

The Aspiring Fund
Financial Statements
For the year ended 31 March 2019

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Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of The Aspiring Fund as at 31 March 2019 and the results for the year ended on that date in accordance with the requirements of the Aspiring Fund Trust Deed dated 19 December 2005 and amended on 17 September 2015.

The directors are of the opinion that the The Aspiring Fund will be able to pay its debts as and when they fall due.

Director



Aspiring Asset Management Limited

16 July 2019

Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 32.1 of the Trust Deed governing the The Aspiring Fund, the Manager, Aspiring Asset Management Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed.

The Trust Deed was amended on 17 September 2015 to align with the requirements of the FMC Act, and entry into the FMC Regime.

Statement of Comprehensive Income

\$				
For the year ended 31 March	Note	2019	2018	
Income				
Interest income	10	3,034,479	2,579,731	
Dividend income		8,069,098	7,084,332	
Net foreign currency losses	8	(576,851)	(1,608,825)	
Net gain on financial assets and liabilities at fair value through profit or loss		24,352,736	24,635,705	
Other income		120,294	81,928	
Total income		34,999,756	32,772,871	
Expenses				
Management fees	7.2	4,109,180	3,739,612	
Management fee rebates		-	(2,705)	
Performance fees	7.2	2,239,610	3,882,882	
Administration expenses		348,900	319,623	
Audit fees		34,782	31,395	
Supervisor fees	7.2	243,879	223,437	
Legal expenses		6,784	12,785	
Transaction costs		2,536,523	2,201,998	
Custody expenses		163,991	161,799	
Other expenses		31,669	37,647	
Total operating expenses		9,715,318	10,608,473	
Operating profit		25,284,438	22,164,398	
Profit for the year attributable to Unitholders		25,284,438	22,164,398	
Total comprehensive income for the year attributable to Unitholders		25,284,438	22,164,398	

These statements are to be read in conjunction with the accompanying notes.

Statement of Change in Net Assets Attributable to Unitholders

\$		
For the year ended 31 March	2019	2018
Net assets attributable to Unitholders at the beginning of the year	382,445,100	340,696,411
Proceeds from units issued	38,448,634	52,270,471
Redemption of units	(39,710,887)	(33,196,723)
Resident and foreign withholding tax deducted	(88,700)	(54,400)
Unitholder tax (liabilities)/receivables	(212,014)	564,943
Total comprehensive income for the year attributable to Unitholders	25,284,438	22,164,398
Movement in Unitholder funds for the year	23,721,471	41,748,689
Net assets attributable to Unitholders at the end of the year	406,166,571	382,445,100

Units		
For the year ended 31 March	2019	2018
Units on issue at the beginning of the year	112,028,358	106,401,994
Units issued	10,713,413	15,429,231
Units redeemed	(11,123,111)	(9,802,867)
Units on issue at the end of the year	111,618,660	112,028,358

These statements are to be read in conjunction with the accompanying notes.

Statement of Financial Position

\$				
As at 31 March	Note	2019	2018	
Assets				
Cash and cash equivalents		19,092,274	36,185,539	
Financial assets at fair value through profit or loss	6	390,540,381	342,016,642	
Outstanding settlements receivable		6,776,425	8,895,757	
Contributions receivable		454,639	-	
Other receivables		1,907,830	5,226,622	
Tax receivable on behalf of unitholders		47,507	565,210	
Total assets		418,819,056	392,889,770	
Liabilities				
Outstanding settlements payable		7,866,064	5,174,710	
Related party payables	7.2	407,201	382,773	
Withdrawals payable		3,922,102	4,229,949	
Other payables		75,417	70,973	
Tax payable on behalf of unitholders		259,521	267	
Financial liabilities at fair value through profit or loss	6	122,180	585,998	
Total liabilities		12,652,485	10,444,670	
Unitholders' Funds		406,166,571	382,445,100	

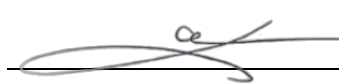
These statements are to be read in conjunction with the accompanying notes.

The Directors of Aspiring Asset Management Limited authorised these Financial Statements for issue on 16 July 2019.

