



TANGGRAM INVESTMENT FUND

ARSN 623 672 336

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021

TANGGRAM INVESTMENT FUND RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2021

The Directors of the Responsible Entity, Vasco Trustees Limited present their report on the Tangram Investment Fund ('the Fund') for the period ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

1. Directors

The names of Directors of the Responsible Entity in office at any time during the financial year are:

Craig Mathew Dunstan

Fiona Jean Dunstan (retired 31 December 2020)

Jonathan William Martin

Reginald Bancroft

2. Principal Activities

The Fund was established on 12 March 2019 and issued the first units on the commencement date of 1 November 2019. The investment objective of the Fund is to generate income returns for investors by investing in managed investment funds which predominantly invest in secured loans, mortgage backed securities, and bonds. Initially, the Fund has invested into the Trilogy Monthly Income Trust and La Trobe Australian Credit Fund.

As at 30 June 2021, there were two investment options active in the Fund: Tangram Seed and Tangram Spark. Supplementary Product Disclosure Statements for each investment option were issued on 28 October 2019.

In FY2022, the Investment Manager plans to open two new investment options; the 'Tech Future Investment Option' and the 'Green Investing Investment Option'. The investment objective of these options are:

Tech Future: to provide long-term capital growth by allocating funds among selected ETFs which invest in listed technology companies, with the aim to outperform the benchmark MSCI World Index over rolling three-year periods after fees and taxes.

Green Investing: to provide long-term capital growth by selecting ETFs with high ESG scores based on MSCI ESG Fund Ratings.

3. Operating Results

The operating profit of the Fund for the financial period ending 30 June 2021 was \$285,248 (2020: \$26,434). During the period, the Investment Manager has agreed to contribute \$166,886 towards the expenses of the Fund.

4. Review of Operations

Tangram Seed

During the period since inception the Investment Option has issued 3,495,174 units of which 53,574 have resulted from the reinvestment of distributions. Redemptions of 1,013,647 units have occurred.

As at 30 June 2021, the Fund has invested \$1,140,922 in the Trilogy Monthly Income Trust (Trilogy) and \$1,168,523 in La Trobe Australian Credit Fund - 12 Month Term (La Trobe). Trilogy and La Trobe are retail funds investing in loans secured by mortgages over real property in Australia and/or other credit related investments. Distributions from these underlying investments are paid monthly to the Tangram Seed Investment Option.

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As at 30 June 2021 the Investment Option's investments were comprised of the following:

Investment	Investment	Interest Acc	\$
Trilogy Monthly Income Trust	\$1,140,922	\$4,669	\$1,145,591
La Trobe Australian Credit Fund	\$1,168,523	\$3,678	\$1,172,201
Total	\$2,309,445	\$8,347	\$2,317,792

Tangram Spark

During the period since inception the Investment Option has issued 8,382,706 units of which 193,418 have resulted from the reinvestment of distributions. Redemptions of 1,325,507 units have occurred.

As at 30 June 2021, the Fund has invested \$3,800,604 in the Trilogy Monthly Income Trust (Trilogy) and \$2,831,572 in La Trobe Australian Credit Fund - 12 Month Term (La Trobe). Trilogy and La Trobe are retail funds investing in loans secured by mortgages over real property in Australia and/or other credit related investments. Distributions from these underlying investments are paid monthly to the Tangram Spark Investment Option.

As at 30 June 2021 the Investment Options' investments were comprised of the following:

Investment	Investment	Interest Acc	\$
Trilogy Monthly Income Trust	\$3,800,604	\$18,229	\$3,818,833
La Trobe Australian Credit Fund	\$2,831,572	\$9,637	\$2,841,209
Total	\$6,632,176	\$27,866	\$6,660,042

5. Review of Performance

Investment Option	2021 % p.a.	2020 % p.a.
Tangram Seed	4.20	4.20
Tangram Spark	5.05	5.05

The above performance has been annualised.

During the financial year, the Investment Manager has made up any shortfall in order to provide investors with the Target Return as stated in each of ReturnTarget the Supplementary Product Disclosure Statement (SPDS).

6. Unit Redemption Prices

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

Tangram Seed

	2021 \$	2020 \$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

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Tanggram Spark

	2021 \$	2020 \$
At 30 June	1.00	1.00
High during year	1.00	1.00
Low during year	1.00	1.00

The availability and timing of redemptions is subject to the terms of the Fund's Constitution.

