

EGP CONCENTRATED VALUE FUND

ARSN 619 879 631

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Directors' Report

The directors of Fundhost Limited, the Responsible Entity of the EGP Concentrated Value Fund (the "Fund"), present their report together with the interim report of the Fund for the half-year ended 31 December 2020.

Directors

The names of the directors of the Responsible Entity in office at any time during or since the end of the half-year and up to the date of this report are:

Valerie Anne Monge
 Paul Ernest Dortkamp
 Robert H Nagel
 Drew Wilson

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Review and results of operations

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The resulting global travel restrictions, increased lockdowns in certain countries and restrictions on social gatherings are having an ongoing impact on business and economic activity both in Australia and overseas. The fair values of the Fund's assets as at 31 December 2020 reflect the conditions known as at that date. The evolving COVID-19 health situation and its impact on investment markets are being closely monitored.

During the half-year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of this interim report.

	Half-year ended	
	31 December 2020	31 December 2019
	\$'000	\$'000
Net operating profit	11,334	16,518
<i>Distributions</i>	-	-
Distributions payable	-	-

Significant changes in state of affairs

No significant changes in the Fund's state of affairs occurred during the half-year.

Events subsequent to the balance date

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial periods.

Rounding

The Fund is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument class order 2016/191 applies. Accordingly, amounts in the interim report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Signed in accordance with a resolution of the Board of Directors:



Drew Wilson
 Director
 Dated this 17th day of February 2021



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Fundhost Limited

As lead auditor for the review of the half-year financial report of EGP Concentrated Value Fund for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'S. Hooper', written over a horizontal line.

Stacey Hooper
Partner
17 February 2021

EGP Concentrated Value Fund - ARSN 619 879 631

Statement of Comprehensive Income
For the half-year ended 31 December 2020

	Notes	1 July 2020 to 31 Dec 2020 \$'000	1 July 2019 to 31 Dec 2019 \$'000
Investment income			
Dividend and distribution income		738	1,916
Interest income from financial instruments at fair value through profit or loss		52	82
Net gains on investments in financial assets held at fair value through profit or loss		10,690	15,864
Total investment income		<u>11,480</u>	<u>17,862</u>
Expenses			
Responsible Entity's fees		77	75
Performance fees		-	1,176
Transaction costs		54	48
Other expenses		15	45
Total expenses		<u>146</u>	<u>1,344</u>
Net operating profit		<u>11,334</u>	<u>16,518</u>
Other comprehensive income		-	-
Total comprehensive income for the period	2	<u>11,334</u>	<u>16,518</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

EGP Concentrated Value Fund - ARSN 619 879 631

Statement of Financial Position
As at 31 December 2020

	Notes	31/12/2020 \$'000	30/06/2020 \$'000
Assets			
Cash and cash equivalents		1,077	2,749
Receivables		1,467	229
Financial assets held at fair value through profit or loss	4	78,977	67,617
Total assets		<u>81,521</u>	<u>70,595</u>
Liabilities			
Payables		512	813
Distributions payable	3	-	2,450
Total liabilities		<u>512</u>	<u>3,263</u>
Net assets		<u>81,009</u>	<u>67,332</u>
Total equity		<u>81,009</u>	<u>67,332</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

EGP Concentrated Value Fund - ARSN 619 879 631

Statement of Changes in Equity
For the half-year ended 31 December 2020

	Notes	1 July 2020 to 31 Dec 2020 \$'000	1 July 2019 to 31 Dec 2019 \$'000
Opening balance at 1 July		67,332	55,496
Comprehensive income for the period			
Net operating profit		11,334	16,518
Other comprehensive income		-	-
Total comprehensive income for the period		<u>11,334</u>	<u>16,518</u>
Transactions with unitholders			
Applications		3,392	18,267
Redemptions		(2,373)	(2,816)
Distributions to unitholders	3	-	-
Distributions reinvested		1,324	2,160
		<u>2,343</u>	<u>17,611</u>
Closing balance at 31 December	2	<u>81,009</u>	<u>89,625</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows
For the half-year ended 31 December 2020

