



## **ActiveX Kapstream Absolute Return Income Fund (XKAP)**

ARSN 632 896 176

### **Annual Financial Report for the Year Ended 30 June 2023**

The Responsible Entity of ActiveX Kapstream Absolute Return Income Fund is Fidante Partners Limited (ABN 94 002 835 592) (AFSL 234 668).

The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

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## Directors' report

The Directors of Fidante Partners Limited, the Responsible Entity of ActiveX Kapstream Absolute Return Income Fund (the Trust), present their report together with the annual general purpose financial report of the Trust for the year ended 30 June 2023.

The Trust is an Australian Registered Managed Investment Scheme. Fidante Partners Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 5 Martin Place, Sydney NSW 2000.

### Directors

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

A Bofinger	Director	
J Coomer	Director	(Resigned 26 June 2023)
R Grimes	Director	(Resigned 22 November 2022)
A Judin	Director	(Appointed 13 July 2023)
J O'Keeffe	Director	
V Rodriguez	Director	(Appointed 9 December 2022)
T Roxburgh	Director	(Appointed 13 July 2023)
Y Sodhi	Director	(Resigned 30 May 2023)

### Principal activities and significant changes in the state of affairs

The Trust is a registered managed investment scheme domiciled in Australia. The Trust has one class of units named the ActiveX Kapstream Absolute Return Income Fund (Managed Fund) (ETF Class). The Trust's principal place of business is Level 2, 5 Martin Place, Sydney, New South Wales 2000.

The ActiveX Kapstream Absolute Return Income Fund (Managed Fund) (Active ETF) is a quoted managed investment scheme providing an opportunity to buy a portfolio of assets in a single transaction. Kapstream Capital Pty Ltd (ABN 122 076 117), as Asset Manager, is appointed to make decisions about its underlying portfolio allocation with a goal to outperform a target benchmark, being the RBA Cash rate.

The Active ETF is quoted for trading on the Cboe Australia (Cboe) under the Cboe Operating Rules (ticker code XKAP).

The Trust invests in the Kapstream Absolute Return Income Fund (ARSN 124 152 790) (the underlying Trust) and cash. The Trust maintains its strategy of targeting an absolute return over time by investing in a global, diversified portfolio of predominantly investment grade fixed income securities, according to the Asset Manager's global macroeconomic and market views.

The investment approach is in accordance with its investment strategy. Kapstream, as Asset Manager, is responsible for selecting and managing the assets of the Trust and the underlying Trust. The investment approach is based on Kapstream drawing on information from many sources such as economic round tables, investment banks, brokers, rating agencies and central banks. Kapstream employs a rigorous evaluation process for individual trades, first confirming that a prospective security meets Kapstream's global macroeconomic view, then incorporating decision variables such as duration, yield curve, country, sector and volatility which is supported by the investment team's research and analysis.

Fidante Partners Limited is the Responsible Entity of the Trust. As Responsible Entity, Fidante Partners Limited is responsible for overseeing the operations of the Trust. The Responsible Entity has appointed an independent market Authorised Participant to act as its agent to execute its market making activities and has entered into a market making agreement to facilitate liquidity. An Authorised Participant is a financial institution which has entered into an Authorised Participant Agreement with the Responsible Entity.

The offer for units in the Active ETF is only available through an Authorised Participant. Investors can buy and sell units from/to other investors in the secondary market in the same way as other listed securities. The Authorised Participant provides liquidity to investors by acting as a buyer and seller of units.

## Directors' report (continued)

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

### Operating and financial review

The results of the operations of the Trust for the year 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 table below shows historical discrete annual return performance of the Trust for the past two years. Performance is calculated after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that year. The total return is the aggregate of capital growth and distribution of income.

The Indirect Cost Ratio (ICR) represents the annualised percentage of indirect costs incurred by the Trust over the Trust's average net assets attributable to unitholders for the year.

The results of the Trust were as follows:

	2023	2022
	\$'000	\$'000
<b>For the year ended 30 June</b>		
Net profit/(loss) for the year	304	(141)
Distributions paid and payable	336	265
<b>For the year ended 30 June</b>	<b>2023</b>	<b>2022</b>
Capital growth (%)	(0.30)	(3.40)
Distribution of income (%)	2.95	2.27
<b>Total return (%)</b>	<b>2.65</b>	<b>(1.13)</b>
ICR (%)	0.55	0.55
Distributions paid and payable (CPU)	279.53	227.03

The indirect costs can include management fees and other costs as indicated in the Trust's governing documents. Indirect costs may also include performance fees if permitted by the Trust's governing documents. These costs are typically deducted from the Trust's assets rather than paid directly by the unitholders of the Trust.

### Significant events after the balance date

At the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future financial years, which has not already been reflected in this report.