7. Distributions Paid or Recommended

In accordance with the Product Disclosure Statement of the Fund issued on 28 October 2019, distributions are declared and paid on a monthly basis based on the target return of each Investment Option.

Investment Option	Target Return
Tanggram Seed	4.20% p.a.
Tanggram Spark	5.05% p.a.

The following distributions are payable for the period to 30 June 2021:

Tanggram Seed

Period	Distribution Payable
1 June 2021 to 30 June 2021	\$7,529

The total distributions declared for the financial year were \$59,679.

Tanggram Spark

Period	Distribution Payable
1 June 2021 to 30 June 2021	\$27,001

The total distributions declared for the financial year were \$225,569.

8. Applications Held

As at 30 June 2021, the value of pending unit allocations was \$2,000 for Tanggram Seed and \$45,000 for Tanggram Spark.

9. Redemption Arrangements

As detailed in the Fund's Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders.

As detailed in the Fund's Product Disclosure Statement, subject to the minimum term of each Investment Option, unitholders can generally withdraw from the Fund as at the end of each month subject to providing a valid withdrawal request at least five business days prior to the end of the month.

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10. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The directors and executives of the Responsible Entity hold no options over interests in the Fund.

11. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

12. Value of Scheme Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$9,586,585. The Net Asset Value at the end of the reporting period was \$9,538,727.

The Gross Asset Values and Net Asset Values for each Investment Option as at the end of the reporting period were as follows:

Investment Option	Gross Asset Value	Net Asset Value
Tangram Seed	\$2,495,112	\$2,481,527
Tangram Spark	\$7,091,473	\$7,057,200

13. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

14. After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

15. Future Developments

During the financial year ending 30 June 2022 it is envisaged that the current Responsible Entity will retire and that Vasco Responsible Entity Services Limited will be appointed.

There are no other future developments to report on which are not otherwise disclosed in this report.

16. Indemnifying Officers or Auditor

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

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

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

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17. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

Fees of \$60,000 (plus GST) were accrued and paid by the Fund to the Responsible Entity for the period. In addition, fees of \$73,236 (plus GST) were accrued and paid by the Fund to the Administration Manager.

18. Units held by the Responsible Entity, Investment Manager or Related Parties

As at 30 June 2021, Executive Directors of the Investment Manager held 1,486 units in the Fund.

19. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 11 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 1 to the financial statements.

20. Rounding of Amounts

The Fund is of a kind referred to in the *Australian Securities and Investments Commission's Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*. Consequently, amounts in the financial statements have been rounded to the nearest dollar in accordance with that legislative instrument, or in certain cases, the nearest thousand dollars.

21. Environmental Issues

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

22. Lead auditor's declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the year ended 30 June 2021.

Signed in accordance with a resolution of the Board of Directors of Vasco Trustees Limited by:



Craig Dunstan

Director

Date: 21 October 2021

Auditor's Independence Declaration

To the Directors of Vasco Trustees Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Tanggram Investment Fund for the year ended 30 June 2021, I declare that, 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; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 21 October 2021

TANGGRAM INVESTMENT FUND

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$	2020 \$
Revenue and other income			
Bank interest	2 (a)	23	360
Distribution income	2 (b)	333,692	28,238
Other income		1,562	-
Total revenue and other income		335,277	28,598
Expenses			
Responsible entity fees	4	60,000	32,177
Administration fees	4	73,236	28,858
Financial audit fees	13	12,000	4,000
Compliance audit fees	13	1,000	1,000
Custodian fees		24,367	14,116
Other expenses	5	46,312	23,469
Reimbursement from Investment Manager		(166,886)	(101,456)
Total expenses		50,029	2,164
Net profit attributed to unitholders		285,248	26,434
Distribution expenses	12 (b)	285,248	26,434
Total comprehensive income for the year attributable to unitholders after distributions		-	-