Director



Director



Statement of Cash Flows

\$			
For the year ended 31 March	Note	2019	2018
Cash flows from operating activities			
Proceeds from sale of financial assets		860,529,054	781,684,733
Purchase of financial assets		(880,326,555)	(798,969,764)
Dividends received		7,836,044	7,024,672
Other income		120,294	26,412
Interest income received		3,014,072	2,483,585
Transactions costs paid		(2,546,406)	(2,179,206)
Operating expenses paid		(7,149,924)	(8,948,348)
Net cash (outflow) from operating activities	8	(18,523,421)	(18,877,916)
Cash flows from financing activities			
Proceeds from units issued		35,453,943	53,862,712
Redemptions of units		(33,932,037)	(31,985,767)
Unitholders tax rebates received		476,243	321,919
Net cash inflow from financing activities		1,998,149	22,198,864
Net increase/(decrease) in cash and cash equivalents		(16,525,272)	3,320,948
Cash and cash equivalents at the beginning of the year		36,185,539	34,502,141
Foreign exchange losses on cash and cash equivalents denominated in foreign currencies		(567,993)	(1,637,550)
Cash and cash equivalents at the end of the year		19,092,274	36,185,539

These statements are to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. General information

Reporting Entities

The reporting entity included in these Financial Statements is The Aspiring Fund and is referred to throughout these Financial Statements as ("The Fund"). These Financial Statements are for the year ended 31 March 2019.

The Fund was created in New Zealand under a Master Trust Deed executed by Aspiring Asset Management Limited on 19 December 2005 and a Unit Trust Establishment Deed between Aspiring Asset Management Limited and The New Zealand Guardian Trust Company Limited dated 19 December 2005. The Fund commenced operation on 1 February 2006. The Trust Deed was subsequently amended on 17 September 2015 to align with the requirements of the FMC Act, and entry into the FMC Regime.

The Fund's investment activities are managed by Aspiring Asset Management Limited. The registered office for Aspiring Asset Management Limited is Kensington Swan, 89 The Terrace, Wellington, New Zealand. The Fund is domiciled in New Zealand.

These Financial Statements were authorised for issue by the Board of Directors of the Manager on 16 July 2019. The Directors of Aspiring Asset Management Limited have the power to amend and reissue the Financial Statements.

Statutory Base

The Fund is a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and is subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the Master Trust Deed and the Financial Markets Conduct Act 2013.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the year presented, unless otherwise stated.

2.1. Basis of preparation

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit entities. The Financial Statements also comply with International Financial Reporting Standards ("IFRS").

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the directors of the Manager to exercise their judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 3.

(a) Presentation

All amounts are presented in New Zealand dollars, without further rounding, which is the Fund's functional and presentation currency, unless otherwise stated.

(b) Standards and amendments to existing standards effective 1 April 2018 impacting the Fund

The Fund has adopted NZ IFRS 9 Financial instruments ('NZ IFRS 9') for the first time for the year commencing 1 April 2018. The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a significant change to the classification or measurement of financial instruments in either the current or prior year. The Fund holds securities which had previously been designated as fair value through profit or loss or held for trading. On adoption of NZ IFRS 9, these securities are now classified as fair value through profit or loss; there are no changes to the measurement of these securities. The Fund also holds securities which were classified as loans and receivables. On adoption of NZ IFRS 9, these securities are now classified as financial assets at amortised cost. With the adoption of NZ IFRS 9, there were no changes to the measurement of these securities other than a change to the impairment calculation. With the introduction of NZ IFRS 9, the Fund is now applying expected credit loss provisioning since initial recognition of these securities. Prior to the adoption of NZ IFRS 9, the carrying amounts of the financial assets at amortised cost were reviewed at each balance date for objective evidence of impairment. As explained in note 2.2 (a), there was also no impact from the application of new impairment rules as the instruments held have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. The disclosures in these Financial Statements have been prepared in accordance with NZ IFRS 9.

NZ IFRS 15 'Revenue from contracts with customers' is effective for annual periods beginning on 1 April 2018. All material income streams associated with the Fund are derived from financial instruments and other contractual rights and obligations within the scope of NZ IFRS 9 'Financial Instruments' and therefore the standard has no material impact on the Fund.

There are no other standards or amendments to existing standards that are effective for the year commencing on 1 April 2018 that have a material effect on the Financial Statements of the Fund.

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to materially impact the Fund's financial statements.

Notes to the Financial Statements

2.2. Financial instruments

(a) Classification

Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9 *Financial Instruments*. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities at fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, the debt securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental in achieving the Fund's business model. As a result these debt securities are classified as financial assets at fair value through profit or loss.

All financial assets which were previously classified as financial assets at fair value through profit or loss under the categories, designated at fair value upon initial recognition and held for trading, are now classified as financial assets measured at fair value through profit or loss. Financial assets previously categorised as designated at fair value through profit or loss upon initial recognition comprised of the total investment portfolio held by the Fund, except for derivative financial assets. Financial assets previously categorised as held for trading comprised of all derivative financial assets held by the Funds. Financial assets measured at fair value through profit or loss comprise of equities, funds/unit trusts, money market securities, fixed interest securities, convertible bonds and forward foreign exchange contracts.

