

# **Paradice Investment Management Funds**

## **Annual report**

### **For the year ended 30 June 2021**

This financial report covers the following Paradice Investment Management Funds:

**Paradice Global Small Cap Fund**

ARSN 161 493 456

**Paradice Australian Equities Fund**

ARSN 617 679 071

# **Paradice Investment Management Funds**

## **Annual report**

### **For the year ended 30 June 2021**

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This annual report covers the following Funds as individual entities:

Paradice Global Small Cap Fund

Paradice Australian Equities Fund

The Responsible Entity of the Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street

Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of the Paradice Investment Management Funds (the "Funds"), present their report together with the financial statements of the following Funds for the year ended 30 June 2021.

Paradice Global Small Cap Fund

Paradice Australian Equities Fund

The Funds are collectively known as "Paradice Investment Management Funds".

### Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund's current Product Disclosure Statement and its Constitution.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the Funds' activities during the year.

The various service providers for the Funds are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Paradice Investment Management Pty Ltd
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	KPMG

### Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

### Review and results of operations

During the year, the Funds continued to invest their funds in accordance with their Product Disclosure Statement and the provisions of their Funds' Constitution.

The Funds' performance and Funds' benchmark return for the year ended 30 June 2021 were as follows:

Fund name	Benchmark	Net return (net of fees)	Benchmark return
Paradice Global Small Cap Fund	S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion (AUD) Net Total Return Index	39.61	37.35
Paradice Australian Equities Fund	S&P/ASX 200 Accumulation Index	32.39	27.80

## Directors' report (continued)

### Review and results of operations (continued)

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

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	Year ended		Year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit/(loss) for the year (\$'000)	171,050	(102,071)	8,951	(6,078)
Distributions paid and payable (\$'000)	8,388	6,996	505	1,386
Distributions (cents per unit)	3.76	2.18	1.92	3.20

The basis for valuation of the Funds' assets is disclosed in Note 2 to the financial statements.

### Significant changes in the state of affairs

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial year.

### Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Funds' investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Funds. The Investment Manager however, actively manages the financial risks that the Funds are exposed to, and the Net Asset Values of the Funds continue to be valued in accordance with the frequency set out in the Funds' Offer Documents, applying valuation policies reflective of the prevailing market conditions.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Funds' Constitution.

## Directors' report (continued)

### Likely developments and expected results of operations (continued)

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. 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

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

### Indemnification of auditor

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

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

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 16 to the financial statements.

No fees were paid out of Funds' property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

### Interests in the Funds

The movement in units on issue in the Funds during the year is disclosed in Note 9 to the financial statements.

The value of the Funds' assets and liabilities is disclosed in the statements of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Financial statements presentation

The Funds are entities of the kind referred to by *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial reports.

## 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 6.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
16 September 2021



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of the Responsible Entity for the following funds:

- Paradice Australian Equities Fund
- Paradice Global Small Cap Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of the Funds for the financial year ended 30 June 2021 there have been:

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

KPMG

Andrew Reeves  
Partner

Sydney  
16 September 2021

## Statements of comprehensive income

	Note	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
		Year ended		Year ended	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>					
Interest income from financial assets at amortised cost		6	115	-	11
Dividend and distribution income		8,114	12,149	890	1,605
Net foreign exchange gain/(loss)		(56)	(42)	-	-
Net gains/(losses) on financial instruments at fair value through profit or loss		170,664	(103,409)	8,400	(7,218)
Other income		11	90	5	-
<b>Total investment income/(loss)</b>		<b>178,739</b>	<b>(91,097)</b>	<b>9,295</b>	<b>(5,602)</b>
<b>Expenses</b>					
Management fees	16	6,307	8,482	185	328
Custody and administration fees		148	169	29	25
Withholding taxes		903	1,802	-	2
Transaction costs		282	480	102	90
Other expenses		49	41	28	31
<b>Total expenses</b>		<b>7,689</b>	<b>10,974</b>	<b>344</b>	<b>476</b>
<b>Profit/(loss) for the year</b>		<b>171,050</b>	<b>(102,071)</b>	<b>8,951</b>	<b>(6,078)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>171,050</b>	<b>(102,071)</b>	<b>8,951</b>	<b>(6,078)</b>

