

ASHBURTON MIDCAP EXCHANGE TRADED FUND

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

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ASHBURTON MIDCAP EXCHANGE TRADED FUND
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MANAGER'S RESPONSIBILITY AND APPROVAL

Ashburton Management Company (RF) Proprietary Limited (the "Manager") is responsible for the preparation and fair presentation of the Manager's report and the annual financial statements of the Ashburton Midcap Exchange Traded Fund (the "Portfolio"), comprising of the statement of financial position, statement of comprehensive income, statement of cash flows, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes. These annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Collective Investment Schemes Control Act ("CISCA") and the Supplemental Deed No.8 (relating specifically to this Portfolio) to the deed in respect of the Ashburton Collective Investment Scheme (the "Scheme").

The Manager's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these annual financial statements to ensure that these are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, applying judgement and making accounting estimates that are reasonable in the circumstances.

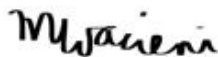
The Manager's responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The Manager has made an assessment of the Portfolio's ability to continue as a going concern and has no reason to believe that the Portfolio will not be a going concern in the foreseeable future. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The going concern basis of preparation, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of the Portfolio were approved by the Manager and signed on its behalf by two directors of the Manager.



Director



Director

Sandton

28 September 2021



Ashburton Management Company (RF) (Pty) Limited
4 Merchant Place
1 Fredman Drive
Sandton
2196

23 September 2021

Attention: The board of Directors of Ashburton Management Company (RF) (Pty) Ltd

Ashburton Collective Investment Scheme in Securities (The Scheme) – Year End 30 June 2021

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the “**Act**”), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the “**Accounts**”) fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both International Financial Reporting Standards (IFRS) and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,

Chantell Kruger
Senior Manager, Trustee Services

Chantelle Gertenbach
Manager, Trustee Operations

Standard Chartered Bank

Johannesburg Branch

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P.O. Box 782080, Sandton, 2146
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Independent auditor's report

To the directors of Ashburton Management Company (RF) Proprietary Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ashburton MidCap Exchange Traded Fund (the Portfolio) as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Trust Deed and the requirements of the Collective Investment Schemes Control Act of South Africa.

What we have audited

Ashburton MidCap Exchange Traded Fund's financial statements, as managed by Ashburton Management Company (RF) Proprietary Limited, set out on pages 13 to 40 comprise:

- the statement of financial position as at 30 June 2021;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

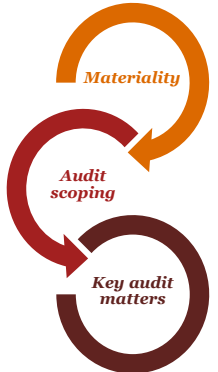
We are independent of the Portfolio in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Our audit approach

Overview

	<p>Overall materiality</p> <ul style="list-style-type: none"> Overall materiality: R5.5million, which represents 1% of total assets <p>Key audit matters</p> <ul style="list-style-type: none"> Valuation and existence of investments at fair value through profit or loss
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	<i>R 5.5million</i>
<i>How we determined it</i>	<i>1% of total assets</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Portfolio is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used for asset-orientated entities in this sector.</i>

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Valuation and existence of investments at fair value through profit or loss</i></p> <p>The Portfolio's investments comprise listed investments which are measured at fair value through profit and loss. As at 30 June 2021, the carrying value of the Portfolio's total investments at fair value through profit or loss ("the investments") amounted to R 461,124,847.</p> <p>The Portfolio's accounting policy is to measure investments at fair value using the market approach. As disclosed in Note 7 to the financial statements, the listed investments are classified as level 1 in terms of the fair value hierarchy which implies that the fair value is determined using unadjusted quoted prices in active markets for identical listed investments that the Portfolio can access as at 30 June 2021.</p> <p>We considered the existence and valuation of listed investments at fair value through profit or loss to be a matter of most significance to the current year's audit due to the following factors:</p> <ul style="list-style-type: none"> • The value of the investments is a key measure in determining the performance of the Portfolio; 	<p><i>Existence</i></p> <p>We confirmed all of the Portfolio's scrip holdings at 30 June 2021 with the custodians. Where differences have been identified, we obtained explanations from management and inspected relevant documentation.</p> <p><i>Valuation</i></p> <p>We obtained the International Standard on Assurance Engagements, <i>Assurance Reports on Controls at a Service Organisation</i> 3402 type II report in respect of the third party service provider who performed the valuation of the investments. We read the report and obtained an understanding of the internal controls relevant to the valuation of the Portfolio's investments. We further evaluated the design and implementation of these relevant controls.</p> <p>We evaluated the appropriateness of the fair value measurement methodology applied by the Portfolio in accordance with IFRS 13, <i>Fair Value Measurement</i> (IFRS 13). We did not note any inconsistencies in this regard. We assessed the appropriateness of the valuation methodology</p>