(ii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks.

(b) **Receivables** are amounts representing assets owing to the Funds and may include amounts due for interest or dividends and amounts due for securities sold that have been contracted for but not yet delivered by the end of the accounting period.

Liabilities

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities at fair value through profit or loss previously under the category 'held for trading', are now classified as measured at fair value through profit or loss. As there are no financial liabilities designated at fair value upon initial recognition in the Fund, all financial liabilities are measured at fair value through profit or loss. Listed equities sold short, Contracts for difference and Foreign exchange contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Fund at year end and may include related party fees and amounts due for purchase of unsettled securities at year end.

(b) Recognition, measurement and derecognition

(i) Financial assets and liabilities at fair value through profit or loss

The Fund recognises financial assets at fair value through profit or loss on the date they become parties to the contractual agreement. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statements of Comprehensive Income when they arise.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Any gain or loss arising on derecognition of the financial asset at fair value through profit or loss is included in the Statements of Comprehensive Income in the year the item is derecognised.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Financial instruments (continued)

(b) Recognition, measurement and derecognition (continued)

(ii) Financial assets and liabilities at amortised cost

The Fund recognises financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value.

Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost less any impairment. Any impairment charge is recognised in the Statement of Comprehensive Income. At each reporting date, the Fund shall measure the loss allowance of amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund, in accordance with NZ IFRS 13, 'Fair value measurement', utilises the last traded market price for both financial assets and financial liabilities where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is derived and determined from quoted prices in markets not considered to be active or, from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, or from inputs that are not based on observable market data. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Net assets attributable to unitholders

The Fund issues units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. The units can be redeemed at any time for cash, based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if Unitholders exercised their right to redeem. As stipulated in the Trust Deed, each unit represents an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are no separate classes of units within the Fund and each unit has the same rights attaching to it as all other units in the Fund.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

In accordance with the Trust Deed, the Manager has full discretion as to whether to distribute any net income of the Fund. Any distributions are recognised in the Statement of Changes in Net Assets Attributable to Unitholders as distributions. Income that is not distributed is invested as part of the assets of the Fund or may be used to make later distributions to Unitholders.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.5 Investment income

Interest income

Interest income on financial assets at amortised cost and financial assets at fair value through profit or loss are included as income in the Statement of Comprehensive Income on a time-proportionate accruals basis using the effective interest rate method. Changes in fair value for such instruments are recorded in accordance with the policies described in note 2.1.

Interest income on financial assets at amortised cost comprises of interest earned on bank accounts and margin accounts held at the bank.

Interest income on financial assets at fair value through profit or loss comprises of interest earned on debt securities including floating rate notes, fixed interest securities, convertible bonds and term deposits.

Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statement of Changes in Net Assets Attributable to Unitholders as a Unitholder tax liability.

Net gains and losses on financial assets at fair value through profit or loss

Realised and unrealised gains and losses are reflected in the Statement of Comprehensive Income as net gain/(loss) on financial instruments at fair value through profit or loss. Unrealised gains or losses include the change in net market value of investments held at the end of the reporting period and the reversal of prior years' unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.6 Expenses

All expenses, including the Fund's management fees and Supervisor fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the Fund's Financial Statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the New Zealand dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The New Zealand dollar is also the Fund's presentation currency.

The Manager considers the New Zealand dollar is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which the Fund receives subscriptions from investors.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign currency gains or losses on cash and cash equivalents'. The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

2.8 Income tax

The Fund qualifies as and has elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Fund has no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statement of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Fund to Unitholders in accordance with the proportion of their interest in the Fund. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" (which is capped at 28%) on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consist of withdrawals to meet Unitholder tax liabilities (or contributions from Unitholder rebates) under the PIE regime. The current tax balances in the Statements of Financial Position represent any tax payable/receivable on behalf of the Unitholders under the PIE regime and foreign withholding taxes deducted at source.

2.9 Goods and services tax ("GST")

The Fund is not registered for GST. The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statement of Financial Position are stated inclusive of GST.

2.10 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements. Any changes to comparative figures have no impact on the prior year Statement of Comprehensive Income.

Notes to the Financial Statements

3. Critical accounting estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates of the carrying value of financial assets and financial liabilities are regularly evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to notes 2.2(c) and 5.3 for further information on fair value estimation.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments such as unquoted securities are fair valued using valuation techniques. Valuation techniques including models use observable data to the extent possible. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes or assumptions about these factors could affect the reported fair value of financial instruments.

