



**ACIF PROSPERITY FUND
ABI UNIT CLASS**

ABN 82 310 018 388

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023

**ACIF PROSPERITY FUND
ABI UNIT CLASS
TRUSTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

The Directors of the Trustee, Vasco Custodians Pty Ltd present their report on the ACIF Prosperity Fund Balancing Investment Unit Class ("ABI Unit Class", "Unit Class" of "Fund") for the year ended 30 June 2023. This report is for the ABI Unit Class only.

1. Directors

The names of Directors of the Trustee in office at any time during the financial year were:

Craig Mathew Dunstan

Fiona Jean Dunstan

2. Principal Activities

The principal activities of the ACIF Prosperity Fund are to provide SIV investors with access to a diversified range of SIV compliant investments with attractive returns over the medium to long term. The ACIF Prosperity Fund has two unit classes. The ABI Unit Class is one of the unit classes. The other unit class is the Prime Value Emerging Companies (APVEC) Unit Class.

The principal activities of the Unit Class are to invest in the ACIF Balancing Fund which is invested in a range of commercial real estate investments structured to comply with the SIV rules. The Fund was established on 14 April 2016 and issued the first units in the ABI Unit Class on 5 April 2017.

3. Operating Results

The total comprehensive loss for the Unit Class for the financial year ending 30 June 2023 was \$526,292 (2022 profit: \$169,719).

4. Review of Operations

Since inception the Fund has issued 43,569,778 units net of redemptions, none of which have resulted from the reinvestment of distributions.

During the financial year, 166,424 units have been issued of which none have resulted from the reinvestment of distributions. During the financial year, no units have been redeemed.

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

Investments	2023 Value \$	2022 Value \$
ACIF Balancing Fund	41,436,086	41,799,188
Total	41,436,086	41,799,188

5. Review of Performance

Unit Class	2023 % p.a.	2022 % p.a.
Ordinary units	3.37	4.94

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6. Unit Redemption Price

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

	2023	2022
	\$	\$
At 30 June	0.9557	0.9681
High during year	0.9681	0.9699
Low during year	0.9557	0.9638

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 Second Supplementary Information Memorandum (SSIM) of the Fund dated 12 December 2022, distributions are expected to be paid quarterly. Returns payable to investors are expected to be paid in accordance with the terms defined in the Second Supplementary Information Memorandum.

The following distributions were paid or payable for the year to 30 June 2023:

Period	Distributions
1 July – 30 September 2022	\$0.0001232877 per unit per day
1 October – 31 December 2022	\$0.0001232877 per unit per day
1 January – 31 March 2023	\$0.0001232877 per unit per day
1 April – 30 June 2023	\$0.0001232877 per unit per day

The total distributions declared for the financial year were \$1,955,653 (2022: \$2,019,160).

8. Applications Held

At 30 June 2023, the value of pending applications was nil.

9. Redemption Arrangements

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

The Fund's Constitution also prohibits investors from withdrawing any amount from the Fund until the expiration of 4 years from the date of their investment. Withdrawal requests that can be satisfied will be done so within 60 days of receipt of requests, subjects to available liquidity. Only the proceeds from the realisation of assets of the ABI Unit Class will be used to satisfy withdrawal requests from its investors. Investors should also note that their Units may be redeemed by the Trustee in certain circumstances specified in the Constitution, including if the Trustee determines, in its sole and absolute discretion that it would be in the best interests of Investors to do so.

9. 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 Trustee hold no options over interests in the Fund.

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10. 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.

11. Value of Scheme Assets

The gross asset value of the Fund at the end of the reporting period was \$42,739,303 (2022: \$43,028,609). The net asset value at the end of the reporting period was \$41,641,212 (2022: \$42,007,504).

12. 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.

13. 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.

14. Future Developments

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

15. Indemnifying Officers or Auditor

During or since the end of the financial year, the Trustee has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Trustee 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 Trustee, other than conduct involving a willful breach of duty in relation to the Trustee.