<ul style="list-style-type: none"> • The investments are held in a fiduciary capacity by the Portfolio on behalf of the participatory interest holders; and • The value of the investments at year-end is quantitatively significant. <p>Refer to the following accounting policies and notes to the financial statements for details:</p> <ul style="list-style-type: none"> - Accounting policy 3.3: Financial instruments, Fair value estimation; - Note 1: Investments at fair value through profit or loss; and - Note 7: Fair Value of Financial Instruments. 	<p>with reference to the definition of an active market. We also assessed the adequacy of the disclosure of the fair value hierarchy in accordance with IFRS 13. We noted no matters requiring further consideration.</p> <p>We independently recalculated the fair value of the listed equity investments by obtaining the closing prices of the investments from external sources and multiplying these prices by the quantities obtained from confirmations received from the custodians. No material exceptions were noted when compared to management's fair values.</p>
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Other information

The directors of Ashburton Management Company (RF) Proprietary Limited are responsible for the other information. The other information comprises the information included in the document titled "Ashburton MidCap Exchange Traded Fund Audited Annual Financial Statements for the year ended 30 June 2021". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 of the Manager for the financial statements

The directors of Ashburton Management Company (RF) Proprietary Limited are responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards and requirements of the Collective Investment Schemes Control Act of South Africa, and for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors of Ashburton Management Company (RF) Proprietary Limited determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of Ashburton Management Company (RF) Proprietary Limited are responsible for assessing the Portfolio's ability 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 Portfolio or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Ashburton Management Company (RF) Proprietary Limited.
- Conclude on the appropriateness of the directors of Ashburton Management Company (RF) Proprietary Limited's 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 Portfolio'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 statements 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 Portfolio to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with directors of Ashburton Management Company (RF) Proprietary Limited 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 our audit.

We also provide the directors of Ashburton Management Company (RF) Proprietary Limited with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of Ashburton Management Company (RF) Proprietary Limited, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Shiraz Hassim

Registered Auditor

Johannesburg, South Africa

28 September 2021

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MANAGER'S REPORT

1. General review

There has been no material change in the nature or conduct of the Portfolio's business during the year. The annual financial statements adequately disclose the results of the operations and the state of the Portfolio's affairs for the year ended 30 June 2021.

2. Establishment

The Scheme was established in accordance with the provisions of the CISCA with effect from 12 April 2008. The Portfolio was established as a portfolio of the Scheme in accordance with paragraph A of the Deed of the Scheme on 26 June 2012.

3. Nature of the business

The investment objective of the Portfolio is to track the price and performance yield of the FTSE/JSE Mid Cap Index (the "Index") on the JSE Limited ("JSE") as closely as possible. The Portfolio participatory interests are listed and traded on the JSE in much the same way as any listed security. By owning Portfolio participatory interests, a participatory interest holder will obtain market exposure to the constituent companies included in the index. The Portfolio pays an annual management fee of 0.50% for Class A participatory interests to the Manager.

The Portfolio was initially listed on the JSE on 15 August 2012.

4. Trustee

The trustee of the Portfolio at the date of this report is The Standard Chartered Bank Johannesburg Branch Custody and Trustee.

5. Manager

The Manager of the Scheme and the Portfolio at the date of this report is Ashburton Management Company (RF) Proprietary Limited.

