Absolute Equity Performance

Absolute Equity Performance Fund Limited

ABN 17 608 552 496

Annual Report

for the period ended 30 June 2021

Absolute Equity Performance

Bennelong Long Short Equity

Corporate Directory

Directors	Marc Fisher	Chairman & Non-Independent Director
	Andrew Reeve-Parker	Independent Director
	Raymond Da Silva Rosa	Independent Director
	Peter Lanham	Independent Director (appointed 29 January 2021)
Secretaries	Lisa Dadswell	
Investment Manager	Bennelong Long Short Equity Management Pty Limited Level 1 9 Queen Street Melbourne Victoria 3000	
Registered Office	Absolute Equity Performance Fund Limited Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Telephone: (02) 8016 2819	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000 Telephone: (02) 9221 2099	
Share Register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664	
Share Exchange	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: AEG	

Absolute Equity Performance Fund Limited
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Dear Fellow Shareholders,

The sixth financial year of investing for Absolute Equity Performance Fund Limited ("AEG" or "the Company") ended on 30 June 2021.

A 0.7% return for the Portfolio gave rise to an after-tax operating profit of $1.44 million (1.56 cents per share) versus the prior year's after-tax operating profit of $23.81 million (24.51 cents per share).

Total shareholder return, as measured by share price movement and dividends paid over the course of the year, was 4.9%.

This year, the Company paid a fully franked dividend yield of 4.73% (down from 5.80% in FY2020), equivalent to a grossed-up yield of 6.75% (down from 8.29% in FY2020).

AEG remains a unique offering on the ASX and is not comparable with often highly directional strategies employed by some listed investment companies. Our Portfolio is market neutral and domestic in nature and offers an attractive diversification opportunity for investors.

AEG's market neutral approach supports performance that is uncorrelated with wider macroeconomic factors, including the ongoing impact of COVID-19 restrictions both domestically and globally. The Portfolio's unique structure has demonstrated an ability to deliver consistent fully-franked dividends during both challenging and supportive periods. While COVID-19 related uncertainties are expected to persist throughout FY22, even as vaccination levels increase and restrictions are potentially eased, AEG's structure will continue to minimise exposure to market directionality.

The Investment Strategy

The Investment Strategy seeks to limit market risk by constructing a long/short market neutral portfolio via a series of matching pairs of predominantly S&P/ASX100 companies. Company selection is based on fundamental analysis. The Portfolio is diversified and typically comprises 30 to 35 pairs of stocks. Company pairs are generally in similar industries or sectors, thus limiting the Portfolio's exposure to general market direction. The Investment Strategy produces returns that are uncorrelated with equities and has been able to profit in rising and falling markets.

Dividends

Subsequent to year end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 15 October 2021. The Company's Dividend Re-Investment Plan ("DRP") will operate in relation to the final dividend.

Annual General Meeting

Similar to last year, our AGM will take the form of an online meeting yet should operate in a similar manner to an in-person meeting. Further details will be circulated shortly and we very much hope to see you on November 30th.

Thank you for your continued trust and support.

Marc Fisher
Chairman

28 September 2021

Investment Manager's Report

Company Performance

The Company's portfolio delivered a return of 0.7% for the year ended 30 June 2021. Total shareholder return (combined share price and dividends) was 4.9%.

Portfolio (NTA) Returns*	
1 Year	0.7%
2 Years (p.a)	14.9%
3 Years (p.a)	5.9%
Since Inception (p.a)	5.9%

* Before Tax Net Tangible Assets ("NTA") performance since listing (at $1.065 after listing-related expenses in December 2015). Includes the hypothetical re-investment of Dividends.

In the long run we expect returns to approximate our long run volatility which mostly ranges between 10% and 15% p.a. This year our return fell short of that target. During the year market conditions varied wildly for our strategy. Sentiment for cyclicals and defensives swung between extreme optimism and pessimism. We started with a strong tailwind which turned into a sharp headwind and finished with strong tailwinds again - all in the space of twelve months. As a consequence, we experienced a sharp drawdown and recovery, and ultimately posted a very modest return for the year.

Below are returns capturing the COVID drawdown. The three periods are pre COVID to the trough, the recovery through to 30 June 2021 and the total period. We compare the strategy to bonds and shares. Neither are benchmarks for the strategy. We do not manage to an index and our returns are not driven by the direction of markets. There is no clearer demonstration of that than in the past 18 months. We significantly outperformed the ASX 200 when it collapsed. Whilst all stocks were weak our long portfolio demonstrated more defensive attributes and outperformed our short portfolio leading to stable returns. Markets subsequently recovered. Our portfolio return had nothing to recover from and returns were steady for us through that period. The market needed to bounce 49% to deliver a 14.5% return for the total period. The strategy experienced very modest returns through that market recovery period and still returned 10% for the total period, which we do not regard as anything other than mediocre.

The contrast with equities through this period is a clear demonstration of our uncorrelated returns, and the diversification we provide.

	COVID drawdown	COVID recovery	Total period
	Jan 20 to Mar 20	Apr 20 to June 21	Jan 20 to June 21
Portfolio (NTA)	3.2%	6.6%	10.0%
ASX 200 Accumulation Index	-23.1%	48.9%	14.5%
Bloomberg Composite Bond Index	1.3%	1.3%	2.6%

Our top three pairs for the year were MIN/BHP, ALQ/AZJ and PBH/SKC.

MIN/BHP has been an excellent pair for us since inception. Mineral Resources is a founder run, entrepreneurial mining service business, and iron ore and lithium miner. Mineral Resources has a spectacular record of capital allocation and value creation and has created a variety of options to drive material growth in future. We do not have a negative view of BHP, it simply provides liquid and diversified funding for Mineral Resources - and helps to hedge the iron ore price exposure we carry in Mineral Resources.

ALQ/AZJ has also been an excellent long-term pair for us. ALS has a network of analytical labs around the world and managed COVID disruption very well. All divisions are performing well, particularly geochem which is enjoying strong conditions due to the commodity boom stimulating booming exploration drilling and sample volumes. Aurizon is labouring with volume pressures for its main commodity, coal. In addition, unfavourable regulatory resets and the aftereffects of an acrimonious dispute with their customers over maintenance costs are dampening financial results.

PBH/SKC has also been a consistent contributor. Pointsbet has continued to grow and take share in the very competitive and mature Australian sports betting industry. North America is legalising sports betting state by state and Pointsbet continues to punch above its weight in securing licenses and launching. From a zero base Pointsbet is growing share and now has >5% share in the states they are live in. SkyCity is a collection of capex heavy second tier casinos.

Company Performance (continued)

Our bottom three pairs were TPG/TLS, ORI/IPL and CAR/NEC.

TPG/TLS gave up most of the returns generated in the prior year, when TPG Telecom consummated its merger with Vodafone. COVID has impacted Vodafone's mobile business, which had a higher share of international students, workers and tourists due to its global brand. The main contributor though to TPG Telecom's underperformance was the announcement on the 26th of March of the retirement of TPG Telecom's chairman and founder, David Teoh. The stock fell 28.5% over the next 60 days. Telstra performed in-line with the broader market, with headwinds in its corporate business offset by asset sales and stabilisation in its mobile business.