4. Commitments and contingent liabilities

There are no commitments or contingencies as at 31 March 2019.

As of March 2018, the Fund had entered into agreements to acquire shares in the initial public offerings of the following companies:

Jupiter Mines Ltd: \$2,405,565 worth of shares

Smiles Inclusive Ltd: \$159,492 worth of shares

These shares settled and commenced trading on the ASX in April 2018.

There were no other contingencies or commitments as at 31 March 2018.

5. Financial risk management

5.1 Financial risk factors

The Trust Deed for the Fund requires the Manager to invest the assets of the Fund in accordance with the investment guidelines, as agreed with the Supervisor from time to time, in order to manage risk. The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Fund's overall risk management programme seeks to maximise the return derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use derivative financial instruments to moderate certain risk exposures.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

5.1.1 Market risk

(a) Price risk

The Fund is exposed to securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments, i.e. equities - are denominated in currencies other than the New Zealand dollar (NZD), the price initially expressed in foreign currency and then converted into NZD will also fluctuate because of change in foreign exchange rates. Paragraph (c) 'Currency risk' sets out how this component of price risk is managed and measured.

Price risk is managed through diversification and selection of securities and other financial instruments within specified limits and in accordance with mandates and overall investment strategy.

The majority of the Fund's equity and fixed interest investments are publicly traded and are included within the New Zealand and Australian Stock Exchanges. The overall market position is monitored by the Fund's Manager. Compliance with the Fund's investment policies are reported to the Board of the Manager.

The table below summarises the sensitivity of the Fund's net assets attributable to Unitholders to equity, unit trust and listed fixed interest securities price movements on equity and listed fixed interest securities prices, as at 31 March.

If the prices of equity, unit trust and listed fixed interest securities in which the Fund invests in at the year end had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the net profit and unitholder funds:

\$		
As at 31 March	2019	2018
5% increase in equity prices	16,924,479	14,796,962
5% decrease in equity prices	(16,924,479)	(14,796,962)

Notes to the Financial Statements

5. Financial risk management (continued)

(b) Foreign exchange risk

The Fund holds assets denominated in currencies other than New Zealand dollars, the functional currency. Foreign currency risk, as defined in NZ IFRS 7 *Financial Instruments: Disclosures*, arises as the value of future transactions, recognised assets and liabilities denominated in currencies other than the functional currency fluctuate due to changes in foreign exchange rates. Management monitors the exposure on all foreign currency denominated assets and liabilities.

Currency risk management is undertaken by the Fund's Manager within the guidelines provided by the Trustee. The Fund may enter into foreign exchange derivatives both to economically hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts rarely exceeds one year. As the nature of these contracts is to manage the international investment activities of the Fund, they are accounted for by marking to market at balance sheet date in a manner consistent with the valuation of the underlying securities.

At the balance date the Fund had the following foreign currency exposures:

	Assets and liabilities	Assets and liabilities
\$		
As at 31 March	2019	2018
Australian Dollar (AUD)	76,859,024	79,411,310
United States Dollar (USD)	76,000,396	56,867,525
Hong Kong Dollar (HKD)	9,338,462	-
Great British Pound (GBP)	4,798,743	-
Danish Krona (DKK)	1,030,351	-

Sensitivity Analysis:

The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unit Holders on assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonably possible shift in exchange rates with regard to historical volatility.

The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors believe this does not have a material impact.

	Assets and liabilities	Assets and liabilities
\$		
As at 31 March	2019	2018
Exchange rates increased by 5%		
Australian Dollar (AUD)	(3,659,954)	(3,781,491)
United States Dollar (USD)	(3,619,066)	(2,707,977)
Hong Kong Dollar (HKD)	(444,689)	-
Great British Pound (GBP)	(228,512)	-
Danish Krona (DKK)	(49,064)	-
Total impact of 5% increase in exchange rates	(8,001,285)	(6,489,468)
Exchange rates decreased by 5%		
Australian Dollar (AUD)	4,045,212	4,179,543
United States Dollar (USD)	4,000,021	2,993,028
Hong Kong Dollar (HKD)	491,498	-
Great British Pound (GBP)	252,565	-
Danish Krona (DKK)	54,229	-
Total impact of 5% decrease in exchange rates	8,843,525	7,172,570

Notes to the Financial Statements

5. Financial risk management (continued)

5.1 Financial risk factors (continued)

5.1.1 Market risk (continued)

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund may hold investments in interest earning financial instruments that expose the Fund to fair value interest rate risk. The Fund may also hold cash and cash equivalents that expose the Fund to cash flow interest rate risk. The interest rate risk arising from these investments is managed by the Fund's Manager.

