



WaveStone Capital Absolute Return Fund

**Special purpose financial report for the year ended
30 June 2020**

WaveStone Capital Absolute Return Fund

Special purpose financial report - for the year ended 30 June 2020

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These financial statements cover WaveStone Capital Absolute Return Fund as an individual entity.

The Trustee of WaveStone Capital Absolute Return Fund is Fidante Partners Limited (ABN 94 002 835 592). The Trustee's registered office is:

Level 2
5 Martin Place
Sydney NSW 2000

Directors' report

The Directors of Fidante Partners Limited, the Trustee of WaveStone Capital Absolute Return Fund ("the Trust"), present their report together with the financial statements of the Trust for the year ended 30 June 2020.

Directors

The following persons held office as Directors of Fidante Partners Limited during the year or since the end of the year and up to the date of this report, unless otherwise stated:

A Bell
A Bofinger
N Hamilton (appointed 29 October 2019)
A Murphy (resigned 8 November 2019)
I Saines (resigned 20 September 2019)
A Tobin

Principal activities and significant changes in the state of affairs

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust's governing documents. The Trust invests in shares listed on the Australian Securities Exchange, and may also invest in derivatives.

The Asset Manager of the Trust is WaveStone Capital Pty Limited.

Coronavirus disease ("COVID-19") is a highly infectious disease caused by a newly discovered coronavirus. The disease has spread worldwide and was declared a pandemic by the World Health Organisation on 11 March 2020. COVID-19 has had a significant impact on global and domestic economies as a result of measures taken by governments to slow the spread of the virus. Local and overseas equity, debt and commodity markets have also been impacted by the threat of COVID-19.

The Trust's risk management program focuses on ensuring compliance with the Trust's governing documents and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trustee's Risk Management Strategy manages risk and the key elements of the Risk Management Framework ("RMF"). This RMF continues to be applied in the current environment in which the Trust operates whilst the impacts of COVID-19 are felt in the markets the Trust operates. The Trust has considered the impact of COVID-19 and other market volatility in preparing the financial statements. As a result, the Trust has reviewed the appropriateness of the inputs to its valuations, the fair value hierarchy and related disclosures. As at reporting date, the determination of the carrying value of financial instruments at fair value through profit or loss has included a consideration of the impact of COVID-19. There has been no impact on other assets or liabilities nor on the going concern of the Trust.

The nature of COVID-19 continues to evolve and the financial and economic impacts are still taking shape. This may result in changes to the future estimates and outcomes applied to the measuring of the Trust's assets and liabilities. Any major adjustments if any, will be reflected up to the reporting date. Beyond this date, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

There were no other significant changes in the nature of the Trust's activities or to the state of affairs of the Trust during the year.

Directors' report (continued)

Review and results of operations

The results of the Trust for the period below include the distributions paid and payable on a cents per unit ("CPU") basis. The CPU represents the distribution paid by the Trust to unitholders for each individual unit held in the Trust.

The results of the Trust were as follows:

For the year ended 30 June	2020	2019
Net (loss)/profit before finance costs (\$'000)	<u>(3,879)</u>	3,360
Distributions paid and payable (\$'000)	<u>2,598</u>	5,707
Distribution (cents per unit) - Wholesale Class	<u>6.49</u>	13.51

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Trustee believes it would be likely to result in unreasonable prejudice to the Trust.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Limited. So long as the officers of Fidante Partners Limited act in accordance with the Trust's Constitution, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Directors' report (continued)

Interests in the Trust

The movement in units on issue in the Trust during the year is set out below:

	2020	2019
	No. '000	No. '000
Units on issue - as at 1 July - Opening Balance	42,235	42,796
Units issued	1,599	2,094
Units reinvested	837	255
Units redeemed	(4,622)	(2,910)
Units on issue - as at 30 June - Closing Balance	40,049	42,235

The movement in units on issue in the Trust during the year is further disclosed in note 4 to the financial statements.