ORI/IPL were both impacted by transitory factors. Orica was impacted heavily by COVID shutdowns to mining operations around the world and the ban on Australian coal exports to China. Mining volumes will recover, and with it demand for Orica's explosives and industry leading technology and services. Incitec Pivot's mining service business was less impacted by COVID and its fertiliser business is presently enjoying strong fertiliser prices due to COVID and weather-related shutdowns to production capacity around the world. In the past soft commodity and fertiliser cycles tend to be quite short lived as supply is quick to adjust to higher prices.

CAR/NEC has been a volatile pair since COVID, due to Nine Entertainment rather than Carsales which is generally a consistent and steady grower. Prior to COVID, Nine Entertainment was struggling due to challenges facing its channel 9 TV network. The onset of COVID sparked a collapse in advertising revenues and Nine Entertainment responded with aggressive cost reductions. Subsequently TV advertising revenues staged a sharp recovery, but Nine Entertainment has taken longer to restore costs, thus creating a large temporary earnings boost. We do not believe Nine Entertainment has the assets to sustain today's elevated earnings.

Dividends

The Company has settled into a semi-annual dividend payment policy, to the extent that there are sufficient profit reserves and franking credits available. The table below details the dividends paid or announced to date.

Announced	Paid	Franking	Amount
26 February 2021	22 April 2021	30%	2.6 cents
24 August 2020	14 September 2020	30%	2.6 cents
27 February 2020	23 April 2020	30%	2.5 cents
29 August 2019	11 October 2019	30%	4.0 cents
27 February 2019	23 April 2019	30%	2.0 cents
29 August 2018	19 October 2018	30%	2.5 cents
28 February 2018	18 May 2018	30%	2.0 cents
14 August 2017	6 December 2017	30%	2.5 cents

Sam Shepherd
Portfolio Manager

28 September 2021

Long Equity Positions as at 30 June 2021

Mineral Resources Limited
Aristocrat Leisure Limited
Resmed Inc
ALS Limited
Bluescope Steel Limited
James Hardie Industries SE
Pointsbet Holdings Limited
CSL Limited
JB Hi-Fi Limited
Carsales.com Limited
TPG Telecom Limited
Iluka Resources Limited
Transurban Group
Qantas Airways Limited
Reece Limited
Oil Search Limited
Brambles Limited
Goodman Group
Macquarie Group Limited
Ramsay Health Care Limited
Worley Limited
Xero Limited
Orica Limited
Magellan Financial Group Limited
Woolworths Group Limited
Torrens Group Holdings Limited
Netwealth Group Limited
Origin Energy Limited
Brickworks Limited
Link Administration Holdings Limited
Deterra Royalties Limited
Endeavour Group Limited
Tuas Limited
Pointsbet Holdings Limited Options

Total Fair Value Long Portfolio	**$240,805,494**
Total Fair Value Short Portfolio[1]	**$(230,670,165)**

[1] Total fair value of the short portfolio is not disclosed due to its sensitive nature.

Corporate Governance Statement

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations. The CGS is available on a Company's website (www.aepfund.com.au) under the "About Us" section.

Directors' Report

The Directors present their Report together with the Financial Report of Absolute Equity Performance Fund Limited ("the Company") for the year ended 30 June 2021. All comparatives are for the year ended 30 June 2020.

Directors

The following persons held office as Directors of the Company during the financial year and up to the date of this report:

Marc Fisher	Chairman & Non-Independent Director
Andrew Reeve-Parker	Independent Director
Raymond Da Silva Rosa	Independent Director
Peter Lanham	Independent Director (appointed 29 January 2021)

Principal Activities

The Company was established to provide investors with the opportunity to invest in a diversified portfolio of Australian listed equities, with the aim of achieving positive returns regardless of share market performance, through an "equity market neutral" style of investing. The Company's objective is to deliver absolute returns through capital growth and income regardless of market movements.

There have been no significant changes in the Company's principal activities during the year and no change is anticipated in the future.

Review of Operations

The Company invests predominantly in S&P/ASX100 and other large capitalisation Australian listed companies. The investment will seek to provide long-term capital growth with, when possible, a steady dividend yield, franked to the maximum extent possible.

Investment operations for the year ended 30 June 2021 resulted in an operating profit before tax of $551,888 (2020: $28,996,359) and an operating profit after tax of $1,440,245 (2020: $23,808,096).

Asset backing for each ordinary share at 30 June 2021 after tax was $1.18 (2020: $1.23). Asset backing for each ordinary share at 30 June 2021 before tax was $1.22 (2020: $1.27).

Further information regarding the Company performance is contained in the Investment Manager's Report.

Non-Binding Proposal from Investment Manager

On 13 July 2020, the Company received a non-binding proposal from Bennelong Long Short Equity Management Pty Limited ("the Company's Manager"). The proposal detailed an amalgamation of the Company and an unlisted managed investment scheme, Bennelong Market Neutral Fund ("BMNF"); which is managed by the Company's Manager. The proposal was designed to eliminate the share price discount due to the difference between the Company's net tangible asset position and its current share price.

On 4 November 2020, the Company signed a non-binding head of agreement ("HoA") with the Company's Manager and BMNF in this regard. The proposed transaction was subject to shareholder approval and involved the Company disposing of its entire portfolio, returning proceeds to shareholders and terminating the Investment Management Agreement with the Company's Manager. Eligible shareholders of the Company would be offered the opportunity to either convert their investment into units in BMNF, a fund which has the same Investment Manager and investment strategy as the Company or receive a distribution of cash.

On 26 February 2021, the HoA was terminated and as such the proposal did not proceed.

Coronavirus ("Covid-19")

The Covid-19 pandemic remains a major global issues, and is likely to have ongoing impact on the market value of equity markets and future earnings from assets. The Directors will continue to review the situation, and the Company's investment portfolio as new information emerges.

Dividends

Dividends paid or declared for payment during the financial year are as follows:

Fully franked special dividend of 2.6 cents per share paid on 14 September 2020 as recommended in last year's report;
Interim fully franked dividend of 2.6 cents per share paid on 22 April 2021; and
Fully franked dividend of 2.6 cents per share to be paid on 15 October 2021.

Financial Position

The net asset value of the Company as at 30 June 2021 was $110,036,287 (2020: $113,449,089).

Matters Subsequent to the End of the Financial Year

Subsequent to year-end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 15 October 2021.

On 12 July 2021, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 9.2 million ordinary shares within the next 12 months.

The Company appointed Morgans Financial Limited to act on behalf of the Company in relation to the share buy-back process and the earliest date of commencement is 28 July 2021.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely Developments and Expected Results of Operations

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders. The Investment Strategy is fixed and its implementation will be reviewed from time to time at the discretion of the Investment Manager, with oversight from the Company. The Investment Manager will review its Investment Strategy regularly in light of the ongoing Covid-19 pandemic.

Environmental Regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Information on Directors

Marc Fisher Chairman & Non-Independent Director

Experience and Expertise

Marc Fisher's career in financial markets began in 1997. Currently, he is a co-founder of a global fintech risk management specialist. Marc previously worked for FRM in Hong Kong (now Man Group PLC's multi-manager business) where he was a Management Committee member and Chairman of their Asia Pacific business excluding Japan and Korea. Additionally, Marc ran FRM's Private Client product range and served as Product Head for their Managed Futures fund.

