

# **GCI AUSTRALIAN CAPITAL STABLE FUND**

**ARSN 622 419 578**

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**Financial Report  
for the year ended  
30 June 2020**



**GCI AUSTRALIAN CAPITAL STABLE FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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The directors of DDH Graham Limited, the responsible entity (the Responsible Entity) of the GCI Australian Capital Stable Fund (the Fund), present their report together with the financial report of the Fund, for the year ended 30 June 2020 and the auditor's report thereon.

The Fund became a registered scheme under the Corporations Act 2001 on 6 November 2017 and DDH Graham Limited was appointed the Responsible Entity on that date.

**The Responsible Entity**

The registered office and place of business of the Responsible Entity and the Fund is Level 9, 324 Queen Street, Brisbane.

The directors of DDH Graham Limited at any time during or since the end of the financial year are:

<b>Name and qualifications</b>	<b>Age</b>	<b>Experience and special responsibilities</b>
<b>Peter B Lockhart</b> Executive Chairman/Joint Managing Director Bachelor of Economics Master of Business Administration	66	Director since 1988. Extensive experience in financial advisory and trust management services and superannuation administration. Member of Compliance Committee. Member of Audit Committee.
<b>Ugo C Di Girolamo</b> Joint Managing Director Associate Diploma in Business Member of Finance & Treasury Association Limited	58	Director since 2000. Over 30 years' experience in financial markets including 16 years in an executive money market role.
<b>David D H Graham</b> Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration Master of Taxation and Financial Planning	78	Director since 1986. Extensive experience in financial advisory and trust management services.
<b>Douglas A H Graham</b> Chief Operating Officer Bachelor of Commerce Bachelor of Arts	47	Director since May 2017. Extensive experience across a range of industries including finance and information technology. Member of the Chartered Accountants Australia and New Zealand.

**Principal activities**

The Fund is a registered managed investment scheme domiciled in Australia.

The investment activities of the Fund are in accordance with the investment policy of the Fund as outlined in the current product disclosure statement, and investments in each class of asset were maintained within the stated asset allocation ranges. The key asset categories are Australian fixed interest securities and cash.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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**Review of operations**

The objective of the Fund is to provide investors with access to a diversified and professionally managed portfolio of high yielding investments across the domestic hybrid and fixed income markets.

The outbreak of COVID-19 and the resulting economic consequences impacted financial markets over varying degrees in the second half of the financial year. The Fund's investment activities would have been impacted by the COVID-19 as reflected in the adjustment to the carrying value of the investment securities at balance date.

It is not possible to accurately quantify the impact of COVID-19 on the results as there are other factors as well that influence movements in financial markets. DDH Graham Limited will continue to monitor the market conditions closely and ensure appropriate action is put in place to mitigate adverse movements irrespective of the cause.

**Results**

The performance of the Fund, as represented by the results of its operations, was as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net operating profit	1,125,218	2,015,978
Distributions paid and payable	1,695,285	1,559,335
Distribution - cents per unit	1.67	2.52

**Performance**

	<b>Year to 30 June 2020</b>	<b>Year to 30 June 2019</b>
	<b>%</b>	<b>%</b>
Capital growth	(0.27)	0.82
Distribution of income	1.67	2.57
Total return	1.40	3.39
Benchmark: Bloomberg Australia Bank Bill Index	0.85	1.97

Consistent with statements in the current product disclosure statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

**Unit redemption prices**

Unit redemption prices are shown as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
At 30 June (quoted ex-distribution)	1.0036	1.0080
Year to 30 June (quoted cum-distribution)		
High during year	1.0200	1.0081
Low during year	0.9813	0.9926

**Value of Assets**

The value of the Fund's assets of \$122,033,903 (2019: \$65,002,386) is derived using the basis set out in Note 3 of the financial statements.