	1 July 2020 to 31 Dec 2020 \$'000	1 July 2019 to 31 Dec 2019 \$'000
Cash flows from operating activities		
Dividends and distributions received	745	1,910
Interest received	9	7
Responsible Entity fees paid	(76)	(73)
Other expenses paid	(80)	(89)
Net cash inflow from operating activities	<u>598</u>	<u>1,755</u>
Cash flows from investing activities		
Proceeds from sale of financial assets held at fair value through profit or loss	13,435	17,591
Payments for purchase of financial assets held at fair value through profit or loss	(14,084)	(24,842)
Net cash outflow from investing activities	<u>(649)</u>	<u>(7,251)</u>
Cash flows from financing activities		
Proceeds from issue of units	2,118	12,677
Payments for redemption of units	(2,613)	(2,670)
Distributions paid	(1,126)	(1,058)
Net cash (outflow) / inflow from financing activities	<u>(1,621)</u>	<u>8,949</u>
Net increase in cash held	(1,672)	3,453
Cash and cash equivalents at the beginning of the half-year	2,749	2,763
Cash and cash equivalents at the end of the half-year	<u>1,077</u>	<u>6,216</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements
For the half-year ended 31 December 2020

Note 1. Statement of Significant Accounting Policies

This interim report covers EGP Concentrated Value Fund (the "Fund") as an individual entity.

The Fund is a registered investment scheme under the Corporations Act 2001. The interim report of the Fund is for the half-year ended 31 December 2020. The Fund was constituted as a registered scheme on 4 July 2017 with Australian Securities & Investments Commission ("ASIC") and commenced operations on 15 August 2017.

The Responsible Entity of EGP Concentrated Value Fund is Fundhost Limited (ABN 69 092 517 087). The Responsible Entity's registered office is Suite 5.01, Level 5, 28 O'Connell Street, Sydney, NSW 2000.

The interim report was authorised for issue by the Directors on 17 February 2021. The Directors of the Responsible Entity have the power to amend and reissue the financial reports.

Basis of preparation

This interim report is a financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards AASB134: *Interim Financial Reporting*.

This interim report does not include all the notes of the type normally included in the annual report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The interim report has been prepared on the basis of historical costs except for financial assets held at fair value through profit or loss that have been measured at fair value.

The interim report is presented in Australian Dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The Fund is a for-profit unit trust for the purpose of preparing this interim report.

(i) Compliance with International Financial Reporting Standards (IFRS)

The interim report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

(ii) Use of estimates and judgements

In the application of accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Fair value measurement of investments in financial instruments

The majority of the Fund's investments are listed equities measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgment is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets and derivative financial instruments set out in note 5.

The ongoing COVID-19 pandemic has created heightened estimation uncertainty in the underlying assumptions used in determining the fair value of investments, in particular level 3 investments. The underlying assumptions used in determining the fair value of investments of level 3 investments may be based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Fund's managers believe are reasonable in the circumstances.

New accounting standards and interpretations

All new accounting standards that are applicable to the Fund for the 31 December 2020 reporting period have been adopted and do not have a material impact on the interim report. There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the interim report or have been early adopted for the 31 December 2020 reporting period.

Notes to the Financial Statements
For the half-year ended 31 December 2020

Note 2. Equity

	1 July 2020 to 31 Dec 2020	1 July 2019 to 31 Dec 2019	1 July 2020 to 31 Dec 2020	1 July 2019 to 31 Dec 2019
	Units '000	Units '000	\$'000	\$'000
Opening balance at 1 July	70,817	57,438	67,332	55,496
Units issued during the period	3,178	15,680	3,392	18,267
Units redeemed during the period	(2,352)	(2,679)	(2,373)	(2,816)
Distribution reinvested	1,393	2,236	1,324	2,160
Total comprehensive income for the period	-	-	11,334	16,518
Closing balance 31 December	<u>73,036</u>	<u>72,675</u>	<u>81,009</u>	<u>89,625</u>

Note 3. Distributions to unitholders

The Fund distributes annually at 30 June each year, therefore there has been no distribution during the period (31 December 2019: nil).

