

# **DNR Capital Australian Equities High Conviction Fund**

ARSN 604 465 849

## **Interim report**

**For the half-year ended December 31, 2021**

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended June 30, 2021 and any public announcements made in respect of DNR Capital Australian Equities High Conviction Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers DNR Capital Australian Equities High Conviction Fund as an individual entity. The Responsible Entity of DNR Capital Australian Equities High Conviction Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney NSW 2000.

**Directors' Report**

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of DNR Capital Australian Equities High Conviction Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the interim financial statements of the Fund for the half-year ended December 31, 2021.

**Principal Activities**

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests in a high conviction portfolio of Australian equities that aims to outperform the S&P/ASX200 Accumulation Index by 4% p.a. (before fees) over a rolling three-year period.

The Fund was constituted on March 11, 2015 and commenced operations on June 11, 2015.

The Fund did not have any employees during the half-year.

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

**Directors**

The Directors of The Trust Company (RE Services) Limited during the half-year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

<b>Name</b>	<b>Date of appointment/resignation</b>
Glenn Foster	
Simone Mosse	
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	Resigned as Director on February 1, 2022

**Review and results of operations**

During the half-year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

**Results**

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

	<b>Half-year ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Operating profit/(loss) before financing cost for the half-year (\$'000)	<b>34,937</b>	52,327
<b>Retail Class Units</b>		
Distributions paid and payable (\$'000)	<b>10,234</b>	2,122
Distributions (cents per unit)	<b>2.6462</b>	0.7491
<b>Wholesale Class Units</b>		
Distributions paid and payable (\$'000)	<b>719</b>	308
Distributions (cents per unit)	<b>2.1720</b>	0.6341

**Significant changes in state of affairs**

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

### **Directors' Report (continued)**

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

### **Matters subsequent to the end of the half-year**

On February 1, 2022, Richard McCarthy resigned as a Director.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund.

No other matters or circumstances have arisen since 31 December 2021 that have significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

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

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

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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

### **Units in the Fund**

The movement in units on issue in the Fund during the half-year is disclosed in Note 8 of the interim financial statements.

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

### **Environmental regulation**

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

### **Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

**Directors' Report (continued)**

**Auditor's independence declaration**

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

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

A handwritten signature in black ink, appearing to read 'V. [unclear]', with a large, stylized flourish extending to the right.

Director  
The Trust Company (RE Services) Limited

Sydney  
March 2, 2022



## Auditor's Independence Declaration

As lead auditor for the review of DNR Capital Australian Equities High Conviction Fund for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Paul Collins', written in a cursive style.

Paul Collins  
Partner  
PricewaterhouseCoopers

Sydney  
2 March 2022

**PricewaterhouseCoopers, ABN 52 780 433 757**  
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)  
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

DNR Capital Australian Equities High Conviction Fund  
Statement of comprehensive income  
For the half-year ended December 31, 2021

**Statement of comprehensive income**

		<b>Half-year ended</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2021</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>
	Notes		
<b>Investment income</b>			
Dividend income		11,847	3,165
Interest income from financial assets at amortised cost		-	13
Net gains/(losses) on financial instruments at fair value through profit or loss	6	<u>25,962</u>	<u>50,714</u>
<b>Total investment income/(loss)</b>		<u><b>37,809</b></u>	<u><b>53,892</b></u>
<b>Expenses</b>			
Management fees		<u>2,872</u>	<u>1,565</u>
<b>Total operating expenses</b>		<u><b>2,872</b></u>	<u><b>1,565</b></u>
<b>Operating profit/(loss) before financing cost for the half-year</b>		<u><b>34,937</b></u>	<u><b>52,327</b></u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	9	<u>(10,953)</u>	<u>(2,430)</u>
(Increase)/decrease in net assets attributable to unit holders	8	<u>(23,984)</u>	<u>6,483</u>
<b>Profit/(loss) for the half-year</b>		<u><b>-</b></u>	<u><b>56,380</b></u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the half-year</b>		<u><b>-</b></u>	<u><b>56,380</b></u>