The Fund's investment securities being market-linked products and carried at the prevailing market value will reflect the volatility arising from the COVID-19 and other impacts.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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**Interest in the Fund**

The movement in units on issue in the Fund during the year is set out below:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>No.</b>	<b>No.</b>
Opening balance	64,399,297	57,929,750
Applications	77,850,641	15,324,105
Units issued upon reinvestment of distributions	786	-
Redemptions	(21,033,377)	(8,854,558)
Closing balance	<u>121,217,347</u>	<u>64,399,297</u>

**Significant changes in the state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

**Events subsequent to balance date**

Apart from the uncertainty associated with COVID-19, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**Likely developments**

The Fund will continue to be managed in accordance with the investment objectives and guidelines 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 Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the responsible entity believes it would be likely to result in unreasonable prejudice to the Fund.

**Indemnification and insurance for officers and auditors**

*Indemnification*

Under the Fund's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

The Fund has not indemnified any auditor of the Fund.

*Insurance Premiums*

During the financial year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses insurance contracts for the year ended 30 June 2020. The Responsible Entity has paid or agreed to pay in respect of the Fund premiums in respect of such insurance contracts for the year ending 30 June 2021. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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**Interest of the Responsible Entity**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

**Environmental regulation**

The Fund's operations are not subject to any significant environmental regulations under either Commonwealth, State or Territory legislation.

**Lead Auditor's Independence Declaration**

The lead auditor's independence declaration is set out on page 5 and forms part of this directors' report for the year ended 30 June 2020

This report is made in accordance with a resolution of the directors of DDH Graham Limited.



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**PB Lockhart  
Director  
DDH Graham Limited  
Responsible Entity  
Brisbane 28 September 2020**

## Auditor's Independence Declaration

As auditor of GCI Australian Capital Stable Fund (the Fund) for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GCI Australian Capital Stable Fund (the Fund) during the year.



**Crowe Audit Australia**



**Mike McDonald OAM**  
Partner

28 September 2020  
Brisbane

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.*

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**GCI AUSTRALIAN CAPITAL STABLE FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

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	Notes	2020 \$	2019 \$
<b>Investment Income</b>			
Interest income	4	1,983,590	1,545,639
Net unrealised gains/(losses) on investment securities held at fair value through profit or loss		(300,322)	785,137
Net realised losses on investment securities held at fair value through profit or loss		(159,731)	(63,615)
<b>Total net investment income</b>		<b>1,523,537</b>	<b>2,267,161</b>
<b>Expenses</b>			
Responsible entity fees		392,197	247,564
Other operating expenses		6,122	3,619
<b>Total operating expenses</b>		<b>398,319</b>	<b>251,183</b>
<b>Profit from operating activities</b>		<b>1,125,218</b>	<b>2,015,978</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>1,125,218</b>	<b>2,015,978</b>

*The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.*

**GCI AUSTRALIAN CAPITAL STABLE FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

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	2020 \$	2019 \$
<b>Total equity at the beginning of the year</b>	<b>64,643,769</b>	<b>57,672,934</b>
<b>Comprehensive income for the year</b>		
Profit for the year	1,125,218	2,015,978
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>1,125,218</b>	<b>2,015,978</b>
<b>Transactions with unitholders</b>		
Applications	78,395,822	15,372,932
Redemptions	(21,119,715)	(8,858,740)
Units issued upon reinvestment of distributions	788	-
Distributions paid and payable	(1,695,285)	(1,559,335)
<b>Total transactions with unitholders</b>	<b>55,581,610</b>	<b>4,954,857</b>
<b>Total equity at the end of the year</b>	<b>121,350,597</b>	<b>64,643,769</b>

*The Statement of Changes Equity should be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.*

**GCI AUSTRALIAN CAPITAL STABLE FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

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	Notes	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	8	3,198,788	3,693,605
Investment securities held at fair value through profit or loss	9	118,809,456	61,303,622
Trade and other receivables	10	25,659	5,159
<b>Total assets</b>		<b>122,033,903</b>	<b>65,002,386</b>
<b>Liabilities</b>			
Trade and other payables	11	683,306	358,617
<b>Total</b>		<b>683,306</b>	<b>358,617</b>
<b>Net assets attributable to unitholders equity</b>	<b>6</b>	<b>121,350,597</b>	<b>64,643,769</b>

*The Statement of Financial Position should be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.*