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



## Statements of financial position

	Note	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
		As at		As at	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>					
Cash and cash equivalents	11	25,847	19,797	787	1,859
Receivables	13	584	867	152	127
Due from brokers - receivable for securities sold		-	490	56	135
Financial assets at fair value through profit or loss	6	508,590	520,628	33,393	44,051
Margin accounts		-	-	29	-
<b>Total assets</b>		<b>535,021</b>	<b>541,782</b>	<b>34,417</b>	<b>46,172</b>
<b>Liabilities</b>					
Distributions payable	10	7,809	4,888	209	697
Payables	14	561	744	34	37
Due to brokers - payable for securities purchased		-	-	119	248
Financial liabilities at fair value through profit or loss	7	-	-	2	-
<b>Total liabilities</b>		<b>8,370</b>	<b>5,632</b>	<b>364</b>	<b>982</b>
<b>Net assets attributable to unit holders - equity</b>	9	<b>526,651</b>	<b>536,150</b>	<b>34,053</b>	<b>45,190</b>

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

## Statements of changes in equity

	Note	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
		Year ended		Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>536,150</b>	769,363	<b>45,190</b>	45,123
<b>Comprehensive income for the financial year</b>					
Profit/(loss) for the year		<b>171,050</b>	(102,071)	<b>8,951</b>	(6,078)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>171,050</b>	(102,071)	<b>8,951</b>	(6,078)
<b>Transactions with unit holders</b>					
Applications	9	<b>43,091</b>	97,620	<b>10,816</b>	9,877
Redemptions	9	<b>(217,453)</b>	(222,662)	<b>(30,822)</b>	(2,782)
Reinvestment of distributions	9	<b>2,201</b>	896	<b>423</b>	436
Distributions paid and payable	9	<b>(8,388)</b>	(6,996)	<b>(505)</b>	(1,386)
<b>Total transactions with unit holders</b>		<b>(180,549)</b>	(131,142)	<b>(20,088)</b>	6,145
<b>Total equity at the end of the financial year</b>		<b>526,651</b>	536,150	<b>34,053</b>	45,190

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

## Statements of cash flows

	Note	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
		Year ended 30 June 2021 \$'000	30 June 2020 \$'000	Year ended 30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments at fair value through profit or loss		264,333	311,603	43,409	37,999
Payments for purchase of financial instruments at fair value through profit or loss		(80,982)	(167,344)	(24,083)	(45,300)
Net foreign exchange gain/(loss)		(56)	(42)	-	-
Net movement in margin accounts		-	-	(29)	12
Interest income received from financial assets at amortised cost		9	137	-	12
Dividends and distributions received		7,218	11,125	533	1,165
Other income received		125	158	21	-
Management fees paid		(6,490)	(9,653)	(188)	(397)
Transactions costs paid		(282)	(480)	(102)	(90)
Custody and administration fees paid		(148)	(169)	(29)	(25)
Other expenses paid		(49)	(41)	(28)	(46)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>183,678</b>	<b>145,294</b>	<b>19,504</b>	<b>(6,670)</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by unit holders		43,091	97,620	10,816	9,877
Payments for redemptions by unit holders		(217,453)	(222,662)	(30,822)	(2,782)
Distributions paid to unit holders		(3,266)	(21,096)	(570)	(593)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(177,628)</b>	<b>(146,138)</b>	<b>(20,576)</b>	<b>6,502</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,050</b>	<b>(844)</b>	<b>(1,072)</b>	<b>(168)</b>
Cash and cash equivalents at the beginning of the year		19,797	20,641	1,859	2,027
<b>Cash and cash equivalents at the end of the year</b>	11	<b>25,847</b>	<b>19,797</b>	<b>787</b>	<b>1,859</b>
Non-cash operating and financing activities	12(b)	2,360	1,147	739	1,040

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

## Notes to the financial statements

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## 1 General information

These financial statements cover the below Funds (the “Funds”) as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates in the below table and will terminate in accordance with the provisions of the Funds’ Constitution or by Law.

Paradice Global Small Cap Fund	16 June 2012
Paradice Australian Equities Fund	03 March 2017

The Responsible Entity of the Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Fund’s current Product Disclosure Statement and its Constitution.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Funds’ investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Funds. The Investment Manager however, actively manages the financial risks that the Funds are exposed to, and the Net Asset Values of the Funds continue to be valued in accordance with the frequency set out in the Funds’ Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

The statements of financial position are 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 at fair value through profit or loss and net assets attributable to unit holders.

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

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

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

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

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

#### (ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### (iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Funds.