The accompanying notes form part of these financial statements

TANGGRAM INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	6	608,750	71,447
Accrued investment income	7 (b)	36,214	10,829
Total current assets		644,964	82,276
Non-current assets			
Trilogy Monthly Income Trust	7 (a)	4,941,526	1,449,665
La Trobe Australian Credit Fund	7 (a)	4,000,095	1,086,627
Total non-current assets		8,941,621	2,536,292
Total assets		9,586,585	2,618,568
Liabilities			
Fees payable	8	25,223	19,671
Other expenses payable	9	6,329	15,675
Sundry creditor	10	(18,224)	854
Distributions payable	11 (b)	34,530	9,396
Total liabilities		47,858	45,596
Net assets		9,538,727	2,572,972
Equity			
Issued units	11 (a)	9,538,727	2,572,972
Total equity		9,538,727	2,572,972

The accompanying notes form part of these financial statements

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Issued Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2020		2,572,972	-	2,572,972
Issue of share capital		6,965,755	-	6,965,755
<i>Tanggram Seed</i>		1,880,344	-	1,880,344
<i>Tanggram Spark</i>		5,085,411	-	5,085,411
Total comprehensive income for the year		285,248	-	285,248
<i>Tanggram Seed</i>		59,679	-	59,679
<i>Tanggram Spark</i>		225,569	-	225,569
Distributions for the year		(285,248)	-	(285,248)
<i>Tanggram Seed</i>		(59,679)	-	(59,679)
<i>Tanggram Spark</i>		(225,569)	-	(225,569)
Balance at 30 June 2021	11	9,538,727	-	9,538,727

	Notes	Issued Capital \$	Retained Earnings \$	Total \$
Balance at 1 November 2019		-	-	-
Issue of share capital		2,572,972	-	2,572,972
<i>Tanggram Seed</i>		601,183		601,183
<i>Tanggram Spark</i>		1,971,789		1,971,789
Total comprehensive income for the year		26,434	-	26,434
<i>Tanggram Seed</i>		6,001		6,001
<i>Tanggram Spark</i>		20,433		20,433
Distributions for the year		(26,434)	-	(26,434)
<i>Tanggram Seed</i>		(6,001)		(6,001)
<i>Tanggram Spark</i>		(20,433)		(20,433)
Balance at 30 June 2020	11	2,572,972	-	2,572,972

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Payments to suppliers		(220,709)	(68,275)
Interest received		23	361
Investment income received		308,307	17,408
Reimbursement from investment manager		147,808	102,310
Net cash provided by operating activities		<u>235,429</u>	<u>51,804</u>
 Cash flows from investing activities			
Payment for the purchase of investment assets		(6,405,329)	(2,536,292)
Net cash used in investing activities		<u>(6,405,329)</u>	<u>(2,536,292)</u>
 Cash flows from financing activities			
Proceeds from the issue of units		9,052,073	2,578,816
Payments for the redemption of units		(2,317,822)	(19,770)
Distributions paid		(27,049)	(3,111)
Net cash provided by financing activities		<u>6,707,202</u>	<u>2,555,935</u>
 Net increase in cash and cash equivalents		537,302	71,447
Cash and cash equivalents at the beginning of year		71,447	-
 Cash and cash equivalents at the end of year	6	<u><u>608,750</u></u>	<u><u>71,447</u></u>

The accompanying notes form part of these financial statements

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Tanggram Investment Fund ('the Fund'). The Fund is a registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Trustees Limited, and the Investment Manager of the Fund is Tanggram Capital Pty Ltd.

Basis of Preparation

(a) Statement of compliance

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board

Tanggram Investment Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Responsible Entity.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

Investment assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires the directors of the Responsible Entity to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets and financial liabilities are held at fair value through profit or loss.

Under this approach, financial assets and financial liabilities are generally measured initially at fair value excluding any transaction costs that are directly attributable to acquisition.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognized in the statement of comprehensive income.

Fair value in an active market

The fair value 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 on the reporting date, while financial liabilities are priced at current offer prices.

Fair value in an inactive or unquoted market

The fair values of financial assets and liabilities that are not traded in an active market are determined through the valuation policy identified in the Information Memorandum for the Fund.

(ii) De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when applicable, are shown within short-term borrowings in current liabilities in the statement of financial position.

(c) Trade Receivables

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(d) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(e) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(g) Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(h) Equity

The Fund issues units which have a limited life under the Fund's Constitution and are classified as equity in accordance with *AASB 132 Financial Instruments: Presentation* as amended by *AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*.