**GCI AUSTRALIAN CAPITAL STABLE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Interest received		1,983,590	1,806,635
Operating expenses paid		(382,005)	(247,540)
<b>Net cash flows from operating activities</b>	15(a)	<b>1,601,585</b>	<b>1,559,095</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		189,086,560	66,832,320
Purchase of investments		(247,052,447)	(69,850,282)
<b>Net cash flows used in investing activities</b>		<b>(57,965,887)</b>	<b>(3,017,962)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications of redeemable units		78,379,949	15,372,932
Payments on redemption of redeemable units		(20,904,715)	(8,898,723)
Distributions paid		(1,605,749)	(1,610,485)
<b>Net cash flows from financing activities</b>		<b>55,869,485</b>	<b>4,863,724</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(494,817)	3,404,857
Cash and cash equivalents at the beginning of the year		3,693,605	288,748
<b>Cash and cash equivalents the end of the year</b>	15(b)	<b>3,198,788</b>	<b>3,693,605</b>

*The Statement of Cash Flows should be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.*

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**1. REPORTING ENTITY**

GCI Australian Capital Stable Fund (the Fund) became a registered managed investment scheme under the *Corporations Act 200* on 6 November 2017. The financial report of the Fund is for the year ended 30 June 2020.

The financial report was authorised for issue by the directors of the Responsible Entity on 28 September 2020.

**2. 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 ('AASBs') adopted by the Australian Accounting Standards Board ('AASB'), including Australian Accounting Interpretations, other Authoritative pronouncements of the AASB and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

**b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

**c) Functional & presentation currency**

The financial report of the Fund is presented in Australian dollars, which is the Fund's functional currency.

**d) Use of estimates and judgement**

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

The outbreak of COVID-19 and the resulting economic consequences impacted financial markets over varying degrees in the second half of the financial year. The Fund's investment activities would therefore have been impacted by the COVID-19.

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Fund based on known information. This consideration extends to the recognition of receivables and payables, valuation of assets and impacts on investments.

There were no key adjustments during the year arising from estimates and judgements.

**e) Changes in accounting policy**

The fund has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

There are no accounting standards, interpretations, or amendments to existing accounting standards that are effective for the first time in the financial year beginning 1 July 2019 that had a material impact on the amounts recognised in prior periods, or will affect the current and future periods.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(a) Financial Instruments**

##### **(i) Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Fund commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

##### **(ii) Classification and subsequent measurement**

**Financial assets** are subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and measurement depend upon the Responsible Entity business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- The financial asset is managed solely to collect contractual cash flows; and
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost or fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

**Financial liabilities** are subsequently measured at:

- Amortised cost; or
- Fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which AASB:3 *Business Combinations* applies;
- Held for trading; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

**(iii) Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

***Derecognition of financial assets***

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

***Derecognition of financial liabilities***

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

**(iv) Impairment**

The Fund recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income. Loss allowance is not recognised for financial assets measured at fair value through profit or loss.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Fund uses the simplified approach to impairment, as applicable under AASB 9.

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and that contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables was used, taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience etc).

At each reporting date, the Fund recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

**(v) Specific investments**

***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and are initially recognised under contractual obligations and after initial recognition are stated at their amortised cost less impairment losses.

***Investment securities***

The fair value of investment securities is based on their quoted market prices at the Statement of Financial Position balance date without any deduction for estimated future selling costs. Financial assets are priced at last sale prices at balance date and financial liabilities are priced at current asking prices.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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*Receivables*

Receivables may include amounts for interest and trust distribution and are initially recognised when the right to receive payment is established and after initial recognition are stated at their amortised cost less impairment losses.

*Payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed to the Fund or not and after initial recognition are stated at their amortised cost. Trade accounts payable are normally settled within 30 days.

The distribution payable to unitholders as at balance date is recognised as a payable as unitholders are presently entitled to the distributable income under the Fund's Constitution.

**(b) Interest income**

Interest income on debt securities is recognised in the Statement of Profit or Loss and Other Comprehensive Income when entitled to receive interest as at coupon date.

Interest income on bank operating accounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

**(c) Distribution income**

Distribution income relating to unlisted and listed securities is recognised in the Statement of Profit or Loss and Other Comprehensive Income when declared.