*The above Statement of comprehensive income should be read in conjunction with the accompanying notes.*

DNR Capital Australian Equities High Conviction Fund  
Statement of financial position  
As at December 31, 2021

**Statement of financial position**

	Notes	As at	
		December 31, 2021 \$'000	June 30, 2021 \$'000
<b>Assets</b>			
Cash and cash equivalents		23,554	21,565
Dividends receivable		-	1,979
GST receivable		85	68
Due from brokers - receivable for securities sold		-	12
Financial assets at fair value through profit or loss	7	<b>676,060</b>	556,253
<b>Total assets</b>		<b>699,699</b>	<b>579,877</b>
<b>Liabilities</b>			
Distributions payable	9	<b>10,953</b>	11,305
Management fees payable		<b>521</b>	415
Due to brokers - payable for securities purchased		-	2,398
<b>Total liabilities</b>		<b>11,474</b>	<b>14,118</b>
<b>Net assets attributable to unit holders - liability</b>	8	<b>688,225</b>	565,759

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

**DNR Capital Australian Equities High Conviction Fund**  
**Statement of changes in equity**  
**For the half-year ended December 31, 2021**

**Statement of changes in equity**

	Notes	Half-year ended	
		December 31, 2021 \$'000	December 31, 2020 \$'000
<b>Total equity at the beginning of the half-year</b>		-	298,982
<b>Comprehensive income/(loss) for the half-year</b>			
Profit/(loss) for the half-year		-	56,380
Other comprehensive income/(loss)		-	-
<b>Total comprehensive income/(loss) for the half-year</b>		-	56,380
<b>Transactions with unitholders</b>			
Applications		-	70,812
Redemptions		-	(31,449)
Units issued upon reinvestment of distributions		-	91
Distributions paid and payable		-	-
<b>Total transactions with unitholders</b>		-	39,454
Reclassification due to the issuance of second class of units on December 7, 2020*		-	(394,816)
<b>Total equity at the end of the half-year</b>		-	-

\*Under Australian Accounting Standards, effective from December 7, 2020, the Fund's units have been reclassified from equity to financial liability. Refer to Note 1 for further detail. As a result, unitholder transactions, including distributions are not disclosed in the above statement for the half-year ended December 31, 2020.

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

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

**DNR Capital Australian Equities High Conviction Fund**  
**Statement of cash flows**  
**For the half-year ended December 31, 2021**

**Statement of cash flows**

	Notes	Half-year ended December 31, 2021 \$'000	December 31, 2020 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		97,258	102,039
Payments for purchase of financial instruments at fair value through profit or loss		(193,489)	(194,066)
Dividends received		13,826	3,951
Interest received from financial assets at amortised cost		-	13
Management fees paid		(2,766)	(1,185)
Other expenses paid		(17)	1
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(85,188)</b>	<b>(89,247)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		148,535	136,734
Payments for redemptions by unitholders		(50,209)	(38,907)
Distributions paid		(11,149)	(2,498)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>87,177</b>	<b>95,329</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,989</b>	<b>6,082</b>
Cash and cash equivalents at the beginning of the half-year		21,565	11,045
<b>Cash and cash equivalents at the end of the half-year</b>		<b>23,554</b>	<b>17,127</b>
<b>Non-cash financing activities</b>			
Issue of units under the distribution reinvestment plan	8	156	91

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

## Notes to the interim financial statements

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## **1 General information**

These interim financial statements cover DNR Capital Australian Equities High Conviction Fund (the "Fund") as an individual entity. The Fund was constituted on March 11, 2015 and commenced operations on June 11, 2015. The Fund will terminate on June 10, 2115 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity is incorporated and domiciled in Australia, and its registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The interim financial statements of the Fund are for the half-year ended December 31, 2021. The interim financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The investment manager of the Fund is DNR Capital Pty Ltd (the "Investment Manager").