Should the terms or conditions of the units change such that they no longer comply with the criteria for classification as equity in the revised *AASB 132*, the units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Where the Fund buys back any of its units from unitholders, the consideration paid, including any directly attributable incremental costs are recognised as a reduction in equity attributable to the Fund's unitholders.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(i) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue is deferred when fees are received upfront but where associated services are yet to be performed. Any consideration deferred for more than one year is treated as a financing arrangement and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(j) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(k) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

(l) Critical judgements and significant accounting estimates

The preparation of financial statements requires the directors of the Responsible Entity to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(m) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE

The Funds revenue may be analysed under the following categories

(a) Bank interest

	2021	2020
	\$	\$
Bank interest	23	360
	<u>23</u>	<u>360</u>

(b) Investment income

	2021	2020
	\$	\$
Trilogy Monthly Income Trust	210,956	19,099
La Trobe Australian Credit Fund	122,736	9,139
Total investment income	<u>333,692</u>	<u>28,238</u>

NOTE 3: INVESTMENT MANAGER FEES

	2021	2020
	\$	\$
Investment manager fees	-	-
	<u>-</u>	<u>-</u>

Investment Manager fees

In accordance with the Product Disclosure Statement of the Fund, the Investment Manager is entitled to a performance fee equal to all returns (net of other fees and expenses) in excess of the target return for each investment option, paid monthly in arrears. There will be no ability for the Fund to claw back any historical performance fee paid to the Investment Manager in respect of any under-performance.

There is no investment manager fee payable for the reporting period as the performance was less than the target returns in each Investment Option.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: RESPONSIBLE ENTITY AND ADMINISTRATION FEES

	2021	2020
	\$	\$
Responsible entity fees	60,000	32,177
Administration fees	73,236	28,858
	133,236	61,035

In accordance with the Product Disclosure Statement of the Fund, the Responsible Entity is entitled to receive an annual fee equal to 0.31% p.a. of the gross asset value of the Fund on amounts less than \$100 million; plus 0.05225% p.a. of the gross asset value of the Fund on amounts greater than or equal to \$100 million but less than \$200 million; plus 0.03135% p.a. of the gross asset value of the Fund on amounts greater than or equal to \$200 million. The responsible entity fee is subject to a minimum annual fee of \$60,000 (plus GST).

In accordance with the Product Disclosure Statement, the Administration Manager is entitled to a fee of up to 0.10% of the gross asset value of the Fund subject to a current minimum of \$50,000 per annum (plus GST) where the number of investors is between 251 and 1,000. An additional \$10,000 per annum is charged for administration of a second investment option with segregated assets. An additional fee of \$10,000 (plus GST) was charged from 1 March 2020 as per an arrangement to commence processing of applications on a weekly basis. The administration fees are subject to an increase of up to 5% p.a. on 1 January each year from 2022. There was an increase of 3% on 1 January 2020 and there will be an increase of 4% on 1 January 2021.

Responsible entity fees and administration fees are apportioned pro-rata across the GAV of each Investment Option and is accrued and paid monthly in arrears.

Tanggram Seed

	2021	2020
	\$	\$
Responsible entity fees	14,332	11,044
Administration fees	17,522	10,662
	31,854	21,706

Tanggram Spark

	2021	2020
	\$	\$
Responsible entity fees	45,668	21,133
Administration fees	55,714	18,196
	101,382	39,329

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 5: OTHER EXPENSES

	2021	2020
	\$	\$
Tax return fees	5,800	5,000
GST expense (non-claimable)	7,408	3,661
Other Administration expenses	31,603	13,567
ASIC fees	1,267	1,240
Bank fees	234	1
	46,312	23,469

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank

	2021	2020
	\$	\$
Commonwealth Bank	608,750	71,447
	608,750	71,447

Cash on deposit is held by the Custodian (Perpetual Corporate Trust Limited) with Commonwealth Bank (CBA).

