

Paradice Global Small Cap Fund

ARSN 161 493 456

Condensed financial report

For the half-year ended 31 December 2020

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This condensed financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed financial report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made in respect of Paradice Global Small Cap Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This condensed financial report covers Paradice Global Small Cap Fund as an individual entity.

The Responsible Entity of Paradice Global Small Cap Fund 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 Paradice Global Small Cap Fund (the "Fund"), present their report together with the condensed financial statements of the Fund for the half-year ended 31 December 2020. These condensed financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

Principal activities

The Fund invests predominately in global small and mid-capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average market capitalisation of less than US\$5 billion, as well as cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the half-year ended 31 December 2020.

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2020.

The various service providers for the Fund 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 half-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 half-year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 17.52% (net of fees) for the half-year ended 31 December 2020. The Fund's benchmark, the S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion (AUD) Net Total Return Index returned 17.32% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	Half-year ended	
	31 December 2020	31 December 2019
Operating profit/(loss) for the half-year (\$'000)	80,667	42,193
Distributions paid and payable (\$'000)	579	2,109
Distributions (cents per unit)	0.23	0.60

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 Fund that occurred during the half-year ended 31 December 2020.

COVID-19

COVID-19 continues to create market uncertainty as businesses learn to navigate a new landscape. The impact of factors such as the timing, availability and efficacy of a vaccine; the resurgent infection rates around the world; and the potential for domestic outbreaks remains unclear. Australia's strong economic response, along with its successful management of COVID-19, allows for an optimistic outlook for 2021.

The Responsible Entity and Investment Manager closely monitor any developments and their likely impact on the assets of the Fund, noting that the high degree of uncertainty poses substantial challenges in predicting the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to and the Net Assets of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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.

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 Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
5 March 2021



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

To the Directors of Equity Trustees Limited, the Responsible Entity of
Paradice Global Small Cap Fund

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended
31 December 2020 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'A.R.' followed by a horizontal line.

Andrew Reeves
Partner

Sydney
5 March 2021

Condensed statement of comprehensive income

		Half-year ended	
		31 December 2020	31 December 2019
		\$'000	\$'000
Note			
Investment income			
	Interest income from financial assets at amortised cost	7	74
	Dividend and distribution income	3,815	6,102
	Net foreign exchange gain/(loss)	259	76
4	Net gains/(losses) on financial instruments at fair value through profit or loss	80,498	41,505
	Other income	<u>11</u>	<u>91</u>
	Total investment income/(loss)	<u>84,590</u>	<u>47,848</u>
Expenses			
	Management fees	3,141	4,596
	Custody and administration fees	73	121
	Withholding taxes	543	761
	Transaction costs	145	152
	Other expenses	<u>21</u>	<u>25</u>
	Total expenses	<u>3,923</u>	<u>5,655</u>
	Operating profit/(loss) for the half-year	<u>80,667</u>	<u>42,193</u>
	Other comprehensive income	<u>-</u>	<u>-</u>
	Total comprehensive income for the half-year	<u>80,667</u>	<u>42,193</u>

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

Condensed statement of financial position

		As at	
	Note	31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		5,123	19,797
Receivables	8	637	867
Due from brokers - receivable for securities sold		-	490
Financial assets at fair value through profit or loss	5	500,655	520,628
Total assets		506,415	541,782
Liabilities			
Distributions payable		579	4,888
Payables	9	759	744
Total liabilities		1,338	5,632
Net assets attributable to unit holders - equity	6	505,077	536,150

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

Condensed statement of changes in equity

	Note	Half-year ended	
		31 December 2020 \$'000	31 December 2019 \$'000
Total equity at the beginning of the half-year		536,150	769,363
Comprehensive income for the half-year			
Profit/(loss) for the half-year		80,667	42,193
Other comprehensive income		-	-
Total comprehensive income		80,667	42,193
Transactions with unit holders			
Applications	6	26,016	68,348
Redemptions	6	(139,101)	(114,456)
Reinvestment of distributions	6	1,924	896
Distributions paid and payable	6	(579)	(2,109)
Total transactions with unit holders		(111,740)	(47,321)
Total equity at the end of the half-year		505,077	764,235

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed statement of cash flows

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	132,217	114,401
Payments for purchase of financial instruments at fair value through profit or loss	(31,256)	(51,617)
Net foreign exchange gain/(loss)	259	76
Interest income received from financial assets at amortised cost	10	84
Dividends and distributions received	3,476	6,075
Other income received	34	63
Management fees paid	(3,126)	(5,372)
Transactions costs paid	(145)	(152)
Custody and administration fees paid	(73)	-
Other expenses paid	(21)	(25)
Net cash inflow/(outflow) from operating activities	<u>101,375</u>	<u>63,533</u>
Cash flows from financing activities		
Proceeds from applications by unit holders	26,016	68,348
Payments for redemptions by unit holders	(139,101)	(114,456)
Distributions paid to unit holders	(2,964)	(19,884)
Net cash inflow/(outflow) from financing activities	<u>(116,049)</u>	<u>(65,992)</u>
Net increase/(decrease) in cash and cash equivalents	(14,674)	(2,459)
Cash and cash equivalents at the beginning of the half-year	<u>19,797</u>	<u>20,641</u>
Cash and cash equivalents at the end of the half-year	<u>5,123</u>	<u>18,182</u>
Non-cash operating and financing activities		
Issue of units under the distribution reinvestment plan	1,924	896
Dividend and distribution income reinvested	-	251

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

Notes to the condensed financial statements

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1 General information

These condensed financial statements cover Paradice Global Small Cap Fund (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 16 June 2012 and will terminate in accordance with the provisions of the Fund’s Constitution or by Law.