6. Beneficiaries

Vested income beneficiaries include all holders of the Portfolio's participatory interests.

7. Corporate governance

The Manager is committed to good corporate citizenship and to open corporate governance in its stewardship of its own affairs and those of the Portfolio. The Manager has implemented and complied with the requirements of Board Notice 910 of the CISCA during the year under review.

This commitment provides stakeholders with the comfort that the Manager's and the Portfolio's affairs are being managed in an ethical, transparent and responsible manner, after considering prudently the determined risk parameters.

The corporate governance framework ensures the strategic guidance of the Manager and the Portfolio, the effective monitoring of management by the directors of the Manager and their accountability to all stakeholders. Furthermore, the framework ensures that timely and accurate disclosure is made on all material matters regarding the Manager and the Portfolio, including the financial position, performance, ownership, and governance of the Manager and the Portfolio.

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MANAGER'S REPORT (CONTINUED)

8. Integrated report

The Manager of the Portfolio has decided not to present an integrated report about the Portfolio, on the basis that the integrated report would not provide any more insight and/or relevant information to investors and/or stakeholders on the strategy, risks and value creation activities of the Portfolio.

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ACCOUNTING POLICIES

1. General information

The Portfolio is established and domiciled in South Africa. The address of its registered office is 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton.

The Portfolio adopts the following accounting policies in preparing its annual financial statements which are consistent with the accounting policies of the previous accounting period unless otherwise stated. The presentation currency used is the South African Rand ("R").

2. Basis of presentation

The annual financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "IASB"), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the provisions of the CISC, the JSE Listing Requirements and the Companies Act. The financial statements and supporting notes are in compliance with the requirements of IFRS.

These financial statements comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income and the statement of cash flows for the year then ended, as well as the notes comprising of a summary of significant accounting policies and other explanatory notes.

The annual financial statements have been prepared in accordance with the going concern principle using the historical cost basis, except for certain financial assets where the Portfolio adopts the fair value basis of accounting, and incorporates the principal accounting policies set out below, which complies with the Portfolio's Supplemental Trust Deed. Areas where assumptions and estimates are significant to the annual financial statements are outlined in accounting policy 9, below.

Standards, interpretations and amendments effective 1 July 2020

The following new and revised standards and interpretations that are effective for the year had no impact on the Portfolio's reported earnings, financial position, reserves or accounting policies.

New / revised IFRS	Description of change	Impact on the Portfolio
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and provides additional clarification of the following principles - prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the Conceptual Framework.	The amendments did not have a significant impact on the Portfolio's accounting policies.
IAS 1 and IAS 8	<p>Amendments regarding the definition of material</p> <p>The amendments align the definition of material across the IFRS Standards and to clarify certain aspects of the definition.</p> <p>The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively.</p>	The amendments did not have a significant impact on the Portfolio's accounting policies.

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ACCOUNTING POLICIES (CONTINUED)

New / revised IFRS	Description of change	Impact on the Portfolio
IFRS 3	<p>Business Combinations – Amendments to clarify the definition of a business</p> <p>The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.</p>	<p>The amendment will have no material impact on the Portfolio, as the Portfolio does not enter into business combination transactions.</p>
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	<p>Phase one</p> <p>The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 as part of the interest rate benchmark reform (IBOR) that has a direct impact on hedging relationships.</p> <p>These impacts are -</p> <ul style="list-style-type: none"> ➤ The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. ➤ Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based are not altered as a result of the interest rate benchmark reform. <p>Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships.</p>	<p>The amendments did not have an impact on the Portfolio's accounting policies, as hedge accounting is not applied.</p>

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ACCOUNTING POLICIES (CONTINUED)

New / revised IFRS	Description of change	Impact on the Portfolio
Interest Rate Benchmark Reform Phase 2, (Amendments to IFRS 9, IAS 39 and IFRS 7)	<p>Phase two</p> <p>The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 as part of the second phase of its IBOR benchmark reform. The amendments provide temporary relief which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR).</p> <p>These included:</p> <ul style="list-style-type: none"> ➤ Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. ➤ The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes. <p>The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months</p>	<p>The amendments did not have an impact on the Portfolio's annual financial statements as the benchmarks for interest rates on its financial instruments have not been reformed</p>

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not yet been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Portfolio. Refer to note 20.

