



**VASCO EMERGING COMPANIES
FUND**

ABN 42 273 027 383

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023

VASCO EMERGING COMPANIES FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

The Directors of the Trustee, Vasco Custodians Pty Ltd present their report on the Vasco Emerging Companies Fund ('the Fund') for the year ended 30 June 2023.

1. Directors of Vasco Custodians Pty Ltd for the period 1 July 2022 to 30 June 2023

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 Fund are to provide a total return (both income and capital growth), after fees and costs, that exceeds the S&P/ASX Emerging Companies Accumulation Index over the medium to long term.

The investment strategy moving forward is to invest in a multi-manager style in accordance with the SIV rules as they apply to emerging company's funds whilst seeking to preserve capital.

3. Operating Results

The operating profit of the Fund for the financial year ending 30 June 2023 was \$1,342 (2022: loss: \$13,699).

4. Review of Operations

The Fund has issued 3,777,147 units of which 3,649,708 have been redeemed. The total units on issue as at 30 June 2023 was 127,439 (2022: 127,439).

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

Investment	2023 \$	2022 \$
UBS Australian Small Companies SIV Fund	45,227	47,680
NovaPort Microcap Fund	14,178	13,540
Macquarie Australian Emerging Companies Fund	12,890	12,885
First Sentier Wholesale Developing Companies Fund	12,143	12,519
Total	84,438	86,624

5. Review of Performance

Unit Class	2023 % p.a	2022 % p.a
Ordinary units	(0.92)	(0.49)

VASCO EMERGING COMPANIES FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

6. Unit Redemption Prices

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

	2023	2022
	\$	\$
At 30 June	0.7181	0.7247
High during year	0.7707	0.9240
Low during year	0.6861	0.7247

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 Information Memorandum (IM) of the Fund issued on 25 June 2021, distributions are declared and paid on an annual basis as at the end of June.

The following distributions are payable for the period to 30 June 2023:

Period	Distribution Payable
30 June 2023	nil

The total distributions declared for the financial year were nil (2022: \$16,192), all of which were capital distribution.

8. Applications Held

As at 30 June 2023, the value of pending unit allocations was nil.

9. Redemption Arrangements

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

Redemption requests are ordinarily processed within 30 days of receipt of a redemption request although the Constitution does allow this period to be extended if it is deemed to be in the best interests of Unitholders to have a more orderly realisation of assets.

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 Trustee 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.

VASCO EMERGING COMPANIES FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

12. Value of Scheme Assets

The gross asset value of the Fund at the end of the financial year was \$93,234 (2022: \$111,525). The net asset value at the end of the financial year was \$91,976 (2022: \$92,820).

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

There are no 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 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.

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

Trustee fees of \$1,742 (2022: \$36,004) (plus GST) were paid or payable by the Fund to the Trustee for the period.

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

As at 30 June 2023, the Trustee and its related parties held 127,439 units (2022: 107,260 units). 10 settlor units were issued to set up the Fund. Entities associated with two Directors of the Trustee own 127,439 units.

19. 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.

VASCO EMERGING COMPANIES FUND

TRUSTEE REPORT FOR THE YEAR ENDED 30 JUNE 2023

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.

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

Craig Dunstan

Craig Dunstan

Director

Date: 19 September 2023

VASCO EMERGING COMPANIES FUND

**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)	156	263
Investment income	2 (b)	4,187	35,113
Total revenue and other income		4,343	35,376
Expenses			
Trustee fees	3	1,742	36,004
Other expenses	4	1,259	3,919
Realised capital profit/(loss) on investment assets	5	-	9,152
Total expenses		3,001	49,075
Operating profit/(loss) attributed to unitholders		1,342	(13,699)
Other comprehensive income			
Fair value profit on investments	6	(2,186)	104,273
Total other comprehensive income		(2,186)	104,273
Total comprehensive income / (loss) for the year attributable to unitholders net of distributions		(844)	90,574

The accompanying notes form part of these financial statements

VASCO EMERGING COMPANIES FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	7 (a)	5,301	17,464
Accrued investment income	7 (b)	3,312	7,293
Investment assets	8	84,438	86,624
Sundry debtors	11	183	144
Total current assets		93,234	111,525
Total assets		93,234	111,525
Liabilities			
Fees payable	9	143	146
Other expenses payable	10	1,115	2,367
Distribution payable	12 (b)	-	16,192
Total liabilities		1,258	18,705
Net assets		91,976	92,820
Represented by:			
Issued units	12 (a)	126,010	126,010
Undistributed (loss) attributable to unitholders	12 (b)	(34,034)	(33,190)
Net assets attributed to unitholders		91,976	92,820

The accompanying notes form part of these financial statements

VASCO EMERGING COMPANIES FUND

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.

