



**Airlie**  
Funds Management

# Airlie Small Companies Fund

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**Annual Report**  
For the year 30 June 2024

ABN 22 547 357 073

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# Responsible Entity's Report

for the period ended 30 June 2024

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Airlie Small Companies Fund (the "Fund") present their annual report on the Fund for the period ended 30 June 2024.

## 1. Directors

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

		Appointed	Resigned
Robert Fraser	Chairman	23 April 2014	
David Dixon	Deputy Chairman and Non-Executive Director	1 November 2022	
John Eales AM	Non-Executive Director	1 July 2017	
Andrew Formica	Executive Director <sup>1</sup>	26 July 2023	
Cathy Kovacs	Non-Executive Director	6 November 2023	
Hamish McLennan	Non-Executive Director	1 March 2016	
Deborah Page AM	Non-Executive Director	3 October 2023	
Sophia Rahmani	Managing Director	13 May 2024	
Colette Garnsey	Non-Executive Director	30 November 2020	8 November 2023
David George	Managing Director and Chief Executive Officer	19 July 2022	24 October 2023
Kirsten Morton	Chief Operating Officer and Chief Financial Officer	5 October 2018	3 July 2023

<sup>1</sup> Mr Formica was appointed Non-Executive Director on 26 July 2023 and subsequently appointed Executive Director on 25 October 2023.

## 2. Principal Activity

The Fund is a registered managed investment scheme domiciled in Australia, with the principal place of business at Level 36, 25 Martin Place, Sydney, New South Wales, 2000.

MAM, as Responsible Entity, is responsible for overseeing the operations of the Fund. MAM is also Investment Manager, responsible for selecting and managing the assets of the Fund.

The Fund invests in a portfolio of between 20 and 40 Australian equities to produce wealth accumulation through active management. The Fund's primary investment objective is to provide long-term capital growth and regular income through investment in Australian listed small companies which when first acquired do not rank in the S&P/ASX 100 (as detailed in the Product Disclosure Statement ("PDS"), dated 27 November 2023).

## 3. Significant Changes in State of Affairs

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

# Responsible Entity's Report

for the period ended 30 June 2024

## 4. Review of Financial Results and Operations

### 4.1. Financial Results for the Period

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

	30 Jun 2024	30 Jun 2023 <sup>1</sup>
<b>Results</b>		
Total net investment income/(loss) (\$)	818,554	(70,567)
Total expenses (\$)	(123,126)	(11,669)
<b>Profit/(Loss) (\$)</b>	<b>695,428</b>	<b>(82,236)</b>
<b>Distribution</b>		
Distribution payable (\$)	140,079	1,641
Distribution payable (CPU) <sup>2</sup>	15.00	0.20
<b>Unit Price</b>		
Unit price (net asset value) (ex-distribution) (\$)	4.0521	3.3901
Redemption unit price (ex-distribution) (\$)	4.0420	3.3816

<sup>1</sup> The Fund's comparative period covers 22 February 2023 to 30 June 2023.

<sup>2</sup> Cents per unit.

### Distribution Components

Distribution components, which are available in the 'Funds' section of the Airlie Funds Management website, [www.airlifundsmangement.com.au](http://www.airlifundsmangement.com.au), are as follows:

	30 Jun 2024 Final Distribution CPU	30 Jun 2023 Final Distribution CPU
<b>Domestic Income</b>		
Interest	0.1120	0.0818
Franked dividends	0.6218	0.1395
Franking credits	0.2678	0.2100
Other income	0.0457	0.0287
<b>Foreign Sourced Income</b>	<b>0.0808</b>	-
Foreign income tax offsets	0.0125	-
<b>Capital Gains (NTARP)<sup>1</sup></b>		
Discounted	2.1271	-
Other	8.9087	-
AMIT CGT gross up amount	2.1271	-
Other non-attributable amounts (tax deferred amounts)	0.9768	-
<b>Attribution Amount</b>	<b>15.2803</b>	0.4600
AMIT cost base net increase <sup>2</sup>	-	(0.0500)
<b>Tax Offsets</b>		
Franking credits	(0.2678)	(0.2100)
Foreign income tax offsets	(0.0125)	-
<b>Cash Distribution</b>	<b>15.0000</b>	0.2000

<sup>1</sup> Non-taxable Australian real property.