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

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

16. Fees, Commissions or Other Charges by the Trustee, Investment Manager or Related Parties

Fees of \$43,180 (2022: \$44,878) (plus GST) were paid or payable by the Unit Class to the Trustee for the period.

Fees of \$20,532 (2022: \$19,472) (plus GST) were paid or payable by the Unit Class to the Administration Manager for the period.

Fees of \$1,371,052 (2022: \$1,929,442) (plus GST) paid or payable by the Fund to the Investment Manager for the period.

As per the SSIM, The Investment Manager will also be remunerated through being paid establishment fees or referral fees by parties with which the Unit Class may deal.

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17. Units held by the Trustee, Investment Manager or Related Parties

At 30 June 2023, the Investment Manager held 30 settlor units in the Unit Class.

18. Interests in the Fund

The movement of units on issue in the Fund during the year is set out in Note 12 to the financial statements.

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

19. 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.

20. 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.

Signed in accordance with a resolution of the Board of Directors of Vasco Custodians Pty Ltd by:

Craig Dunstan

Craig Dunstan

Director

Date: 6 October 2023

**ACIF PROSPERITY FUND
ABI UNIT CLASS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Revenue and other income			
Bank interest	2 (a)	9,191	287
Distribution income	2 (b)	3,433,394	4,064,756
Total revenue and other income		3,442,585	4,065,043
Expenses			
Performance fees	3	1,371,052	1,929,442
Trustee & administration fees	4	63,712	64,350
Other fees & expenses	5	55,358	52,091
Total expenses		1,490,122	2,045,883
Profit attributed to unitholders		1,952,463	2,019,160
Other comprehensive income / (loss)			
Fair value profit / (loss) on investments	6	(523,102)	169,719
Total other comprehensive income / (loss)		(523,102)	169,719
Distribution expense		1,955,653	2,019,160
Total comprehensive income / (loss) for the year attributable to unitholders net of distributions		(526,292)	169,719

The accompanying notes form part of these financial statements

ACIF PROSPERITY FUND
ABI UNIT CLASS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	7 (a)	499,813	297,985
Sundry debtors	7 (b)	39,101	33,963
Accrued investment income	8 (b)	764,303	897,473
Total current assets		1,303,217	1,229,421
Non-current assets			
Investment assets	8 (a)	41,436,086	41,799,188
Total non-current assets		41,436,086	41,799,188
Total assets		42,739,303	43,028,609
Liabilities			
Fees payable	9	274,785	394,762
Other expenses payable	10	13,113	12,604
Sundry creditors	11	321,376	126,789
Distributions payable	12 (b)	488,817	486,950
Total liabilities		1,098,091	1,021,105
Net assets		41,641,212	42,007,504
Represented by:			
Issued units	12 (a)	42,443,442	42,283,442
Undistributed (loss) attributable to unitholders	12 (b)	(802,230)	(275,938)
Net assets attributable to unitholders		41,641,212	42,007,504

The accompanying notes form part of these financial statements

**ACIF PROSPERITY FUND
ABI UNIT CLASS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the financial year.

ACIF PROSPERITY FUND
ABI UNIT CLASS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Interest received	2 (a)	9,191	286
Investment income received		3,566,563	3,970,860
Payments to suppliers		(1,614,727)	(2,136,756)
Net cash provided by operating activities		<u>1,961,027</u>	<u>1,834,390</u>
Cash flows from investing activities			
Proceeds from sale of investment assets		-	2,890,222
Payment for investment assets		(160,000)	(3,037,403)
Net cash (used in) investing activities		<u>(160,000)</u>	<u>(147,181)</u>
Cash flows from financing activities			
Proceeds from issue of units		160,000	3,037,403
Distributions paid		(1,759,199)	(1,693,995)
Redemption of units		-	(2,911,821)
Net cash (used in) financing activities		<u>(1,599,199)</u>	<u>(1,568,413)</u>
Net increase in cash and cash equivalents		201,828	118,795
Cash and cash equivalents at the beginning of year		297,985	179,190
Cash and cash equivalents at the end of year	7 (a)	<u><u>499,813</u></u>	<u><u>297,985</u></u>