The Fund holds cash and cash equivalents that expose the Fund to cash flow interest rate risk. The table below summarises the sensitivity of the Fund's unitholder funds to interest rate movements. The analysis is based on an interest rate movement of 1% which represents managements best estimate of a reasonably possible shift in interest rates having regard to historical volatility. If the interest rates at 31 March had increased or decreased by 1%, with all other variables held constant, this would have increased/decreased net profit and unitholder funds by approximately:

\$ As at 31 March	2019	2018
Increase of 1%	190,923	361,855
Decrease of 1%	(190,923)	(361,855)

Interest earning financial instruments that expose the Fund to fair value interest rate risk include fixed interest securities and term deposits. At the balance date, had the interest rate increased/decreased by 1% (which is the Manager's assessment of a reasonably possible movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the overall investment portfolio would be as disclosed below.

\$ As at 31 March	2019	2018
Increase of 1%	(610,909)	(58,281)
Decrease of 1%	641,902	58,281

5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. The Fund is primarily exposed to credit risk through its investment activities. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations. The maximum credit risk of financial instruments is considered to be the carrying value.

With respect to cash and cash equivalents, the Fund's credit risk is managed by limiting the counterparties to a group of major international banks and the Fund does not expect to incur any losses as a result of non performance by these counterparties.

The investment strategy incorporates an appropriate diversification of investments and ensures that the Fund has no significant concentration of credit risk. The Supervisor regularly reviews and approves an investment strategy that is implemented by the Manager.

An analysis of money market and fixed interest securities by rating is set out in the table below.

Portfolio by rating category

\$ As at 31 March	2019	2018
A	-	15,000,000
AA-	42,219,882	35,000,000
BB+	1,991,533	-
BBB+	1,611,216	-
BBB	9,936,794	3,964,911
BBB-	1,632,401	5,189,020
Unrated*	13,059,709	10,105,440
Total	70,451,535	69,259,371

*As at 31 March 2019, inclusive of convertible bonds with a value of \$9,769,065 (31 March 2018: \$9,696,978).

Management considers the overall bond default risk of the Fund's money market and fixed interest security portfolio to be low, with the vast majority of counterparties having a very strong capacity to meet their contractual obligations in the near term. As a result, no allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Notes to the Financial Statements

5. Financial risk management (continued)

5.1.3 Liquidity risk

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

Liquidity management is designed to ensure that the Fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal level of redemptions. Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed to enable it to meet liabilities as they fall due and unit redemptions when requested. In the event of abnormal levels of redemptions, timing of payment may be dependent on the ability of the Fund to realise their underlying investments on a timely basis.

The Fund may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate its holdings in these investments at an amount close to their fair value to meet its liquidity requirements or be able to respond to specific events such as deterioration in the creditworthiness of any particular issue.

As at the end of reporting period, and prior period end, the Fund held no investments which are materially affected by illiquidity.

The Fund also has the ability in extraordinary situations to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested. It is the intention of the Fund to exercise this ability only in instances where the payment of redemptions would put the remaining Unitholders in a disadvantageous position, or if the Fund is unable to liquidate its investments that would allow the Fund to pay redemptions as they fall due. The Fund has not withheld redemptions during the year or prior period.

The table below analyses the Fund's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

\$		
As at 31 March	2019	2018
Financial liabilities at fair value through profit or loss		
Less than 7 days	69,656	562,860
1 - 12 months	52,524	23,138
Outstanding settlements payable		
Less than 7 days	7,866,064	2,609,653
7 days to 1 month	-	2,565,057
Related party payables		
7 days to 1 month	407,201	323,969
1 - 12 months	-	58,804
Withdrawals payable		
Less than 7 days	3,922,102	4,229,949
Other payables		
7 days to 1 month	48,584	27,611
1 - 12 months	26,833	43,362
	12,392,964	10,444,403

Notes to the Financial Statements

5. Financial risk management (continued)

5.2 Capital risk management

The Fund's capital is represented by Net assets attributable to Unitholders. The amount of net assets attributable to Unitholders can change significantly on a monthly basis as the Fund is subject to monthly subscriptions at the discretion of Unitholders. The Fund's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for Unitholders and benefit other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. The Fund does this by investing in a diversified portfolio of equity securities listed on exchanges in New Zealand, Australia and international equity markets. The Fund may also use derivatives to increase exposure in certain investments. Investment decisions are guided by the mandate included in the product disclosure statement and statement of investment policies and objectives.