The Responsible Entity of the Fund 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 condensed financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests predominately in global small and mid-capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average market capitalisation of less than US\$5 billion, as well as cash in accordance with the Product Disclosure Statement and the provisions of the Fund’s Constitution.

The condensed 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 condensed financial statements.

2 Basis of preparation

These condensed 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 condensed financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 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 directors are satisfied that the Fund has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

In preparing the financial statements for the Fund, the Responsible Entity and Investment Manager considered the current and ongoing impact that the COVID-19 pandemic has on the Fund, including reviewing the Fund’s assets and liabilities in light of COVID-19 to ensure valuations remain appropriate. Fund operations, liquidity and risk management were also monitored during the half-year with no material concerns.

At the date of issuing the condensed financial statements, an estimate of future impact on the Fund’s investments cannot be made. Actual economic events and conditions in the future may materially differ from those estimated by the Fund at the reporting date.

Significant accounting policies

The accounting policies applied in these condensed financial statements are the same as those applied to the Fund’s financial statements for the year ended 30 June 2020.

(i) *New and amended standards adopted by the Fund*

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

(ii) *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 January 2021 and have not been early adopted in preparing these financial statements.

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

3 Fair value measurement

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

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

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

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).

The Fund values its 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.

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

For the majority of its investments the Fund relies on information provided by independent pricing services for the valuation of its investments.

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 Fund 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.

3 Fair value measurement (continued)

(c) Recognised fair value measurements

The table below presents the Fund's financial assets and financial liabilities measured and recognised at fair value as at 31 December 2020 and 30 June 2020.

As at 31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Warrants	9	-	-	9
Equity securities	485,755	-	-	485,755
Unit trusts	<u>14,891</u>	-	-	<u>14,891</u>
Total financial assets	<u>500,655</u>	-	-	<u>500,655</u>

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Forward currency contracts	-	1	-	1
Warrants	9	-	-	9
Equity securities	502,589	-	-	502,589
Unit trusts	<u>18,029</u>	-	-	<u>18,029</u>
Total financial assets	<u>520,627</u>	<u>1</u>	-	<u>520,628</u>

(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 (30 June 2020: Nil).

(e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differ 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 reporting periods.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(2,748)	22,644
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>83,575</u>	<u>18,963</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>80,827</u>	<u>41,607</u>
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(329)	(99)
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>-</u>	<u>(3)</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(329)</u>	<u>(102)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>80,498</u>	<u>41,505</u>

5 Financial assets at fair value through profit or loss

	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Forward currency contracts	-	1
Warrants	9	9
Equity securities	485,755	502,589
Unit trusts	<u>14,891</u>	<u>18,029</u>
Total financial assets at fair value through profit or loss	<u>500,655</u>	<u>520,628</u>

6 Net assets attributable to unit holders - equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

	Half-year ended			
	31 December 2020 Units'000	31 December 2020 \$'000	31 December 2019 Units'000	31 December 2019 \$'000
Opening balance	309,402	536,150	375,556	769,363
Applications	14,568	26,016	32,826	68,348
Redemptions	(76,776)	(139,101)	(55,317)	(114,456)
Reinvestment of distributions	1,111	1,924	415	896
Distributions paid and payable	-	(579)	-	(2,109)
Profit/(loss) for the half-year	-	80,667	-	42,193
Closing balance	248,305	505,077	353,480	764,235

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 in the underlying assets of the Fund.

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

7 Distributions to unit holders

The distributions declared during the half-year were as follows:

	Half-year ended			
	31 December 2020 \$'000	31 December 2020 CPU	31 December 2019 \$'000	31 December 2019 CPU
Distributions				
December	-	-	896	0.25
December (payable)	579	0.23	1,213	0.35
Total distributions	579	0.23	2,109	0.60

8 Receivables

	As at	
	31 December	30 June
	2020	2020
	\$'000	\$'000
Interest receivable	-	3
Dividends and distributions receivable	381	585
GST receivable	236	259
Other receivables	20	20
Total receivables	637	867

9 Payables

	As at	
	31 December	30 June
	2020	2020
	\$'000	\$'000
Management fees payable	759	744
Total payables	759	744

10 Events occurring after the reporting period

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2020 or on the results and cash flows of the Fund for the half-year ended on that date.

11 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2020 and 30 June 2020.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The condensed financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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
5 March 2021



Independent Auditor's Review Report

To the members of Paradise Global Small Cap Fund

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Paradise Global Small Cap Fund.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Paradise Global Small Cap Fund does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 31 December 2020 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed statement of financial position as at 31 December 2020;
- Condensed statement of comprehensive income for the interim period ended on that date;
- Condensed statement of changes in equity for the interim period ended on that date;
- Condensed statement of cash flows for the interim period ended on that date;
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2020.

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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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



Responsibilities of the Directors for the Interim Financial Report

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

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Interim 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.

KPMG

Andrew Reeves
Partner

Sydney
5 March 2021