The accompanying notes form part of these financial statements

ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the ACIF Prosperity Fund Balancing Investment Unit Class ('ABI Unit Class', 'Unit Class' or 'Fund'). The Fund is an unregistered managed investment scheme established and domiciled in Australia. The Trustee of the Fund is Vasco Custodians Pty Ltd, and Australia China Investment Fund Pty Ltd is the Investment Manager of the Fund.

Basis of Preparation

(a) Statement of compliance

The Fund has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. ACIF Prosperity Fund Balancing Investment Unit Class 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 Trustee on 6 October 2023.

(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 Trustee 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.

ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 recognised 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) Categorisation

The Fund's investments are categorised as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Fund issues units which have a limited life under the Fund's Constitution and are classified as a liability in accordance with AASB 132 Financial Instruments: Presentation.

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 liability attributable to the Fund's unitholders.

**ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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.

(c) Income tax

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

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors of the Trustee 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.

(e) 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 2022 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 2023, 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.

**ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 2: REVENUE

(a) Bank interest

	2023	2022
	\$	\$
Macquarie Bank	9,191	287
	9,191	287

(b) Distribution income

	2023	2022
	\$	\$
ACIF Balancing Fund	3,433,394	4,064,756
	3,433,394	4,064,756

NOTE 3: PERFORMANCE FEES

	2023	2022
	\$	\$
Performance fees	1,371,052	1,929,442
	1,371,052	1,929,442

In accordance with the SSIM, the Investment Manager will charge a performance fee from the ABI Unit Class equal to any remaining profit after the payment of 4.5% per annum distribution to unitholders and the payment of all ABI Unit Class expenses. Any previous under-performance must be recovered before paying a performance fee.

NOTE 4: TRUSTEE AND ADMINISTRATION FEES

	2023	2022
	\$	\$
Trustee fees	43,180	44,878
Administration fees	20,532	19,472
	63,712	64,350

In accordance with the SSIM, Vasco Custodians Pty Ltd as the Trustee of the Fund is entitled to an annual fee of 0.1% (plus GST) of the gross asset value of the Fund, paid monthly in arrears, subject to a minimum fee of \$25,000 (2022: \$25,000) (plus GST).

Vasco Fund Services Pty Limited, as the Administration Manager of the Fund, is entitled to an annual administration fee of up to \$29,851 (2022: \$28,138) (plus GST) increasing by 3% per annum on an annual basis.

The trustee and administration fees for the Fund are allocated between the unit classes based on the gross asset value of each respective unit class.

**ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 5: OTHER EXPENSES

	2023	2022
	\$	\$
Tax return fees	4,515	2,500
GST expense (non-claimable)	40,477	41,552
Other administration expenses	7,366	4,700
Professional service fees	-	3,335
SIV compliance audit fees	3,000	-
Interest expense	-	4
	<u>55,358</u>	<u>52,091</u>

NOTE 6: OTHER COMPREHENSIVE INCOME / (LOSS)

As at 30 June, the Fund's other comprehensive income / (loss) comprised of:

	2023	2022
	\$	\$
Fair value gain / (loss) on investment in ACIF Balancing Fund	(523,102)	169,719
	<u>(523,102)</u>	<u>169,719</u>

NOTE 7: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2023	2022
	\$	\$
Macquarie Bank	499,813	297,985
	<u>499,813</u>	<u>297,985</u>

(b) Sundry debtors

	2023	2022
	\$	\$
Reduced input tax credit receivable	29,101	23,963
Loan to ACIF Balancing Fund	10,000	10,000
	<u>39,101</u>	<u>33,963</u>

The ABI Unit Class provided a loan amount of \$10,000 to the ACIF Balancing Fund to manage daily operations. This amount will be paid at the end of the term of the Fund.

ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: INVESTMENTS

(a) Available for sale investments

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

	2023	2022
	\$	\$
Investment in ACIF Balancing Fund	41,436,086	41,799,188
	<u>41,436,086</u>	<u>41,799,188</u>

(b) Accrued investment income

	2023	2022
	\$	\$
Beginning Balance	897,473	803,577
ACIF Balancing Fund declared distributions	3,433,394	4,555,579
	<u>4,330,867</u>	<u>5,348,930</u>
Less distributions received	(3,566,564)	(4,461,683)
Total accrued distributions	<u>764,303</u>	<u>897,473</u>

NOTE 9: FEES PAYABLE

	2023	2022
	\$	\$
Trustee fees payable	3,480	3,577
Administration fees payable	1,699	1,610
SIV compliance audit fees payable	6,000	3,000
Performance fees payable	263,606	386,575
	<u>274,785</u>	<u>394,762</u>

NOTE 10: OTHER EXPENSES PAYABLE

	2023	2022
	\$	\$
Other accrued fees	1,356	1,037
Provision for tax return fee	2,690	2,500
Withholding tax payable	9,067	9,067
	<u>13,113</u>	<u>12,604</u>

NOTE 11: SUNDRY CREDITORS

	2023	2022
	\$	\$
Rejected distributions payable to unitholders	321,376	126,789
	<u>321,376</u>	<u>126,789</u>

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ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2023	2023	2022	2022
	Units	\$	Units	\$
Opening balance	43,403,354	42,283,442	43,273,056	42,157,861
Units issued	166,424	160,000	3,151,487	3,037,403
Units redeemed	-	-	(3,021,189)	(2,911,822)
Closing balance	43,569,778	42,443,442	43,403,354	42,283,442

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.

(b) Undistributed (loss) attributable to unitholders

	2023	2022
	\$	\$
Opening balance	(275,938)	(445,656)
Net profit attributable to unitholders	1,952,463	2,019,160
Fair value (loss) / profit on investment	(523,102)	169,719
Distributions paid	(1,466,836)	(1,532,211)
Distributions payable	(488,817)	(486,950)
Closing balance	(802,230)	(275,938)

Total distributions declared and payable for the financial year totalled \$1,955,653 (2022: \$2,019,160).

(c) Capital management

The Fund regards total equity as capital. The objective of the Fund is to provide unitholders with income distributions and capital growth over the longer term. The Fund aims to achieve this objective mainly through investing in a diversified range of SIV compliant investments with an attractive return over the medium to long term.

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.

ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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) Trustee

The Trustee of the Fund is Vasco Custodians Pty Ltd.

Fees of \$43,180 (2022: \$44,878) (plus GST) were paid or payable by the Unit Class to Vasco Custodians Pty Ltd for its role as Trustee for the period, of which \$2,375 is claimable by the Unit Class as a reduced input tax credit.

As at 30 June 2023, the Unit Class was the sole investor in the ACIF Balancing Fund. The Trustee of the sub-fund is DHF Investment Managers Pty Ltd. DHF Investment Managers Pty Ltd is a related party to the Trustee.

(b) Investment Manager

The Investment Manager of the Fund is Australia China Investment Fund Pty Ltd.

Performance fees of \$1,371,052 (2022: \$1,929,442) (plus GST) were accrued and paid by the Fund to the Investment Manager for the period, of which \$100,321 is claimable by the Fund as a reduced input tax credit.

(c) Administration Manager

The Administration Manager of the Fund is Vasco Fund Services Pty Limited. The Administration Manager is a related party of the Trustee.

Administration fees of \$20,532 (2022: \$19,472) (plus GST) were accrued and paid by the Unit Class to Vasco Fund Services Pty Limited for its role as Administration Manager of the Unit Class, of which \$1,540 is claimable by the Unit Class as a reduced input tax credit.