Value of Trust assets

	2020	2019
	\$'000	\$'000
Value of Trust assets as at 30 June	59,125	68,574

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Directors have elected to apply the ASIC Corporations Instrument 2016/191. Amounts in the Directors' report have been rounded to the nearest \$1,000 in accordance with that Instrument, unless otherwise indicated.

Authorisation

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



A Bell
Director

Sydney
17 September 2020

WaveStone Capital Absolute Return Fund
Statement of comprehensive income
For the year ended 30 June 2020

Statement of comprehensive income

For the year ended 30 June	Notes	2020 \$'000	2019 \$'000
Income			
Dividend income		1,920	5,507
Distribution income		184	228
Other operating income		3	2
Net losses on financial instruments at fair value through profit or loss		<u>(4,538)</u>	<u>(731)</u>
Total net (loss)/income		<u>(2,431)</u>	<u>5,006</u>
Expenses			
Dividend expense		129	218
Management fees		722	748
Performance fees		333	356
Interest expense		44	82
Transaction costs		189	209
Other expenses		<u>31</u>	<u>33</u>
Total expenses		<u>1,448</u>	<u>1,646</u>
Net (loss)/profit before finance costs		<u>(3,879)</u>	<u>3,360</u>
Finance costs attributable to unitholders			
Distributions to unitholders	5	(2,598)	(5,707)
Decrease in net assets attributable to unitholders	4	<u>6,477</u>	<u>2,347</u>
Net (loss)/profit for the year		<u>-</u>	<u>-</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u>-</u>	<u>-</u>

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

WaveStone Capital Absolute Return Fund
Statement of financial position
As at 30 June 2020

Statement of financial position

As at 30 June	Notes	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	10(b)	-	273
Collateral and margin accounts		1,229	574
Receivables	6	1,154	1,177
Financial assets at fair value through profit or loss	7	<u>56,742</u>	<u>66,550</u>
Total assets		<u>59,125</u>	<u>68,574</u>
Liabilities			
Borrowings	10(b)	4,944	-
Distributions payable	5	2,598	5,707
Payables	9	1,208	811
Financial liabilities at fair value through profit or loss	8	<u>1,907</u>	<u>4,312</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>10,657</u>	<u>10,830</u>
Net assets attributable to unitholders - Liability	4	<u>48,468</u>	<u>57,744</u>

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

WaveStone Capital Absolute Return Fund
Statement of changes in unitholder funds
For the year ended 30 June 2020

Statement of changes in unitholder funds

	Notes	2020 \$'000	2019 \$'000
As at 1 July - Opening Balance - Liability		57,744	60,815
Applications for units		2,128	2,936
Units issued upon reinvestment of distributions		1,144	362
Redemptions of units		(6,071)	(4,022)
Changes in net assets attributable to unitholders		(6,477)	(2,347)
As at 30 June - Closing Balance - Liability	4	48,468	57,744

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

WaveStone Capital Absolute Return Fund
Statement of cash flows
For the year ended 30 June 2020

Statement of cash flows

For the year ended 30 June	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Proceeds from sale of derivatives		1,611	181
Purchase of derivatives		(655)	(545)
Dividends received		1,812	5,614
Dividends paid		(124)	(217)
Interest received		-	(89)
Interest paid		(44)	-
Distributions received		243	208
Other income received		125	1
Management fees paid		(806)	(748)
Performance fees paid		(757)	(672)
Payment of other expenses		(203)	(216)
Net cash inflows from operating activities	10(a)	<u>1,202</u>	<u>3,517</u>
Cash flows from investing activities			
Proceeds from sale of investments		41,371	40,734
Purchase of investments		(39,985)	(38,764)
Net cash inflows from investing activities		<u>1,386</u>	<u>1,970</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		2,140	2,923
Payments for redemptions by unitholders		(5,390)	(4,751)
Distributions paid		(4,555)	(1,628)
Net cash outflows from financing activities		<u>(7,805)</u>	<u>(3,456)</u>
Net (decrease)/increase in cash and cash equivalents		(5,217)	2,031
Cash and cash equivalents at the beginning of the year		<u>273</u>	<u>(1,758)</u>
Cash and cash equivalents at the end of the year	10(b)	<u>(4,944)</u>	<u>273</u>

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

1 General information

These special purpose financial statements cover WaveStone Capital Absolute Return Fund ("the Trust") as an individual entity. The Trust is an Australian unregistered managed scheme and was constituted on 5 September 2006. The Trust will terminate on 5 September 2086 unless terminated earlier in accordance with the provisions of the Trust's Constitution.