### Likely developments and expected results

At the time the Directors approved this report, they were not aware of any developments likely to have a significant effect upon the operations or the result of the Trust in subsequent financial years, which have not been adequately dealt with in this report or in the financial report.

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.

The method of operating the Trust is not expected to change in the foreseeable future however the results of the Trust's operations may be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and past returns should not be used to predict future returns.

## Directors' report (continued)

### Indemnification and insurance of directors and 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 and the Corporations Act 2001, 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.

### Fees paid to and interests held in the Trust by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of the Trust's assets during the year are disclosed in note 10 to the financial statements.

No fees were paid out of Trust assets to the Directors of the Responsible Entity during the year.

Interests in the Trust held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 10 to the financial statements.

### Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in note 2 to the financial statements.

### Value of Trust assets

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 1.2 to the financial statements.

### Environmental regulation and performance

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

Unless otherwise stated, monetary amounts contained in this report and the financial report have been rounded to the nearest \$1,000 under the option available to the Trust under the Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

## Directors' report (continued)

### Authorisation

Signed in accordance with a resolution of the Directors of the Responsible Entity.

A handwritten signature in black ink, appearing to be 'A Judin', written over a circular stamp or seal.

**A Judin**  
Director

**Sydney**  
15 September 2023



**Building a better  
working world**

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## Auditor's independence declaration to the directors of Fidante Partners Limited

As lead auditor for the audit of the financial report of ActiveX Kapstream Absolute Return Income Fund for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

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

  
Ernst & Young

  
Rita Da Silva  
Partner  
15 September 2023

## Statement of comprehensive income

For the year ended 30 June

	Notes	2023 \$'000	2022 \$'000
<b>Income</b>			
Interest income from financial assets measured at amortised cost		2	—
Distribution income		399	326
Net gains/(losses) on financial instruments at fair value through profit or loss		(32)	(405)
<b>Total net income</b>		<b>369</b>	<b>(79)</b>
<b>Expenses</b>			
Management fees	10	62	60
Other expenses		3	2
<b>Total expenses</b>		<b>65</b>	<b>62</b>
<b>Net profit/(loss) for the year</b>		<b>304</b>	<b>(141)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>304</b>	<b>(141)</b>
<b>Basic earnings per unit (CPU)</b>	13	<b>2.51</b>	<b>(123.71)</b>
<b>Diluted earnings per unit (CPU)</b>	13	<b>2.51</b>	<b>(123.71)</b>

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



## Statement of financial position

As at 30 June

	Notes	2023 \$'000	2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	37	25
Receivables	4	92	161
Financial assets at fair value through profit or loss	5	10,245	11,277
<b>Total assets</b>		<b>10,374</b>	<b>11,463</b>
<b>Liabilities</b>			
Distributions payable	3	75	144
Payables	6	6	6
<b>Total liabilities</b>		<b>81</b>	<b>150</b>
<b>Net assets attributable to unitholders - Equity</b>	2	<b>10,293</b>	<b>11,313</b>

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

## Statement of changes in unitholder funds

### For the year ended 30 June

The following Trust is single-class and classifies net assets attributable to unitholders as equity. Refer to note 2.

	Notes	2023 \$'000	2022 \$'000
<b>Classification of net assets attributable to unitholders as at 30 June</b>		<b>Equity</b>	<b>Equity</b>
<b>As at 1 July - Opening Balance</b>		<b>11,313</b>	<b>9,707</b>
Applications for units		1,012	2,500
Units issued upon reinvestment of distributions		—	12
Redemptions of units		(2,000)	(500)
Distributions paid and payable	3	(336)	(265)
Total comprehensive income/(loss) for the year - Equity		304	(141)
<b>As at 30 June - Closing Balance</b>	<b>2</b>	<b>10,293</b>	<b>11,313</b>

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

## Statement of cash flows

For the year ended 30 June

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		2,000	500
Purchase of financial instruments at fair value through profit or loss		(1,000)	(3,000)
Interest received		2	—
Distributions received		468	405
Other income received		4	5
Management fees paid		(69)	(65)
<b>Net cash inflows/(outflows) from operating activities</b>	11	<b>1,405</b>	<b>(2,155)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		1,012	3,000
Payments for redemptions by unitholders		(2,000)	(500)
Distributions paid		(405)	(335)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(1,393)</b>	<b>2,165</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12</b>	<b>10</b>
Cash and cash equivalents at the beginning of the year		25	15
<b>Cash and cash equivalents at the end of the year</b>	11	<b>37</b>	<b>25</b>

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

## Notes to the financial statements

### 1. Basis of preparation and overarching significant accounting policies

These financial statements cover the ActiveX Kapstream Absolute Return Income Fund (the Trust) as an individual entity. The Trust is an Australian registered managed investment scheme and was constituted on the below date. The Trust was registered with the Australian Securities and Investments Commission on 26 April 2019 and commenced on the date that the first unit was issued, which was 9 October 2019. The Trust will terminate on the below date unless terminated earlier in accordance with the provisions of the Trust's Constitution.

