

# **Paradice Global Small Cap Fund**

ARSN 161 493 456

## **Condensed financial report**

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

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## Condensed financial report For the half-year ended 31 December 2021

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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 2021 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 2021. 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 2021.

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2021.

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
Michael J O'Brien	
Russell W Beasley	

### 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 (0.66%) (net of fees) for the half-year ended 31 December 2021. 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 1.86% for the same period.

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

	Half-year ended	
	31 December 2021	31 December 2020
Profit/(loss) for the half-year (\$'000)	(2,937)	80,667
Distributions paid and payable (\$'000)	-	579
Distributions (cents per unit)	-	0.23

## Directors' report (continued)

### Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the half-year ended 31 December 2021.

### 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 as new variants of COVID-19 emerge. There continues to be increased financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still uncertainty around the continued impact of COVID, the potential for further outbreaks both in Australia and around the world.

The Responsible Entity and Investment Manager continue to monitor 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 Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Product Disclosure Statement, applying valuation policies reflective of the prevailing market conditions.

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

At the time of signing these financial statements, there is an increased level of global uncertainty associated with the conflict in Ukraine. The impacts of the Ukraine conflict are not yet known but are likely to result in increased market and economic volatility, which may in turn have an impact on the Fund.

The unit price of the Fund decreased by 13.91% when comparing the price at 31 December 2021 to the latest available price at the time of signing.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may have a significant effect on:

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

### 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  
9 March 2022



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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Paradise Global Small  
Cap Fund for the half-year ended 31 December 2021 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.

KPMG

Andrew Reeves  
*Partner*

Sydney  
9 March 2022

## Condensed statement of comprehensive income

	Half-year ended	
	31 December 2021	31 December 2020
Note	\$'000	\$'000
<b>Investment income</b>		
Interest income from financial assets at amortised cost	-	7
Dividend and distribution income	2,233	3,815
Net foreign exchange gain/(loss)	(309)	259
Net gains/(losses) on financial instruments at fair value through profit or loss	(1,405)	80,498
Other income	-	11
<b>Total investment income/(loss)</b>	<u>519</u>	<u>84,590</u>
<b>Expenses</b>		
Management fees	3,103	3,141
Custody and administration fees	48	73
Withholding taxes	213	543
Transaction costs	77	145
Other expenses	15	21
<b>Total expenses</b>	<u>3,456</u>	<u>3,923</u>
<b>Profit/(loss) for the half-year</b>	<u>(2,937)</u>	<u>80,667</u>
Other comprehensive income	-	-
<b>Total comprehensive income for the half-year</b>	<u>(2,937)</u>	<u>80,667</u>

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

## Condensed statement of financial position

		As at	
		31 December 2021	30 June 2021
	Note	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		11,417	25,847
Receivables	7	387	584
Financial assets at fair value through profit or loss	4	<u>427,844</u>	<u>508,590</u>
<b>Total assets</b>		<u><b>439,648</b></u>	<u><b>535,021</b></u>
<b>Liabilities</b>			
Distributions payable	6	-	7,809
Payables	8	<u>536</u>	<u>561</u>
<b>Total liabilities</b>		<u><b>536</b></u>	<u><b>8,370</b></u>
<b>Net assets attributable to unit holders - equity</b>		<u><b>439,112</b></u>	<u><b>526,651</b></u>

*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 2021 \$'000	31 December 2020 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>526,651</b>	536,150
<b>Comprehensive income for the half-year</b>			
Profit/(loss) for the half-year		(2,937)	80,667
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>(2,937)</u>	<u>80,667</u>
<b>Transactions with unit holders</b>			
Applications	5	9,484	26,016
Redemptions	5	(97,575)	(139,101)
Reinvestment of distributions	5	3,489	1,924
Distributions paid and payable	5	-	(579)
<b>Total transactions with unit holders</b>		<u>(84,602)</u>	<u>(111,740)</u>
<b>Total equity at the end of the half-year</b>		<u><b>439,112</b></u>	<u>505,077</u>

*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 2021 \$'000	31 December 2020 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	111,851	132,217
Payments for purchase of financial instruments at fair value through profit or loss	(32,197)	(31,256)
Net foreign exchange gain/(loss)	(309)	259
Interest income received from financial assets at amortised cost	-	10
Dividends and distributions received	1,892	3,476
Other income received	12	34
Management fees paid	(3,128)	(3,126)
Transactions costs paid	(77)	(145)
Custody and administration fees paid	(48)	(73)
Other expenses paid	(15)	(21)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>77,981</u>	<u>101,375</u>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	9,484	26,016
Payments for redemptions by unit holders	(97,575)	(139,101)
Distributions paid to unit holders	(4,320)	(2,964)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>(92,411)</u>	<u>(116,049)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(14,430)</b>	<b>(14,674)</b>
Cash and cash equivalents at the beginning of the half-year	<u>25,847</u>	<u>19,797</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u>11,417</u>	<u>5,123</u>
<b>Non-cash operating and financing activities</b>		
Issue of units under the distribution reinvestment plan	3,489	1,924
Dividend and distribution income reinvested	313	-

*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.