The financial statements were authorised for issue by the Directors on 17 September 2020.

The nature of the operating and principal activities of the Trust are described in the Directors' report.

2 Summary of significant accounting policies

The Directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to unitholders and must not be used for any other purpose. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the unitholders.

(a) Basis of preparation

The financial statements have been prepared in accordance with the recognition and measurement requirements of all Australian Accounting Standards as issued by the Australian Accounting Standards Board, and the disclosure requirements of the following Australian Accounting Standards.

- AASB 101 - Presentation of Financial Statements
- AASB 107 - Statement of Cash Flows
- AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors

The financial statements are presented in Australian dollars and are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments and net assets attributable to unitholders. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

(i) New accounting standards and interpretations

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For Profit and Not-for-Profit Tier 2 Entities ("AASB 1060") AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities ("AASB 2020-2").

Effective for annual reporting periods beginning on or after 1 July 2021, certain for-profit entities will be required to prepare general purpose financial statements, rather than special purpose financial statements, to enhance consistency, comparability and transparency of financial reporting. To reduce the cost of preparing general purpose financial statements while maintaining their usefulness, affected entities will be required to follow the recognition and measurement requirements under Australian Accounting Standards, but may apply the simplified disclosure requirements in AASB 1060. AASB 1060 is the new simplified disclosure standard developed by the AASB based on International Financial Reporting Standards for Small and Medium sized Entities.

AASB 2020-2 makes consequential amendments to existing Australian Accounting Standards to emphasise the new requirement for preparation of general purpose financial statements. Certain relief is available for early adopters.

All new accounting standards that are applicable to the Trust for the 30 June 2020 reporting period have been adopted and do not have a material impact on the financial statements.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) *New accounting standards and interpretations (continued)*

There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the financial statements or have been early adopted for the 30 June 2020 reporting period.

(b) Financial instruments

(i) *Classification*

Assets

The Trust classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Trust's portfolio of financial assets is managed and its performance is evaluated on a fair value basis, which is mandatory, in accordance with the Trust's documented investment strategy. The Trust uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Trust's policy is for the Trustee to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

Liabilities

The Trust makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

(ii) *Recognition/derecognition*

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Trust measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the statement of comprehensive income.

(iv) *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 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders - Liability

Units issued by the Trust are redeemable for cash at the unitholders' option at any time based on the redemption price. The fair value of redeemable units is measured using the redemption unit price at the reporting date if unitholders were to exercise their right to redeem units in the Trust.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation* ("AASB 132"):

- the puttable financial instrument entitles the holder to a pro rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

The Trust's Constitution does not allow the Trust to operate as an Attribution Managed Investment Trust ("AMIT"), as a result, unitholder funds are classified as a liability as they do not satisfy the above criteria under AASB 132 *Financial Instruments: Presentation*.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

When derivatives are held, payments and receipts relating to the purchase and sale of derivatives are classified as cash flows from operating activities, as movements in the fair value of these securities form a part of the Trust's income generating activity.

Payments and receipts relating to the purchase and sale of investment securities at fair value are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Trust's investment activity.

Bank overdrafts are shown within borrowings in liabilities on the statement of financial position.

(e) Collateral and margin accounts

Collateral and margin accounts represent short term investments which are not held for the purpose of meeting short term cash commitments. They may also include restricted deposits for derivative financial instruments and/or for securities sold short. Margin accounts represent cash deposits held by or due to brokers as collateral against open derivative contracts.

Collateral and margin accounts are measured at amortised cost using the effective interest method less any allowance for impairment.