Trust name	Constitution date	Termination date
ActiveX Kapstream Absolute Return Income Fund	12 April 2019	11 April 2099

The ActiveX Kapstream Absolute Return Income Fund (Managed Fund) (Active ETF) is a class of units in the Trust and is a quoted managed investment scheme. The Active ETF was admitted to trading status on the Cboe Australia (Cboe) under the Cboe Operating Rules on 15 October 2019 (ticker code XKAP).

The financial report of the Trust for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 15 September 2023.

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

#### 1.1. Basis of preparation

##### Basis of preparation

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Furthermore the financial statements have been prepared on a going concern basis as the Trust is expected to generate sufficient funds to enable it to pay its debts as and when they fall due.

The Trust is a for-profit entity for the purposes of preparing financial statements.

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. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

Unless stated otherwise, the financial report is presented in Australian dollars and has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

##### Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### New accounting standards and interpretations

All new accounting standards that are applicable to the Trust for the 30 June 2023 reporting period have been adopted and do not have a material impact on the financial statements.

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 2023 reporting period.

## 1. Basis of preparation and overarching significant accounting policies (continued)

### Foreign currency

Both the presentation currency and the functional currency of the Trust are Australian dollars.

Transactions in foreign currency are translated into the Trust's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rate ruling at the date when the fair value was determined.

### Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

### Rounding of amounts

Unless otherwise stated, monetary amounts contained in this report and the Directors' report have been rounded to the nearest \$1,000 under the option available to the Trust under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

## 1.2. Summary of significant accounting policies

### 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.

The Trust has not applied hedge accounting.

### Expenses

Expenses are recognised on an accrual basis at the fair value of the consideration paid or payable for services rendered.

Management fees are set out in note 10. Settlement processing fees are paid to a third party Authorised Participant to facilitate settlement of XKAP units issued and redeemed. The Responsible Entity appointed an Authorised Participant as its agent to execute its market making activities in order to provide liquidity in XKAP units on the Cboe market.

### Taxes

Under the current legislation, the Trust is not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unitholders under the AMIT regime.

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 attributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not attributed 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 attributed to unitholders.

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

## 1. Basis of preparation and overarching significant accounting policies (continued)

### Goods and services (GST)

The Trust qualifies for Reduced Input Tax Credits (RITC) at various applicable rates.

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

### Cash and cash equivalents

Cash and cash equivalents are financial assets with fixed or determinable payments and comprise of cash at bank, cash held with custodian and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised at fair value. For the purposes of the statement of cash flows, cash and cash equivalents are stated net of any outstanding bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities at fair value 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.

### Financial instruments

#### *Classification*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *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.

#### *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. For further details on how the fair values of financial instruments are determined please refer to note 9.

#### *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.

## 1. Basis of preparation and overarching significant accounting policies (continued)

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

Financial assets are categorised as financial assets - fair value through profit or loss. The classification depends on the definition and the purpose for which the investments were acquired. The classification of investments is determined at initial recognition and evaluated at each reporting date.

Purchases and sales of financial assets are recognised on the date on which the Trust commits to purchase or sell the asset. A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset has expired, or the Trust has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Trust has:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Trust includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

### 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.

### Net assets attributable to unitholders

Units issued by the Trust can only be redeemed by an Authorised Participant who makes an application to redeem units. Following the cancellation of units the Responsible Entity will transfer a corresponding cash amount. Investors can enter and exit the Trust by buying and selling units on the Cboe exchange. The price investors enter and exit the Trust will be the price at which they buy or sell the units on the Cboe market price. The fair value of redeemable units is measured using the market price at the reporting date should the Authorised Participant exercise its 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.

At 30 June 2023, unitholder funds were classified as equity as they satisfied all of the criteria under AASB 132.

### 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, that 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 Responsible Entity, independent of the area that created them.

## 1. Basis of preparation and overarching significant accounting policies (continued)

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.

## 2. Net assets attributable to unitholders

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.

The number of separate classes of units in the below listed Trust is as follows.

Trust	Separate classes of units
ActiveX Kapstream Absolute Return Income Fund	One

Each unit in the Trust has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

Applications received for units in the Trust by the Authorised Participant are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust by the Authorised Participant 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 equity, movements in net assets attributable to unitholders are recognised in the statement of changes in unitholder funds.

The units in the Trust are a class of units in the ActiveX Kapstream Absolute Return Income Fund. There are no other classes of units in the Trust. Each unit has the same rights, preferences and restrictions attached to it as all other units of the Trust.

### 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 and the Corporations Act 2001, 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.