Previously, Marc was a Managing Director at Citigroup in London, where he founded and managed a global fund-linked product development and marketing business. Prior to Citigroup, Marc started his career at Deutsche Bank in London, where he held a number of trading, marketing and product development positions with an emphasis on multi asset class derivatives. He holds a Bachelor of Veterinary Medicine (BVSc) (Hons) degree from Bristol University.

Other Current Directorships

Marc Fisher holds domestic directorships in Perma Capital Pty Limited, HARC International Pty Limited, ZG Advisors Pty Limited and a newly established fintech business. Marc also holds directorships in overseas companies in both the technology and financial services sectors.

Former Directorships in Last Three Years

Marc Fisher has not held any other directorships of listed companies within the last three years.

Special Responsibilities

Chairman of the Board

Interests in Shares and Options

Details of Marc Fisher's interests in shares of the Company are included in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Marc Fisher has no interests in contracts of the Company.

Information on Directors (continued)

Andrew Reeve-Parker Independent Director

Experience and Expertise

Andrew Reeve-Parker is a Representative, Director and Responsible Manager of NW Advice Pty Limited (AFSL 241715). Andrew joined NW Advice Pty Limited (previously Neville Ward Advice Pty Ltd) in 2004 and is responsible for providing financial advice to NW Advice Pty Limited's client base, principally focused on strategy and asset allocation.

Prior to these roles, Andrew worked for Deutsche Asset Management (in London, United Kingdom), the Commonwealth Bank of Australia and the National Australia Bank in roles spanning funds management to custody and settlements.

Andrew holds a Bachelor of Business majoring in Finance and an Advanced Diploma in Financial Services.

Other Current Directorships

Andrew Reeve-Parker is a Non-Executive Director of Global Edge Network Limited.

Former Directorships in Last Three Years

Andrew Reeve-Parker was a Director for Wealth Focus Pty Ltd (AFSL 314872).

Interests in Shares and Options

Details of Andrew Reeve-Parker's interests in shares of the Company are included in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Andrew Reeve-Parker has no interests in contracts of the Company.

Raymond Da Silva Rosa Independent Director (appointed 26 November 2019)

Experience and Expertise

Raymond Da Silva Rosa is a Professor of Finance at UWA Business School, The University of Western Australia and Chair of UWA Academic Board and Council and member of UWA's Investment Committee. Raymond wrote his PhD on the share market consequences of corporate takeovers. His ongoing research is supported by grants from the Australian Research Council Grant and the Digital Finance CRC, an industry-led collaboration between industry, researchers and the community. He lectures in Investment Analysis at UWA. He has taught Mergers & Acquisitions and Investments to MBA classes at UWA and Melbourne Business School. He has also presented a behavioural finance unit at the Stern School of Business, New York University.

Raymond is a co-author of the first Australian edition of Investments by Bodie, Ariff, Da Silva Rosa, Kane & Marcus (published by McGraw-Hill, June 2007). He is a former President of the Accounting & Finance Association of Australian & New Zealand (AFAANZ) and a member of the Editorial Board of Accounting & Finance Journal, the premier Australian academic journal in its field. Raymond has served as an expert witness in several past and on-going court cases, mostly on class actions related to market efficiency and disclosure. He has served as a member of an Independent Panel Reviewing the Economic Regulation Authority (ERA) Draft Rate of Return Guidelines and also provided advice to the Australian Competition and Consumer Commission on allowed rates of return for regulated infrastructure.

Other Current Directorships

Raymond Da Silva Rosa is a Director of Maudave Consulting Pty Limited.

Former Directorships in Last Three Years

Raymond Da Silva Rosa has not held any other directorships of listed companies within the last three years.

Interests in Shares and Options

Details of Raymond's interests in shares of the Company are included in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Raymond Da Silva Rosa has no interests in contracts of the Company.

Information on Directors (continued)

Peter Lanham Independent Director (appointed 29 January 2021)

Experience and Expertise

Peter Lanham is a strategic thinking financial advisor with almost 40 years' experience in tax, accounting, corporate, and financial advising. He is the founder and Chief Executive Officer of Lanham Financial Advice Pty Limited who has held an Australian Financial Services Licence since 2000.

Peter attained his Bachelor of Commerce (major in Accountancy) in 1982 and completed a Diploma of Financial Planning in 1996. He has been a Certified Practicing Accountant since 1987, a Certified Financial Planner since 1997 and in 2010 attained the qualification of Certified Financial Strategist. Peter studied Global Economics at Harvard Business School in 2011.

Other Current Directorships

Peter Lanham is not a Director in any other company.

Former Directorships in Last Three Years

Peter Lanham has not held any other directorships of listed companies within the last three years.

Interests in Shares and Options

Details of Peter's interests in shares of the Company are included in the Remuneration Report. There has been no change in the shareholdings since year end to the date of this report.

Interests in Contracts

Pater Lanham has no interests in contracts of the Company.

Company Secretaries

Lisa Dadswell

Lisa has been employed by Boardroom Pty Limited since January 2017 and is currently the Acting Head of Corporate Secretarial Services Division in Sydney. Lisa has over 20 years' experience in company secretarial services.

She is an Associate of the Institute of Chartered Secretaries and Administrators and has an Honours Degree in Law.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Directors' Meetings	
	A	**B**
Marc Fisher	8	8
Andrew Reeve-Parker	9	9
Raymond Da Silva Rosa	9	9
Peter Lanham (appointed 29 January 2021)	2	3

A = Number of meetings attended
B = Number of meetings held during the time the Director held office during the period that the Director was eligible to attend

Remuneration Report (Audited)

This Report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act 2001. Lisa Dadswell in her capacity as one of the Company Secretaries was remunerated under a service agreement with Boardroom Limited.

All Directors of the Company are Non-Executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the Shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on them and their responsibilities. The performance of Directors is reviewed annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

The maximum total remuneration of the Directors of the Company has been set at $95,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not linked to the Company's performance.

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current and prior financial year. The Directors did not receive payment of their remuneration in respect of the quarter ended 30 June 2021 until after year end.

	Short term employee benefits	**Post-employment benefits**	**Total**
2021	**Salary and fees**	**Superannuation**	
Name	**$**	**$**	**$**
Marc Fisher	18,645	1,772	20,417
Andrew Reeve-Parker	29,300	2,783	32,083
Raymond Da Silva Rosa	27,397	2,603	30,000
Peter Lanham *	11,416	1,084	12,500
Total Director Remuneration	**86,758**	**8,242**	**95,000**

* Appointed 29 January 2021

2020			
Name	**$**	**$**	**$**
Marc Fisher	31,964	3,036	35,000
Graham Hand	19,721	1,874	21,595
Andrew Reeve-Parker	27,397	2,603	30,000
Raymond Da Silva Rosa	7,676	729	8,405
Total Director Remuneration	86,758	8,242	95,000

The Company has no employees other than Non-Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be Key Management Personnel of the Company.

Director Related Entity Remuneration

All transactions with related entities are made on normal commercial terms and conditions.

The associated fees payable to the Investment Manager are listed below:

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2021 the Investment Manager was paid a Management Fee of $1,776,343 (2020: $1,763,595) (including reduced input tax credits "RITC"). As at 30 June 2021, the balance payable to the Investment Manager was $144,365 (2020: $151,838) (including RITC).