<sup>2</sup> Under the Attribution Managed Investment Trust rules, where income attributed to an investor is more than the cash distribution paid, the tax cost base of the investor's units will increase by a corresponding amount.

# Responsible Entity's Report

for the period ended 30 June 2024

## 4.2. Total Indirect Cost Ratio

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 and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax.

	30 Jun 2024 %	30 Jun 2023 % <sup>1</sup>
Management fee	0.98	0.24
Performance fee	2.56	-
<b>Total Indirect Cost Ratio</b>	<b>3.54</b>	<b>0.24</b>

<sup>1</sup> ICR is measured from the date management fees were incurred, 1 April 2023 to 30 June 2023.

## 4.3. Performance Returns

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

	30 Jun 2024 %	30 Jun 2023 % <sup>1</sup>
Growth return <sup>2</sup>	19.6	(3.0)
Distribution return <sup>3</sup>	4.4	-
<b>Total Return<sup>4</sup></b>	<b>24.0</b>	<b>(3.0)</b>

<sup>1</sup> Performance returns are measured from the date the Fund commenced trading, 4 April 2023 to 30 June 2023.

<sup>2</sup> The Growth return is calculated daily as a percentage by dividing the unit price (ex-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Growth returns are then compounded to produce longer period returns.

<sup>3</sup> The Distribution return is calculated as a percentage by subtracting the Growth return from the Total Return.

<sup>4</sup> The Total return is calculated daily as a percentage by dividing the unit price (cum-distribution) by the previous day's unit price (ex-distribution) minus 1; the daily Total returns are then compounded to produce longer period returns.

## 5. Strategy and Future Outlook

The Fund's investment objective is unchanged. 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.

The Fund provides daily unit prices, monthly fund updates and annual investor reports, which are available in the 'Funds' section of the Airlie Funds Management website, [www.airlifundsmangement.com.au](http://www.airlifundsmangement.com.au). Fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with general outlook commentary.

## 6. Interest in the Fund

The movement in units on issue in the Fund is disclosed in Note 8 to the Financial Statements.

## 7. Likely Developments and Expected Results of Operations

The Fund will continue to invest in companies and businesses in accordance with the investment strategy as set out in the PDS.

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.

## 8. Subsequent Events

Net asset value ("NAV") moves as a result of a number of factors, including movements in asset prices, distributions, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 6 September 2024, the Fund had a NAV per unit of \$3.9943 with a net asset value of \$4,457,372 and 1,115,937 units on issue.

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

# Responsible Entity's Report

for the period ended 30 June 2024

## 9. Indemnification and Insurance of Directors and Officers

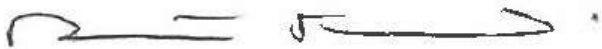
The Directors and Officers of the Responsible Entity in office are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors and Officers of the Responsible Entity, other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

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

## 10. Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



**Robert Fraser**

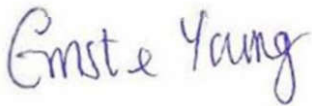
Chairman

Sydney, 10 September 2024

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

As lead auditor for the audit of Airlie Small Companies Fund for the financial year ended 30 June 2024, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



