2019	22 Dec 2017 to 30 June 2018 (A)
		\$'000	\$'000
Unitholders' Equity At The Beginning Of The Year		7,171,250	-
Transactions with unitholders in their capacity as owners:			
Issue of units		9,989,969	6,938,001
Redemptions		(336,419)	-
Issue of units under Dividend Reinvestment Plan ("DRP")		16,396	-
Distribution paid and payable	2	(367,628)	(3,141)
Total Transactions With Unitholders		16,473,568	6,934,860
Comprehensive income for the year:			
Profit/(loss) for the year		914,579	236,390
Other comprehensive income		-	-
Total Comprehensive Income For The Year		914,579	236,390
Total Unitholders' Equity At The End Of The Year		17,388,147	7,171,250

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018.

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 2019

	Note	30 June 2019 \$	22 Dec 2017 to 30 June 2018 (A) \$
Cash Flows From Operating Activities			
Dividends and distributions received (net of withholding tax)		447,250	-
Interest received		11,458	-
Other income received		294	-
Management fees paid		(91,693)	-
Brokerage costs paid		(21,711)	(5,094)
Net Cash Inflows/(Outflows) From Operating Activities	4 a)	345,598	(5,094)
Cash Flows From Investing Activities			
Purchase of investments		(20,444,994)	(6,312,946)
Proceeds from sale of investments		10,998,358	107,655
Net Cash Inflows/(Outflows) From Investing Activities		(9,446,636)	(6,205,291)
Cash Flows From Financing Activities			
Receipts from issue of units		10,002,969	6,925,001
Payments for redemptions of units		(309,063)	-
Distributions paid		(94,136)	-
Net Cash Inflows/(Outflows) From Financing Activities		9,693,906	6,925,001
Net Increase/(Decrease) In Cash And Cash Equivalents		592,868	714,616
Cash and cash equivalents at the beginning of the year		714,616	-
Cash And Cash Equivalents At The End Of The Year	3	1,307,484	714,616

^(A) The Fund was registered on 22 December 2017 and commenced trading on 31 May 2018. The Fund's first reporting period covers 22 December 2017 to 30 June 2018.

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 2019

Overview

Airlie Australian Share Fund (the "Fund") is a registered managed investment scheme under the *Corporations Act 2001*. 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 financial report was authorised for issue by the Directors of the Responsible Entity on 30 August 2019. 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 is a 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 reporting 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 accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective as of 1 July 2018 that are described in Note 1 c). The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

b) Adoption of Attribution Managed Investment Trust ("AMIT") Regime

On 5 May 2016, a new tax regime applying to Managed Investment Trusts 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. As announced in the Product Disclosure Statement dated 22 May 2018, the Fund has elected into the AMIT regime effective from the date of registration. The contractual wording in the Fund's Constitution does not give rise to an obligation, for accounting purposes, to distribute income to unit holders.

As a consequence, the units in the Fund meet the definition of equity under AASB 132 *Financial Instruments: Presentation* ("AASB 132"). As a result, equity transactions including distributions have been included in the Statement Of Changes In Equity.

c) New And Amended Accounting Standards

The Fund applied, for the first time from 1 July 2018, AASB 9: *Financial Instruments* ("AASB 9") and AASB 15: *Revenue from Contracts with Customers* ("AASB 15") which require restatement of previous financial statements. The nature and effect of these changes are as follows.

• AASB 9: Financial Instruments

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: *Financial Instruments: Recognition and Measurement*. Under the new requirements the four categories of financial assets have been replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. AASB 9 also includes new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

There was no impact on the Fund upon adoption of AASB 9 on 1 July 2018 as the Fund currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Fund does not apply hedge accounting.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

c) New And Amended Accounting Standards (continued)

• AASB 15: Revenue From Contracts With Customers

AASB 15 superseded AASB 118 *Revenue* and AASB 111 *Construction Contracts*. Although AASB 15 is principles-based, it is a significant change from the previous revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There was no material impact on the Fund upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest, dividend and distribution income and investment gains/(losses) was unaffected as these items are excluded from the scope of AASB 15.

Several other amendments and interpretations apply for the first time in the reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

d) 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.

e) 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.

f) Expenses

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

Management fees are set out in Note 9 c).

g) Income Tax

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. The benefits of imputation credits attached to Australian franked dividends, are passed onto unitholders.

h) 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.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

i) Critical Accounting Estimates And Judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. 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 10 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 2019	22 Dec 2017 to 30 June 2018
Interim distribution paid to unitholders (\$)	107,391	-
Final distribution payable to unitholders (\$)	260,237	3,141
Total Distribution To Unitholders (\$)	367,628	3,141
The total distribution consisted of:		
Income (\$)	367,628	3,141
Return of capital (\$)	-	-
Total Distribution (Cents Per Unit)	5.9469	0.1139

The interim distribution for the six months ended 31 December 2018 was paid on 15 January 2019. The final distribution for the six months ended 30 June 2019 was paid on 12 July 2019 and recognised as a distribution payable in the Statement Of Financial Position at balance date.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. 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.

a) Distribution Reinvestment Plan ("DRP")

A DRP operated in the Fund for the current year.