Remuneration Report (continued)

Director Related Entity Remuneration (continued)

Performance Fee

The Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the Portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

Full details of the terms of the Performance Fee calculation are disclosed in Note 17 to the financial statements.

No Performance Fee is payable if the closing net asset value of the Portfolio before all taxes is below the high watermark.

As at 30 June 2021, the balance of Performance Fee payable to the Investment Manager was $150,050 (2020: $4,535,827) (including RITC).

The term of the Management Agreement is ten years commencing on the date on which the shares commenced trading on the Australian Securities Exchange unless terminated earlier in accordance with the Agreement.

Marc Fisher is a Director and Shareholder of Perma Capital Pty Ltd ("Perma Capital"). Perma Capital was involved in structuring and establishing the Company. The Company outsources the management of its day-to-day operations to Perma Capital. Under the direction of the Directors, the Company Secretary and the Investment Manager, Perma Capital will provide, or procure the provision of, administrative support services reasonably required by the Company to conduct its business. Perma Capital is remunerated with respect to both these arrangements by the Investment Manager (from management fees paid to it under the Investment Management Agreement) at no additional cost to the Company.

No other Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Equity Instrument Disclosures Relating to Directors

As at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2021

Director	Balance at 1 July 2020	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2021
Marc Fisher [1]	124,083	-	-	-	124,083
Andrew Reeve-Parker [2]	307,252	-	-	-	307,252
Raymond Da Silva Rosa	-	-	-	-	-
Peter Lanham *	-	-	-	-	-
	431,335	-	-	-	431,335

[1] 124,082 shares beneficially held by Harc International Pty Limited

[2] 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

* Appointed 29 January 2021

2020

Director	Balance at 1 July 2019	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2020
Marc Fisher [1]	124,083	-	-	-	124,083
Graham Hand *	136,363	-	-	(136,363)	-
Andrew Reeve-Parker [2]	307,252	-	-	-	307,252
Raymond Da Silva Rosa **	-	-	-	-	-
	567,698	-	-	(136,363)	431,335

[1] 124,082 shares beneficially held by Harc International Pty Limited

* Held by Graham Hand at resignation date of 26 November 2019

[2] 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

** Appointed 26 November 2019

Remuneration Report (continued)

Other Equity-related Director Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings.

Loans

No loans have been made to the Directors of the Company.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between Shareholders and Directors.

The following table shows the gross revenue, profit and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits each year as well as an increase or maintenance of dividends paid to Shareholders.

	2017 $	2018 $	2019 $	2020 $	2021 $
Revenue	17,255,623	28,864,772	5,234,203	48,603,871	14,617,645
Net profit/ (loss) attributable to members	3,540,816	9,478,818	(9,111,146)	23,808,096	1,440,245
Share price at year end	1.125	1.165	0.875	1.120	1.100
Dividends paid (cents per share)	0.00	4.50	4.50	6.50	5.20
Shares bought-back	-	-	-	9,920,335	64,065

End of Remuneration Report

Insurance and Indemnification of Officers and Auditors

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify but has paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-Audit Services

During the year Pitcher Partners, the Company's Auditor, did not perform any other services in addition to their statutory duties for the Company except as disclosed in Note 15 to the financial statements.

The Board of Directors is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 15 did not compromise the Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts to Nearest Dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the Financial Report have been rounded to the nearest dollar unless otherwise specified.

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 14.

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

Marc Fisher
Chairman

28 September 2021

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Auditor's Independence Declaration
To the Directors of Absolute Equity Performance Fund Limited
ABN 17 608 552 496

In relation to the independent audit of Absolute Equity Performance Fund Limited for the year ended 30 June 2021, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

C I Chandran
Partner

Pitcher Partners
Sydney

28 September 2021

Statement of Profit or Loss and Other Comprehensive Income

	Note	30 June 2021 $	30 June 2020 $
Investment income from ordinary activities			
Net realised gains/ (losses) on disposal of investments		30,553,322	(3,428,989)
Net unrealised (losses)/ gains on fair value movement of investments		(21,524,876)	44,938,130
Interest income received		24,472	325,261
Dividend income received		5,564,727	6,769,469
Net income		**14,617,645**	48,603,871
Expenses			
Management fees		(1,776,343)	(1,763,595)
Performance fees		(150,050)	(4,535,827)
Administration fees		(52,212)	(51,098)
Prime broker fees		(10,301)	(9,085)
Stock loan fees		(1,184,104)	(1,143,028)
Dividends paid on borrowed stock		(9,358,247)	(11,033,489)
Legal fees		(209,105)	(3,427)
Brokerage commission		(515,513)	(623,838)
Interest expense		(293,249)	-
Accounting fees		(89,991)	(18,843)
Share registry fees		(44,099)	(49,325)
Tax fees		(36,707)	(15,730)
Directors' fees		(95,000)	(95,000)
Secretarial fees		(33,371)	(34,257)
ASX fees		(56,995)	(55,752)
Audit fees		(74,974)	(68,344)
Other expenses		(85,496)	(106,874)
Total expenses		**(14,065,757)**	(19,607,512)
Profit before income tax		**551,888**	28,996,359
Income tax benefit/ (expense)	**6**	888,357	(5,188,263)
Profit for the period after income tax		**1,440,245**	23,808,096
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**1,440,245**	23,808,096
			Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	**20**	**1.56**	24.51

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statement of Financial Position

	Note	30 June 2021 $	30 June 2020 $
Assets			
Cash and cash equivalents	**7**	102,100,037	118,093,156
Trade and other receivables	**8**	1,151,068	2,510,275
Financial assets at fair value through profit or loss	**9**	240,805,494	258,721,204
Deferred tax asset	**6**	-	20,771,512
Total assets		**344,056,599**	400,096,147
Liabilities			
Trade and other payables	**10**	1,071,520	5,170,056
Financial liabilities at fair value through profit or loss	**9**	230,670,165	257,538,506
Deferred tax liability	**6**	2,278,627	23,938,496
Total liabilities		**234,020,312**	286,647,058
Net Assets		**110,036,287**	113,449,089
Equity			
Issued capital	**11**	99,540,708	99,604,773
Accumulated losses	**12**	(25,682,528)	(12,192,471)
Profits reserve	**12**	36,178,107	26,036,787
Total Equity		**110,036,287**	113,449,089

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

	Note	Issued Capital $	Profits Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2020		99,604,773	26,036,787	(12,192,471)	113,449,089
Profit for the period	**12**	-	-	1,440,245	1,440,245
Other comprehensive income for the period		-	-	-	-
Transactions with owners:					
Transfer of profits during the period	**12**	-	14,930,302	(14,930,302)	-
Dividend paid	**13**	-	(4,788,982)	-	(4,788,982)
Shares bought-back	**11**	(64,065)	-	-	(64,065)
Balance at 30 June 2021		**99,540,708**	**36,178,107**	**(25,682,528)**	**110,036,287**
Balance at 1 July 2019		109,525,108	8,569,151	(12,192,471)	105,901,788
Profit for the period	**12**	-	-	23,808,096	23,808,096
Other comprehensive income for the period		-	-	-	-
Transactions with owners:					
Transfer of profits during the period	**12**	-	23,808,096	(23,808,096)	**-**
Dividend paid	**13**	-	(6,340,460)	-	(6,340,460)
Shares bought-back	**11**	(9,920,335)	-	-	(9,920,335)
Balance at 30 June 2020		99,604,773	26,036,787	(12,192,471)	113,449,089