**Ernst & Young**



**Clare Sporle**

Partner

Sydney, 10 September 2024

# Statement of Profit or Loss and Comprehensive Income

for the period ended 30 June 2024

	Note	30 Jun 2024 \$	30 Jun 2023 \$ <sup>1</sup>
<b>Investment Income</b>			
Dividend and distribution income		87,429	11,081
Interest income		12,836	2,744
Net change in fair value of investments		718,287	(84,392)
Other income		2	-
<b>Total Net Investment Income/(Loss)</b>		<b>818,554</b>	<b>(70,567)</b>
<b>Expenses</b>			
Management fees	9	33,210	6,337
Performance fees		86,644	-
Transaction costs		1,858	5,332
Withholding tax on dividends		1,414	-
<b>Total Expenses</b>		<b>123,126</b>	<b>11,669</b>
<b>Profit/(Loss)</b>		<b>695,428</b>	<b>(82,236)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>695,428</b>	<b>(82,236)</b>

<sup>1</sup> The Fund's comparative period covers 22 February 2023 to 30 June 2023.

The above Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Financial Position

as at 30 June 2024

	Note	30 Jun 2024 \$	30 Jun 2023 \$
<b>Assets</b>			
Cash and cash equivalents	3	367,454	238,127
Receivables	5	31,822	206,644
Investments	6	3,570,868	2,475,887
<b>Total Assets</b>		<b>3,970,144</b>	<b>2,920,658</b>
<b>Liabilities</b>			
Distributions payable	2	140,079	1,641
Payables	7	46,981	137,894
<b>Total Liabilities</b>		<b>187,060</b>	<b>139,535</b>
<b>Total Unitholders' Equity</b>		<b>3,783,084</b>	<b>2,781,123</b>

The above Statement of Financial Position should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Changes in Equity

for the period ended 30 June 2024

	Note	30 Jun 2024 \$	30 Jun 2023 \$ <sup>1</sup>
<b>Total Unitholders' Equity at the beginning of the Period</b>		<b>2,781,123</b>	<b>-</b>
<b>Transactions with Unitholders in their Capacity as Owners:</b>			
Units issued		446,604	2,865,000
Units issued under Distribution Reinvestment Plan	2	8	-
Distributions paid and payable	2	(140,079)	(1,641)
<b>Total Transactions with Unitholders</b>		<b>306,533</b>	<b>2,863,359</b>
Profit/(loss)		695,428	(82,236)
Other comprehensive income		-	-
Total Comprehensive Income/(Loss)		695,428	(82,236)
<b>Total Unitholders' Equity at the end of the Period</b>		<b>3,783,084</b>	<b>2,781,123</b>

<sup>1</sup> The Fund's comparative period covers 22 February 2023 to 30 June 2023.

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

# Statement of Cash Flows

for the period ended 30 June 2024

	Note	30 Jun 2024 \$	30 Jun 2023 \$ <sup>1</sup>
<b>Cash Flows from Operating Activities</b>			
Purchase of investments <sup>2</sup>		(1,720,127)	(3,017,842)
Proceeds from sale of investments <sup>2</sup>		1,356,505	444,491
Dividends and distributions received (net of withholding tax)		85,558	4,687
Interest received		12,366	2,110
Other income received		2	-
Management and performance fees paid		(78,090)	(4,987)
Transaction costs paid		(1,858)	(5,332)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	4	<b>(345,644)</b>	<b>(2,576,873)</b>
<b>Cash Flows from Financing Activities</b>			
Receipts from issue of units		476,604	2,815,000
Distributions paid		(1,633)	-
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>474,971</b>	<b>2,815,000</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>			
Cash and cash equivalents at the beginning of the period		238,127	-
<b>Cash and Cash Equivalents at the end of the Period</b>	3	<b>367,454</b>	<b>238,127</b>

<sup>1</sup> The Fund's comparative period covers 22 February 2023 to 30 June 2023.

<sup>2</sup> Refer to Note 1 Basis of Preparation regarding reclassification.

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements.

# Notes to the Financial Statements

for the period ended 30 June 2024

## Overview

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, on 31 March 2023. 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.

MAM is the Responsible Entity of the Fund.

This financial report was authorised for issue by the Directors of the Responsible Entity on 10 September 2024. 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 this financial report.