**(d) Expenses**

All expenses, including management fees and custodian fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

**(e) Taxation**

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of its taxable income to its unitholders.

**(f) Distributions**

Distributions are payable as set out in the Fund's product disclosure statement and/or the Fund's constitution. Such distributions are recognised as payable when they are determined by the Responsible entity.

Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

**(g) Net assets attributable to unitholders**

Units are redeemable at the unitholders option and are therefore classified as equity. The units can be put back to the Fund at any time for cash equal to the proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on redemption price) at the date if unitholders exercised their right to put the units back to the Fund.

**(h) Unit prices**

The unit price is based on unit price accounting outlined in the Fund's Constitution and product disclosure statement.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**(i) Change in net assets attributable to unitholders**

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

**(j) Applications and redemptions**

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

**(k) Goods and services tax**

Management fees, custody fees and other expenses are recognised net of the goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

**(l) Comparative information**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(m) New Accounting Standards and interpretations**

A number of new accounting standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been early adopted in preparing these financial statements.

The Directors have considered these changes and do not believe their application will have a material effect on the financial statements of the Fund.

**4. Interest income**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	13,367	29,861
Unlisted interest bearing securities		
- Floating rate notes	1,661,823	1,427,117
- Corporate bonds	308,400	88,660
	<b>1,983,590</b>	<b>1,545,639</b>

**5. Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Auditing and review of the financial report and other audit work under <i>Corporations Act 2001</i>	<b>14,000</b>	<b>13,450</b>

Auditor's remuneration is paid by the responsible entity.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**6. Net assets attributable to unitholders**

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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

	<b>30 June 2020 No.</b>	<b>30 June 2020 \$</b>	<b>30 June 2019 No.</b>	<b>30 June 2019 \$</b>
Opening balance	64,399,297	64,643,769	57,929,750	57,672,934
Applications	77,850,641	78,395,822	15,324,105	15,372,932
Units issued upon reinvestment of distributions	786	788	-	-
Redemptions	(21,033,377)	(21,119,715)	(8,854,558)	(8,858,740)
Distributions	-	(1,695,285)	-	(1,559,335)
Operating profit	-	1,125,218	-	2,015,978
Closing balance	<b>121,217,347</b>	<b>121,350,597</b>	<b>64,399,297</b>	<b>64,643,769</b>

**Capital risk management**

The Fund manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications at the discretion of unitholders.

The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents and investments in securities. The ratio of liquid assets to net assets attributable to unitholders was as follows:

	<b>2020 \$</b>	<b>2019 \$</b>
Net applications/(redemptions)	57,276,895	6,514,192
Liquid assets in the Fund	122,008,244	64,997,227
Net assets attributable to unitholders	121,350,597	64,643,769
Ratio of liquid assets to net assets attributable to unitholders	100.54%	100.55%

**7. Distributions paid to unitholders**

	<b>2020 \$</b>	<b>2020 CPU</b>	<b>2019 \$</b>	<b>2019 CPU</b>
Distributions were paid and/or payable:				
September Quarter – interim paid	408,000	0.50	407,800	0.68
December Quarter - interim paid	518,600	0.52	426,000	0.67
March Quarter - interim paid	343,000	0.30	388,598	0.65
30 June - final payable	425,685	0.35	336,937	0.52
	<b>1,695,285</b>	<b>1.67</b>	<b>1,559,335</b>	<b>2.52</b>

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**8. Cash and cash equivalents**

	2020	2019
	\$	\$
Cash at bank and on hand	3,198,788	3,693,605

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**9. Financial assets held at fair value through profit and loss**

	2020	2019
	\$	\$
<i>Unlisted securities</i>		
Floating rate notes	69,512,766	60,266,217
Corporate bonds	49,296,690	1,037,405
	<b>118,809,456</b>	<b>61,303,622</b>

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**10. Trade and other receivables**

	2020	2019
	\$	\$
Applications receivable	15,873	-
Other	9,786	5,159
	<b>25,659</b>	<b>5,159</b>

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**11. Trade and other payables**

	2020	2019
	\$	\$
Trade creditors	42,621	21,680
Redemptions payable	215,000	-
Distribution payable	425,685	336,937
	<b>683,306</b>	<b>358,617</b>

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**12. Financial risk management**

The Fund consists of senior bonds issued by Australian Deposit Taking Institutions or governments securities that meet the Reop eligibility criteria of the Reserve Bank of Australia. It holds investment assets at the discretion of the Fund's Investment Manager, GCi Australia Pty Ltd (GCi) (Investment Manager).