VASCO EMERGING COMPANIES FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Bank interest	2 (a)	156	263
Investment income		8,169	281,993
Payments to suppliers		(4,296)	(43,181)
Distributions paid		(16,192)	(12,768)
Net cash provided by/ (used in) operating activities		(12,163)	226,307
 Cash flows from investing activities			
Proceeds from sale of financial assets		-	1,033,016
Net cash provided by investing activities		-	1,033,016
 Cash flows from financing activities			
Redemption of units		-	(1,364,785)
Net cash (used in) financing activities		-	(1,364,785)
 Cash and cash equivalents at the beginning of year		 17,464	 122,926
Net (decrease) in cash and cash equivalents		(12,163)	(105,462)
 Cash and cash equivalents at the end of year	 7(a)	 5,301	 17,464

The accompanying notes form part of these financial statements

VASCO EMERGING COMPANIES FUND

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 Vasco Emerging Companies Fund ('the 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 Vasco Custodians Pty Ltd is also acting as 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*. Vasco Emerging Companies 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 Trustee on 19 September 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.

(e) 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.

(f) 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.

VASCO EMERGING COMPANIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(g) 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 equity in accordance with *AASB 132 Financial Instruments*.

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.

(h) 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.

(i) Income tax

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

(j) 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.

VASCO EMERGING COMPANIES FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

VASCO EMERGING COMPANIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2: REVENUE

The Funds revenue may be analysed under the following categories

(a) Bank interest

	2023	2022
	\$	\$
Macquarie Bank	156	263
	<u>156</u>	<u>263</u>

(b) Distribution income

	2023	2022
	\$	\$
Distribution income	4,187	35,113
	<u>4,187</u>	<u>35,113</u>

NOTE 3: TRUSTEE FEES AND PERFORMANCE FEES

	2023	2022
	\$	\$
Trustee fees	1,742	36,004
	<u>1,742</u>	<u>36,004</u>

Trustee fees

In accordance with the Information Memorandum dated 25 June 2021, Vasco Custodians Pty Ltd as the Trustee of the Fund is entitled to a fee calculated at 1.95% pa on the Net Asset Value of the Fund at the end of the month.

Performance fees

In accordance with the Information Memorandum, the Trustee is entitled to a performance fee. The performance fee is equal to 20% of the amount (if any) by which the Fund's investment performance (before fees) exceeds a total return of 10% per annum (referred to as "the performance hurdle").

A performance fee is:

- Payable to the Trustee if the Fund's investment performance exceeds the performance hurdle.
- Only charged on the proportion of Fund's performance above the performance hurdle.
- Only payable when any applicable performance deficit since 1 April 2016 has been recouped.
- Accrued monthly (if payable) and reflected in the Unit price of the Fund.

Any unrecovered performance deficit as at 30 June is carried forward for up to three consecutive years (this is sometimes referred to as the performance fee 'reset date', at which point the accrued performance deficit is taken to be zero).

VASCO EMERGING COMPANIES FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE 4: OTHER EXPENSES

	2023	2022
	\$	\$
GST expense (non-claimable)	129	1,719
Tax return fees	200	1,800
Other administration expenses	930	400
Bank fees	-	-
	1,259	3,919
	1,259	3,919

NOTE 5: REALISED CAPITAL LOSS ON INVESTMENT ASSETS

	2023	2022
	\$	\$
Realised (loss) on investment assets	-	(9,152)
	-	(9,152)
	-	(9,152)

NOTE 6: OTHER COMPREHENSIVE INCOME

As at 30 June, the Fund's other comprehensive income comprised of:

	2023	2022
	\$	\$
Opening balance - unrealised capital (loss)	(104,639)	(208,912)
Closing balance - unrealised capital (loss)	(106,825)	(104,639)
Total fair value profit on investments	(2,186)	104,273
	(2,186)	104,273