NOTE 7: INVESTMENTS

(a) Investments

As at 30 June 2021, the Fund's investments were comprised of:

Investment	2021	2020
	\$	\$
Trilogy Monthly Income Trust	4,941,526	1,449,665
La Trobe Australian Credit Fund	4,000,095	1,086,627
	8,941,621	2,536,292

(b) Accrued investment income

Accrued investment income	2021	2020
	\$	\$
Trilogy Income Trust	22,898	7,271
La Trobe Australian Credit Fund	13,316	3,558
Total investment income	36,214	10,829

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: FEES PAYABLE

	2021	2020
	\$	\$
Responsible entity fees payable	5,000	5,000
Administration fees payable	6,223	4,671
Financial audit fees payable	8,000	4,000
Compliance audit fees payable	1,000	1,000
Custodian fees payable	5,000	5,000
	25,223	19,671

NOTE 9: OTHER EXPENSES PAYABLE

	2021	2020
	\$	\$
RITC receivable	(5,605)	(4,786)
Provision for tax return fees	5,000	5,000
Administration expenses payable	292	11,496
Withholding tax payable (a)	2,084	291
Withholding tax accrued (b)	1,449	-
Other accrued expenses	3,109	3,674
	6,329	15,675

(a) Withholding Tax Payable

For resident investors that do not provide the Fund with their Tax File Number (TFN), amounts are withheld from all distributions throughout the year at the top marginal rate, as the Fund has limited insight into the components of the income being received and then distributed until year-end. This may result in over-withholding where distributions include capital returns and discounted capital gains, as these would not typically attract TFN withholding. The Unitholders are potentially able to lodge an income tax return to recover the overpaid tax.

For non-resident investors that do not have an Australian Tax File Number, amounts are withheld at a flat rate of 10% from all distributions paid throughout the year, as the Fund does not have insight into the components of the income being received and then distributed until year-end. This may result in over or under withholding for the following reasons:

- Where distributions include capital returns, foreign source income, capital gains relating to non-TAP assets, franked distributions, or unfranked distributions declared to be CFI, these would typically not attract non-resident withholding tax.
- Distributions of interest income would attract withholding tax at a rate specified by the relevant Double Tax Agreement (DTA), generally at 10% (for example, as per the DTA between Australia and China).
- Distributions of unfranked dividends not declared to be CFI would attract withholding tax at a rate specified by the relevant Double Tax Agreement (DTA), generally at 15% (for example as per the DTA between Australia and China).
- Distributions of 'Other Income' would attract withholding tax at the top marginal rate.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Unitholder would then be required to potentially lodge an income tax return to recover the overpaid tax.

Alternatively, the Unitholder would still be liable for the payment of any underpaid tax.

(b) Withholding Tax Accrued

This is the amount withheld from foreign investors and investors who did not provide their TFN, above the standard 10% withholding rate. This amount is expected to be paid on the lodgement of the income tax return of the fund, with any over-withholding to be refunded to investors.

NOTE 10: SUNDRY CREDITOR

This account represents the monies the Investment Manager has agreed to provide to the Fund to cover costs and expenses in accordance to the Product Disclosure Statement. The Investment Manager has agreed to support the Fund and pay its fees and expenses until such time as they are able to be paid from the assets of the Fund with a view of maintaining the Fund's Unit Price at \$1 and ensuring investors are paid their target return. The Investment Manager may be reimbursed from the Fund in future years for any such funding it provides the Fund.

NOTE 11: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units in \$

Tanggram Seed

	2021 Units	2021 \$	2020 Units	2020 \$
Opening balance	601,183	601,183	-	-
Redemptions	(993,877)	(993,877)	(19,770)	(19,770)
Units issued – applications	2,824,440	2,824,440	617,160	617,160
Units issued – reinvestment of distributions	49,781	49,781	3,793	3,793
Closing balance	2,481,527	2,481,527	601,183	601,183

Tanggram Spark

	2021 Units	2021 \$	2020 Units	2020 \$
Opening balance	1,971,789	1,971,789	-	-
Redemptions	(1,325,507)	(1,325,507)	-	-
Units issued – applications	6,227,633	6,227,633	1,961,656	1,961,656
Units issued – reinvestment of distributions	183,285	183,285	10,133	10,133
Closing balance	7,057,200	7,057,200	1,971,789	1,971,789

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

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(b) Undistributed profit/(loss) attributable to unitholders

	2021	2020
	\$	\$
Opening balance	-	-
Net profit/(loss) attributable to unitholders	285,248	26,434
Distribution expenses	(285,248)	(26,434)
Closing balance	-	-

Total distributions payable as at 30 June 2021 were \$34,530. Withholding taxes applicable to the distributions payable as at 30 June 2021 were \$746.

(c) Capital management

The Fund regards total equity as capital. The objective of the Fund is to provide unitholders with income distributions over the longer term. The Fund aims to achieve this objective mainly through investment exposure to cash and similar short-term money market products, including highly liquid cash funds and other managed investment funds which predominantly invest in secured loans, mortgage-backed securities, and bonds.