In addition, the Constitution provides that redemption requests may be suspended for up to 60 days for as long as the relevant circumstances apply. Those circumstances are where:

- it is impracticable for the Responsible Entity to calculate the net asset value (NAV), for example because of closure of, or trading restrictions on, stock or securities exchanges, an emergency or other state of affairs, or on declaration of a moratorium in a country where the Trust invests or under the Corporations Act 2001;
- the Responsible Entity reasonably estimates that it must sell 5% or more (by value) of all trust property to meet current unmet redemption requests;
- there have been redemption requests which will involve realising a significant amount of the trust property and the Responsible Entity considers that if those requests are all met immediately, unitholders who continue to hold units in the Trust may bear a disproportionate burden of capital gains tax or other expenses, or the meeting of those requests would otherwise be to the existing unitholders' disadvantage including (but not limited to) a material diminution in the value of the trust property;
- the Responsible Entity reasonably considers that it is in the interests of the unitholders;
- the units cease to be quoted or the Trust is removed from the official list of the market; or
- the law otherwise permits.



## 2. Net assets attributable to unitholders (continued)

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

<b>Net assets attributable to unitholders</b>	<b>No. '000</b>	<b>\$'000</b>
<b>Classification of net assets attributable to unitholders as at 30 June</b>	<b>Equity</b>	<b>Equity</b>
<b>As at 1 July 2022 - Opening Balance</b>	<b>118</b>	<b>11,313</b>
Applications for units	10	1,012
Units issued upon reinvestment of distributions	—	—
Redemptions of units	(21)	(2,000)
Distributions paid and payable	—	(336)
Total comprehensive income/(loss) for the year - Equity	—	304
<b>As at 30 June 2023 - Closing Balance</b>	<b>107</b>	<b>10,293</b>

<b>Net assets attributable to unitholders</b>	<b>No. '000</b>	<b>\$'000</b>
<b>Classification of net assets attributable to unitholders as at 30 June</b>	<b>Equity</b>	<b>Equity</b>
<b>As at 1 July 2021 - Opening Balance</b>	<b>98</b>	<b>9,707</b>
Applications for units	25	2,500
Units issued upon reinvestment of distributions	—	12
Redemptions of units	(5)	(500)
Distributions paid and payable	—	(265)
Total comprehensive income/(loss) for the year - Equity	—	(141)
<b>As at 30 June 2022 - Closing Balance</b>	<b>118</b>	<b>11,313</b>

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total net assets attributable to unitholders</b>	<b>10,293</b>	<b>11,313</b>

### 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 Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity 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.

### Net realised capital losses

At the end of the reporting period, the Trust had net realised capital losses available to offset against future net realised capital gains. Net realised capital losses are not finalised for taxation purposes, and may change due to calculation adjustment, denial, offset or recoupment and are as follows:

<b>As at 30 June</b>	<b>2023</b>	<b>2022</b>
<b>Net realised capital losses</b>	<b>\$</b>	<b>\$</b>
ActiveX Kapstream Absolute Return Income Fund	210,611	16,627

### 3. Distributions to unitholders

In accordance with the Trust's Constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity to unitholders by cash or reinvestment. Where unitholder funds are classified as equity, these distributions are recognised in the statement of changes in unitholder funds.

The distributions for the year are presented below in dollars ('000) and cents per unit (CPU) for each class.

	\$'000	CPU
<b>Distributions</b>		
Distributions paid - September 2022	85	65.86
Distributions paid - December 2022	89	69.39
Distributions paid - March 2023	87	73.03
Distributions payable - June 2023	75	71.25
<b>Total distributions - 30 June 2023</b>	<b>336</b>	<b>279.53</b>
Distributions paid - September 2021	47	43.40
Distributions paid - December 2021	24	20.23
Distributions paid - March 2022	50	41.18
Distributions payable - June 2022	144	122.22
<b>Total distributions - 30 June 2022</b>	<b>265</b>	<b>227.03</b>
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total distributions paid and payable - 30 June</b>	<b>336</b>	<b>265</b>

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

### 4. Receivables

Receivables may include GST RITC, application monies and trust distributions. They are recognised when the right to receive payment is established and are generally recovered within 30 days. The Trust measures expected credit losses on a 12-month basis. Given the nature of the Trust's receivables and the limited exposure of the Trust to credit risk, no material expected credit losses have been recognised.

Amounts recoverable from related entities have no fixed repayment term and are non-interest-bearing.

All receivables are considered current.

<b>As at 30 June</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Distributions receivable	91	160
GST receivable	1	1
<b>Total receivables</b>	<b>92</b>	<b>161</b>

The Trust's distributions receivable at period end consisted of amounts receivable from Kapstream Absolute Return Income Fund as disclosed in note 10.

## 5. Financial assets at fair value through profit or loss

As at 30 June	2023 \$'000	2022 \$'000
<b>Unlisted unit trusts</b>		
Unlisted unit trusts	10,245	11,277
<b>Total unlisted unit trusts</b>	<b>10,245</b>	<b>11,277</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>10,245</b>	<b>11,277</b>

The Trust's investment in unlisted unit trusts at year end consisted of an investment in Kapstream Absolute Return Income Fund as disclosed in note 10.