## 1. Basis of Preparation

This general purpose financial report is presented in Australian Dollars and has been 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. The financial report 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 material balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss. These fair value assets and liabilities comprise mainly investments that are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. Consequently, the investments that may be realised within 12 months cannot be determined at balance date.

Cash flows generated by investments and derivatives have been reclassified as cash flows from operating activities instead of cash flows from investing activities to align better with industry practice and improve comparability for users of the financial reports. Comparative figures have been adjusted to conform with the current period presentation.

All amounts shown for the Fund are rounded to the nearest dollar unless otherwise stated.

### 1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The policies adopted in the preparation of this financial report are consistent with those of the previous financial period.

The Fund has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date. Unless it is early adopted, AASB 18 *Presentation and Disclosure in Financial Statements*, issued on 14 June 2024, will first apply to the Fund in the financial year ending 30 June 2028. The Directors of MAM have yet to assess the impact of this new standard on the Fund's financial statements. No other accounting standards, interpretations or amendments that have been issued are expected to have a material impact on the Fund's financial statements.

### 1.2. Functional and Presentation Currency

Balances included in the Fund's financial statement 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.

### 1.3. 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 measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net change in fair value does not include dividend and distribution income.

# Notes to the Financial Statements

for the period ended 30 June 2024

## Interest Income

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

## 1.4. Expenses

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

## 1.5. Income Tax

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

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

## 1.6. Goods and Services Tax

The Goods and Services Tax ("GST") incurred on the costs of various services provided to the Fund by third parties, such as custodial services and management fees, has been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") 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.

## 1.7. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements required 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. As a result, 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). As all investments are valued with reference to the listed quoted prices and the Fund's cash is held at strongly rated financial institutions, the Fund's financial assets and liabilities are not subject to significant judgement or complexity.

# Notes to the Financial Statements

for the period ended 30 June 2024

## 2. Distributions to Unitholders

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's PDS. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to unitholders' equity and are not assessable or 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. The Responsible Entity may attribute an amount to a unitholder on redemption.

The Fund intends to pay a cash distribution semi-annually for the periods ended June and December.

The distribution for the period ended 30 June is as follows:

	\$	CPU	Date Paid
<b>Period ended 30 June 2024<sup>1</sup></b>			
Final distribution payable	<b>140,079</b>	<b>15.00</b>	<b>19 Jul 2024</b>

<sup>1</sup> The Fund did not pay an interim distribution for the period ended 31 December 2023.

	\$	CPU	Date Paid
<b>Period ended 30 June 2023</b>			
Final distribution payable (\$)	<b>1,641</b>	<b>0.20</b>	<b>21 Jul 2023</b>

The Fund paid a final distribution of 15.00 CPU for the period ended 30 June 2024 (June 2023: 0.20 CPU) and in addition passed on franking credits of 0.27 CPU and foreign income tax credits of 0.01 CPU to unitholders (June 2023: franking credits of 0.21 CPU and foreign income tax credits of nil).

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.

### Distribution Reinvestment Plan

The Fund's Distribution Reinvestment Plan ("DRP") was available to eligible unitholders during the period. Under the terms of the DRP, eligible unitholders are able to elect to reinvest all or part of their cash distributions in additional units in the Fund, free of any brokerage or other transaction costs. Units are issued and/or transferred to DRP participants at a price determined by MAM in accordance with the DRP Rules. DRP details are as follows:

	30 Jun 2024 Final Distribution	30 Jun 2023 Final Distribution
DRP issue price (\$)	<b>4.0521</b>	3.3901
DRP unitholder participation rate (%)	<b>87.58</b>	0.49
Number of units issued under DRP	<b>30,276</b>	2.5
Value of units issued under DRP (\$)	<b>122,681</b>	8
DRP issue date	<b>1 Jul 2024</b>	1 July 2023

## 3. Cash and Cash Equivalents

	30 Jun 2024 \$	30 Jun 2023 \$
Cash at bank - denominated in Australian Dollars	<b>367,454</b>	238,127
<b>Total Cash and Cash Equivalents</b>	<b>367,454</b>	238,127

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.