### (b) Financial instruments

#### (i) Classification

- Financial assets

The Funds classify their financial assets in the following measurement categories:

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

The Funds classify their financial assets based on their business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

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

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

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

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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

#### (ii) Recognition and derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in the fair value of the financial assets or financial liabilities from this date.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Funds have transferred substantially all the risks and rewards of ownership. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

#### (iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Funds measure a financial asset and a financial liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the statements of comprehensive income.

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

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

- Financial instruments at amortised cost

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

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

#### (iv) Impairment

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

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Funds expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Funds have a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

Financial assets and liabilities that have been offset are disclosed in Note 4.

### (c) Net assets attributable to unit holders

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

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

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

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

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

### (d) Cash and cash equivalents

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

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

### (e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

### (f) Investment income

#### (i) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.



## 2 Summary of significant accounting policies (continued)

### (f) Investment income (continued)

#### (i) Interest income (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

#### (ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlement basis.

### (g) Expenses

All expenses are recognised in the statements of comprehensive income on an accruals basis.

### (h) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unit holders.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are included in the statements of comprehensive income as an expense.

### (i) Distributions

The Funds may distribute their distributable income, in accordance with the Funds' Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statements of changes in equity.

### (j) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

## 2 Summary of significant accounting policies (continued)

### (j) Foreign currency translation (continued)

#### (ii) Transactions and balances (continued)

The Funds do not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

### (k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

### (l) Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### (m) Payables

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

A separate distribution payable is recognised in the statements of financial position.

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

### (n) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

### (o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### (p) Use of estimates and judgements

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

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

## 2 Summary of significant accounting policies (continued)

### (p) Use of estimates and judgements (continued)

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Funds estimate that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Funds. Please see Note 3 for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

### (q) Rounding of amounts

The Funds are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### (r) Comparative revisions

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

## 3 Financial risk management

The Funds' activities expose them to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statement and the investment guidelines of the Funds. It also seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects on the Funds' financial performance. The Funds' policy allows them to use derivative financial instruments in managing their financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity and unit trusts is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions.

The investments of the Funds, and associated risks, are managed by a specialist Investment Manager, Paradice Investment Management Pty Ltd under an Investment Management Agreement (the "IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Funds, consistent with those stated in the Product Disclosure Statement.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

### (a) Market risk

#### (i) Price risk

The Funds are exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

Price risk is managed by Paradice Investment Management Pty Ltd, the Funds' Investment Manager. The Investment Manager mitigates this price risk through diversification and careful selection of securities and other financial instruments in accordance with the investment mandate of the Funds.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk (continued)

The Funds' overall market positions are monitored on a regular basis by the Investment Manager. This information and the compliance with the Funds' Product Disclosure Statement are reported to the Investment Manager's compliance manager and other key management personnel.

The tables at Note 3(b) summarises the sensitivities of the Funds' financial assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Funds invest move by +/-10% (2020: +/-10%).

##### (ii) Foreign exchange risk

The Paradise Global Small Cap Fund operates internationally and hold both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities. Paradise Australian Equities Fund does not have material foreign exchange exposure.

Foreign exchange risk is managed by Paradise Investment Management Pty Ltd.

The tables below summarise the fair value of Paradise Global Small Cap Fund's financial assets and financial liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

<b>Paradice Global Small Cap Fund As at 30 June 2021</b>	<b>US Dollars A\$'000</b>	<b>Euros A\$'000</b>	<b>British Pounds A\$'000</b>	<b>Japanese Yen A\$'000</b>	<b>Other currencies A\$'000</b>
Cash and cash equivalents	6	-	-	145	-
Receivables	147	38	-	39	195
Financial assets at fair value through profit or loss	<u>267,254</u>	<u>76,454</u>	<u>55,700</u>	<u>49,136</u>	<u>60,046</u>
<b>Net exposure</b>	<u>267,407</u>	<u>76,492</u>	<u>55,700</u>	<u>49,320</u>	<u>60,241</u>
Net increase/(decrease) in exposure from forward currency contracts	-	-	-	(145)	-
<b>Net exposure including forward currency contracts</b>	<u>267,407</u>	<u>76,492</u>	<u>55,700</u>	<u>49,175</u>	<u>60,241</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