NOTE 7: CASH AND CASH EQUIVALENTS

(a) Cash at bank

	2023	2022
	\$	\$
Macquarie Bank	5,301	17,464
	5,301	17,464
	5,301	17,464

(b) Accrued investment income

	2023	2022
	\$	\$
Accrued distributions	3,312	7,293
	3,312	7,293
	3,312	7,293

VASCO EMERGING COMPANIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8: INVESTMENTS

As at 30 June, the investments in which the Vasco Emerging Companies Fund held an interest were:

	2023	2022
	\$	\$
UBS Australian Small Companies SIV Fund	45,227	47,680
NovaPort Microcap Fund	14,178	13,540
Macquarie Australian Emerging Companies Fund	12,890	12,885
First Sentier Wholesale Developing Companies Fund	12,143	12,519
	84,438	86,624
	84,438	86,624

NOTE 9: FEES PAYABLE

	2023	2022
	\$	\$
Trustee fees payable	143	146
	143	146
	143	146

NOTE 10: OTHER EXPENSES PAYABLE

	2023	2022
	\$	\$
Trade creditors	-	372
Provision for tax return fees	1,000	1,800
Other accrued fees	115	195
	1,115	2,367
	1,115	2,367

NOTE 11: SUNDRY DEBTORS

	2023	2022
	\$	\$
Reduced input tax credit receivable	183	144
	183	144
	183	144

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2023	2023	2022	2022
	Units	\$	Units	\$
Opening balance	127,439	126,010	3,584,871	2,876,358
Redemptions	-	-	(3,457,432)	(2,750,348)
Closing balance	127,439	126,010	127,439	126,010
	127,439	126,010	127,439	126,010

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.

VASCO EMERGING COMPANIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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

	2023	2022
	\$	\$
Opening balance	(33,190)	(224,216)
Net operating profit/ (loss) attributable to unitholders	1,342	(13,699)
Redemption premium	-	116,644
Fair value (loss)/profit on investment	(2,186)	104,273
Capital distributions payable	-	(16,192)
Closing balance	(34,034)	(33,190)

(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 emerging companies shares in an SIV compliant manner.

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 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 \$1,742 (2022: \$36,004) (plus GST) were paid or payable by the Fund to Vasco Custodians Pty Ltd for its role as Trustee, of which \$96 is claimable by the Fund as a reduced input tax credit.

As at 30 June 2023, the Trustee and its related parties held 107,260 (2022: 107,260). 10 settlor units were issued to set up the Fund. Entities associated with two Directors of the Trustee own 107,260 units.

(b) Investment Manager

The Investment Manager of the Fund is Vasco Custodians Pty Ltd.

(c) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Trustee and Investment Manager, Vasco Custodians 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.

VASCO EMERGING COMPANIES FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14: CONTINGENT LIABILITIES

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

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

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 emerging company shares, 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) Securities Market Risk

Changes in securities prices across the relevant securities markets in which the Fund invests may adversely affect the performance of its units. Factors that drive changes in securities prices include changing profitability of companies and industries, economic cycles, volume of share issuance, investor demand levels, business confidence and government and central bank policies including the level and direction of interest rates and natural disasters and man-made disasters beyond the control of the Investment Manager and the Trustee.

Whilst complying with the Significant Investor Visa guidelines for complying emerging companies' funds, the Investment Manager will take a relatively conservative investment approach and hold a significant weighting to cash, floating rate interest securities and real estate securities so as to reduce market risk and the volatility of returns to investors.

(c) Interest rate risk

Whilst the Fund does not borrow, changes in interest rates can still have a direct or indirect impact on the investment value and/or returns of the companies in which the Fund invests.

(d) Volatility risk

Volatility risk is the potential for the price of the Fund's investments or the unit price of the Fund itself to vary, sometimes markedly and over a short period of time. Investments in equity securities are traditionally towards the higher end of the risk-return spectrum and an investment in the Fund should be considered a speculative investment. This may lead to fluctuations in the Unit price and/or amounts distributed to Unitholders, including fluctuation over the period between a redemption request being made and the time of redemption.

VASCO EMERGING COMPANIES FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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

VASCO EMERGING COMPANIES FUND

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of Vasco Emerging Companies 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 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 Vasco Emerging Companies 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

Craig Dunstan

Director

19 September 2023