The investment objective of the Fund is to outperform the S&P/ASX200 Accumulation Index by 4% p.a. (before fees) over a rolling three-year period. The Fund invests in a high conviction portfolio of Australian equities.

The interim financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on March 2, 2022. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

### **Reclassification of units from equity to financial liability**

The existing class of units within the DNR Capital Australian Equities High Conviction Fund has been renamed the DNR Capital Australian Equities High Conviction Fund Retail (R) class and a second class of units, named the DNR Capital Australian Equities High Conviction Fund Wholesale (W) class, was issued on December 7, 2020, under a separate Product Disclosure Statement dated November 13, 2020. As the DNR Capital Australian Equities High Conviction Fund Retail (R) class does not have identical class features to that of the DNR Capital Australian Equities High Conviction Fund Wholesale (W) class, the Fund no longer satisfies the criteria under AASB 132 Financial Instruments: Presentation that would allow it to classify net assets attributable to unit holders as equity. As at June 30, 2020, net assets attributable to unit holders were classified as equity. Effective from December 7, 2020, the Fund's net assets attributable to unit holders have been reclassified from equity to liability.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

These interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in Annual Reports. Accordingly, these interim financial statements are to be read in conjunction with the Annual Report for the year ended June 30, 2021 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

### **(b) Significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended June 30, 2021.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning July 1, 2021 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### 3 Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the interim financial statements. Amounts in the interim financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

### 4 Comparative revisions

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

### 5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets and liabilities at fair value through profit or loss ("FVTPL")

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

The Fund values its investments and derivatives in accordance with the accounting policies set out in Note 2 to the interim financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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

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

(ii) *Valuation techniques used to derive level 2 and level 3 fair value*

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

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

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

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

## 5 Fair value measurement (continued)

### (ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

### Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at December 31, 2021 and June 30, 2021.

At December 31, 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equities	676,060	-	-	676,060
<b>Total</b>	<b>676,060</b>	<b>-</b>	<b>-</b>	<b>676,060</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At June 30, 2021				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equities	556,253	-	-	556,253
<b>Total</b>	<b>556,253</b>	<b>-</b>	<b>-</b>	<b>556,253</b>

### (i) Transfers between levels

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

There were no transfers between the levels in the fair value hierarchy during the reporting period.

### (ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs as at December 31, 2021 or at June 30, 2021.

### (iii) Valuation processes

Portfolio reviews are undertaken regularly by the Investment Manager to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, the Investment Manager performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

### (iv) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

**DNR Capital Australian Equities High Conviction Fund**  
**Notes to the interim financial statements**  
**For the half-year ended December 31, 2021**  
**(continued)**

**6 Net gains/(losses) on financial instruments at fair value through profit or loss**

	Half-year ended	
	December 31,	December 31,
	2021	2020
	\$'000	\$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	22,857	4,759
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	3,105	45,955
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>25,962</b>	<b>50,714</b>

**7 Financial assets at fair value through profit or loss**

	As at	
	December 31,	June 30,
	2021	2021
	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>		
Listed equities	676,060	556,253
<b>Total financial assets at fair value through profit or loss</b>	<b>676,060</b>	<b>556,253</b>

**8 Net assets attributable to unitholders**

The existing class of units within the DNR Capital Australian Equities High Conviction Fund has been renamed the DNR Capital Australian Equities High Conviction Fund Retail (R) class and a second class of units, named the DNR Capital Australian Equities High Conviction Fund Wholesale (W) class, was issued on December 7, 2020, under a separate Product Disclosure Statement dated November 13, 2020. As the DNR Capital Australian Equities High Conviction Fund Retail (R) class does not have identical class features to that of the DNR Capital Australian Equities High Conviction Fund Wholesale (W) class, the Fund no longer satisfies the criteria under AASB 132 Financial Instruments: Presentation that would allow it to classify net assets attributable to unit holders as equity. As at June 30, 2020, net assets attributable to unit holders were classified as equity. Effective from December 7, 2020, the Fund's net assets attributable to unit holders have been reclassified from equity to liability.