The Fund strives to invest the subscriptions of Unitholder funds in investments that meet the Fund's objectives while maintaining sufficient liquidity to meet Unitholder redemptions. The Fund follows an internal liquidity limit based on historical data with regards to Unitholder tenure.

The Fund does not have any externally imposed capital requirements. Units may be redeemed on the last business day of each month in accordance with the Trust Deed, prospectus and investment statement. The Manager may, in the interests of all Unitholders in the Fund, restrict, suspend or alter withdrawals in certain circumstances.

5.3 Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Valuation techniques used for non-standard financial instruments such as over the counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs. For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

NZ IFRS 13 *Fair Value Measurement* requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- * 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).
- * Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

Notes to the Financial Statements

5. Financial risk management (continued)

The following table analyses within the fair value hierarchy the Fund's financial assets and financial liabilities (by class) measured at fair value at the year end:

\$ As at 31 March	2019	2018
Assets		
Level 1 Assets		
<i>Financial assets at fair value through profit or loss</i>		
Fixed interest securities	8,701,333	408,462
Convertible bonds	9,269,065	9,696,978
Floating rate notes	1,632,401	-
Listed equities	297,012,890	264,508,605
Listed trusts	19,366,100	5,052,409
Total Level 1 Assets	335,981,789	279,666,454
Level 2 Assets		
<i>Financial assets at fair value through profit or loss</i>		
Term deposits	50,348,736	55,189,020
Fixed interest securities	-	3,964,911
Currency contracts	-	22,503
Total Level 2 Assets	50,348,736	59,176,434
Level 3 Assets		
<i>Financial assets at fair value through profit or loss</i>		
Unlisted equities	3,709,856	3,173,754
Convertible bonds	500,000	-
Total Level 3 Assets	4,209,856	3,173,754
Total financial assets	390,540,381	342,016,642
Liabilities		
Level 1 Liabilities		
<i>Financial liabilities at fair value through profit or loss</i>		
Listed equities	69,656	562,860
Total Level 1 Liabilities	69,656	562,860
Level 2 Liabilities		
<i>Financial liabilities at fair value through profit or loss</i>		
Contract for difference	52,524	23,138
Total Level 2 Liabilities	52,524	23,138
Total financial liabilities	122,180	585,998

There were no transfers between levels during the year.

Financial instruments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities, convertible bonds and fixed interest. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are value based upon quoted market prices or alternative pricing sources supported by observable inputs are classified as Level 2.

Bank term deposits are held with registered New Zealand banks with less than one year to maturity. In the manager's opinion their valuation at principal amount is a reasonable approximation of their fair value.

Fixed interest securities are calculated using market accepted formulas. The yields are derived from either credit spreads sourced from the New Zealand Financial Markets Association, direct sourcing such as New Zealand government bonds, relative value against like securities where there are a small number of quotes available and matrix yield curves.

The investment in an unlisted unit trust is not quoted in an active market. Classified in Level 2 its net asset value per unit is determined by the unlisted unit trust's manager/administrator and based upon the fair value of underlying securities. For the unlisted unit trust, the Manager believes the Fund could have redeemed its investment at the net asset value per unit at the balance sheet date.

The fair value of bank bill futures and currency contracts are determined by using valuation models for which the inputs are directly observable and are therefore classified in Level 2.

Contract for difference (CFD) are financial instruments whose values are based on the movement of observable inputs (i.e. listed equities) but are over-the-counter transactions and therefore classified within level 2.

Notes to the Financial Statements

5. Financial risk management (continued)

The Level 3 financial instruments held consist of:

- New Zealand unlisted equities for which there is no active market. Valuation is based on recent transactional history, discounted cashflow model, operating performance or a multiples approach.

- New Zealand convertible bonds for which there is no active market. Valuation is based on recent transactional history.

The Level 3 financial instruments represent approximately 1.04% (31 March 2018: 0.83%) of the Net asset value of the Fund at balance date.

The below table summarises the sensitivity of Level 3 financial instruments to unobservable inputs:

\$	Key Unobservable Inputs	Price Sensitivity		Interest Rate Sensitivity	
		+5%	-5%	+1%	-1%
As at March 2019					
Unlisted equity	Last Traded Price	185,493	(185,493)	n/a	n/a
Convertible bond	Valuation Model	n/a	n/a	(8,454)	8,677
As at March 2018					
Unlisted equity	Last Traded Price	158,688	(158,688)	n/a	n/a

The impact of reasonably possible movements in assumptions adopted in the discounted cash flow model used to value an unlisted equity (as noted above) is not considered material.