As at 30 June 2020	US Dollars A\$'000	Euros A\$'000	British Pounds A\$'000	Japanese Yen A\$'000	Other currencies A\$'000
Receivables	308	93	-	3	180
Due from brokers - receivable for securities sold	202	-	-	288	-
Financial assets at fair value through profit or loss	<u>242,236</u>	<u>71,984</u>	<u>51,787</u>	<u>88,185</u>	<u>66,436</u>
Net exposure	<u>242,746</u>	<u>72,077</u>	<u>51,787</u>	<u>88,476</u>	<u>66,616</u>
Net increase/(decrease) in exposure from forward currency contracts	<u>(202)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net exposure including forward currency contracts	<u>242,544</u>	<u>72,077</u>	<u>51,787</u>	<u>88,476</u>	<u>66,616</u>

The tables at Note 3(b) summarises the sensitivities of the Funds' monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened or strengthened by 10% (2020: +/-10%) against the material foreign currencies to which the Funds are exposed.

##### (iii) Interest rate risk

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

The Funds' interest bearing financial instruments expose them to risks associated with the effects of fluctuations in the prevailing market interest rates on their financial position and cash flows. The impact of interest rate risk on profit and net assets attributable to unit holders is considered immaterial to the Funds.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Funds to interest rate risk.

Interest rate risk is managed by Paradice Investment Management Pty Ltd.

#### (b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Funds' investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis (continued)

unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

Paradice Global Small Cap Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	+10%	-10%
	\$'000	\$'000
As at 30 June 2021	50,859	(50,859)
As at 30 June 2020	52,063	(52,063)

The sensitivity factor for 30 June 2020 was +/-10% for price risk.

Paradice Australian Equities Fund	Impact on operating profit/net assets attributable to unit holders	
	Price risk	
	+10%	-10%
	\$'000	\$'000
As at 30 June 2021	3,376	(3,376)
As at 30 June 2020	4,405	(4,405)

The sensitivity factor for 30 June 2020 was +/-10% for price risk.

Paradice Global Small Cap Fund	Impact on operating profit/Net assets attributable to unit holders							
	Foreign exchange risk							
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	US Dollars	US Dollars	Euros	Euros	British Pounds	British Pounds	Japanese Yen	Japanese Yen
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2021	26,741	(26,741)	7,649	(7,649)	5,570	(5,570)	4,918	(4,918)
As at 30 June 2020	24,254	(24,254)	7,208	(7,208)	5,179	(5,179)	8,848	(8,848)

The sensitivity factor for 30 June was +/-10% for foreign exchange risk.

#### (c) Credit risk

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

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

The Funds do not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Funds are exposed, arises from cash and cash equivalents and amounts due from brokers' balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk is the carrying of these balances at the reporting date.

The Funds determine credit risk and measure expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021 and 30 June 2020, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

#### (d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds may arise from the requirement to meet daily unit holder redemption requests, margin calls on derivative transactions or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by Paradise Investment Management Pty Ltd. The Investment Manager mitigates the liquidity risk factor by generally investing in securities that are believed to offer sufficient liquidity to allow investors to withdraw from the Funds as set out in the Product Disclosure Statement.

In order to manage the Funds' overall liquidity, 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 unit holders. The Responsible Entity did not reject or withhold any redemptions during 2021 and 2020.

##### (i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Funds in the current period have maturities of less than 1 month.

##### (ii) Maturities of net settled derivative financial instruments

The tables below analyse the Funds' net settled derivative financial instruments based on their contractual maturity. The Funds may, at their discretion, settle financial instruments prior to their original contractual settlement date, in accordance with their investment strategy, where permitted by the terms and conditions of the relevant instruments.

#### Paradice Global Small Cap Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2020					
Net settled derivatives					
Forward currency contracts	1	-	-	-	1
Warrants	-	-	9	-	9
Total net settled derivatives	1	-	9	-	10

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

(ii) *Maturities of net settled derivative financial instruments (continued)*

#### Paradice Australian Equities Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2021</b>					
Net settled derivatives					
Futures contracts	-	(2)	-	-	(2)
<b>Total net settled derivatives</b>	-	(2)	-	-	(2)

Paradice Global Small Cap Fund did not have material liquidity risk exposure as at 30 June 2021. Paradice Australian Equities Fund did not have material liquidity risk exposure as at 30 June 2020.



#### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statements of financial position are disclosed in the first three columns of the tables below.