The Fund aims to invest to meet the Fund's investment objectives while maintaining sufficient liquidity to meet its commitments, including unitholder redemptions. The Investment Manager regularly reviews the performance of the Fund, including asset allocation strategies, investment and risk management.

NOTE 12: REMUNERATION OF AUDITORS

The auditor of the Scheme for the financial period ending 30 June 2021 was Grant Thornton.

Grant Thornton is the Compliance Plan auditor.

The fees paid or agreed to be paid by the Fund are disclosed below.

	2021	2020
	\$	\$
Remuneration of Auditors:		
Scheme Financial Audit – Grant Thornton	12,000	4,000
Scheme Compliance Audit – Grant Thornton	1,000	1,000
Total auditor remuneration	13,000	5,000

NOTE 13: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Responsible Entity

The Responsible Entity of the Tanggram Investment Fund is Vasco Trustees Limited.

Fees of \$60,000 (plus GST) were accrued and paid by the Fund to Vasco Trustees Limited for its role as Responsible Entity for the period, of which \$3,300 is claimable by the Fund as RITC.

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

(b) Investment Manager

The Investment Manager of the Tanggram Investment Fund is Tanggram Capital Pty Ltd.

No fees were accrued or paid by the Fund to Tanggram Capital Pty Ltd.

Executive directors of the Investment Manager held units in the Fund.

(c) Administration Manager

The Administration Manager of the Tanggram Investment Fund is Vasco Fund Services Pty Limited.

Administration fees of \$73,236 (plus GST) were accrued and paid by the Fund to Vasco Fund Services Pty Limited for its role as Administration Manager of the Fund, of which \$5,493 is claimable by the Fund as RITC.

Vasco Fund Services Pty Limited is a related party of the Responsible Entity.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity, Vasco Trustees Limited, and an Investment Manager, Tanggram Capital Pty Ltd, to manage the activities of the Fund. The directors of the Responsible Entity and Investment Manager are key management personnel of those corporate entities. No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Responsible Entity or Investment Manager. Payments made by the Fund to the Responsible Entity and Investment Manager do not specifically include any amounts attributable to the compensation of key management personnel.

NOTE 14: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

During the financial year ending June 2022 it is envisaged that the current Responsible Entity will retire and that Vasco Responsible Entity Limited will be appointed.

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

NOTE 16: FINANCIAL RISK MANAGEMENT

(a) Liquidity Risk

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

The Fund holds investments in mortgage funds. The core risk is the risk that the underlying mortgage schemes take longer than the withdrawal timeframes disclosed in their respective product disclosure statements.

In order to address this risk, the Responsible Entity retains broad discretion to restrict distributions, withdrawals and/or redemptions.

(b) Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, investments in Trilogy and La Trobe. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised

TANGGRAM INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

at the reporting date, as summarised below:

	2021	2020
	\$	\$
Cash and cash equivalents	608,750	71,447
Trilogy Monthly Income Trust	4,941,526	1,449,665
La Trobe Australian Credit Fund	4,000,095	1,086,627
	<u>9,550,371</u>	<u>2,607,739</u>

The Responsible Entity manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(c) Market Risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate risk and property value risk, which results from both its operating and investing activities. Market risk is the risk that changes in market prices which will affect the Fund's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the Responsible Entity.

(d) Interest Rate Risk

The Fund's interest rate risk is monitored by the Responsible Entity.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	2021	2020
	\$	\$
Cash and cash equivalents	608,750	71,447

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

NOTE 17: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity are:

Vasco Trustees Limited

Level 4

99 William Street

Melbourne Victoria 3000

TANGGRAM INVESTMENT FUND

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Trustees Limited:

- (a) The financial statements and notes of Tanggram Investment Fund are in accordance with the *Corporations Act 2001*, including
 - (i) Giving a true and fair view of its financial position as at 30 June 2021 and its performance for this financial year ended on that date; and
 - (ii) Complying with Australian Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that Tanggram Investment Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Craig Dunstan

Director

21 October 2021

Independent Auditor's Report

To the Members of Vasco Trustees Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Tanggram Investment Fund (the Fund), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 Fund in accordance with 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.

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

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

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 21 October 2021