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ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

3.1 Classification

The Portfolio has classified all its investments as financial assets or financial liabilities at amortised cost or at fair value through profit or loss ("FVPL").

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets at amortised cost include dividends and interest receivable, other receivables and cash and cash equivalents.

Financial assets at FVPL

All financial assets not measured at amortised cost are subsequently measured at FVPL, except for investments in equities and rights which are mandatorily held at FVPL.

Financial liabilities at amortised cost

Financial liabilities that are not held-for-trading or designated as at FVPL are measured at amortised cost. This category includes fees payable and other payables.

3.2 Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Portfolio commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or if the Portfolio has transferred substantially all risks and rewards of ownership. The Portfolio derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Gains and losses arising from the sale of financial assets and liabilities are recognised within fair value gains and losses on financial assets and financial liabilities at fair value through profit or loss in the period in which they arise (and are presented in the statement of comprehensive income).

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within fair value gains and losses, net of withholding taxes when the Portfolio's right to receive payment is established. Interest on cash is recognised in the statement of comprehensive income within interest received based on the effective interest rate.

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ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments (continued)

3.3 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are valued by various methods depending on the primary market or exchange on which they trade.

Securities traded in active markets are valued using the closing price or the last sale price in the principal market where they are traded. When the last sale price on the local exchange is unavailable, the last available quote or last bid price are used.

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.

3.4 Impairment

The Portfolio holds only trade and other receivables with no financing component, and which have maturities of less than 12 months at amortised cost and, as such, has applied the simplified approach for expected credit losses ("ECLs") under IFRS 9 to all its trade and other receivables. Therefore, the Portfolio does not track changes in credit risk, but allows for the recognition of a loss allowance based on lifetime ECLs at each reporting date refer to Note 2.

The Portfolio's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Portfolio uses the provision matrix as a practical expedient to measure ECLs on trade and other receivables based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates of the expected life of the receivables and is adjusted for forward looking estimates.

The carrying amount of the asset is reduced and the loss is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases due to events occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced through profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost value, as if the financial asset was not impaired previously, at the reversal date based on the original effective interest rate.

Cash and cash equivalents

All physical cash is classified as Stage 1 and is subject to the impairment requirements of IFRS 9. Refer to Note 3.6.

3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset when the right to set-off is not contingent on a future event and is legally enforceable for all counterparties in the normal course of business. The net amount is reported in the statement of financial position when the Portfolio has the intention and ability either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are not offset if the right of set-off is only enforceable in the event of default, insolvency and bankruptcy.

3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All balances, except for physical cash which is held at call, included in cash and cash equivalents have a maturity date of less than three months from the acquisition date and are measured at amortised cost.

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ACCOUNTING POLICIES (CONTINUED)

4. Participatory interest

The Portfolio issues one class of participatory interests which is redeemable at the holder's option. Participatory interests can be put back to the Portfolio at any dealing date for cash equal to a proportionate share of the Portfolio's net asset value attributable to the participatory interest class.

The participatory interests are measured at the redemption amount that is payable at the reporting date if the holder exercises the right to put the participatory interests back to the Portfolio.

The participatory interests are issued and redeemed at the holder's option at prices based on the Portfolio's net asset value per participatory interest at the time of issue or redemption. The Portfolio's net asset value per participatory interest is calculated by dividing the net assets attributable to the holders of the participatory interest by the total number of outstanding participatory interests, in accordance with the provisions of the Portfolio's supplemental trust deed.

Net assets attributable to participatory interest holders, evidence a residual interest in the assets of the Portfolio after deducting all of its liabilities.

The value of the net assets attributable to participatory interest holders will vary with the changes in the underlying value of the investments, net of receivables and payables. The total movement in the statement of comprehensive income is transferred to the net assets attributable to participatory interest holders.

