

Vaughan Nelson Global Equity SMID Fund

ARSN 657 058 841

Condensed interim report

For the period 1 June 2022 to 31 December 2022

Vaughan Nelson Global Equity SMID Fund

ARSN 657 058 841

Financial report for the period 1 June 2022 to 31 December 2022

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These interim financial statements cover Vaughan Nelson Global Equity SMID Fund (ARSN 657 058 841) as an individual entity.

The Responsible Entity of Vaughan Nelson Global Equity SMID Fund is Investors Mutual Limited (ABN 14 078 030 752).

The Responsible Entity's registered office is:

Investors Mutual Limited

Level 24

25 Bligh Street

Sydney, NSW 2000.

Directors' report

The directors of Investors Mutual Limited, the Responsible Entity of Vaughan Nelson Global Equity SMID Fund ("the Scheme"), present their report together with the financial reports of the Scheme, for the period 1 June 2022 to 31 December 2022.

Responsible Entity

The Responsible Entity of the Scheme is Investors Mutual Limited (ABN 14 078 030 752). The Responsible Entity's registered office is:

Investors Mutual Limited
Level 24
25 Bligh Street
Sydney, NSW 2000

Principal activities

During the period, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The Scheme did not have any employees during the period.

Significant changes in state of affairs

There were no significant changes in the nature of the Scheme's activities during the period.

Directors

The following persons held office as directors of Investors Mutual Limited during the period or since the end of the period and up to the date of this report:

Anton Tagliaferro, resigned 5 January 2023
Hugh Giddy
Simon Conn
Fabrice Chemouny
James Orfanos
Damon Hambly
Eric Ward

Review and results of operations

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

	Period 1 June 2022 to 31 December 2022
	\$'000
Net operating profit/(loss)	<u>(740)</u>
Distributions	
Distributions paid and payable	<u>-</u>
Distributions (cents per unit)	<u>-</u>

Directors' report (continued)

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

Rounding of amounts to the nearest thousand dollars

The Scheme is entity of the kind referred to in *Australian Securities and Investments Commission ("ASIC") (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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 4.

This report is made in accordance with a resolution of the directors.



Damon Hambly
Director

Sydney
10 March 2023



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Auditor's independence declaration to the directors of Investors Mutual Limited, as Responsible Entity for Vaughn Nelson Global Equity SMID Fund

As lead auditor for the review of the half-year financial reports of Vaughn Nelson Global Equity SMID Fund for the period ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

Ernst & Young
Ernst & Young

Luke Slater

Luke Slater
Partner
10 March 2023

Vaughan Nelson Global Equity SMID Fund
Condensed statement of profit or loss and other comprehensive income
For the period 1 June 2022 to 31 December 2022

Condensed statement of profit or loss and other comprehensive income

	Notes	Period 1 June 2022 to 31 December 2022 \$'000
Investment Income		
Interest income		10
Dividend and distribution income		90
Net gains/(losses) in the fair value of investments	3	(635)
Net gains/(losses) on foreign exchange		(68)
Total investment income		<u>(603)</u>
Expenses		
Responsible Entity's fees		127
Transaction costs		10
Total operating expenses		<u>137</u>
Operating profit/(loss)		<u>(740)</u>
Total comprehensive income for the period		<u>(740)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Vaughan Nelson Global Equity SMID Fund
Condensed statement of financial position
As at 31 December 2022

Condensed statement of financial position

	Notes	As at 31 December 2022 \$'000
Assets		
Cash and cash equivalents		600
Other receivables		10
Due from brokers – receivable for securities sold		261
Dividends/distributions receivable		14
Financial assets at fair value through profit or loss	5	<u>18,680</u>
Total assets		<u>19,565</u>
Liabilities		
Due to brokers – payable for securities purchased		213
Other payables		<u>18</u>
Total liabilities		<u>231</u>
Net assets attributable to unitholders - equity		<u>19,334</u>

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

Vaughan Nelson Global Equity SMID Fund
Condensed statement of changes in equity
For the period 1 June 2022 to 31 December 2022

Condensed statement of changes in equity

	Notes	Period 1 June 2022 to 31 December 2022 \$'000
Comprehensive income for the period		
Profit/(loss) for the period		(740)
Total comprehensive income		<u>(740)</u>
Transactions with unitholders		
Applications	4	<u>20,074</u>
Total transactions with unitholders		<u>20,074</u>
Total equity at the end of the financial period		<u>19,334</u>

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

Vaughan Nelson Global Equity SMID Fund
Condensed statement of cash flows
For the period 1 June 2022 to 31 December 2022