As a result of the reclassification of net assets attributable to unit holders from equity to financial liabilities, the Fund's distributions are no longer classified as distributions paid in the statement of changes in equity, but rather as finance costs in the statement of comprehensive income.

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

	Half-year ended			
	December 31,	December 31,	December 31,	December 31,
	2021	2020	2021	2020
	No. '000	No. '000	\$'000	\$'000
<b>Retail Class units</b>				
Opening balance	323,294	245,695	521,575	298,982
Applications	88,527	65,929	147,071	86,173
Redemptions	(25,176)	(28,512)	(41,793)	(36,998)
Units issued upon reinvestment of distributions	97	75	156	91
Increase/(decrease) in net assets attributable to unit holders	-	-	22,331	(5,451)
Profit/(loss) for the half-year	-	-	-	56,380
<b>Closing balance</b>	<b>386,742</b>	<b>283,187</b>	<b>649,340</b>	<b>399,177</b>
<b>Wholesale Class units</b>				
Opening balance	39,092	-	44,184	-
Applications	1,278	50,562	1,464	50,561
Redemptions	(7,252)	(1,916)	(8,416)	(1,909)
Increase/(decrease) in net assets attributable to unit holders	-	-	1,653	(1,032)
<b>Closing balance</b>	<b>33,118</b>	<b>48,646</b>	<b>38,885</b>	<b>47,620</b>
<b>Closing balance</b>	<b>419,860</b>	<b>331,833</b>	<b>688,225</b>	<b>446,797</b>

## 8 Net assets attributable to unitholders (continued)

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are two separate classes of units and each unit has different rights attaching to it as all other units of the Fund.

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability at December 31, 2021, under Australian Accounting Standards. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

## 9 Distributions to unitholders

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the half-year were as follows:

	Half-year ended		Half-year ended	
	December 31, 2021 \$'000	December 31, 2021 CPU*	December 31, 2020 \$'000	December 31, 2020 CPU*
<b>Class R</b>				
Distributions payable, 31 December	10,234	2.6462	2,122	0.7491
	<u>10,234</u>	<u>2.6462</u>	<u>2,122</u>	<u>0.7491</u>
<b>Class W</b>				
Distributions payable, 31 December	719	2.1720	308	0.6341
	<u>719</u>	<u>2.1720</u>	<u>308</u>	<u>0.6341</u>
<b>Total distributions</b>	<u>10,953</u>		<u>2,430</u>	

\* Distribution is expressed as the cents per unit amount in Australian Dollars.

## 10 Related party transactions

There have been no significant changes to the related party transactions disclosed in the previous annual financial report for the period ending June 30, 2021, with the exception of the resignation of Richard McCarthy from the Responsible Entity's board of Directors on February 1, 2022.

## 11 Significant events during the half-year

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

There were no other significant events during the half-year.

## **12 Events occurring after the reporting period**

On February 1, 2022, there were changes to the composition of the Responsible Entity's board of Directors. Please refer to Note 10 for further details of those changes.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management is continuing to monitor this development and evaluate its impact on the Fund.

The Directors are not aware of any other events or circumstances since the end of the financial half-year not otherwise addressed within this interim financial statements that have affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

## **13 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at December 31, 2021 and June 30, 2021.

**Directors' declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at December 31, 2021 and of its performance, for the half-year ended on that date 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 Trust Company (RE Services) Limited.



Director  
The Trust Company (RE Services) Limited

Sydney  
March 2, 2022



# **Independent auditor's review report to the unitholders of DNR Capital Australian Equities High Conviction Fund**

## **Report on the half-year financial report**

### **Conclusion**

We have reviewed the half-year financial report of DNR Capital Australian Equities High Conviction Fund (the Fund) which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of DNR Capital Australian Equities High Conviction Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Responsibilities of the directors of the Responsible Entity for the half-year financial report**

The directors of the Responsible Entity are responsible for the preparation of the half-year 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 of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

#### **PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)



### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Paul Collins'.

Paul Collins  
Partner

Sydney  
2 March 2022