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

	Note	30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Proceeds from sale of investments		244,665,900	291,523,567
Payment for investments		(244,076,069)	(245,648,794)
Interest received		25,794	399,208
Dividends received		6,316,173	6,504,973
Dividends paid on borrowed stock		(8,950,656)	(11,223,116)
Interest paid		(271,887)	(18,843)
Management fees paid		(1,783,816)	(1,745,062)
Performance fees paid		(4,535,827)	-
Payment for other expenses		(2,529,684)	(2,222,043)
Net cash (used in)/ provided by operating activities	**19**	**(11,140,072)**	37,569,890
Cash flows from financing activities			
Dividends paid		(4,788,982)	(6,340,460)
Shares bought-back		(64,065)	(9,920,334)
Net cash (used in) financing activities		**(4,853,047)**	(16,260,794)
Net (decrease)/ increase in cash and cash equivalents held		**(15,993,119)**	21,309,096
Cash and cash equivalents at beginning of financial year		118,093,156	96,796,138
Effect of foreign currency exchange rate changes on cash and cash equivalents		-	(12,078)
Cash and cash equivalents at end of financial year	**7**	**102,100,037**	118,093,156
Non cash financing activities			
Dividends reinvested		-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

1 General Information

Absolute Equity Performance Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of the Company's registered office is C/- Boardroom Limited, Level 12, Grosvenor Place 225 George Street Sydney NSW 2000.

The financial statements were authorised for issue on 28 September 2021 by the Directors of the Company.

2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected financial assets and financial liabilities.

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar unless otherwise specified.

(b) Financial Instruments

(i) Classification

The financial assets and financial liabilities are categorised as "financial instruments designated at fair value through profit or loss". The fair value through profit or loss classification is available for the majority of the financial assets and liabilities held by the Company and the financial liabilities arising from the units must be fair valued. All other financial assets and liabilities are classified at amortised cost.

(ii) Recognition/Derecognition

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financials assets expire or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the Statement of Profit or Loss. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

(iv) Impairment

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition (this has replaced the incurred loss model). All the trade receivables of the Company share the same credit risk characteristics. Indicators that there is no reasonable expectation of recovery include, amongst others, the Standard & Poor's credit risk rating of a debtor, and a failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2021, there are no expected credit losses recognised (30 June 2020: nil).

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2 Significant Accounting Policies (continued)

(c) Fair Value Measurement

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use or recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

(d) Income and Expenditure

Interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised in the statement of profit or loss as they accrue, using the effective interest method of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if any.

Dividend income relating to exchange-traded equity instruments is recognised in the statement of profit or loss on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis and recognised in the statement of profit or loss on the day the distributions are announced.

All expenses, including Performance Fees and investment Management Fees, are recognised in the statement of profit or loss on an accruals basis.

(e) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

2 Significant Accounting Policies (continued)

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

(h) Trade and Other Receivables

Trade and other receivables relate to outstanding settlement as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

(i) Trade and Other Payables

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Purchases of investments that are unsettled at the reporting date are included in payables and are normally settled within three business days of trade date.

(j) Share Capital

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

(k) Profits Reserve

A profits reserve has been created representing an amount allocated from current and retained earnings that is preserved for possible future dividend payments.

(l) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Operating Segments

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

2 Significant Accounting Policies (continued)

(n) Critical Accounting Estimates and Judgements

The Directors evaluate the estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

Apart from the item mentioned below, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Deferred tax asset

Deferred tax assets relating to unused tax losses have been recognised to the extent that the Directors believe that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(o) New and Amended Accounting Standards Adopted

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 years or will affect the current or future years.

(p) New and Amended Accounting Standards not Adopted

No new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2021, will result in any material change in relation to the financial statements of the Company.

(q) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

3 Segment Information

The Company only operates within one segment - securities. The Company invests in cash and equity investments.

4 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company, with the Investment Manager has implemented a risk management framework to mitigate these risks.

(a) Market Risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price Risk

The Company is exposed to price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit or loss.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

The Investment Strategy involves pairing long positions in companies which are expected to outperform with corresponding short positions in companies which are expected to underperform. The net exposure is a "market neutral" exposure to overall price movements in the broad market, with the sum of the long and short positions close to zero. Therefore, the Directors believe that reporting investment sector exposures as a percentage of the net exposure of the entire Portfolio is not meaningful information.

4 Financial Risk Management (continued)

A breakdown of the Company's investment sector net exposure as at 30 June 2021 and 2020 are below:

	2021 $	2020 $
Consumer Discretionary	2,084,322	2,226,078
Consumer Staples	(2,956,531)	(7,099,052)
Energy	6,149,169	-
Financials	(19,572,647)	(2,087,379)
Resources	-	12,120,688
Banks	-	1,536,122
Health Care	9,793,826	(2,486,398)
Industrials	23,697,479	24,967,413
Information Technology	(4,743,504)	(4,758,669)
Real Estate	4,419,983	-
Materials	4,785,199	(5,323,698)
Telecommunication Services	564,259	5,557,964
Utilities	(14,086,226)	(23,470,371)
	10,135,329	1,182,698

(ii) Cash Flow and Fair Value Interest Rate Risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Floating Interest rate $	Non-Interest bearing $	Total $
At 30 June 2021			
Financial assets			
Cash and cash equivalents	102,100,037	-	102,100,037
Trade and other receivables	-	1,151,068	1,151,068
Financial assets held at fair value through profit or loss	-	240,805,494	240,805,494
	102,100,037	**241,956,562**	**344,056,599**
Financial liabilities			
Trade and other payables	-	1,071,520	1,071,520
Financial liabilities held at fair value through profit or loss	-	230,670,165	230,670,165
	-	**231,741,685**	**231,741,685**
Net exposure to interest rate risk	**102,100,037**	**10,214,877**	**112,314,914**
At 30 June 2020			
Financial assets			
Cash and cash equivalents	118,093,156	-	118,093,156
Trade and other receivables	-	2,510,275	2,510,275
Financial assets held at fair value through profit or loss	-	258,721,204	258,721,204
	118,093,156	261,231,479	379,324,635
Financial liabilities			
Trade and other payables	-	(5,170,056)	(5,170,056)
Financial liabilities held at fair value through profit or loss	-	(257,538,506)	(257,538,506)
	-	(262,708,562)	(262,708,562)
Net exposure to interest rate risk	118,093,156	(1,477,083)	116,616,073

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2021 is 0.10% (2020: 0.25%).

4 Financial Risk Management (continued)

(a) Market Risk (continued)

Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to price risk and interest rate risk at the end of each reporting year. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	2021 $	2020 $
Price Risk		
Financial assets and liabilities at fair value through profit or loss		
Change in Profit before tax		
• Increase in net portfolio prices by 10%	1,013,533	118,270
• Decrease in net portfolio prices by 10%	(1,013,533)	(118,270)

Held-for-trading financial assets and liabilities are actively managed on a short term basis and are fair valued through the Statement of Profit or Loss and Other Comprehensive Income. Any movement in the portfolio price will be realised in the Statement of Profit or Loss and Other Comprehensive Income.