Paradice Global Small Cap Fund	Effects of offsetting on the statements of financial position			Related amounts not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statements of financial position	Net amount of financial instruments presented in the statements of financial position	Amounts subject to master netting arrangements	Collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2021</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	145	(145)	-	-	-	-
<b>Total</b>	<u>145</u>	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	145	(145)	-	-	-	-
<b>Total</b>	<u>145</u>	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 30 June 2020</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	203	(202)	1	-	-	1
<b>Total</b>	<u>203</u>	<u>(202)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	202	(202)	-	-	-	-
<b>Total</b>	<u>202</u>	<u>(202)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 4 Offsetting financial assets and financial liabilities (continued)

Paradice Australian Equities Fund	Effects of offsetting on the statements of financial position			Related amounts not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statements of financial position	Net amount of financial instruments presented in the statements of financial position	Amounts subject to master netting arrangements	Collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2021</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	2	-	2	-	(2)	-
<b>Total</b>	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>(2)</u>	<u>-</u>

##### (a) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only when certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Funds do not presently have a legally enforceable right of set-off, these amounts have not been offset in the statements of financial position, but have been presented separately in the above tables.

#### 5 Fair value measurement

The Funds measure and recognise financial assets and financial liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 6 and Note 7)
- Derivative financial instruments (see Note 8)

The Funds have 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 measurement hierarchy:

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

## 5 Fair value measurement (continued)

The Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities traded in active markets (such as equity securities and unit trusts) are based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets and financial liabilities held by the Funds is the last traded price. When the Funds hold derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

### (b) Fair value in an inactive or unquoted market (level 2)

The fair value of financial assets and liabilities that are not 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.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The tables below present the Funds' financial assets and financial liabilities measured and recognised at fair value as at 30 June 2021 and 30 June 2020.

#### Paradice Global Small Cap Fund

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Equity securities	500,129	-	-	500,129
Unit trusts	8,461	-	-	8,461
<b>Total financial assets</b>	<u>508,590</u>	<u>-</u>	<u>-</u>	<u>508,590</u>

As at 30 June 2020

<b>Financial assets</b>				
Forward currency contracts	-	1	-	1
Warrants	9	-	-	9
Equity securities	502,589	-	-	502,589
Unit trusts	18,029	-	-	18,029
<b>Total financial assets</b>	<u>520,627</u>	<u>1</u>	<u>-</u>	<u>520,628</u>

#### Paradice Australian Equities Fund

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Equity securities	31,947	-	-	31,947
Unit trusts	1,446	-	-	1,446
<b>Total financial assets</b>	<u>33,393</u>	<u>-</u>	<u>-</u>	<u>33,393</u>
<b>Financial liabilities</b>				
Futures contracts	2	-	-	2
<b>Total financial liabilities</b>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>

As at 30 June 2020

<b>Financial assets</b>				
Equity securities	42,355	-	-	42,355
Unit trusts	1,696	-	-	1,696
<b>Total financial assets</b>	<u>44,051</u>	<u>-</u>	<u>-</u>	<u>44,051</u>

## 5 Fair value measurement (continued)

### (d) Transfer between levels

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

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

### (e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

## 6 Financial assets at fair value through profit or loss

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Derivatives (Note 8)	-	10	-	-
Equity securities	500,129	502,589	31,947	42,355
Unit trusts	8,461	18,029	1,446	1,696
<b>Total financial assets at fair value through profit or loss</b>	<b>508,590</b>	<b>520,628</b>	<b>33,393</b>	<b>44,051</b>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

## 7 Financial liabilities at fair value through profit or loss

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Derivatives (Note 8)	-	-	2	-
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

## 8 Derivative financial instruments

In the normal course of business, the Funds enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Funds against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

The Funds hold the following derivatives:

### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

### (b) Forward currency contracts

Forward currency contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on their non-Australian dollar denominated trading securities. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Funds recognise a gain or loss equal to the change in fair value at the end of each reporting period.

### (c) Warrants

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the end of each reporting period. The Funds recognise a gain or loss equal to the change in fair value at the end of each reporting period.