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 8 and 9 respectively.

## 6. Payables

Payables comprise of accrued outstanding trade settlements and amounts owing to the Responsible Entity which are unpaid by the Trust at the reporting date. Amounts are generally paid within 30 days.

Amounts payable to related entities have no fixed repayment term and are non-interest-bearing.

All payables are considered current.

As at 30 June	Note	2023 \$'000	2022 \$'000
Amounts owing to the Responsible Entity	10	6	6
<b>Total payables</b>		<b>6</b>	<b>6</b>

## 7. Offsetting financial assets and financial liabilities

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. As at 30 June 2023 there are no financial assets and financial liabilities that have been offset in the statement of financial position (2022: \$Nil). As at 30 June 2023, the Trust has no netting arrangements which, if applied, would have a material impact on the disclosure of financial assets and liabilities.

## 8. Capital and financial risk management

### Overview

The Trust's activities can expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trust's overall 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 Trust may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying the financial risks that arise from these financial instruments and for ensuring there are mechanisms in place to manage these risks.

The allocation of assets between the various types of financial instruments is determined by the Trust's Asset Manager who manages the Trust's assets to achieve the Trust's investment objectives.

Divergence from target allocations and the composition of the assets is monitored on a regular basis.

## 8. Capital and financial risk management (continued)

The Responsible Entity has a Risk Management Strategy in place for managing risk and the key elements of the Risk Management Framework (RMF). The risks covered by the RMF include, but are not limited to, financial risks, for example: market, investment, pricing risks, funding, liquidity and counterparty risk; as well as regulatory, strategic and operational risks. The key elements for managing these risks include:

- Documented policies and procedures;
- Post trade investment compliance monitoring by teams not involved in the dealing and investment management activity;
- Segregation of the dealing and investment management function from the investment administration and settlement function;
- Independently sourced valuations for securities;
- A risk and compliance team and Responsible Entity management team with separate reporting lines;
- Clearly defined reporting lines and accountability for managing risks;
- Clearly defined responsibility for maintaining the RMF and monitoring compliance with it; and
- Oversight of risk management activity and the risk profile of the business by the Board of the Responsible Entity and various risk and compliance and committees that the Responsible Entity, and its ultimate parent, have established.

As part of its Risk Management Strategy, the Trust may use derivatives including exchange traded derivatives, to manage exposures resulting from changes in index prices, equity risks and exposures arising from forecast transactions.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk includes (amongst others) three types of risk: interest rate risk (due to fluctuations in interest rates), currency risk (due to fluctuations in foreign exchange rates), and equity price risk (due to fluctuations in market prices).

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

### Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Trust's investments are held by the underlying unlisted unit trust are debt instruments carried at fair value, price risk is not considered to be a significant risk to the Trust.

### Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Asset Manager may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of the Trust, and agreed acceptable level of foreign exchange risk.

The Trust holds no direct investment in international assets hence foreign exchange risk is not considered to be a significant risk to the Trust.

The Trust is exposed to future movements in foreign exchange rates due to its investment in the underlying unlisted unit trust.

### Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust is exposed to interest rate risk due to its investment in the underlying unlisted unit trust.

## 8. Capital and financial risk management (continued)

The Trust has established limits on the total interest rate exposure, which are monitored on a daily basis. The Trust may use derivatives to hedge unexpected increases in interest rates.

The summarised sensitivity analysis section of this note demonstrates the sensitivity of the Trust's net profit to possible changes in interest rates, with all other variables held constant. The analysis is based on the assumptions that interest rates increased by 100 bps (2022: 100 bps) or decreased by 100 bps (2022: 100 bps).

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on:

- the interest income for one year, based on the floating rate financial assets held at 30 June 2023; and
- changes in the fair value of investments for the year based on revaluing fixed rate financial assets at 30 June 2023.

### Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's net profit and net assets attributable to unitholders to applicable market risks. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market prices. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on net profit/Net assets attributable to unitholders							
	Price risk		Interest rate risk		Foreign exchange risk			
	-10%	+10%	-100bps	+100bps	-10%	+10%	-10%	+10%
	USD	USD	EUR	EUR	USD	USD	EUR	EUR
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2023	—	34	71	(68)	11	(11)	—	—
30 June 2022	—	—	9	(8)	7	(7)	(2)	2

	Impact on net profit/Net assets attributable to unitholders			
	Foreign exchange risk			
	-10%	+10%	-10%	+10%
	JPY	JPY	OTHER	OTHER
	A\$'000	A\$'000	A\$'000	A\$'000
30 June 2023	(7)	7	—	—
30 June 2022	—	—	4	(4)

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Trust aims to ensure that at all times it has appropriate credit risk management policies and practices in place and that the Board and senior management are appropriately informed of the Trust's credit risks.