	2021 $	2020 $
Interest Rate Risk		
Change in Profit before tax and Equity		
• Increase in interest rate by 0.25% (2020: 2%)	255,250	2,361,863
• Decrease in interest rate by 0.25% (2020: 2%)	(255,250)	(2,361,863)

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in equity securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Fund gave to the counterparty.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting year is equivalent to the carrying amount and classification of those financial assets as presented in the Statement of Financial Position.

The Company held no collateral as security or any other credit enhancements.

None of the assets exposed to a credit risk are overdue or considered to be impaired. No impairment losses are recognised in respect to any equity instruments measured at fair value.

Management of the Risk

The risk was managed as follows:

- Cash held for investment is primarily invested in financial institutions that maintain a high credit rating, or in entities that the Company has assessed as being financially sound;
- Cash held in the company’s corporate account is held with a reputable local financial institution with a Standard & Poor’s rating of at least AA-; and
- The majority of the Company’s receivables arise from unsettled trades at year end which are generally settled three days after trade date. The Manager engages with brokers and purchases securities that are listed on the Australian Stock Exchange.

4 Financial Risk Management (continued)

(c) Liquidity Risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager maintains sufficient unencumbered cash balances to ensure the Company can meet its liabilities as and when they fall due.

The Company's inward cash flows depend upon the level of dividend, distribution revenue received and sale of liquid assets. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

	Less than 1 month $	More than 12 months $	Total contractual undiscounted cash flows $
At 30 June 2021			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	230,670,165	230,670,165
Trade and other payables	1,071,520	-	1,071,520
Total financial liabilities	**1,071,520**	**230,670,165**	**231,741,685**
At 30 June 2020			
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	257,538,506	257,538,506
Trade and other payables	5,170,056	-	5,170,056
Total financial liabilities	5,170,056	257,538,506	262,708,562

5 Fair Value Measurements

The Company measures and recognises its financial assets and liabilities at fair value through profit or loss ("FVTPL") on a recurring basis.

(a) Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

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

5 Fair Value Measurements (continued)

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value.

At 30 June 2021	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at FVTPL				
Australian listed equity securities and options	240,805,494	-	-	240,805,494
Total financial assets	**240,805,494**	**-**	**-**	**240,805,494**
Financial liabilities at FVTPL				
Australian listed equity securities sold short	230,670,165	-	-	230,670,165
Total financial liabilities	**230,670,165**	**-**	**-**	**230,670,165**

At 30 June 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at FVTPL				
Australian listed equity securities	258,721,204	-	-	258,721,204
Total financial assets	258,721,204	-	-	258,721,204
Financial liabilities at FVTPL				
Australian listed equity securities sold short	257,538,506	-	-	257,538,506
Total financial liabilities	257,538,506	-	-	257,538,506

There were no transfers between levels for recurring fair value measurements during the period.

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

The carrying amounts of all financial instruments are reasonable approximations of the respective instrument's fair value.

6 Income Tax Expense

(a) Numerical Reconciliation of Income Tax Benefit/ (Expense) to Prima Facie Tax Payable

	2021 $	**2020 $**
Prima facie tax on profit before income tax at 30% (2020: 30%)	165,567	8,698,907
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	227,772	(206,329)
Imputation credit gross up	545,201	495,461
Foreign income withholding tax gross up	4,097	15,313
Prior year losses now recouped	-	(2,163,550)
Imputation credits and foreign income tax offset converted to tax loss	(1,830,994)	(1,651,539)
Income tax (benefit)/ expense	**(888,357)**	5,188,263
The applicable weighted average effective tax rates are as follows:	160.97%	17.89%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.

Total income tax expense results from:		
Deferred tax liability	(6,503,445)	9,208,385
Deferred tax asset	5,615,088	(4,020,122)
Income tax (benefit)/ expense	**(888,357)**	5,188,263
Net deferred tax liability/ (asset)		
Deferred tax asset	(15,156,424)	(20,771,512)
Deferred tax liability	17,435,051	23,938,496
Closing balance	**2,278,627**	3,166,984

6 Income Tax Expense (continued)

The composition of the Company's deferred tax asset and liability is as follows:

(i) Deferred Tax Assets

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Revenue losses	15,163,783	6,201,737
Capitalised costs	(7,359)	14,569,775
	15,156,424	20,771,512
Movements:		
Opening balance	20,771,512	16,751,390
Charged/credited:		
- to profit or loss	(5,615,088)	4,020,122
- directly to equity	-	-
Closing balance	**15,156,424**	20,771,512

(ii) Deferred Tax Liabilities

	2021 $	2020 $
The balance comprises temporary differences attributable to:		
Fair value adjustments	17,333,046	23,838,829
Accruals	102,005	99,667
	17,435,051	23,938,496
Movements:		
Opening balance	23,938,496	14,730,110
Charged/credited:		
- to profit or loss	(6,503,445)	9,208,386
Closing balance	**17,435,051**	23,938,496

7 Cash and Cash Equivalents

	2021 $	2020 $
Current		
Cash at bank	**102,100,037**	118,093,156

8 Trade and Other Receivables

	2021 $	2020 $
Current		
Dividends receivable	554,594	1,306,040
GST receivable	76,458	44,248
Unsettled trades	481,622	1,114,134
Other receivables	38,394	45,853
	1,151,068	2,510,275

Receivables are non-interest bearing and unsecured. Dividend income is recognised on the ex-dividend date. The majority of the Company's receivables arise from unsettled trades at year end which are generally settled three days after trade date.

The loss allowance for trade receivables are measured at an amount equal to lifetime expected credit loss. No loss allowance was recognised in respect to receivables as there are no expected credit losses.

9 Financial Assets and Liabilities at Fair Value through Profit or Loss

	2021 $	2020 $
Current		
Financial assets at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities	**240,805,494**	258,721,204
Financial liabilities at fair value through profit or loss are all held for trading and include the following:		
Australian listed equity securities sold short	**230,670,165**	257,538,506

Changes in fair values of financial assets and liabilities are measured at fair value through profit or loss are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

10 Trade and Other Payables

Current	2021	2020
Management fees payable	144,365	151,838
Performance fees payable	150,050	4,535,827
Dividend payable on borrowed stock	609,971	202,380
Unsettled trades	-	118,495
Other payables	167,134	161,516
	1,071,520	5,170,056

Trade and other payables are usually paid within 30 days of recognition.

11 Issued Capital

	30 June 2021 No of shares	30 June 2021 $	30 June 2020 No of shares	30 June 2020 $
(a) Share Capital				
Ordinary shares	**92,095,812**	**99,540,708**	92,152,920	99,604,773

(b) Movements in ordinary share capital

30 June 2021		Number of shares	Application price	$
Opening balance at 1 July 2020		92,152,920		99,604,773
Shares issued on dividends re-invested *		-		-
Shares bought-back	(c)	(57,108)		(64,065)
Closing balance		**92,095,812**		**99,540,708**
30 June 2020				
Opening balance at 1 July 2019		101,629,036		109,525,108
Shares issued on dividends re-invested *		-		-
Shares bought-back	(c)	(9,476,116)		(9,920,335)
Closing balance		92,152,920		99,604,773

* As the share price for the Company was less than the Company's NTA at the time of the interim dividend payment on 22 April 2021, cash available for distribution as dividends on shares subject to the dividend reinvestment plan was used to acquire the Company's shares on-market and therefore no new shares were issued.