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 as new variants of COVID-19 emerge. There continues to be increased financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still uncertainty around the continued impact of COVID, the potential for further outbreaks both in Australia and around the world.

The Responsible Entity and Investment Manager continue to monitor 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 Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Product Disclosure Statement, applying valuation policies reflective of the prevailing market conditions.

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 2021 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The 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.

### **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 2021.

#### *(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 2021 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 2022 and have not been early adopted in preparing these condensed 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 4)

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

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

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) Recognised fair value measurements

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

As at 31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Equity securities	418,277	-	-	418,277
Unit trusts	9,567	-	-	9,567
<b>Total financial assets</b>	<u>427,844</u>	<u>-</u>	<u>-</u>	<u>427,844</u>

### 3 Fair value measurement (continued)

#### (b) Recognised fair value measurements (continued)

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

#### (c) 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 2021: Nil).

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

The carrying value 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 reporting periods.

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

	As at	
	31 December 2021 \$'000	30 June 2021 \$'000
Equity securities	418,277	500,129
Unit trusts	<u>9,567</u>	<u>8,461</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>427,844</u>	<u>508,590</u>

## 5 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. The Fund's units are classified as equity as they meet the definition of a financial liability to be classified as equity.

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 2021 Units'000	31 December 2021 \$'000	31 December 2020 Units'000	31 December 2020 \$'000
Opening balance	221,159	526,651	309,402	536,150
Applications	3,984	9,484	14,568	26,016
Redemptions	(40,982)	(97,575)	(76,776)	(139,101)
Reinvestment of distributions	1,465	3,489	1,111	1,924
Distributions paid and payable	-	-	-	(579)
Profit/(loss) for the half-year	-	(2,937)	-	80,667
<b>Closing balance</b>	<b>185,626</b>	<b>439,112</b>	<b>248,305</b>	<b>505,077</b>

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.

## 6 Distributions to unit holders

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

	Half-year ended			
	31 December 2021 \$'000	31 December 2021 CPU	31 December 2020 \$'000	31 December 2020 CPU
<b>Distributions</b>				
December (payable)	-	-	579	0.23
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>579</b>	<b>0.23</b>

## 7 Receivables

	As at	
	31 December 2021 \$'000	30 June 2021 \$'000
Dividends and distributions receivable	234	419
GST receivable	133	144
Other receivables	20	21
<b>Total receivables</b>	<b>387</b>	<b>584</b>

## 8 Payables

	As at	
	31 December 2021 \$'000	30 June 2021 \$'000
Management fees payable	536	561
<b>Total payables</b>	<b>536</b>	<b>561</b>

## 9 Events occurring after the reporting period

At the time of signing these financial statements, there is an increased level of global uncertainty associated with the conflict in Ukraine. The impacts of the Ukraine conflict are not yet known but are likely to result in increased market and economic volatility, which may in turn have an impact on the Fund.

The unit price of the Fund decreased by 13.91% when comparing the price at 31 December 2021 to the latest available price at the time of signing.

No other 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 2021 or on the results and cash flows of the Fund for the half-year ended on that date.

## 10 Contingent assets and liabilities and commitments

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



## 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 15 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 2021 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  
9 March 2022



# Independent Auditor's Review Report

To the unitholders of Paradise Global Small Cap Fund

## Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Paradise Global Small Cap Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year 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 Fund's financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed statement of financial position as at 31 December 2021;
- Condensed statement of comprehensive income for the Half-year ended on that date;
- Condensed statement of changes in equity and Condensed statement of cash flows for the Half-year ended on that date;
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Half-year** is the 6 months ended on 31 December 2021.

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



## Responsibilities of the Directors for the Half-year Financial Report

The Directors of Paradise Global Small Cap Fund (the Responsible Entity) are responsible for:

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

## Auditor's responsibility for the review of the Half-year Financial Report

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

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

KPMG

Andrew Reeves  
Partner

Sydney  
9 March 2022