## 8 Derivative financial instruments (continued)

The Funds' derivative financial instruments measured at fair value at year end are detailed below:

<b>Paradice Global Small Cap Fund</b>			
	<b>Contractual/ notional \$'000</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>
<b>As at 30 June 2021</b>			
Forward currency contracts	<u>145</u>	-	-
<b>Total derivatives</b>	<u>145</u>	-	-
<b>As at 30 June 2020</b>			
Forward currency contracts	202	1	-
Warrants	<u>38</u>	<u>9</u>	-
Total derivatives	<u>240</u>	<u>10</u>	-
<b>Paradice Australian Equities Fund</b>			
	<b>Contractual/ notional \$'000</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>
<b>As at 30 June 2021</b>			
Futures contracts	<u>363</u>	-	<u>2</u>
<b>Total derivatives</b>	<u>363</u>	-	<u>2</u>

Information about the Funds' exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

## 9 Net assets attributable to unit holders - equity

The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	<b>Paradice Global Small Cap Fund</b>			
	<b>Year ended</b>			
	<b>30 June 2021 Units'000</b>	<b>30 June 2021 \$'000</b>	<b>30 June 2020 Units'000</b>	<b>30 June 2020 \$'000</b>
Opening balance	309,402	536,150	375,556	769,363
Applications	22,141	43,091	48,180	97,620
Redemptions	(111,630)	(217,453)	(114,748)	(222,662)
Reinvestment of distributions	1,246	2,201	414	896
Distributions paid and payable	-	(8,388)	-	(6,996)
Profit/(loss) for the year	-	171,050	-	(102,071)
<b>Closing balance</b>	<b>221,159</b>	<b>526,651</b>	<b>309,402</b>	<b>536,150</b>

	<b>Paradice Australian Equities Fund</b>			
	<b>Year ended</b>			
	<b>30 June 2021 Units'000</b>	<b>30 June 2021 \$'000</b>	<b>30 June 2020 Units'000</b>	<b>30 June 2020 \$'000</b>
Opening balance	45,444	45,190	38,735	45,123
Applications	9,494	10,816	8,878	9,877
Redemptions	(29,070)	(30,822)	(2,532)	(2,782)
Reinvestment of distributions	422	423	363	436
Distributions paid and payable	-	(505)	-	(1,386)
Profit/(loss) for the year	-	8,951	-	(6,078)
<b>Closing balance</b>	<b>26,290</b>	<b>34,053</b>	<b>45,444</b>	<b>45,190</b>

As stipulated within the Funds' Constitution, each unit represents a right to an individual share in the Funds and does not extend to a right in the underlying assets of the Funds.

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

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

### Capital risk management

The Funds consider their net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unit holders.



## 9 Net assets attributable to unit holders - equity (continued)

### Capital risk management (continued)

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' 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 unit holders.

## 10 Distributions to unit holders

The distributions declared during the year were as follows:

	Paradice Global Small Cap Fund				Paradice Australian Equities Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2021	30 June 2021	30 June 2020	30 June 2020	30 June 2021	30 June 2020	30 June 2020	30 June 2020
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
<b>Distributions</b>								
December	579	0.23	2,108	0.60	296	1.12	689	1.67
June (payable)	7,809	3.53	4,888	1.58	209	0.80	697	1.53
<b>Total distributions</b>	<b>8,388</b>	<b>3.76</b>	<b>6,996</b>	<b>2.18</b>	<b>505</b>	<b>1.92</b>	<b>1,386</b>	<b>3.20</b>

## 11 Cash and cash equivalents

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	As at		As at	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Cash at bank	25,847	19,797	787	1,859
<b>Total cash and cash equivalents</b>	<b>25,847</b>	<b>19,797</b>	<b>787</b>	<b>1,859</b>

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

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	Year ended		Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Profit/(loss) for the year	171,050	(102,071)	8,951	(6,078)
Proceeds from sale of financial instruments at fair value through profit or loss	264,333	311,603	43,409	37,999
Payments for purchase of financial instruments at fair value through profit or loss	(80,982)	(167,344)	(24,083)	(45,300)
Net (gains)/losses on financial instruments at fair value through profit or loss	(170,664)	103,409	(8,400)	7,218
Dividend and distribution income reinvested	(159)	(251)	(316)	(604)
Net movement in margin accounts	-	-	(29)	12
Net change in receivables	283	1,129	(25)	152
Net change in payables	(183)	(1,181)	(3)	(69)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>183,678</b>	<b>145,294</b>	<b>19,504</b>	<b>(6,670)</b>
<b>(b) Non-cash operating and financing activities</b>				
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	2,201	896	423	436
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	159	251	316	604
<b>Total non-cash operating and financing activities</b>	<b>2,360</b>	<b>1,147</b>	<b>739</b>	<b>1,040</b>