# Notes to the Financial Statements

for the period ended 30 June 2024

## 4. Statement of Cash Flows Reconciliation

	30 Jun 2024	30 Jun 2023
	\$	\$
<b>Reconciliation of Net Cash Flows from Operating Activities</b>		
Profit/(loss)	695,428	(82,236)
Net change in fair value of investments	(718,287)	84,392
Purchase of investments	(1,720,127)	(3,017,842)
Proceeds from sale of investments	1,356,505	444,491
Net (increase)/decrease in receivables	(3,823)	(7,999)
Net increase/(decrease) in payables	44,660	2,321
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(345,644)</b>	<b>(2,576,873)</b>
<b>Non-Cash Investing and Financing Activities</b>		
Distributions reinvested into units in the Fund	8	-

## 5. Receivables

	30 Jun 2024	30 Jun 2023
	\$	\$
Applications receivable	20,000	50,000
Dividend and distribution receivable	6,851	6,394
Recoverable GST	3,867	971
Interest receivable	1,104	634
Due from brokers - receivable for securities sold	-	148,645
<b>Total Receivables</b>	<b>31,822</b>	<b>206,644</b>

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

At balance date, the Fund's receivables, excluding recoverable GST, were due within 0 to 30 days (June 2023: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2023: 30 to 90 days). No amounts are impaired or past due at 30 June 2024 or 30 June 2023 .

# Notes to the Financial Statements

for the period ended 30 June 2024

## 6. Investments

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

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

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

### Details of Investments

	30 Jun 2024	30 Jun 2023
	\$	\$
<b>Investments (Level 1)</b>		
Australian listed equity securities	3,570,868	2,475,887
<b>Total Investments</b>	<b>3,570,868</b>	<b>2,475,887</b>

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

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

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

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

## 7. Payables

	Note	30 Jun 2024	30 Jun 2023
		\$	\$
Performance fees payable		43,713	-
Management fees payable	9	3,268	2,321
Due to brokers - payable for securities purchased		-	135,573
<b>Total Payables</b>		<b>46,981</b>	<b>137,894</b>

Payables comprise trade creditors and accrued expenses owing by the Fund at balance date. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables and accruals are recognised at amortised cost, at the point when the Fund becomes obliged to make payments in respect of the purchase of these goods and services. At balance date, all payables mature in 0 to 90 days (June 2023: 0 to 90 days).

# Notes to the Financial Statements

for the period ended 30 June 2024

## 8. Unitholders' Equity

	30 Jun 2024 No. of Units	30 Jun 2023 No. of Units <sup>1</sup>
<b>Units on Issue</b>		
Opening balance	820,353	-
Units issued	113,507	820,353
Units issued under DRP	3	-
<b>Units on Issue at the end of the Period</b>	<b>933,863</b>	<b>820,353</b>

<sup>1</sup> The Fund's first reporting period is from the date of registration, 22 February 2023 to 30 June 2023.

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.

The rights of unitholders in the Fund include:

- the right to redeem units, subject to restrictions disclosed in the Fund's PDS;
- the right to receive a distribution determined in accordance with 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.

## 9. Related Parties

### 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 and MFG are considered related parties of the Fund.

### 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 its Directors considered to be a KMP. The Fund does not employ personnel in their own right. The Fund did not pay any compensation to the Directors of the Responsible Entity.

### Responsible Entity Fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

### 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 0.98% per annum (net of any applicable reduced input tax credits) of the value of the Fund, calculated daily. The Responsible Entity pays operating expenses of the Fund, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs. Management fees are calculated daily based on the NAV (before fees) of the Fund reflected in the daily unit prices of the Fund and are payable at the end of each month.