Condensed statement of cash flows

	Period 1 June 2022 to 31 December 2022 \$'000
Cash flows from operating activities	
Proceeds from sale of investments	5,688
Cash paid for purchase of investments	(25,215)
Transaction cost paid	(10)
Dividend/distribution received	76
Interest received	10
Responsible Entity's fee paid	(109)
Payment of other expenses	(10)
Net cash (outflow) from operating activities	(19,570)
Cash flows from financing activities	
Proceeds from applications by unitholders	20,074
Net cash inflow from financing activities	20,074
Net increase in cash and cash equivalents	504
Effects of foreign currency exchange rate changes on cash and cash equivalents	96
Cash and cash equivalents at the end of the period	600

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

Notes to the financial statements

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1 General information

The interim financial report covers the Vaughan Nelson Global Equity SMID Fund ("the Scheme") which is an Australian registered managed investment Scheme. The Scheme was constituted on 16 February 2022. The Scheme will terminate on 16 February 2102 unless terminated earlier in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Investors Mutual Limited (the "Responsible Entity") which is incorporated and domiciled in Australia. The Responsible Entity's registered office is Level 24, 25 Bligh Street, Sydney, NSW 2000.

The interim financial report was authorised for issue by the directors on 10 March 2023. The directors of the Responsible Entity have the power to amend and reissue the condensed interim report.

2 Summary of significant accounting policies

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

The interim financial report for the period 1 June 2022 to 31 December 2022 have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with any public announcements made in respect of the Scheme during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Scheme under *ASIC Corporations (Rounding in Financial/Directors' Reports) ("Instrument 2016/191")*. The Scheme is an entity to which the Instrument applies.

(a) Statement of compliance

The interim financial report complies with Australian Accounting Standards applicable with interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

(b) Australian Accounting Standards and interpretations

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 June 2022 that have a material impact on the amounts recognised which will affect the current or future years.

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

	Period 1 June 2022 to 31 December 2022 \$'000
Financial instruments	
Net realised gains/(losses) on financial instruments at fair value through profit or loss	(289)
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	(346)
Total net gains/(losses) on financial instruments at fair value through profit or loss	(635)

4 Net assets attributable to unitholders

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

	1 June 2022 to 31 December 2022 No.('000)	1 June 2022 to 31 December 2022 \$'000
Class A		
Applications	10,030	10,030
Total comprehensive income for the period	–	(370)
Closing balance	10,030	9,660
Class B		
Applications	4,018	10,044
Total comprehensive income for the period	–	(370)
Closing balance	4,018	9,674
Total net assets attributable to unitholders		19,334

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. For the period 1 June 2022 to 31 December 2022, there were two separate classes of units and each unit has the same rights attaching to it as all other units in the same class of the Fund. Unitholders of class A and class B units are both entitled to be notified of any general meetings regarding the Fund, voting rights and dividends. The difference between the class units is in regards to fees as outlined in the Product Disclosure Statement and Information Memorandum.

5 Financial assets at fair value through profit or loss

	31 December 2022 \$'000
Financial assets at fair value through profit or loss	
Listed equities	18,115
Listed unit trusts	565
Total financial assets at fair value through profit or loss	18,680

6 Fair value measurements

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Scheme values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

6 Fair value measurements (continued)

Fair value estimation

The carrying amounts of the Scheme's assets and liabilities at the end of each reporting period approximate their fair values.

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. 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 and other comprehensive income.

(i) Fair value in an active market (Level 1)

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

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

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

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

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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

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

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

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Responsible Entity.

The investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the responsible entity's Board of Directors.

6 Fair value measurements (continued)

Fair value estimation (continued)

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3) (continued)

Valuation process for Level 3 valuations (continued)

The valuations are also subject to quality assurance procedures performed within the valuation department. The valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the investment committee.

There were no other changes in valuation techniques during the period.

(iii) Recognised fair value measurements

The tables below set out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 31 December 2022:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2022				
Financial assets				
Financial assets at fair value through profit or loss:				
Listed equities	18,115	–	–	18,115
Listed unit trusts	565	–	–	565
Total	18,680	–	–	18,680

(iv) Transfers between levels

During the period there were no transfers between levels.

(v) Movement in level 3 instruments

There was no movement in fair value of the level 3 investments held as at 31 December 2022.

(vi) Fair value of financial instruments not carried at fair value

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

7 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme as disclosed in the statement of financial position as at 31 December 2022 or on the results and cash flows of the Scheme for the period ended on that date.

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 13 are:
 - (i) complying with Australian Accounting Standards, AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance for the financial period ended on that date; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

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



Damon Hambly
Director

Sydney
10 March 2023



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Independent auditor's review report to the unitholders of Vaughn Nelson Global Equity SMID Fund

Conclusion

We have reviewed the accompanying half-year financial report of Vaughn Nelson Global Equity SMID Fund ("the Scheme"), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and the other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its financial performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of Investors Mutual Limited, as the Responsible Entity of the Scheme, are responsible for the preparation of the half-year financial reports that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2022 and its performance for the period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

Ernst & Young
Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
10 March 2023