

Alexander Credit Opportunities Fund

ARSN 156 026 514

Condensed financial report For the half-year ended 31 December 2022

Alexander Credit Opportunities Fund

ARSN 156 026 514

Condensed financial report For the half-year ended 31 December 2022

Contents

Directors' report

Auditor's independence declaration

Condensed statement of comprehensive income

Condensed statement of financial position

Condensed statement of changes in equity

Condensed statement of cash flows

Notes to the condensed financial statements

Directors' declaration

Independent auditor's review report to the unit holders of Alexander Credit Opportunities Fund

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 2022 and any public announcements made in respect of Alexander Credit Opportunities Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This condensed financial report covers Alexander Credit Opportunities Fund as an individual entity.

The Responsible Entity of Alexander Credit Opportunities 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 Alexander Credit Opportunities Fund (the "Fund"), present their report together with the condensed financial statements of the Fund for the half-year ended 31 December 2022. These condensed financial statements have been prepared as it is a disclosing entity under the *Corporations Act 2001*.

Principal activities

The Fund invests in fixed income securities that include corporate bonds, bank loans, hybrids, mortgage-backed and asset-backed securities, and unit trusts 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 2022.

There were no significant changes in the nature of the Fund's activities during the half-year ended 31 December 2022.

The various service providers for the Fund are detailed below:

Service	Provider
Responsibility Entity	Equity Trustees Limited
Investment Manager	Alexander Funds Management Pty Ltd
Custodian	JPMorgan Chase Bank, N.A.
Administrator	Unity Fund Services Pty Ltd
Statutory Auditor	Ernst & Young

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
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	

Review and results of operations

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

The Fund's performance was 3.03% for the half-year ended 31 December 2022. The Fund's benchmark, Bloomberg AusBond Bank Bill Index plus 2% per annum returned 2.19% 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 2022	31 December 2021
Profit/(loss) before finance costs attributable to unit holders for the half-year (\$'000)	7,340	5,557
Distributions paid and payable (\$'000)	5,650	2,769
Distributions (cents per unit)	3.0000	1.5000

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 half-year ended 31 December 2022.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may have a significant effect on:

- i. the operations of the Fund in future financial years;
- ii. the results of those operations in future financial years; or
- iii. the state of affairs of the Fund in future financial years.

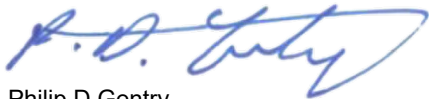
Rounding of amounts to the nearest thousand dollars

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 5.

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.



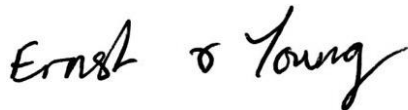
Philip D Gentry
Chairman

Melbourne
6 March 2023

Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Alexander Credit Opportunities Fund

As lead auditor for the review of the half-year financial report of Alexander Credit Opportunities Fund for the half-year ended 31 December 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.



Ernst & Young



Jonathan Hall
Partner
6 March 2023

Alexander Credit Opportunities Fund
Condensed statement of comprehensive income
For the half-year ended 31 December 2022

Condensed statement of comprehensive income

	Half-year ended	
	31 December 2022	31 December 2021
Note	\$'000	\$'000
Investment income		
Interest income from financial assets at fair value through profit or loss	2,581	1,918
Distribution income	7,500	5,700
Net foreign exchange gains/(losses)	5	-
Net gains/(losses) on financial instruments at fair value through profit or loss	(563)	382
Total investment income/(loss)	9,523	8,000
Expenses		
Management fees	1,603	1,563
Performance fees	474	779
Custody and administration fees	86	85
Remuneration of auditor	15	15
Other expenses	5	1
Total expenses	2,183	2,443
Profit/(loss) before finance costs attributable to unit holders for the half-year	7,340	5,557
Finance costs attributable to unit holders		
Distributions to unit holders	6 (5,650)	(2,769)
(Increase)/decrease in net assets attributable to unit holders	5 (1,690)	(2,788)
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income for the half-year	-	-

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

Alexander Credit Opportunities Fund
Condensed statement of financial position
As at 31 December 2022