The main concentration of credit risk, to which the Trust is exposed, arises from the Trust's investment in debt securities. The Trust is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trust's exposure to credit risk is equal to the fair value of these instruments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

## 8. Capital and financial risk management (continued)

The Trust manages counterparty risk in relation to over-the-counter derivatives by using only counterparties with an acceptable credit rating in accordance with the provisions of the Trust's policies. Exposures to counterparties are monitored by the Asset Manager on a regular basis.

The credit quality of financial assets and derivatives are managed by the Trust in accordance with the Trust's governing documents, by taking into account any applicable external credit rating or internal credit assessment, prior to trading. The Trust's exposure in each grade is monitored on a regular basis. This review process allows the Responsible Entity to assess the potential loss as a result of credit risk and take corrective action where required. Internal ratings are expressed on the basis of S&P rating definitions. Where an external rating (which will predominantly be Standard & Poor's, Moody's, Fitch's, or another reputable credit rating agency) is available, the internal rating will ordinarily be no greater than the lowest external rating assigned. Assets that have not received any rating reference from external credit rating agency have been internally rated using market accepted method.

If no external rating is available, then they are internally rated by the credit risk team and labelled not rated (NR).

The following table details the breakdown by credit rating of the underlying investment assets and derivatives held by the Trust:

<b>Bond and derivative credit ratings</b>	<b>30 June 2023 \$'000</b>	<b>30 June 2022 \$'000</b>
AAA	553	988
AA+	3	241
AA	300	227
AA-	1,041	750
A+	429	372
A	407	526
A-	1,038	917
BBB+	2,439	3,152
BBB	1,851	1,553
BBB-	1,341	1,772
BB+	79	62
BB	430	400
BB-	97	90
B	202	197
B-	35	30
<b>Total bond and derivative credit ratings</b>	<b>10,245</b>	<b>11,277</b>

### Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either the inability to sell financial assets at their fair values, a counterparty failing on repayment of a contractual obligation, or the inability to generate cash inflows as anticipated.

The Trust aims to ensure that it has sufficient liquidity to meet its obligations on a short term, medium term and long term basis. In the current and preceding year, all payables have no fixed repayment term. The current balance of amounts payable to related entities will be repaid in full within 1 year of the reporting date.

The Trust's governing documents allow for redemptions of units by the Authorised Participant. The Trust is therefore exposed to a liquidity risk of meeting these unitholders' redemptions at any time.

## 8. Capital and financial risk management (continued)

This risk is controlled through the Trust's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Trust's investments are considered to be readily realisable.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (not limited to):

- whether the purpose of the investment is consistent with the investment strategy of the Trust;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity level for the Trust.

Under the terms of its Constitution, the Trust has the ability to manage liquidity risk by suspending redemptions from the Trust, if necessary, until the funds are available to pay them.

### Maturity analysis for financial liabilities

Financial liabilities of the Trust comprise trade and other payables and distributions payable. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

### Market making risk

Under the Cboe Operating Rules, the Responsible Entity has certain market making obligations in respect of the Active ETF. To facilitate an orderly and liquid market in the Active ETF, the Responsible Entity has appointed a market maker to provide alternate liquidity. Whilst the Responsible Entity monitors the market maker's ability to maintain continuous liquidity to the market, there is no guarantee that these requirements will always be met, particularly if there is a failure by a market maker.

A market maker will create and redeem units as required to hold inventory of a security and provide buy and sell prices to the secondary market, while also potentially hedging their underlying positions.

Each day the basket of underlying securities of the Active ETF is published, allowing the market maker to calculate the total value of the Active ETF. The market maker applies a buy and sell spread to the value and publishes these prices on the exchange, continuously updating the prices throughout the trading day and trading as orders are submitted.

Subject to the Cboe Operating Rules, the Responsible Entity may replace a market maker appointed in respect of the Active ETF or appoint additional market makers.

### Settlement risk

The Trust may be exposed to settlement risk as the application and redemption processes associated with the issue or redemption of units in the Trust are subject to the normal settlement procedures through the Clearing House Electronic Sub-register System (CHES) and are reliant on the operation of the CHES.

If an Authorised Participant fails to comply with its settlement obligations, this may adversely impact upon the Trust. The risk is partly mitigated as participants in CHES are subject to rules of participation, which include sanctions if there is a failure to meet their obligations. The Trust may also suffer loss if an Authorised Participant fails to deliver the application consideration for units, or redeliver units in relation to a redemption, by the settlement time and the Trust has entered into transactions in reliance on delivery occurring.