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 2018	Final Distribution Payable 30 June 2019	Final Distribution Payable 30 June 2018
DRP issue price (\$)	2.3215	2.6372	2.6017
DRP unitholder participation rate (%)	14.84	13.45	14.78
Number of units issued under DRP	6,863	13,264	178
Value of units issued under DRP (\$)	15,932	35,005	464

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

3. Cash And Cash Equivalents

	30 June 2019 \$	30 June 2018 \$
Cash at bank - denominated in Australian Dollars	1,213,348	714,616
Total Cash And Cash Equivalents	1,213,348	714,616

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 2019 \$	30 June 2018 \$
a) Reconciliation Of Net Cash Flows From Operating Activities		
Net operating profit	914,579	236,390
Adjusted for:		
Net change in fair value of investments	(529,689)	(228,926)
Changes in operating receivables and payables		
- Net (increase)/decrease in receivables	(46,850)	(16,673)
- Net increase/(decrease) in payables	7,558	4,115
	-	-
Net Cash Inflows/(Outflows) From Operating Activities	345,598	(5,094)
b) Non-cash investing and financing activities		
Distributions reinvested into units in the Funds	16,396	-

5. Receivables

	30 June 2019 \$	30 June 2018 \$
Due from brokers - receivable for securities sold	105,394	-
Dividends receivable	58,828	14,786
Recoverable GST and foreign withholding tax	3,640	631
Interest receivable	1,055	1,256
Applications receivable	-	13,000
Total Receivables	168,917	29,673

Receivables comprise amounts due from brokers for sales of assets and applications for units in the Fund 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. Until 30 June 2018 a provision was deducted from receivables for uncollectible amounts. From 1 July 2018 this provision is 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 balance date.

Ageing Analysis Of Receivables

At balance date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (June 2018: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2018: 30 to 90 days). No amounts are impaired or past due at 30 June 2019 or 30 June 2018.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

6. Investments

	30 June 2019 \$	30 June 2018 \$
Australian listed equity securities	16,706,944	7,060,406
Total Investments	16,706,944	7,060,406

The equity securities held by the Fund are:

Company Name	30 June 2019 \$	30 June 2018 \$
Westpac Banking	1,641,448	-
BHP Billiton	1,458,834	623,130
Commonwealth Bank Of Australia	1,222,826	698,822
CSL	984,485	402,383
Suncorp Group	912,619	350,773
Origin Energy	797,865	277,319
Aristocrat Leisure	795,525	277,915
Macquarie Bank	751,337	356,854
Caltex Australia	734,555	244,375
Centuria Industrial	644,240	-
Wesfarmers	604,378	418,474
Vicinity Centres	585,102	219,078
Brambles	476,972	-
Insurance Australia Group	446,569	-
Lifestyle Communities	438,899	-
Reece Australia	408,554	335,744
Smart Group	387,301	-
Metcash	375,508	13,651
Whitehaven Coal	357,388	-
Qantas Airways	350,525	320,037
TPG Telecom	347,741	-
ASX	292,661	-
James Hardie Industries	291,122	261,069
Coles Group	265,211	-
GPT	215,970	-
Premier Investments	204,522	-
Bapcor	194,547	182,457
Aurizon Holdings	188,026	225,065
AMP	180,828	-
Mineral Resources	151,388	212,036
AGL Energy	-	126,450
Alumina	-	-
Aveo Group	-	149,530
Bingo Industries	-	185,102
Cybg	-	231,691
Incitec Pivot	-	238,204
Link Administration Holdings	-	230,998
Nick Scali	-	124,041
Xero	-	165,592
Z Energy	-	189,616
Total Equity Securities	16,706,944	7,060,406

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

6. Investments (continued)

The Fund classifies its equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss. The classification is based on the contractual cash flow characteristics and the Fund's business model for managing them.

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

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

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

a) Fair Value Disclosures

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

- 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.

The following table presents the fair value measurement hierarchy of the Fund's financial assets:

	30 June 2019 \$	30 June 2018 \$
Financial Assets Measured At Fair Value		
Level 1: Investments - valued using quoted prices ^(A)	16,706,944	7,060,406
Total Financial Assets Measured At Fair Value	16,706,944	7,060,406

^(A) All securities held by the Fund are level 1 assets.

