

CLIME SMALLER COMPANIES FUND

ARSN 633 254 654

CONDENSED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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This condensed financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed financial 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 Clime Smaller Companies Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This condensed financial report covers Clime Smaller Companies Fund as an individual entity.

The Responsible Entity of Clime Smaller Companies Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street,
Melbourne, VIC 3000.

DIRECTORS' REPORT

The directors of Equity Trustees Limited, the Responsible Entity of Clime Smaller Companies Fund (the "Fund"), present their report together with the condensed financial statements of the Fund for the half-year ended 31 December 2020. These condensed financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

Principal activities

The Fund invests in a portfolio of Australian equities (listed and unlisted) and cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the half-year ended 31 December 2020.

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2020.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Clime Asset Management Pty Limited
Custodian	JP Morgan Chase Bank N.A. (Sydney Branch)
Administrator	Mainstream Fund Services Pty Ltd
Statutory Auditor	Pitcher Partners Sydney

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the half-year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

Review and results of operations

During the half-year, the Fund continued to invest funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 19.8% (net of fees) for the half-year ended 31 December 2020. The Fund's benchmark is 50% of the ASX Small Ordinaries Accumulation Index (XSOAI) and 50% of the ASX Emerging Companies Accumulation Index (XECAL) which returned 31.0% for the same period.

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

	Half-year ended	
	31 December 2020	31 December 2019
Operating profit/(loss) for the half-year (\$'000)	9,369	4,586

There were no distributions declared during the half-year ended 31 December 2020 and 31 December 2019.

Significant changes in the state of affairs

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the half-year ended 31 December 2020.

DIRECTORS' REPORT (CONTINUED)

COVID-19

COVID-19 continues to create market uncertainty as businesses learn to navigate a new landscape. The impact of factors such as the timing, availability and efficacy of a vaccine; the resurgent infection rates around the world; and the potential for domestic outbreaks remains unclear. Australia's strong economic response, along with its successful management of COVID-19, allows for an optimistic outlook for 2021.

The Responsible Entity and Investment Manager closely monitor any developments and their likely impact on the assets of the Fund, noting that the high degree of uncertainty poses substantial challenges in predicting the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to and the Net Assets of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, 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 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
5 March 2021

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**Auditor's Independence Declaration
To the Directors of Equity Trustees Limited
As Responsible Entity of Clime Smaller Companies Fund**

In relation to the independent auditor's review for the half year ended 31 December 2020, I declare to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clime Smaller Companies Fund during the period.



C I Chandran
Partner

Pitcher Partners
Sydney

5 March 2021

Clime Smaller Companies Fund
Condensed statement of comprehensive income
For the half-year ended 31 December 2020

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half-year ended	
		31 December 2020 \$'000	31 December 2019 \$'000
Investment income			
Interest income from financial assets at amortised cost		3	8
Dividend income		412	320
Net foreign exchange gain/(loss)		7	-
Net gains/(losses) on financial instruments at fair value through profit or loss	4	9,303	5,111
Other income		12	17
Total investment income/(loss)		9,737	5,456
Expenses			
Management fees		298	200
Performance fees		2	610
Transaction costs		26	19
Other expenses		42	41
Total expenses		368	870
Operating profit/(loss) for the half-year		9,369	4,586
Finance costs attributable to unit holders			
(Increase)/decrease in net assets attributable to unit holders *	6	(9,369)	(4,586)
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income for the half-year		-	-

* Net assets attributable to unit holders are reclassified from equity to liability from 1 July 2019. As a result, the Fund's distributions are classified as finance costs in the statement of comprehensive income. Refer to Note 1 and Note 6 for further details.

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at	
		31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents		3,236	5,629
Receivables	8	78	156
Due from brokers – receivable for securities sold		-	268
Financial assets at fair value through profit or loss	5	55,772	41,403
Total assets		59,086	47,456
Liabilities			
Payables	9	63	49
Due to brokers - payable for securities purchased		47	604
Total liabilities (excluding net assets attributable to unit holders)		110	653
Net assets attributable to unit holders – liability		58,976	46,803

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Clime Smaller Companies Fund
Condensed statement of changes in equity
For the half-year ended 31 December 2020

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Total equity at the beginning of the half-year	-	28,727
Reclassification due to the issuance of second class of units	-	(28,727)
Comprehensive income for the half-year		
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with unit holders		
Applications	-	-
Redemptions	-	-
Reinvestment of distributions	-	-
Total equity at the end of the half-year *	-	-

*Effective from 1 July 2019, the Fund's units have been reclassified from equity to financial liability. Refer to Note 1 and Note 6 for further details. As a result, equity transactions, including distributions, are not disclosed in the above statement for the half-year ended 31 December 2020 and 31 December 2019.