The following table presents the movement in Level 3 financial instruments for the year ended:

\$			
As at 31 March			
		2019	2018
Opening balance		3,173,754	3,638,874
Purchase		562,625	93,707
Return of capital		(2,819,905)	-
Sales		(398,931)	-
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss		3,692,313	(558,827)
Closing balance		4,209,856	3,173,754
Dividends		-	-
Realised gains		370,833	-
Change in unrealised gains or losses for Level 3 assets held at year end and included in net (loss)/gain on financial assets and liabilities at fair value through profit or loss		3,321,480	(558,827)

Notes to the Financial Statements

6. Financial instruments by category

\$		
As at 31 March	2019	2018
Financial assets at fair value through profit or loss		
Term deposits	50,348,736	55,189,020
Fixed interest securities	8,701,333	4,373,373
Convertible bonds	9,769,065	9,696,978
Floating rate notes	1,632,401	-
Listed equities	297,012,890	264,508,605
Unlisted equities	3,709,856	3,173,754
Listed trusts	19,366,100	5,052,409
Currency contracts	-	22,503
Total financial assets at fair value through profit or loss	390,540,381	342,016,642
Financial assets at amortised cost		
<i>Cash and cash equivalents:</i>		
New Zealand cash	15,330,256	16,634,805
Foreign cash deposits	2,929,006	18,312,152
Margin deposits	833,012	1,238,582
Cash and cash equivalents	19,092,274	36,185,539
Outstanding settlements receivable	6,776,425	8,895,757
Contributions receivable	454,639	-
Other receivables	1,907,830	5,226,622
Total financial assets at amortised cost	28,231,168	50,307,918
Total financial assets	418,771,549	392,324,560
Financial liabilities at fair value through profit or loss		
Listed equities	69,656	562,860
Contracts for difference	52,524	23,138
Total Financial liabilities at fair value through profit or loss	122,180	585,998
Financial liabilities at amortised cost		
Outstanding settlements payable	7,866,064	5,174,710
Related party payables	407,201	382,773
Distribution payable	-	-
Withdrawals payable	3,922,102	4,229,949
Other payables	75,417	70,973
Total financial liabilities at amortised cost	12,270,784	9,858,405
Total financial liabilities	12,392,964	10,444,403

Notes to the Financial Statements

7. Related parties

7.1 General

Aspiring Asset Management Limited is the Manager of the Fund and The New Zealand Guardian Trust Company Limited is the Supervisor of the Fund.

7.2 Related party fees

The Fund has transacted with related parties during the year as follows:

\$			
Year ended 31 March		2019	2018
Aspiring Asset Management Limited	Management fees	4,109,180	3,739,612
Aspiring Asset Management Limited	Performance fees	2,239,610	3,882,882
The New Zealand Guardian Trust Company Limited	Supervisor fees	243,879	223,437
		<u>6,592,669</u>	<u>7,845,931</u>

The Fund owed the following amounts to related parties at balance date:

\$			
As at 31 March		2019	2018
Aspiring Asset Management Limited	Management fees	347,070	323,969
Aspiring Asset Management Limited	Performance fees	-	-
The New Zealand Guardian Trust Company Limited	Supervisor fees	60,131	58,804
		<u>407,201</u>	<u>382,773</u>

Management fees and performance fees are calculated in accordance with the Establishment Deed. Under the Master Trust Deed, the management fees and performance fees payable to Aspiring Asset Management Limited are payable monthly in arrears and the Supervisor fees to The New Zealand Guardian Trust Company Limited are payable quarterly in arrears.

7.3 Investments by related parties

The investment interests of the directors of Aspiring Asset Management Limited in the Fund at balance sheet date are:

\$			
As at 31 March		2019	2018
Murray Doyle			
	Number of units	3,029,271	3,027,189
	Market Value	11,023,215	10,319,083
	% of the Fund	3%	3%
John Rattray			
	Number of units	2,400,201	2,398,452
	Market Value	8,734,090	8,175,843
	% of the Fund	2%	2%
Stephen Montgomery			
	Number of units	2,299,286	2,393,278
	Market Value	8,366,872	8,158,205
	% of the Fund	2%	2%
Campbell Stuart			
	Number of units	1,067,575	1,051,987
	Market Value	3,884,800	3,586,012
	% of the Fund	1%	1%
Lance Reynolds			
	Number of units	85,186	78,229
	Market Value	309,985	266,665
	% of the Fund	0%	0%

Redemptions of Directors' interests are treated as a unitholder redemption and valued in accordance with the Fund's offering documents.