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 year and the Fund's policy is to recognise transfers into and out of fair value hierarchy levels as at balance date.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

6. Investments (continued)

b) Offsetting Financial Assets And Financial Liabilities

Financial assets and financial liabilities are presented net in the Statement of Financial Position where the Fund currently has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association master netting agreements. Foreign currency contracts are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

There are no derivative assets and liabilities offset as at balance date.

7. Payables

	Note	30 June 2019 \$	30 June 2018 \$
Due to brokers - payable for securities purchases		401,796	626,189
Redemptions payable		27,356	-
Management fees payable	9 c)	11,673	4,115
Total Payables		440,825	630,304

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 30 June 2019, all payables mature in 0 to 90 days (June 2018: 0 to 90 days).

8. Unitholders' Equity

	30 June 2019 Number Of Units	30 June 2018 Number Of Units
Units On Issue At Beginning Of Year	2,756,402	-
Units issued	3,964,809	2,756,402
Units issued under DRP	7,041	-
Units redeemed	(134,737)	-
Units On Issue At End Of Year	6,593,515	2,756,402

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 redeem units, subject to restrictions disclosed in the Fund's Product Disclosure Statement;
- 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; and
- the right to participate in the termination and winding up of the Fund.

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.

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.

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

9. 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. MAM has appointed Airlie Funds Management Pty Limited ("Airlie") to provide investment management services to the Fund. Airlie is a wholly-owned subsidiary of the Responsible Entity. MAM, MFG and Airlie 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 year and up to the date of this report are: Dr Brett Cairns, Mr Hamish Douglass (resigned 5 October 2018), Mr John Eales, Mr Robert Fraser, Mr Paul Lewis, Mr Hamish McLennan, Ms Kirsten Morton (appointed 5 October 2018) 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 0.755% 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 Net Asset Value ("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 h)). The management fees paid/payable by the Fund are as follows:

	% pa	30 June 2019 \$	% pa	22 Dec 2017 to 30 June 2018 \$
Management fees	0.755	96,605	0.755	3,842
Total Fees Expended In The Statement Of Profit Or Loss And Comprehensive Income		96,605		3,842
Total Fees Payable In The Statement Of Financial Position		11,673		4,115

d) Transactions With Related Parties

i) 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 2019				
	Units Acquired During Year	Units Disposed During Year	Units Held At End Of Year		Distribution Paid/Payable At End Of Year ^(A)
	Number	Number	Number	%	\$
Directors					
Karen Phin	19,049	-	19,049	0.29	1,133

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

AIRLIE AUSTRALIAN SHARE FUND

Notes To The Financial Statements

for the year ended 30 June 2019

10. 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 Product Disclosure Statement). 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 Product Disclosure Statement 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.

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.

ii) Equity Price Risk (continued)

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 increased net profit and unitholders' equity by \$835,347 (June 2018: \$353,020). A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect.

iii) 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 increased the Fund's net profit and unitholders' equity at balance date by \$1,213 (June 2018: \$715). A decrease of 10 basis points in floating interest rates would have an equal but opposite effect.

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.

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 2019

10. Capital And Financial Risk Management (continued)

d) Liquidity Risk (continued)

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$701,062 (June 2018: \$633,445) within 30 days. The Fund has cash and receivables totalling \$1,382,265 (June 2018: \$744,289) 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 2018: 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.

11. 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 2019 \$	30 June 2018 \$
Audit Services		
Audit and review of financial reports	10,400	11,100
Other assurance services	1,364	500
Non-Audit Services		
Taxation	6,600	6,600
Total Auditor's Remuneration of Ernst & Young Australia	18,364	18,200

12. Contingent Assets, Contingent Liabilities And Commitments

The Fund has no contingent assets, contingent liabilities or commitments at 30 June 2019 (June 2018: nil).

13. Events Subsequent To The End Of The Year

Other than the items disclosed throughout this Financial Report, 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.

AIRLIE AUSTRALIAN SHARE FUND

Directors' Declaration

for the year ended 30 June 2019

In the opinion of the Directors,

- a) the financial statements and notes of Airlie Australian Share Fund as set out on pages 8 to 21 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 2019 and of its performance as represented by the results of its operations and cash flows for the year 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 is made in accordance with a resolution of the Directors of the Responsible Entity.



Robert Fraser
Chairman

Sydney, 30 August 2019

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

Opinion

We have audited the accompanying financial report of Airlie Australian Share Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- i) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year 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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report

The Directors of Magellan Asset Management Limited (the "Responsible Entity") are responsible for the other information. The other information is the Director's report accompanying the financial report.

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 of the Fund are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Fund's Constitution and is appropriate to meet the needs of the unitholders. The Directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that 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.

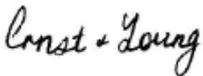
Auditor's Responsibilities for the Audit of the Financial Report

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.



Ernst & Young



Rita Da Silva

Partner

Sydney, 30 August 2019

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

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Unit Registrar

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