The Fund's investment strategy is to identify appropriate investments that are expected to generate a sufficiently high yield, commensurate with the assumed risk, with minimum volatility of returns.

Financial risk management is the responsibility of DDH Graham Limited as the Responsible entity of the Fund. This responsibility includes regular oversight of the Investment Manager, to ensure full compliance of the investment mandate of the Fund.

The Fund's activities expose it to a variety of financial risks: market (including price and interest rate risks), credit risk and liquidity risk. Set out below is information in respect of the Fund's exposure to these types of risks and how they are managed.

**(a) Market Risk**

The Fund's investment activities expose it to a variety of market risks:

- the risk that due to fluctuations in **interest rates** or other risk factors resulting in **price risk**: that is movement in the value of the securities held in the portfolio; and
- **Credit risk** in respect of an issuer of securities failing to discharge its obligations.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**12. Financial risk management (cont'd)**

These risks are managed as follows:

Diversification in investment selection. The following table sets out the Fund's portfolio construction by asset class and weights:

<b>Asset Class</b>	<b>Minimum (%)</b>	<b>Maximum (%)</b>
Australian Government and Semi Government Bonds	0	100
Investment grade Corporate Senior Bonds	0	100
Non - Investment grade <sup>1</sup> Corporate Senior Bonds, subordinated Corporate Bonds and hybrids, each either OTC or ASX listed	0	0
Australian cash	0	100

<sup>1</sup> Investment grade is defined as the security being rated at least BBB- by S&P (or equivalent by a recognized rating agency). In the case where there is no specific security rating, the Investment Manager will assign a rating for the security relative to the company's senior rating. If there is no senior rating the Investment Manager will assign a senior rating and subsequently a security rating.

The Investment Manager has a universe of internally approved fixed interest securities from which to select the portfolio. Approval is initially granted for the issuing company based on credit analysis. Subsequently the structure of the individual interest rate security from that company is assessed in detail and approved for investment if appropriate.

The pool of available securities is constantly monitored in terms of yield provision as well as continuing to meet required credit standards and to identify any current or emerging issues that may adversely impact the long-term value of the investment.

From this pool of securities, a core portfolio representing 70-80% of the fund's assets is constructed, selected with reference to:

- Macroeconomic analysis, both economic and interest rate driven;
- Industry selection; and
- Level of yield provision.

The core portfolio is stress tested and adjusted to minimize interest rate and credit market exposure.

The remainder of the portfolio allows tactical positions to be taken in securities on the approved list with a view to:

- Capturing changes in credit view;
- Identifying short term yield opportunities;
- Adjusting the overall portfolio's interest rate sensitivity;
- Capturing mispricing from liquidity constraints; and
- Maintaining the portfolio's capital value.

The total portfolio is re-assessed and monitored with reference to asset weighting guidelines and stress tests as described above.

Additionally, individual weighting constraints limit the exposure to one security at 10% of the fund's assets and 20% for exposure to one company. There are no restrictions on the weighting of government issued securities.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**12. Financial risk management (cont'd)**

The Fund is not exposed to any foreign currency risk as it only invests in Australian dollar denominated assets.

Apart from the investment activities of the Fund, credit risk arises from cash and amounts owing from debtors. Cash is held to only to meet expenses of the Fund and operational needs associated with investment trading. Cash is held in a cash management account under the control of a custodian and debtors actively monitored to ensure timely receipt.

The maximum exposure to *price and credit risk* at balance date is the carrying value of such financial assets.

The following table sets out the impacts of a 5% and 10% increase in movement of the securities held at balance date on fair value of the total portfolio and therefore on net assets attributable to unitholders.