11 Issued Capital (continued)

(c) Share Buy-Back

On 17 June 2019, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 10.2 million ordinary shares within the next 12 months. The share buy-back commenced on 1 July 2019 and during the year ended 30 June 2021, 57,108 shares have been bought-back. The shares bought-back were subsequently cancelled. Under this buy-back arrangement, a total of 9,533,224 shares were bought back.

(d) Capital Risk Management

The Company's policy is to maintain a strong capital base so as to maintain Shareholder and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the weekly NTA estimates, monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements. The Board is focused on maximising returns to Shareholders with active capital management a key objective of the Company.

The Company is not subject to any externally imposed capital requirements.

	2021 $	2020 $
12 Profits Reserve and Accumulated Losses		
(a) Profits Reserve		
Profits reserve	**36,178,107**	26,036,787
Movements:		
Opening balance	26,036,787	8,569,151
Transfer of profits during the year	14,930,302	23,808,096
Dividends paid	(4,788,982)	(6,340,460)
Balance as at the end of the year	**36,178,107**	26,036,787
(b) Accumulated Losses		
Accumulated losses	**(25,682,528)**	(12,192,471)
Movements:		
Opening balance	(12,192,471)	(12,192,471)
Profit/ (Loss) for the year	1,440,245	23,808,096
Transfer of profits during the year	(14,930,302)	(23,808,096)
Balance as at the end of the year	**(25,682,528)**	(12,192,471)

13 Dividends

	2021 $	2020 $
(a) Dividends Paid		
Interim fully franked dividend of 2.6 cents per share (2020: 2.5 cents)	2,394,491	2,382,735
2020 fully franked final dividend of 2.6 cents per share (2019: 4.0 cents)	2,394,491	3,957,725
	4,788,982	6,340,460

(b) Dividends not recognised at the End of the Financial Year

Since year end, the Directors have declared a final dividend of 2.6 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the dividends with an ex-dividend date of 14 September 2021 and a record date of 15 September 2021, expected to be paid on 15 October 2021 out of the profits reserve at 30 June 2021, but not recognised as liability at year end, is:	**2,394,491**	2,394,491

(c) Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan ("DRP") will operate in relation to the interim dividend. The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's net tangible asset value ("NTA") per share at the relevant time when dividends are being invested.

If the prevailing share price is greater than or equal to NTA per share, DRP Participants will be issued new shares. If the prevailing share price is less than the NTA per share, dividends subject to the DRP may be used to cause the acquisition of the Company's shares on-market and if additional shares are required to satisfy DRP Participants, issue new shares.The last day for the receipt of an election notice for participation in the DRP is 22 September 2021.

(d) Dividend Franking Account

The franked portions of the final dividends recommended after 30 June 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year.

	2021 $	2020 $
Opening balance of franking account	1,438,072	2,503,872
Franking credits on dividends received	1,817,337	1,651,539
Franking credits on dividends paid	(2,052,421)	(2,717,339)
Closing balance of franking account	**1,202,988**	1,438,072
Franking credits on dividends receivable	214,577	973,818
Adjustments for tax payable/refundable in respect of the current period's profits and the receipt of dividends	-	-
Franking credits available for subsequent reporting years	**1,417,565**	2,411,890
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year *	(1,026,210)	(1,026,210)
Franking credits available after dividends declared post-balance date	**391,355**	1,385,680

* The dividends to be paid on 15 October 2021 will utilise $391,355 of the above franking credits based on the current shares on issue.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

14 Key Management Personnel Disclosures

(a) Key Management Personnel Compensation

	2021 $	2020 $
Short-term employee benefits	86,758	86,758
Post-employment benefits	8,242	8,242
	95,000	95,000

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 12.

(b) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Shareholdings

The numbers of shares in the Company held during the financial year by each Director, including their personally related parties, are set out below. There were no shares granted during the financial year as compensation.

2021

Director	Balance at 1 July 2020	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2021
Marc Fisher [1]	124,083	-	-	-	124,083
Andrew Reeve-Parker [2]	307,252	-	-	-	307,252
Raymond Da Silva Rosa	-	-	-	-	-
Peter Lanham **	-	-	-	-	-
	431,335	**-**	**-**	**-**	**431,335**

[1] 124,082 shares beneficially held by Harc International Pty Limited

[2] 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

** Appointed 29 January 2021

2020

Director	Balance at 1 July 2019	Acquisitions	Disposals	Resigning Director Holdings	Balance at 30 June 2020
Marc Fisher [1]	124,083	-	-	-	124,083
Graham Hand *	136,363	-	-	(136,363)	-
Andrew Reeve-Parker [2]	307,252	-	-	-	307,252
Raymond Da Silva Rosa **	-	-	-	-	-
	567,698	-	-	(136,363)	431,335

[1] 124,082 shares beneficially held by Harc International Pty Limited

* Held by Graham Hand at resignation date of 26 November 2019

[2] 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party)

** Appointed 26 November 2019

15 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Pitcher Partners

	2021 $	2020 $
Audit and other assurance services		
Audit and review of financial statements	51,700	45,950
Other assurance services		
NTA assurance services	8,080	11,825
Total remuneration for audit and other assurance services	**59,780**	57,775
Taxation services		
Tax compliance services	31,830	15,730
Total remuneration of Pitcher Partners	**91,610**	73,505

The Board of Directors oversees the relationship with the Company's External Auditors. The board reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

16 Contingencies and Commitments

The Company had no material contingent liabilities or commitments as at 30 June 2021 (2020: nil).

17 Related Party Transactions

All transactions with related entities are made on normal commercial terms and conditions.

Marc Fisher is a Director and Shareholder of Perma Capital Pty Ltd ("Perma Capital"). Perma Capital was involved in structuring and establishing the Company. The Company outsources the management of its day-to-day operations to Perma Capital. Under the direction of the Directors, the Company Secretary and the Investment Manager, Perma Capital will provide, or procure the provision of, administrative support services reasonably required by the Company to conduct its business. Perma Capital is remunerated with respect to both these arrangements by the Investment Manager (from management fees paid to it under the Investment Management Agreement) at no additional cost to the Company.

The associated fees payable to the Investment Manager are listed below:

Management Fee

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2021 the Investment Manager was paid a Management Fee of $1,776,343 (2020: $1,763,595) (including reduced input tax credits "RITC"). As at 30 June 2021, the balance payable to the Investment Manager was $144,365 (2020: $151,838) (including RITC).

Performance Fee

In return for the performance of its duties as Investment Manager of the Portfolio, the Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

Performance calculation period is:

i. For the first performance calculation period, the period commencing on the date of issue of shares ending on the following 30 June;

ii. In all other circumstances, the 12 month year ending on 30 June each year.

High watermark is the net asset value of the portfolio before all taxes calculated on the last date of the performance calculation period to which the Investment Manager was last entitled to be paid a Performance Fee.

No Performance Fee is payable if the closing net asset value of the portfolio before all taxes is below the high watermark.