### Trading risk

The Trust is quoted for trading on the Cboe under the Cboe Operating Rules and there is a risk that the Cboe may under certain circumstances suspend trading of the units of the Trust. Should this occur, investors will not be able to buy or sell units on the Cboe. The underlying assets held by the Trust may also be suspended. Under these circumstances, the Responsible Entity may take measures to suspend the unit creation and redemption process or potentially terminate the Trust.



## 8. Capital and financial risk management (continued)

The Responsible Entity may suspend the application and redemption process around the end of a distribution period or where other factors prevent the accurate calculation of unit prices. This may cause the Trust's units to be suspended from trading on the Cboe. The Cboe also imposes certain requirements for units to continue to be quoted. To mitigate the risk in relation to the Trust, the Responsible Entity will use best endeavours to meet all Cboe requirements to ensure the units in the Trust remain quoted.

There is the risk that the issue price and redemption price applicable to a unit may differ from the trading price of a unit on the Cboe. The trading price is dependent upon a number of factors, including demand for and supply of the units in the Trust, investor confidence and the availability of the Authorised Participant's market maker services during the course of the trading day. The risk is mitigated as the application and redemption mechanism is designed to minimise the likelihood that the units will trade on the Cboe at a significantly different price to the issue price or redemption price. If investors buy or sell units on the secondary market, they will pay or receive the trading price, which may be higher or lower than NAV price.

## 9. Fair value measurement

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

In accordance with AASB 13 Fair Value Measurement the Trust is required to disclose fair value measurements by level using the fair value hierarchy. 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### Fair value in an active market (level 1)

The fair values of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

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

### Fair value in an inactive or unquoted market (level 2 and level 3)

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

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

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

The tables below set out the Trust's financial assets and liabilities measured at fair value through profit or loss according to the fair value hierarchy.



## 9. Fair value measurement (continued)

As at 30 June	2023	2022
Financial assets	\$'000	\$'000
<b>Level 2 financial assets</b>		
Unlisted unit trusts	10,245	11,277
<b>Total level 2 financial assets</b>	<b>10,245</b>	<b>11,277</b>

The Trust's investment in unlisted unit trusts at year end consisted of an investment in Kapstream Absolute Return Income Fund as disclosed in note 10.

## 10. Related party transactions

### Responsible Entity

The Responsible Entity of the Trust is Fidante Partners Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

### Key management personnel

#### Directors

Key management personnel includes persons who were Directors of Fidante Partners Limited at any time during the financial year and up to the date of the report as follows:

A Bofinger	Director	
J Coomer	Director	(Resigned 26 June 2023)
R Grimes	Director	(Resigned 22 November 2022)
A Judin	Director	(Appointed 13 July 2023)
J O'Keeffe	Director	
V Rodriguez	Director	(Appointed 9 December 2022)
T Roxburgh	Director	(Appointed 13 July 2023)
Y Sodhi	Director	(Resigned 30 May 2023)

#### Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Kapstream Capital Pty Ltd, is a related party to the Trust.

#### Key management personnel unitholdings

At 30 June 2023 no key management personnel held units in the Trust (2022: Nil).

#### Key management personnel compensation

No amount was paid by the Trust directly to the Directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

#### Responsible Entity's fees and other transactions

Under the terms of the Trust's Constitution the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets. For the year ended 30 June 2023 these rates are as follows:

## 10. Related party transactions (continued)

For the year ended 30 June	Trust name	Class	Fee Rate	
			2023	2022
			%	%
	ActiveX Kapstream Absolute Return Income Fund	ETF Class	0.55	0.55

These fees are inclusive of GST, net of RITC available to the Trust per annum.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

For the year ended 30 June	2023	2022
	\$	\$
Management fees for the year	61,660	59,779
Management fees payable	6,397	5,541

## Investments

The Trust held investments in the following entities which are also managed by Fidante Partners Limited or its related parties:

For the year ended 30 June	Fair value of investment		Interest held		Distributions received/receivable	
	2023	2022	2023	2022	2023	2022
	\$	\$	%	%	\$	\$
Kapstream Absolute Return Income Fund	10,245,068	11,276,960	0.51	0.44	398,797	326,489
<b>Total investments</b>	<b>10,245,068</b>	<b>11,276,960</b>	<b>0.51</b>	<b>0.44</b>	<b>398,797</b>	<b>326,489</b>

No other related parties to the Trust held investments at year end.