(d) ACIF Balancing Fund

The ABI Unit Class provided a loan amount of \$10,000 to the ACIF Balancing Fund to manage daily operations. This amount will be paid at the end of the term of the Fund.

(d) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee, Vasco Custodians Pty Ltd, and an Investment Manager, Australia China Investment Fund Pty Ltd, to manage the activities of the Fund. The Directors of the Trustee 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 Trustee or Investment Manager. Payments made by the Fund to the Trustee 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.

ACIF PROSPERITY FUND
ABI UNIT CLASS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no 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 unlisted funds which hold assets in property and infrastructure, which are not considered to be assets that are readily realisable.

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

(b) SIV Risk

Investment in the Fund may not be considered a complying significant investment and according the Department of Home Affairs may not grant a Permanent SIV or revoke an Investor's Provisional SIV. Alternatively, the SIV requirements may change during the life of the Fund and investments may no longer be considered complying significant investments. The Investment Manager has taken reasonable steps to ensure that it is making SIV compliant investments. However, Investors should seek independent legal advice to ensure that an investment in the Fund is a complying significant investment.

(c) Market risk

The Fund is exposed to market risk through its use of financial instruments and specifically to interest rate 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 optimising the return on risk. Market risk is monitored by the Investment Manager.

(d) Underlying property risk

There may be external influences from time-to-time, including unforeseen items of expenditure which have not been budgeted for and loss of revenue, which adversely affect the value of underlying property over which a security interest may be granted. These may result in a reduction of distributions and returns as well as the capital value of the underlying property.

(e) Investment risk

The value of an investment may rise or fall, distributions may or may not be paid and an Investor's capital may or may not be returned. No guarantee is made by the Trustee, the Investment Manager, any of their directors, associates or consultants on the performance of the Fund.

ACIF PROSPERITY FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

(f) Planning and development risk

The ACIF Balancing Fund may invest with developers undertaking planning works and there are risks associated with such works. The Fund could be exposed to adverse planning and building approvals and timing delays which could occur at any stage of the process, increasing the duration of projects and impacting negatively on cash flows. Approval may not be granted or granted on conditions the Trustee does not find acceptable.

These risks cannot be completely mitigated however the Investment Manager intends to mitigate them where possible by including appropriate safeguards in its contracts. There is also a risk that contractors may default under the terms of a contract due to circumstances outside the Trustee's control (for example, if a contractor becomes insolvent). This may in turn affect the value of the underlying property over which a security interest may be granted.

(g) Valuation Risk

This is the risk that valuation of a property over which a security interest is granted is inaccurate at the time of making the investment so that the amount realised on enforcement of a security interest is less than would have been expected had the valuation been correct. There is also the risk that a valuer who provides an inaccurate valuation does not have or no longer has adequate professional indemnity insurance to cover the valuation on which the lender relies. In the event that the valuations obtained by purchasers to secure finance are below the purchase price, this may adversely impact their ability to settle.

(h) Diversification risk

The ACIF Balancing Fund will be predominantly investing in real estate development projects. As such, the ABI Unit Class may not be diversified by sector or geography and consequently the units, will be exposed to any events which have an adverse effect on the value of the underlying assets in the real estate sector

NOTE 17: TRUSTEE DETAILS

The registered office and the principal place of business of the Trustee are:

Vasco Custodians Pty Ltd

Level 4

99 William Street

Melbourne Victoria 3000

**ACIF PROSPERTY FUND
ABI UNIT CLASS**

DIRECTORS' DECLARATION

In the opinion of the Directors of Vasco Custodians Pty Ltd:

- (a) The financial statements and notes of ACIF Prosperity Fund ABI Unit Class are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2023 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 ACIF Prosperity Fund ABI Unit Class 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

Craig Dunstan

Director

6 October 2023