	<b>2020</b>	<b>2019</b>
	\$	\$
Carrying value of financial assets held at fair value through profit and loss	118,809,456	61,303,622
Movement in fair value of plus 5%. A decrease in 5% would have an equal but opposite effect	5,940,473	3,065,181
Movement in fair value of plus 10%. A decrease in 10% would have an equal but opposite effect	11,880,946	6,130,362

**(b) Liquidity Risk**

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

The Fund is exposed to redemption request from unitholders and incurs expenditure in the normal course of business. Policies and processes in place to manage this liquidity risk exposure, under all market conditions are as follows:

- The very nature of the Fund's investments in that they are readily realisable in an unlisted but actively traded market.
- An appropriate amount of cash will be retained by the Fund for operational purposes and to fully or partially fund together with investment redemptions unitholder redemptions.
- As set out in the Constitution of the Fund, redemption requests are processed on a daily basis and settled usually within 7 business days of receipt of the request allowing for orderly liquidation of selected investment to meet such redemptions (if required).

Under the Constitution of the Fund, DDH Graham Limited as the responsible entity has the discretion to suspend redemption of units if it considers such discretion is in the best interests of all unitholders.

It is considered that the capital management strategy of the Fund, disclosed in Note 6, adequately supports the Funds' ability to fully meet redemption requests.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**12. Financial risk management (cont'd)**

The following table set out the contractual maturities of financial liabilities:

<b>2020</b>	<b>Contractual cash flows</b>	<b>Less than 1 month</b>	<b>1-3 month</b>	<b>3 months to 1 year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade creditors	42,621	42,621	-	-
Redemptions payable	215,000	215,000	-	-
Distribution payable	425,685	425,685	-	-
<b>2019</b>	<b>Contractual cash flows</b>	<b>Less than 1 month</b>	<b>1-3 month</b>	<b>3 months to 1 year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade creditors	21,680	21,680	-	-
Distribution payable	336,937	336,937	-	-

**13. Fair value measurement**

The carrying amounts of the Funds' assets and liabilities are measured and recognised at fair value on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

For the year ended 30 June 2020, disclosure of fair value measurements is based on the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair value of Level 1 financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The major methods and assumptions used in estimating the fair values of assets and liabilities are disclosed in note 3 to the financial statements.

The quoted market price used for financial assets held by the Fund is the last sale price, while financial liabilities are priced at current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

*Fair value in an inactive or unlisted market (level 2)*

The fair value of financial assets and liabilities that are not traded in an active market is determined by observable market data provided by either published clearing prices, broker and dealer quotes as appropriate to the investment. Investments in unlisted unit trusts are recorded at the redemption price per unit as reported by the manager of the Fund.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**13. Fair value measurement (cont'd)**

*Transfers between levels*

There were no transfers between levels for the year ended 30 June 2020 (2019: Nil).

*Fair value measurements using significant unobservable inputs (level 3)*

There were no level 3 investments held in the Fund.

The following table presents the Fund's assets and liabilities measured and recognised at fair value according to the above fair value hierarchy.

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial assets held at fair value through profit or loss</i>				
Unlisted securities	-	118,809,456	-	118,809,456
<b>Total</b>	<b>-</b>	<b>118,809,456</b>	<b>-</b>	<b>118,809,456</b>
<i>Financial liabilities held at fair value through profit or loss</i>				
	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial assets held at fair value through profit or loss</i>				
Unlisted securities	-	61,303,622	-	61,303,622
<b>Total</b>	<b>-</b>	<b>61,303,622</b>	<b>-</b>	<b>61,303,622</b>
<i>Financial liabilities held at fair value through profit or loss</i>				
	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**14. Related parties**

**Responsible entity**

The responsible entity of the Fund is DDH Graham Limited (ABN 28 010 639 219).

**Key management personnel**

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the KMP. The directors of the Responsible Entity are key management personnel of that entity.

The names of persons who were directors of DDH Graham Limited at any time during the financial year were as follows: DDH Graham, PB Lockhart, UC Di Girolamo and DA Graham.