2 Summary of significant accounting policies (continued)

(f) Investment income and interest expense

Investment income may include net gains or losses from financial instruments. Where applicable, these net gains include all realised and unrealised fair value changes. Any foreign exchange differences, interest, dividends and distributions are recorded as separate line items in the statement of comprehensive income. Where applicable, interest income and interest expense are recognised using the effective interest method, and dividend and distribution income are recognised when the Trust's right to receive payment is established.

When securities are sold short, dividend expense is recognised when the shareholders' right to receive payment is established.

The Trust has not applied hedge accounting.

(g) Expenses

Expenses may include management fees, operation costs and transaction costs. Expenses may also include performance fees if permitted by the Trust's governing documents. Expenses are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Trust currently incurs withholding tax on investment income imposed by certain countries. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(i) Goods and Services Tax

Goods and Services Tax ("GST") is incurred on the cost of various third party services provided to the Trust. The Trust qualifies for Reduced Input Tax Credits ("RITC") at various applicable rates.

All relevant expenditure has been recognised in the statement of comprehensive income net of RITC recoverable. GST is grossed up and included in payables and receivables respectively. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(j) Foreign currency

(i) *Functional and presentation currency*

The functional and presentation currency of the Trust is Australian dollars.

(ii) *Transactions and balances*

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction.

2 Summary of significant accounting policies (continued)

(j) Foreign currency (continued)

(ii) Transactions and balances (continued)

Monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

(k) Use of estimates

The Trust may hold financial instruments for which quoted market prices are readily available. The Trust may also hold certain financial instruments, for example over-the-counter derivatives or unquoted securities, which are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Trustee independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

(l) Rounding of amounts

The Directors have elected to apply the ASIC Corporations Instrument 2016/191. Amounts in the financial report have been rounded to the nearest \$1,000 in accordance with that Instrument, unless otherwise indicated.

(m) Comparative disclosures

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current period's presentation.

3 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by the Trustee to Ernst & Young. The audit fees incurred by the Trustee for the year were \$7,100 (2019: \$7,000).

4 Net assets attributable to unitholders - Liability

As stipulated in the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust.

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

Income not distributed is included in net assets attributable to unitholders. Where unitholder funds are classified as a liability, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Constitution, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

4 Net assets attributable to unitholders - Liability (continued)

Terms and conditions on units (continued)

The rights, obligations and restrictions attached to each unit are identical in all respects.

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

	2020 No. '000	2019 No. '000	2020 \$'000	2019 \$'000
Net assets attributable to unitholders				
- Wholesale Class				
As at 1 July - Opening Balance - Liability	42,235	42,796	57,744	60,815
Applications for units	1,599	2,094	2,128	2,936
Units issued upon reinvestment of distributions	837	255	1,144	362
Redemptions of units	(4,622)	(2,910)	(6,071)	(4,022)
Changes in net assets attributable to unitholders	-	-	(6,477)	(2,347)
As at 30 June - Closing Balance - Liability	40,049	42,235	48,468	57,744
As at 30 June			2020 \$'000	2019 \$'000
Total net assets attributable to unitholders			48,468	57,744

Capital risk management

The Trust considers its unitholder funds as capital. The amount of unitholder funds can change significantly as the Trust is subject to applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets by the Trustee. Under the terms of the Trust's Constitution, the Trustee has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

5 Distributions to unitholders

In accordance with the Trust's Constitution, the Trust distributes income adjusted for amounts determined by the Trustee to unitholders by cash or reinvestment. Where unitholder funds are classified as a liability, these distributions are recognised in the statement of comprehensive income as finance costs.

The distributions for the year were as follows:

	2020 \$'000	2020 CPU	2019 \$'000	2019 CPU
Distributions - Wholesale Class				
Distributions payable - June	2,598	6.49	5,707	13.51
	2,598	6.49	5,707	13.51
Total distributions paid and payable	2,598		5,707	

5 Distributions to unitholders (continued)

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

6 Receivables

Receivables may include GST RITC, application monies, interest, dividends, trust distributions and other income accrued and unsettled trade purchases. They are recognised when the right to receive payment is established and are generally recovered within 30 days. The Trust measures expected credit losses using a lifetime expected loss allowance. Given the nature of the Trust's receivables there has been no allowance for expected credit losses recorded.