Note 4. Financial assets held at fair value through profit or loss

	31/12/2020	30/6/2020
	\$'000	\$'000
Listed equities and managed investment schemes	70,778	60,893
Unlisted equities securities	5,791	5,247
Convertible notes	1,211	1,164
Derivatives	1,197	313
	<u>78,977</u>	<u>67,617</u>

Note 5. Fair value of financial instruments

Financial instruments carried at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued using quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Fund's own data, reflecting the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at the balance sheet date, recorded at fair value by level of the fair value hierarchy:

31/12/2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Listed equity securities and managed investment schemes	70,778	-	-	70,778
Unlisted equity securities	-	-	5,791	5,791
Convertible notes	-	-	1,211	1,211
Derivatives	-	595	602	1,197
Total	<u>70,778</u>	<u>595</u>	<u>7,604</u>	<u>78,977</u>
30/06/2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Listed equity securities and managed investment schemes	60,893	-	-	60,893
Unlisted equity securities	-	-	5,247	5,247
Convertible notes	-	-	1,164	1,164
Derivatives	-	313	-	313
Total	<u>60,893</u>	<u>313</u>	<u>6,411</u>	<u>67,617</u>

Notes to the Financial Statements
For the half-year ended 31 December 2020

Note 5. Fair value of financial instruments (cont'd)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Level 3 31/12/2020 \$'000	Level 3 30/06/2020 \$'000
Opening balance	6,411	2,044
Acquisition of convertible notes	263	1,049
Acquisition of unlisted equity securities	150	3,086
Total net unrealised gains recognised in profit and loss for the period	780	232
Closing balance	7,604	6,411

Level 3 investments comprise:

During the half-year period, unlisted equities of \$150,000, convertible notes of \$263,000 and derivatives of \$602,000 were acquired and recognised as level 3 assets.

Valuation process for Level 3 valuations and sensitivity analysis of the significant unobservable inputs

Valuation of level 3 securities is performed monthly. The convertible notes and unlisted equities are initially held at cost and are subsequently adjusted to fair value made through valuation techniques adopted by the investment manager.

The Valuation Committee considers the valuations and valuation methodologies applied to the relevant securities, and reviews available security-specific and general market information in order to make a fair value determination.

Securities which are fair-valued are monitored and reviewed to ensure their value remains in line with the statement of valuation principles as set out in the fair value policy of the Investment Manager. Any stale prices are monitored monthly to assess whether a fair value determination is required.

Valuation techniques are set out in the pricing policy of the Investment Manager and can include liquidity discounting. The inherent uncertainty in the valuation of such investments may result to a significant difference between the Fund's estimates of fair value and the fair values had observable inputs been available.

The table below discloses the valuation technique used in the valuation for Level 3 investments and quantifies the effect of significant unobservable inputs used to value investments that fall in this category. Securities valued at nil have not been included in the following table.

	Fair Value as at 31 December 2020 \$'000	Valuation technique	Unobservable input	Range of input	Sensitivity used	Effect on fair value +/- \$'000
Unlisted equity securities	5,791	Comparable trading multiples	Revenue multiple	1x - 2.5x	+/-10%	114/(114)
			Discounted recent transaction price	\$0.10	+/-10%	14/(14)
			Recent transaction price	\$0.37 - \$24.25	+/-10%	452/(452)
Convertible note	1,211	Par value	Par value	1	+/-10%	121/(121)
Derivatives	602	Black Scholes	Annualised Volatility Annual Risk Free Rate	50.88% 0.96%	+/-1%	2/(2)

Notes to the Financial Statements
For the half-year ended 31 December 2020

Note 5. Fair value of financial instruments (cont'd)

	Fair Value as at 30 June 2020	Valuation technique	Unobservable input	Range of input	Sensitivity used	Effect on fair value +/-
	\$'000					\$'000
Unlisted equity securities	5,247	Comparable trading multiples	EBITDA multiple	2.4x - 10x	+/-10%	130/(130)
			Observed traded valuation	1	+/-10%	158/(158)
			Revenue multiple	1.1x - 3.3x	+/-10%	237/(237)
Convertible note	1,164	Par value	Par value	1	+/-10%	116/(116)

Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period (30 June 2020: nil).

Note 6. Commitments and contingencies

There were no commitments nor contingent assets and liabilities at 31 December 2020 (2019: nil).

Note 7. Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial periods.


Directors' Declaration

The Directors of the Responsible Entity declare that:

- (i) The interim report and notes are prepared in accordance with the Corporations Act 2001, including:
 - a) complying with AASB134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- (ii) In the Director's opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director


.....
Drew Wilson

Dated this 17th day of February 2021



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Review Report to the unitholders of EGP Concentrated Value Fund

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of EGP Concentrated Value Fund (the Fund), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Building a better
working world**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Stacey Hooper
Partner
Sydney
17 February 2021