**Investment Manager**

Pursuant to an Investment Management Agreement, DDH Graham Limited has appointed GCI Australia Pty Ltd (GCI) to manage the investment portfolio on behalf of DDH Graham Limited. Under the terms of the Agreement GCI is entitled to receive a management fee for its services. The management fee is payable by DDH Graham Limited from its Responsible Entity fee it receives from the Fund.

#### **14. Related parties (cont'd)**

##### **Remuneration of directors of the Responsible entity**

Remuneration of the directors and specified executives is paid directly by the responsible entity. The directors and specified executives are not provided with any remuneration by the Fund itself. Directors and specified executives are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the responsible entity.

##### **Loans to directors and specified executives of the responsible entity**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the directors or their personally related entities at any time during the reporting year.

##### **Responsible entity's fees and other transactions**

Under the terms of the Fund's Constitution, the responsible entity is entitled to receive fees monthly, calculated by reference to the net assets of the Fund at month end, as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Fees for the year paid by the Fund	392,197	247,564
Aggregated amounts payable to the responsible entity at reporting date	42,261	21,680

From the responsible fees paid to DDH Graham Limited, GCI was paid its investment management fee of \$146,103 (2019: \$91,397) its management fee.

##### **Related party transactions**

All related party transactions are conducted on normal commercial terms and conditions. From time to time DDH Graham Limited or its director related entities may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

##### **Investments**

The Fund does not hold any investments in other managed investment schemes to which DDH Graham Limited is the responsible entity. All transactions have been conducted on normal terms and conditions.

##### **Unitholdings**

DDH Graham Limited and its directors and director related persons did not hold any units in the Fund during the year.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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**15. Reconciliation of profit from operating activities to net cash from operating activities**

	2020	2019
	\$	\$
<b>(a) Reconciliation of profit from operating activities to net cash inflow from operating activities</b>		
Operating income	1,125,218	2,015,978
Decrease/(Increase) in receivables	(4,627)	260,578
Net realised losses on sale in financial instruments	159,731	63,615
Net unrealised (gains)/losses in financial instruments	300,322	(785,137)
Increase in accounts payable	20,941	4,061
<b>Net cash from operating activities</b>	<b>1,601,585</b>	<b>1,559,095</b>
<b>(b) Components of cash</b>		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash assets	<b>3,198,788</b>	<b>3,693,605</b>
<b>(c) Non-cash financing activities</b>		
Units created in the Fund under the distribution reinvestment plan.	<b>788</b>	-

**16. Segment information**

The Fund operates solely in one business segment being financial investment management. The Fund operates in one geographical location being Australia and holds investments based in Australia.

**17. Events occurring after reporting date**

Apart from the uncertainty associated with COVID-19, since 30 June 2020, there has not been any matter or circumstances not otherwise dealt with in the Financial Report that has significantly affected or may significantly affect the Fund.

The directors are not aware of any other significant events since the reporting date.

**18. Contingent liabilities and assets and commitments**

As at 30 June 2020, the Fund does not have any contingent liabilities or commitments.

**GCI AUSTRALIAN CAPITAL STABLE FUND  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2020**

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In the opinion of the directors of DDH Graham Limited, the responsible entity of the GCI Australian Capital stable Fund:

1. The financial statements and notes of the Fund, set out on pages 6 to 22, are in accordance with the Corporations Act 2001, including:
  - (a) give a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
  - (b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).
3. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
4. The financial statements and notes of the Fund, set out on pages 6 to 22, are in accordance with the provisions of the Constitution of the Fund dated 6 November 2017.

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



**P B Lockhart  
Director  
DDH Graham Limited  
Responsible Entity  
Brisbane 28 September 2020**

## Independent Auditor's Report

### GCI Australian Capital Stable Fund

#### Opinion

We have audited the financial report of GCI Australian Capital Stable Fund (the Fund), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 GCI Australian Capital Stable 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 2020 and of its financial performance for the year then ended.
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of DDH Graham Limited would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Fund's Directors' Report for the year ended 30 June 2020 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.

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Audit Australia, an affiliate of Findex (Aust) Pty Ltd.*

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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**

Management and the directors of DDH Graham Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors 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 ability of the Fund 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

  
**Crowe Audit Australia**



**Mike McDonald OAM**  
Partner

28 September 2020  
Brisbane