## 13 Receivables

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Interest receivable	-	3	-	-
Dividends and distributions receivable	419	585	148	107
GST receivable	144	259	4	20
Other receivables	21	20	-	-
<b>Total receivables</b>	<b>584</b>	<b>867</b>	<b>152</b>	<b>127</b>

## 14 Payables

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Management fees payable	561	744	34	37
<b>Total payables</b>	<b>561</b>	<b>744</b>	<b>34</b>	<b>37</b>

## 15 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditors of the Funds:

	Paradice Global Small Cap Fund		Paradice Australian Equities Fund	
	Year ended		Year ended	
	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$
<b>KPMG Australian Firm</b>				
<i>Audit and other assurance services</i>				
Audit and review of financial statements*	21,245	26,904	10,300	10,000
Audit of compliance plan	-	3,000	-	3,000
Total auditor remuneration and other assurance services	<b>21,245</b>	29,904	<b>10,300</b>	13,000
<i>Taxation services</i>				
Tax compliance services	8,434	12,821	8,434	12,821
Total remuneration for taxation services	<b>8,434</b>	12,821	<b>8,434</b>	12,821
<b>Total remuneration of KPMG Australian Firm</b>	<b>29,679</b>	42,725	<b>18,734</b>	25,821
<b>PricewaterhouseCoopers</b>				
<i>Audit and other assurance services</i>				
Audit of compliance plan	2,342	-	2,342	-
Total auditor remuneration and other assurance services	<b>2,342</b>	-	<b>2,342</b>	-
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,342</b>	-	<b>2,342</b>	-

\*PricewaterhouseCoopers had provided the service of the 31 December 2019 half year review for Paradice Global Small Cap Fund to the amount of \$10,404.

The auditors' remuneration is borne by the Funds. Fees are stated exclusive of GST.

## 16 Related party transactions

The Responsible Entity of the Paradice Investment Management Funds is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

## 16 Related party transactions (continued)

The Responsible Entity has contracted services to Paradice Investment Management Pty Ltd to act as Investment Manager for the Funds and State Street Australia Limited to act as Custodian and Administrator for the Funds. The contracts are on normal commercial terms and conditions.

### (a) Key management personnel

#### (i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

#### (ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

#### (iii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Funds, directly or indirectly during the financial year.

### (b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2021 (30 June 2020: nil).

### (d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Funds to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### (e) Key management personnel loans

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

### (f) Other transactions within the Funds

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

## 16 Related party transactions (continued)

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

Under the terms of the Funds' Constitution and Product Disclosure Statement for the Funds, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The Investment Manager is also entitled to a performance fee.

The transactions during the year and amounts payable as at year end between the Funds, the Responsible Entity and the Investment Manager were as follows:

	<b>Paradice Global Small Cap Fund</b>		<b>Paradice Australian Equities Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management fees for the year	<b>6,101,752</b>	8,217,723	<b>171,766</b>	309,539
Responsible Entity fees for the year	<b>204,851</b>	264,637	<b>13,305</b>	18,595
Management fees payable at year end	<b>543,708</b>	725,339	<b>33,168</b>	35,375
Responsible Entity fees payable at year end	<b>17,157</b>	18,268	<b>1,125</b>	1,562

For information on how management fees are calculated please refer to the Funds' Product Disclosure Statement.

### (h) Related party unit holdings

Parties related to the Funds (including Equity Trustees Limited, their related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Funds as at 30 June 2021 (30 June 2020: nil).

### (i) Investments

The Funds did not hold any investments in Equity Trustees Limited or their related parties during the year (2020: nil).

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Funds as disclosed in the statements of financial position as at 30 June 2021 or on the results and cash flows of the Funds for the year ended on that date.

## 18 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 36 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2021 and of their performance for the financial year ended on that date.
- (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; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
16 September 2021



# Independent Auditor's Report

To the unit holders of the Funds:

- Paradise Australian Equities Fund
- Paradise Global Small Cap Fund

## Opinion

We have audited the **Financial Reports** of the Funds.

In our opinion, the accompanying **Financial Reports** of the Funds are in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of each Fund's financial position as at 30 June 2021, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Reports** comprises the:

- Statement of financial position as at 30 June 2021
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration made by the Directors of Equity Trustees Limited (the Responsible Entity).

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Funds in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other Information

Other Information is financial and non-financial information in the respective Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for the Other Information.

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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of Directors for the Financial Report

The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing each Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the respective 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Andrew Reeves  
Partner

Sydney  
16 September 2021