### Performance Fees

Performance fees are 20% of the excess return of the units of the Fund above the S&P/ASX Small Ordinaries Accumulation Index over each six monthly calculation period ending on 30 June and 31 December of each year. Performance fees crystallise at the end of a calculation period, or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. The estimated daily unit price of the Fund includes a performance fee accrual equal to the amount that would be payable if it were the end of a calculation period. Further detail of the performance fees can be found in the Fund's PDS.

# Notes to the Financial Statements

for the period ended 30 June 2024

## Total Management and Performance Fees

The fees paid/payable by the Fund are net of any applicable reduced input tax credits (refer Note 1.6). The management and performance fees paid/payable by the Fund are as follows:

	30 Jun 2024 \$	30 Jun 2023 \$
Management fees	33,210	6,337
Performance fees	86,644	-
<b>Total Fees Expensed in the Statement of Profit or Loss and Comprehensive Income</b>	<b>119,854</b>	<b>6,337</b>
<b>Total Fees Payable in the Statement of Financial Position</b>	<b>46,981</b>	<b>2,321</b>

## Transactions with Related Parties

The number of units held and related transactions during the period by each related party and KMP, including their personally-related parties, in the Fund is as follows:

	30 Jun 2023				30 Jun 2024			
	Acquired/ disposed Number	Holding Number	% <sup>1</sup>	Distribution paid/ payable \$ <sup>2</sup>	Acquired/ disposed Number	Holding Number	% <sup>1</sup>	Distribution paid/ payable \$ <sup>2</sup>
MFG	571,429	571,429	69.66	1,143	-	571,429	61.19	85,714

<sup>1</sup> Percentage of units on issue at end of the period.

<sup>2</sup> Represents the interim distribution paid and final distribution payable for the period comprising cash paid.

Transactions between the Fund and related parties are subject to the same terms and conditions as those entered into by other unitholders. Unless specified above, no other KMP held units in the Fund.

## 10. Capital and Financial Risk Management

### Financial Risk Management

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

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

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

### Concentration Risk

Concentration risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. The Fund holds concentrated portfolios 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 for the Fund, which are approved by MAM's Investment Committee.

### 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.

### 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

# Notes to the Financial Statements

for the period ended 30 June 2024

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 portfolios are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the returns of the Fund may increase or decrease by different amounts.

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

	30 Jun 2024	30 Jun 2023
	\$	\$
Impact on unitholders' equity and profit/(loss)	178,543	123,794

A decrease of 5% in the market price of each of the Fund's investments would have had an equal but opposite effect.

## 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 rate movements arises on the Fund's cash balances. The value of cash balances is sensitive to the Reserve Bank of Australia cash rate.

Interest rate movements have an insignificant impact upon the Fund's recorded net profit or equity.

## 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.

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

At balance date, the Fund had an obligation to settle payables (including distribution payable) of \$187,060 (June 2023: \$139,535) within 30 days. The Fund had cash and receivables totalling \$399,276 (June 2023: \$444,771) to cover these liabilities.

## Credit Risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial losses to the Fund. Market prices generally take counterparty credit into account and therefore the risk of loss is implicitly provided for in the carrying value of financial assets and liabilities held at fair value.

The Fund's maximum exposure to credit risk is the carrying amount of all cash and cash equivalents, financial assets and receivables recognised in the Statement of Financial Position as well as the value of any financial commitments which the Fund would assume in the event of counterparty default.

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 financial intermediaries with acceptable credit ratings as determined by a recognised rating agency. To further mitigate this risk, the credit rating and financial positions of the brokers used by the Fund are regularly monitored. Credit risk relating to outstanding settlements is considered low due to the short settlement periods involved.

The Fund is also exposed to the credit risk of The Northern Trust Company ("NT") which is the appointed custodian of the Fund. In acting as custodian, NT is required to comply with the relevant provisions of the *Corporations Act 2001*, applicable ASIC regulatory guides, legislative instruments and class orders relating to registered managed investment schemes property arrangements with custodians. The credit quality of NT's long-term deposit/debt is rated at balance date, by Standard and Poor's as AA- and by Moody's as Aa2. (June 2023: Standard and Poor's as AA- and by Moody's as Aa2).