As at 30 June	2020	2019
	\$'000	\$'000
Distributions receivable	67	126
Applications for units receivable	-	13
Interest receivable	2	2
Other receivables	-	7
Outstanding trade settlements	946	663
Dividends receivable	125	323
GST receivable	14	43
	1,154	1,177

7 Financial assets at fair value through profit or loss

As at 30 June	2020	2019
	\$'000	\$'000
Equity securities	51,117	60,545
Listed unit trusts	5,625	6,005
Total financial assets at fair value through profit or loss	56,742	66,550

8 Financial liabilities at fair value through profit or loss

As at 30 June	2020	2019
	\$'000	\$'000
Listed equity securities sold short	1,907	4,312
Total financial liabilities at fair value through profit or loss	1,907	4,312

9 Payables

Payables may include redemptions payable, accrued expenses and unsettled purchases of financial instruments which are unpaid by the Trust at the reporting date. Amounts are generally paid within 30 days.

As at 30 June	2020	2019
	\$'000	\$'000
Dividends payable	5	-
Amounts owing to the Trustee	59	462
Outstanding trade settlements	346	233
Redemptions of units payable	798	116
	1,208	811

10 Reconciliation of (loss)/profit to net cash inflows from operating activities

(a) Reconciliation of (loss)/profit to net cash inflows from operating activities

For the year ended 30 June	2020	2019
	\$'000	\$'000
Net (loss)/profit attributable to unitholders	(3,879)	3,360
Net losses on financial instruments at fair value through profit or loss	4,538	731
Participation in dividend and distribution reinvestment plans	(308)	(126)
Proceeds from sale of derivatives	1,611	181
Purchase of derivatives	(655)	(545)
Net change in receivables and other assets	293	232
Net change in payables and other liabilities	(398)	(316)
Net cash inflow from operating activities	1,202	3,517

(b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash at bank and borrowings	(4,944)	273
Cash and cash equivalents	(4,944)	273

(c) Non-cash investing and financing activities

Reinvestment of unitholder distributions	1,144	362
Participation in dividend and distribution reinvestment plans	308	126

11 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2020 or on the results and cash flows of the Trust for the year ended on that date.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 (2019: \$Nil).

Directors' declaration

In the opinion of the Directors of the Trustee:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 5 to 17:
 - (i) present fairly the Trust's financial position as at 30 June 2020 and its performance for the financial year ended on that date;
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in note 2 to the financial statements; and
- (c) there are reasonable grounds to believe that the Trust 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 Directors.

On behalf of the Board of Fidante Partners Limited.



**A Bell
Director**

**Sydney
17 September 2020**



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Independent Auditor's Report to the Unitholders of WaveStone Capital Absolute Return Fund

Opinion

We have audited the financial report, being a special purpose financial report, of WaveStone Capital Absolute Return Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in unitholder funds and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of WaveStone Capital Absolute Return Fund as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of the Australian Accounting Standards to the extent described in Note 2 to the financial statements.

Basis for Opinion

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

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial report is prepared to assist the Trustee of the Trust to meet the requirements of the Trust Deed. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Trust and the directors of Fidante Partners Limited (the "Trustee" and collectively the "Recipients") and should not be distributed to parties other than the Recipients. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Trustee are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Trustee are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the Trust Deed and is appropriate to meet the needs of the unitholders. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
17 September 2020

Directory

Trustee

Fidante Partners Limited
ABN 94 002 835 592
AFSL 234668

Registered office and principal place of business

Level 2
5 Martin Place
Sydney NSW 2000

Prime broker and Custodian

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Auditor

For the Trustee and the Trust
Ernst & Young
200 George Street
Sydney NSW 2000

Asset Manager

WaveStone Capital Pty Limited
Suite 5, Level 27 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