17 Related Party Transactions (continued)

As at 30 June 2021, the balance of Performance Fee payable to the Investment Manager was $150,050 (2020: $4,535,827) (including RITC).

The term of the Management Agreement is five years unless terminated earlier in accordance with the Agreement.

18 Events Occurring after the Reporting Year

Subsequent to year-end, the Company declared a fully franked final dividend of 2.6 cents per share, to be paid on 15 October 2021.

On 12 July 2021, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 9.2 million ordinary shares within the next 12 months.

The Company appointed Morgans Financial Limited to act on behalf of the Company in relation to the share buy-back process and the earliest date of commencement is 28 July 2021.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

19 Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	2021 $	2020 $
Profit for the year	1,440,245	23,808,096
Unrealised losses/ (gains) on market value movement	21,524,876	(44,950,208)
Unrealised foreign exchange losses	-	12,076
Change in operating assets and liabilities:		
Decrease/ (Increase) in trade and other receivables	726,696	(201,213)
(Increase)/ Decrease in investments held for trading	(29,963,492)	49,310,685
(Decrease)/ Increase in trade and other payables	(3,980,040)	4,402,191
(Decrease)/ Increase in deferred taxes	(888,357)	5,188,263
Net cash (outflow)/ inflow from operating activities	**(11,140,072)**	37,569,890

20 Earnings per Share

	2021 $	2020 $
Profit after income tax used in the calculation of earnings per share	**1,440,245**	23,808,096

(a) Basic Earnings per Share

		Cents
Basic earnings per share attributable to the ordinary equity holders of the Company	**1.56**	24.51

(b) Weighted Average Number of Shares used as Denominator

		No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**92,096,015**	97,140,554

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

In accordance with a resolution of the Directors of Absolute Equity Performance Fund Limited ("the Company"), the Directors of the Company declare that:

(a) the financial statements and notes set out on pages 15 to 33 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 Company's financial position as at 30 June 2021 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) note 2(a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Accounting Standards Board; and

(d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

Marc Fisher
Chairman

28 September 2021

PITCHER PARTNERS

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Independent Auditor's Report
To the Members of Absolute Equity Performance Fund Limited
ABN 17 608 552 496

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Absolute Equity Performance Fund Limited ("the Company") which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Existence and Valuation of Financial Assets and Financial Liabilities
Refer to Note 9: Financial Assets and Liabilities at Fair Value through Profit or Loss</td></tr>
<tr><td>We focused our audit effort on the valuation and existence of the Company's financial assets and financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profits.

The Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as "level 1" (i.e. where the valuation is based on quoted prices in the market).</td><td>Our procedures included, amongst others:
▪ Obtaining an understanding of and evaluating the design and implementation of the investment management processes and controls;
▪ Reviewing and evaluating the independent auditor's report on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian;
▪ Reviewing and evaluating the independent auditor's reporton the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator;
▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and obtaining bridging letters and confirmations from the Administrator and the Custodian;
▪ Obtaining confirmations of the investment holdings directly from the Custodian;
▪ Recalculating the Company's valuation of individual investment holdings using independent pricing sources;
▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and
▪ Assessing the adequacy of disclosures in the financial statements.</td></tr>
</table>

Key audit matter	***How our audit addressed the matter***
Accuracy, Completeness and Existence of Management and Performance Fees ***Refer to Note 10: Trade and other payables and Note 17: Related party transactions***	
We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions and other relevant expenses. Key inputs include portfolio movements and benchmarking in accordance with the Investment Management Agreement between the Company and the Investment Manager. In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.	Our procedures included, amongst others: ▪ Obtaining an understanding of and evaluating the design and implementation of the processes and controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; ▪ Testing of adjustments such as company dividends and taxes, capital raisings and capital reductions used in the calculation of management and performance fees; ▪ Testing of key inputs used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pitcher Partners is an association of independent firms.

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An independent New South Wales Partnership.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' Report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Absolute Equity Performance Fund Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

C I Chandran
Partner

Pitcher Partners
Sydney

28 September 2021

Shareholder Information

The Shareholder information set out below was applicable as at 14 September 2021.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares		
Holding	**No of Shareholders**	**Shares**	**Percentage (%)**
1 – 1000	121	32,849	0.04
1,001 – 5,000	219	710,301	0.77
5,001 – 10,000	310	2,475,745	2.69
10,001 – 100,000	1,457	49,618,453	53.88
100,001 and over	137	39,258,464	42.62
	2,244	**92,095,812**	**100.00**

There are 85 shareholders each with an unmarketable parcel of shares being a holding of $500 or less, for a combined total of 6,625 shares.

B. Equity Security Holders

Twenty largest quoted equity security holders:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares (%)**
HSBC Custody Nominees (Australia) Limited	3,720,682	4.040
R W Kirby Pty Limited	2,172,512	2.359
BNP Paribas Nominees Pty Limited Hub24 Custodial Services Limited <DRP A/C>	2,172,389	2.359
National Nominees Limited	2,156,961	2.342
Netwealth Investments Limited <Wrap Services A/C>	1,403,161	1.524
Gold Tiger Investments Pty Limited	1,210,110	1.314
MDSC Super Fund Pty Limited <MSV Super Fund A/C>	1,100,000	1.194
Mr Peter Michael Wilmshurst & Ms Gabrielle Rosa Baron <MAJ Superannuation Fund A/C>	985,784	1.070
Invia Custodian Pty Limited <Twilight House A/C>	794,300	0.862
Winchelada Pty Limited	775,000	0.842
Netwealth Investments Limited <Super Services A/C>	610,640	0.663
Charles Sturt University <CSU Foundation A/C>	562,400	0.611
Mr Corey Chi Kun Lau	500,000	0.543
Mrs Barbara Kim Shepherd	454,595	0.494
Mrs Monica Shepherd	444,915	0.483
Mr Peter Bernard Lucas & Mrs Nga Le Lucas <Journeysuper Super Fund A/C>	400,000	0.434
Mark Lipzker Pty Limited <C M S Super Fund A/C>	348,174	0.378
Ovingdale Pty Limited <Superannuation Fund A/C>	300,000	0.326
ELKS Nominees Pty Limited & Mrs Thelma Agnes Elks <DJ Elks Family & TA Elks A/C>	300,000	0.326
P&M Maguire Super Pty Limited <P&M Maguire Super Fund A/C>	295,000	0.320
Total	**20,706,623**	**22.484**
Total Remaining Holders Balance	**71,389,189**	**77.516**

C. Substantial Holders

The Company has not been advised of any Shareholder holding a substantial shareholding in Absolute Equity Performance Fund Limited.

D. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when poll is called, otherwise each Shareholder present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares and Loyalty Options of the Company on all Member Exchanges of the ASX Limited.

F. Unquoted Securities

There are no unquoted shares.

G. Securities Subject to Voluntary Escrow

There are no securities subject to voluntary escrow.

H. On-market Buy Back

On 12 July 2021, the Company announced it intended to undertake an on-market share buy-back of up to 10% of the Company's issued share capital or approximately 9.2 million ordinary shares within the next 12 months.

The Company appointed Morgans Financial Limited to act on behalf of the Company in relation to the share buy-back process and the earliest date of commencement is 28 July 2021.