## 11. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

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

For the year ended 30 June	2023	2022
	\$'000	\$'000
<b>Reconciliation of profit/(loss) to operating cash flow</b>		
Net profit/(loss) for the year	304	(141)
Net (gains)/losses on financial instruments at fair value through profit or loss	32	405
Proceeds from sale of financial instruments at fair value through profit or loss	2,000	500
Purchase of financial instruments at fair value through profit or loss	(1,000)	(3,000)
Net change in receivables and other assets	69	80
Net change in payables and other liabilities	—	1
<b>Net cash inflows/(outflows) from operating activities</b>	<b>1,405</b>	<b>(2,155)</b>

### Components of cash and cash equivalents

As at 30 June	2023	2022
	\$'000	\$'000
Cash at bank, on hand and at custodian	37	25
<b>Total cash and cash equivalents</b>	<b>37</b>	<b>25</b>

## 11. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities (continued)

### Non-cash investing and financing activities

For the year ended 30 June	2023 \$'000	2022 \$'000
Reinvestment of unitholder distributions	—	12

## 12. Segment information

The Trust has only one reportable segment. The Trust operates in Australia and is engaged solely in investment activities, deriving revenue from distribution income, interest income and from the sale of its investment portfolio.

## 13. Earnings per unit

The basic earnings per unit (EPU) of the Trust is calculated by dividing the net profit/(loss) attributable to unitholders for the period by the weighted average number of units outstanding during the period.

For the year ended 30 June	2023	2022
<b>Basic EPU</b>		
Net profit/(loss) for the year (\$'000)	304	(141)
Weighted average number of units for basic EPU (units '000s)	121	113
<b>Basic EPU (cents)</b>	<b>2.51</b>	<b>(123.71)</b>

For the year ended 30 June	2023	2022
<b>Diluted EPU</b>		
Net profit/(loss) for the year (\$'000)	304	(141)
Weighted average number of units for diluted EPU (units '000s)	121	113
<b>Diluted EPU (cents)</b>	<b>2.51</b>	<b>(123.71)</b>

## 14. Remuneration of auditor

For the year ended 30 June	2023	2022
<b>Amounts received or due and receivable by Ernst &amp; Young for:</b>	<b>\$</b>	<b>\$</b>
Audit and review of the financial report of the Trust	13,100	12,500
<b>Total remuneration of auditor</b>	<b>13,100</b>	<b>12,500</b>

The cost incurred for auditing the financial report of the Trust is paid directly by the Responsible Entity.

## 15. 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 2023 or on the results and cash flows of the Trust for the year ended on that date.

## 16. Contingent assets and liabilities and commitments

At balance date the Trust has no contingent assets, liabilities or commitments (30 June 2022: Nil).

## Directors' declaration

In the opinion of the Directors of the Responsible Entity for the ActiveX Kapstream Absolute Return Income Fund:

- a. the financial statements and notes set out on pages 8 to 27 are in accordance with the Corporations Act 2001, including:
  - i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Trust's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.1; 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 Judin**  
**Director**

**Sydney**  
**15 September 2023**



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working world**

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## Independent auditor's report to the Unitholders of ActiveX Kapstream Absolute Return Income Fund

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of ActiveX Kapstream Absolute Return Income Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in unitholders 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 of the Trust is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Trust's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, 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 report* section of our 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 report. 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 report.

1. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
<p>The Trust's only investments are in the Kapstream Absolute Return Income Fund (the underlying trust) and cash. The underlying trust primarily invests in debt securities and derivatives. As at 30 June 2023, the value of the Trust's units in the underlying trust, was \$10,245,000 which equates to 98.8% of the total assets of the Trust.</p> <p>As detailed in the Trust's accounting policy, disclosed in Note 2 of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with the requirements of Australian Accounting Standards.</p> <p>Accordingly, valuation and existence of the investment portfolio was considered a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the effectiveness of the controls relating to the existence and valuation of investments.</li> <li>Agreeing investment holdings in the underlying trust to the financial records of the underlying trust as at 30 June 2023.</li> <li>Assessing the fair value of the Trust's investments in the underlying trust as at 30 June 2023 by obtaining and agreeing the unit price to the net asset value statements provided by the responsible entity of the underlying trust. We considered the appropriateness of the valuation methodologies adopted by the underlying trust.</li> <li>Assessing the adequacy of the disclosures in Note 5 of the financial report.</li> </ul>

Information other than the financial report and auditor's report thereon

The directors of Fidante Partners Limited as the Responsible Entity of the Trust (the "Responsible Entity") 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 we do not and will 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 on the other information obtained prior to the date of this auditor's report, 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 of the Responsible Entity for the financial report

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

In preparing the financial report, the directors of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity.
- ▶ Conclude on the appropriateness of the directors of the Responsible Entity 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.



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

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

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

Ernst & Young

Rita Da Silva  
Partner  
Sydney  
15 September 2023



## Directory

### **Responsible Entity**

Fidante Partners Limited  
ABN 94 002 835 592  
AFSL 234 668

### **Registered office and principal place of business**

Level 2  
5 Martin Place  
Sydney NSW 2000

### **Custodian**

Citigroup Pty Limited  
Level 23  
2 Park Street  
Sydney NSW 2000

### **Auditor**

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

### **Asset Manager**

Kapstream Capital Pty Ltd  
Level 5  
151 Macquarie Street  
Sydney NSW 2000