# Notes to the Financial Statements

for the period ended 30 June 2024

## 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 Jun 2024	30 Jun 2023
	\$	\$
Fees for audit and review of statutory financial reports	16,110	14,306
Fees for audit related assurance services <sup>1</sup>	1,000	646
Fees for other services:		
Taxation compliance services <sup>2</sup>	7,000	5,300
<b>Total Auditor's Remuneration</b>	<b>24,110</b>	<b>20,252</b>
<b>% of non-audit fees paid to auditor</b>	<b>33.2%</b>	<b>29.4%</b>

<sup>1</sup> Comprises review of ICR calculations.

<sup>2</sup> Comprises review of income tax returns and distribution calculations.

### Auditor Tenure

MAM as Responsible Entity has appointed EY as auditor. EY is the auditor of all Funds where MAM is the Responsible Entity. The external audit was last put out to tender in 2018, which aligned to the auditor's 10 year anniversary, and EY was reappointed auditor (where relevant to a Fund that was formed prior to 2018) as it scored highest across all requirements and the Board of the Responsible Entity was satisfied that appropriate safeguards were in place to ensure the required independence of EY. Ms Clare Sporle has served as lead audit partner since August 2019. In accordance with the *Corporations Act 2001* the next rotation of the lead audit partner is planned to occur after the completion of the 30 June 2024 financial year audit.

## 12. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Fund had no contingent assets, contingent liabilities or commitments.

## 13. Subsequent Events

NAV moves as a result of a number of factors, including movements in asset prices, distributions, exchange rates and unitholder subscriptions and redemptions. Subsequent to balance date, as at 6 September 2024, the Fund had a NAV per unit of \$3.9943 with a net asset value of \$4,457,372 and 1,115,937 units on issue.

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

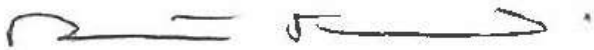
# Directors' Declaration

for the period ended 30 June 2024

In the Directors' opinion,

- a. The Financial Statements and Notes as set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the Funds as at 30 June 2024 and of their performance as represented by the results of their operations and cash flows for the periods 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 Funds will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



**Robert Fraser**

Chairman

Sydney, 10 September 2024

## Independent auditor's report to the unitholders of Airlie Small Companies Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Airlie Small Companies Fund (the Fund), which comprises the statement of financial position as at 30 June 2024, 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 material accounting policy information, and the directors' declaration.

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

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (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.

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

The directors are responsible for the other information. The other information comprises the information included in the Fund's 2024 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

#### Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters 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.

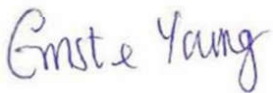
### Auditor's responsibilities for the audit of the financial report

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**



**Clare Sporle**

Partner

Sydney, 10 September 2024

# Corporate Information

## Directors of the Responsible Entity

Robert Fraser - Chairman  
David Dixon - Deputy Chairman  
John Eales AM  
Andrew Formica  
Cathy Kovacs  
Hamish McLennan  
Deborah Page AM  
Sophia Rahmani

## Company Secretary of the Responsible Entity

Marcia Venegas

## Registered Office

Level 36, 25 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9235 4760  
Fax: +61 2 9235 4800  
Email: [adviserservices@airlifm.com.au](mailto:adviserservices@airlifm.com.au)

## Website

<https://www.airlifundsmangement.com.au>

## Auditor

Ernst & Young  
200 George Street  
Sydney NSW 2000

## Unit Registrar

Apex Fund Services  
Level 10/12 Shelly Street  
Sydney NSW 2000  
Telephone: 1300 127 780 (Australia), +61 2 8259 8566 (International), 0800 787 621 (New Zealand)  
Fax: +61 2 9247 2822  
Email: [magellanfunds@apexgroup.com](mailto:magellanfunds@apexgroup.com)