Condensed statement of financial position

		As at	
		31 December	30 June
		2022	2022
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents		15,501	11,919
Receivables	7	384	3,786
Financial assets at fair value through profit or loss	4	239,093	245,410
Total assets		254,978	261,115
Liabilities			
Distributions payable	6	3,748	8,403
Payables	8	645	653
Total liabilities (excluding net assets attributable to unit holders)		4,393	9,056
Net assets attributable to unit holders - liability	5	250,585	252,059

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

Alexander Credit Opportunities Fund
Condensed statement of changes in equity
For the half-year ended 31 December 2022

Condensed statement of changes in equity

	Half-year ended	
	31 December 2022	31 December 2021
	\$'000	\$'000
Total equity at the beginning of the half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the half-year*	-	-

*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 the end of the half-year.

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

Alexander Credit Opportunities Fund
Condensed statement of cash flows
For the half-year ended 31 December 2022

Condensed statement of cash flows

	Half-year ended	
	31 December 2022	31 December 2021
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	40,246	66,564
Payments for purchase of financial instruments at fair value through profit or loss	(34,492)	(75,448)
Interest income received from financial assets at fair value through profit or loss	6,140	1,918
Distributions received	7,500	5,700
Management and performance fees paid	(2,089)	(2,826)
Custody and administration fees paid	(104)	(96)
Audit fees paid	(35)	(22)
Other expenses paid	(161)	-
Other income received	-	1
Net cash inflow/(outflow) from operating activities	17,005	(4,209)
Cash flows from financing activities		
Proceeds from applications by unit holders	32,680	25,215
Payments for redemptions by unit holders	(38,843)	(14,449)
Distributions paid to unit holders	(7,265)	(6,256)
Net cash (outflow)/inflow from financing activities	(13,428)	4,510
Net increase/(decrease) in cash and cash equivalents	3,577	301
Cash and cash equivalents at the beginning of the half-year	11,919	12,677
Effects of foreign currency exchange rate changes on cash and cash equivalents	5	-
Cash and cash equivalents at the end of the half-year	15,501	12,978
Non-cash operating and financing activities		
Issue of units under the distribution reinvestment plan		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	3,033	2,634

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

Notes to the condensed financial statements

Contents

- 1 General information
- 2 Basis of preparation
- 3 Fair value measurement
- 4 Financial assets at fair value through profit or loss
- 5 Net assets attributable to unit holders - liability
- 6 Distributions to unit holders
- 7 Receivables
- 8 Payables
- 9 Events occurring after the reporting period
- 10 Contingent assets and liabilities and commitments

1 General information

These condensed financial statements cover Alexander Credit Opportunities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 29 October 2009 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 fixed income securities that include corporate bonds, bank loans, hybrids, mortgage-backed, asset-backed securities and unit trusts in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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 2022 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.

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 2022.

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 2022 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 2023, and have not been early adopted in preparing these condensed financial statements.

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

3 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 4)

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 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 publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading 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. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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. Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

3 Fair value measurement (continued)

b. Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

Investments in unlisted unit trust are recorded at the fair value per unit as reported by the administrator of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

c. Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2022 and 30 June 2022.

As at 31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Asset backed securities	-	40,915	-	40,915
Corporate bonds	-	33,329	-	33,329
Unit trust	-	164,802	-	164,802
Futures	34	-	-	34
Options	13	-	-	13
Total financial assets	47	239,046	-	239,093

As at 30 June 2022

Financial assets

Asset backed securities	-	48,517	-	48,517
Corporate bonds	-	29,535	-	29,535
Unit trust	-	-	167,285	167,285
Futures	2	-	-	2
Options	71	-	-	71
Total financial assets	73	78,052	167,285	245,410

d. 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 was a transfer from level 3 to level 2 during the period ended 31 December 2022 due to decrease in the unobservable inputs used in the fair value measurement of the unit trust. The transfer was deemed to have occurred when the inputs became observable.

The Management's policy for determining when transfers between levels are deemed to have occurred is to evaluate the observability of the inputs used in the fair value measurement at the end of each reporting period. Transfers are deemed to have occurred when inputs previously considered observable become unobservable or vice versa, or when additional inputs become available or are no longer available.

3 Fair value measurement (continued)

e. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the half-year ended 31 December 2022 by class of financial instrument.