Notes to the Financial Statements

8. Reconciliation of operating profit to net cash outflow from operating activities

\$		
For the year ended 31 March	2019	2018
Total comprehensive income attributable to Unitholders	25,284,438	22,164,398
Foreign withholding tax on dividends	(25,609)	-
Net change in financial assets at fair value through profit or loss	(44,150,237)	(41,920,736)
Net foreign currency gains on cash and cash equivalents	576,851	1,608,825
(Increase) in trade and other receivables	(227,852)	(155,806)
Increase/(decrease) in trade and other payables	18,988	(574,597)
	<u>(43,807,859)</u>	<u>(41,042,314)</u>
Net cash (outflow) from operating activities	<u>(18,523,421)</u>	<u>(18,877,916)</u>

9. Derivative Financial Instruments

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

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

Derivative instruments include a wide assortment of instruments, such as forwards and swaps. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Fund's portfolio management. Derivatives may be used for:

- (i) economic hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- (ii) a substitution for trading of physical securities; and
- (iii) adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash positions.

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

The Fund holds the following derivative instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed upon future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. 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. The Fund recognises a gain or loss equal to the change in fair value at reporting date.

The Fund holds the following forward currency contracts as at the reporting period end:

\$		
For the year ended 31 March	2019	2018
Notional value in NZ\$		
Sell AUD/Buy NZD	-	10,655,303
Fair Value in NZ\$	-	22,503

Contracts for difference (CFD)

A contract for difference is a financial derivative that allows parties to take advantage of movements in price on underlying financial instruments without the need for ownership of the underlying shares. The main risk is market risk as the contract is designed to pay the difference between the contract price and the closing price of the underlying asset. CFDs are traded on margin.

The fair value of a contract for difference is derived from the difference between the market price of the underlying security and the contract price.

The Fund holds the following contracts for difference at the reporting period end. Financial liabilities related to contracts for differences are classified in Note 6: Financial instruments by category.

\$		
For the year ended 31 March	2019	2018
Notional value in NZ\$		
Wisetech Global Ltd - CFD (AUD)	(602,027)	-
Shopping Centres Australia - CFD (AUD)	-	(619,361)
Fair Value in NZ\$	<u>(52,524)</u>	<u>(23,138)</u>

Notes to the Financial Statements

10. Interest Income

\$		
For the year ended 31 March	2019	2018
Interest on financial assets at amortised cost	969,942	552,039
Interest on financial assets and liabilities at fair value through profit or loss	2,064,537	2,027,692
Total interest income	3,034,479	2,579,731

11. Events occurring after the balance sheet date

There have been no events subsequent to balance date that require adjustment to, or disclosure of, in these Financial Statements.

Independent auditor's report to the Unitholders of The Aspiring Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Aspiring Fund ("the Fund") on pages 4 to 22, which comprise the statement of financial position of the Fund as at 31 March 2019, and the statement of comprehensive income, statement of change in net assets attributable to unitholders and statement of cash flows for the year then ended of the Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 22 present fairly, in all material respects, the financial position of the Fund as at 31 March 2019 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Fund's unitholders. Our audit has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Financial assets at fair value through profit or loss (FVTPL)

Why significant

- ▶ The Fund's financial assets at FVTPL are 93% of the Fund's net assets attributable to members. The financial assets at FVTPL, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.
- ▶ Market volatility can have a significant impact on the value of these financial assets, therefore the recognition and measurement of assets at FVTPL is considered a key area of audit focus.
- ▶ As detailed in the Fund's accounting policies, as described in Note 2 to the financial statements, the Fund's financial assets at FVTPL are recognised in accordance with NZ IFRS 9: Financial Instruments.
- ▶ Disclosures regarding the Fund's investments are included in Note 6 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record investment transactions and to value the portfolio. This included evaluating the service organisation reports issued by an independent auditor on the design and operation of the controls at the Administrator and Registrar throughout the period. Procedures focus on the nature and significance of services provided by the service organisations and their effect on internal controls relevant to the audit of the financial statements.
- ▶ Receiving third party confirmations directly from custodian for the Fund, of the number of investments and their respective exit price at balance date and agreeing the accounting records to the confirmations.
- ▶ Independently verifying the exit price of the investments and agreeing to the accounting records.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to NZ IFRS 7 Financial Instruments: Disclosures.

Information other than the financial statements and auditor's report

The Manager of the Fund are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

If, based upon 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

Manager' responsibilities for the financial statements

The Manager is responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

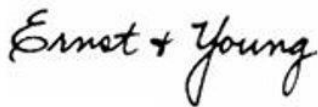
In preparing the financial statements, the Manager is responsible for assessing on behalf of the entity the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing (New Zealand) 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 these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.



Chartered Accountants
Auckland
16 July 2019