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

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Clime Smaller Companies Fund
Condensed statement of cash flows
For the half-year ended 31 December 2020

CONDENSED STATEMENT OF CASH FLOWS

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	12,286	7,571
Payments for purchase of financial instruments at fair value through profit or loss	(17,641)	(16,866)
Net foreign exchange profit or loss	7	-
Interest income received from financial assets at amortised cost	3	8
Dividends received	435	344
Other income received	12	17
Management fees paid	(285)	(146)
Performance fees paid	(1)	(527)
Transaction costs	(26)	(19)
GST received	59	3
Other expenses paid	(42)	(41)
Net cash inflow/(outflow) from operating activities	(5,193)	(9,656)
Cash flows from financing activities		
Proceeds from applications by unit holders	5,720	9,755
Payments for redemptions by unit holders	(2,920)	(712)
Distributions paid to unit holders	-	(440)
Net cash inflow/(outflow) from financing activities	2,800	8,603
Net increase/(decrease) in cash and cash equivalents	(2,393)	(1,053)
Cash and cash equivalents at the beginning of the half-year	5,629	5,099
Cash and cash equivalents at the end of the half-year	3,236	4,046
Non-cash operating and financing activities		
Issue of units under the distribution reinvestment plan	-	1,328

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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1 GENERAL INFORMATION

These condensed financial statements cover Clime Smaller Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 3 March 2017 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The condensed financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in a portfolio of Australian equities (listed and unlisted) and cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

A second class of units, named the Retail Class, has been issued in July 2019 under a separate Product Disclosure Statement. As the Retail Class does not have identical class features to that of the Wholesale Class, the Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity. As at 31 December 2020, net assets attributable to unit holders are classified as liability.

The condensed financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the condensed financial statements.

2 BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed financial statements are to be read in conjunction with the annual financial statements 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*.

The directors are satisfied that the Fund has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

In preparing the financial statements for the Fund, the Responsible Entity and Investment Manager considered the current and ongoing impact that the COVID-19 pandemic has on the Fund, including reviewing the Fund's assets and liabilities in light of COVID-19 to ensure valuations remain appropriate. Fund operations, liquidity and risk management were also monitored during the half-year with no material concerns.

At the date of issuing the condensed financial statements, an estimate of future impact on the Fund's investments cannot be made. Actual economic events and conditions in the future may materially differ from those estimated by the Fund at the reporting date.

Significant accounting policies

The accounting policies applied in these condensed financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2020.

i. *New and amended standards adopted by the Fund*

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

ii. *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been early adopted in preparing these condensed financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

3 FAIR VALUE MEASUREMENT

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair value measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the condensed financial statements.

a. Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities and property trusts) are based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the 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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

b. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2020 and 30 June 2020.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2020				
Financial assets				
Listed equity securities	55,772	-	-	55,772
Total financial assets	55,772	-	-	55,772
As at 30 June 2020				
Financial assets				
Listed equity securities	41,403	-	-	41,403
Total financial assets	41,403	-	-	41,403

c. Financial instruments not carried at fair value

The carrying value of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting periods.

4 NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	3,768	1,906
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	5,535	3,205
Total net gains/(losses) on financial instruments at fair value through profit or loss	9,303	5,111

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Equity securities	55,772	41,403
Total financial assets at fair value through profit or loss	55,772	41,403

6 NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - LIABILITY

A second class of units, named the Retail Class, has been issued in July 2019 under a separate Product Disclosure Statement. As the Retail Class does not have identical class features to that of the Wholesale Class, the Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity. As at 31 December 2020, net assets attributable to unit holders are classified as liability.

As a result of the reclassification of net assets attributable to unit holders from equity to financial liabilities, the Fund's distributions are no longer classified as distributions paid in the statement of changes in equity, but rather as finance costs in the condensed statement of comprehensive income.

Movements in the number of units and net assets attributable to unit holders during the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December 2020 Units '000	31 December 2020 \$'000	31 December 2019 Units '000	31 December 2019 \$'000
Retail Class				
Opening balance	2,756	2,839	-	-
Applications	458	514	1,694	1,762
Redemptions	(1,090)	(1,147)	-	-
Reinvestment of distributions	-	-	-	-
Increase/(decrease) in net assets attributable to unit holders	-	413	-	93
Closing balance	2,124	2,619	1,694	1,855
Wholesale Class				
Opening balance	30,343	43,964	21,341	28,727
Applications	3,277	5,210	5,525	8,093
Redemptions	(1,153)	(1,773)	(518)	(712)
Reinvestment of distributions	-	-	987	1,328
Increase/(decrease) in net assets attributable to unit holders	-	8,956	-	4,493
Closing balance	32,467	56,357	27,335	41,929
Closing balance		58,976		43,784

As stipulated within the Fund's 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 two separate classes of units. Each unit has the same rights attaching to it as all other units within that class. Each unit class has a different management fee rate.

7 DISTRIBUTION TO UNIT HOLDERS

There were no distributions declared during the half-year ended 31 December 2020 and 31 December 2019.

8 RECEIVABLES

	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Dividends receivable	52	75
GST receivable	16	75
Applications receivable	10	6
Total receivables	78	156

9 PAYABLES

	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Management fees payable	51	40
Responsible Entity fees payable	3	3
Performance fees payable	2	1
Recoverable fees payable	7	5
Total payables	63	49

10 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2020 or on the results and cash flows of the Fund for the half-year ended on that date.

11 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2020 and 30 June 2020.

DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The condensed financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. 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.
- b. 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 directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry
Chairman

Melbourne
5 March 2021

**Independent Auditor's Review Report
To the Unitholders of Clime Smaller Companies Fund
ARSN 633 254 654****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of Clime Smaller Companies 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Clime Smaller Companies Fund does not comply 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 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* ("the Code") that are relevant to our audit of the annual 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 the Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



C I Chandran
Partner

5 March 2021



Pitcher Partners
Sydney