	Unit trusts \$'000
Opening balance - 31 December 2021	151,224
Purchases	33,309
Sales	(16,680)
Distributions	(7,371)
Gains/(losses) recognised in the condensed statement of comprehensive income*	6,803
Closing balance - 30 June 2022	167,285
Purchases	7,380
Sales	(10,390)
Distributions	(7,500)
Gains/(losses) recognised in the condensed statement of comprehensive income*	8,027
Transfers into/(out) from Level 3	(164,802)
Closing balance - 31 December 2022	-

* Includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

The gains/(losses) from the investment in unit trusts are recognised in the condensed statement of comprehensive income within distributions income of \$7,500,000 (2021: \$5,700,000) and net gain/losses on fair value through profit or loss of \$526,630 gain (2021: \$766,322 gain).

i. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements. See Note 3(b) above for the valuation techniques adopted.

There are no level 3 investments as at 31 December 2022.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2022 Investment in unit trust	167,285	Discount for lack of liquidity	5% - 15%	Increased/(decreased) discount for lack of liquidity by +/-5% would (decrease)/increase fair value by \$8,364,250

ii. Valuation processes

The level 3 investments comprise investment in one unit trust. The valuation techniques used to derive the fair value of the unit trust is as follows:

- The fair value of the unit trust, which invests in loan assets, is based on third party pricing (IDC pricing) available for the underlying loan assets plus accrued interest.

3 Fair value measurement (continued)

f. Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differ 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 Financial assets at fair value through profit or loss

	31 December 2022 \$'000	As at 30 June 2022 \$'000
Options	13	71
Asset backed securities	40,915	48,517
Corporate bonds	33,329	29,535
Unit trust	164,802	167,285
Futures	34	2
Total financial assets at fair value through profit or loss	239,093	245,410

5 Net assets attributable to unit holders - liability

The Fund's units are classified as a liability as they do not meet the definition of a financial liability to be classified as equity.

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

	31 December 2022 Units '000	Half-year ended 31 December 2022 \$'000	31 December 2021 Units '000	31 December 2021 \$'000
Opening balance	189,912	252,059	177,443	237,234
Applications	24,334	32,681	18,648	25,215
Redemptions	(29,126)	(38,878)	(10,705)	(14,415)
Reinvestment of distributions	2,277	3,033	1,963	2,634
Increase/(decrease) in net assets attributable to unit holders	-	1,690	-	2,788
Closing balance	187,397	250,585	187,349	253,456

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 no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

6 Distributions to unit holders

The distributions declared during the half-year were as follows:

	Half-year ended			
	31 December	31 December	31 December	31 December
	2022	2022	2021	2021
	\$'000	CPU	\$'000	CPU
Distributions				
September (paid)	1,902	1.0000	1,364	0.7500
December (payable)	3,748	2.0000	1,405	0.7500
Total distributions	5,650	3.0000	2,769	1.5000

7 Receivables

	As at	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Applications receivable	1	-
GST receivable	371	215
Interest receivable	12	3,571
Total receivables	384	3,786

8 Payables

	As at	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Management fees payable	321	283
Performance fees payable	218	268
Administration fees payable	55	74
Audit fees payable	8	28
Redemptions payable	43	-
Total payables	645	653

9 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 2022 or on the results and cash flows of the Fund for the half-year ended on that date.

10 Contingent assets and liabilities and commitments

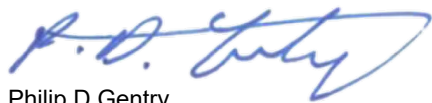
There are no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the condensed financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with 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 2022 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
6 March 2023

Independent Auditor's Review Report to the Unit Holders of Alexander Credit Opportunities Fund

Conclusion

We have reviewed the accompanying half-year financial report of Alexander Credit Opportunities Fund (the Fund), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising 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 half-year financial report of the 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 2022 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*.

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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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.

Directors' responsibilities for the half-year financial report

The directors of the Equity Trustees Limited (the Responsible Entity) 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 responsibilities for the review of the half-year 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 2022 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, flowing script.

Ernst & Young

A handwritten signature in black ink that reads 'Jonathan Hall' in a cursive, flowing script.

Jonathan Hall
Partner
Sydney
6 March 2023