Creations and redemptions are recorded on trade date using the previous day's closing price.

In accordance with the Portfolio's supplemental trust deed, the Portfolio distributes its distributable income and any other amounts determined by the Manager of the Portfolio to participatory interest holders. The portfolio does not have an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation should a holder exercise the right to put the participatory interests back to the portfolio. For this reason, the participatory interest does not meet the requirements to be classified as equity in terms of IAS 32 and is thus classified as a liability. Distributions are automatically reinvested in additional participatory interests, other than distributions that are paid in cash.

5. Net income adjustment on creation and redemption of units

An adjustment to income arises on the creation and cancellation of units since the price of a unit includes accrued income and expenses. The income adjustment on creation or cancellation of units is recognised as part of the creation or redemption of unitholder interests and disclosed within the note of net assets attributable to participatory interest holders when units on which it arises are either purchased or sold as these form part of the cash flow on unit transactions.

6. Other income

Other income comprises income from securities lending activities.

Securities lending fee income

The fees earned for the administration of securities lending activities are recognised as revenue over time as the services are rendered.

7. Investment income

Fair value gains and losses

Gains and losses arising from a change in the fair value of investments, interest income on interest-bearing investments and dividend income, are included in the statement of comprehensive income under fair value gains / losses in the year in which the changes arise.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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ACCOUNTING POLICIES (CONTINUED)

7. Investment income (continued)

Dividend income

Dividend income in respect of investments is recognised when the right to receive payment is established. This is on the “last-day-to-trade” for listed investments and on the “date-of-declaration” for unlisted investments. Dividend income is recognised in the statement of comprehensive income as part of fair value gains and losses.

Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income as part of interest income on the effective interest rate method.

8. Taxation

The Portfolio has no current or deferred tax liability as all realised gains and losses are considered to be of a capital nature and disregarded in the tax calculation of this Collective Investment Scheme portfolio in accordance with paragraph 61 of the Eighth schedule to the Income Tax Act No 58 of 1962. All investment income is distributed within the time frames specified by section 25BA of the Income Tax Act and is therefore taxed in the hands of the participatory interest holders.

9. Critical accounting estimates and judgements in applying accounting policies

No significant accounting estimates and judgements have been applied in the annual financial statements of the Portfolio.

All investments designated at FVPL are measured at fair value based on quoted prices in active markets and do not require the use of judgement or estimates.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Rand	Notes	2021	2020
ASSETS			
Investments at fair value through profit or loss	1	461,124,847	248,642,164
Financial assets at fair value through profit and loss - securities lent	1,13	82,083,710	76,501,374
Trade and other receivables	2	369,906	176,207
Cash and cash equivalents	3	5,439,339	2,351,779
Total assets		549,017,802	327,671,524
LIABILITIES			
Net assets attributable to participatory interest holders	4	548,244,359	327,199,623
Trade and other payables	5	773,443	471,901
Total liabilities		549,017,802	327,671,524

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STATEMENT OF COMPREHENSIVE INCOME

Rand	Notes	2021	2020
Interest income		47,475	128,406
Fair value gain/(loss)	8	117,117,019	(67,132,423)
Investment income/(loss)		117,164,494	(67,004,017)
Other income	9	109,139	255,813
Operating expenses	10	(2,575,933)	(2,032,737)
Profit/(loss) before tax		114,697,700	(68,780,941)
Taxation		-	-
Profit/(loss) before amounts attributable to participatory interest holders		114,697,700	(68,780,941)
(Increase)/decrease in net assets attributable to participatory interest holders	4	(114,697,700)	68,780,941
Total comprehensive income for the year		-	-

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STATEMENT OF CASH FLOWS

Rand	Notes	2021	2020
Cash flows from operating activities			
Cash utilised by operations	14	(2,183,456)	(1,856,926)
Dividends received		12,715,602	14,211,796
Interest received		42,439	135,756
Sale of investments at fair value through profit or loss		137,414,344	163,351,856
Purchase of investments at fair value through profit or loss		(251,248,405)	(209,011,124)
Net cash outflow from operating activities		(103,259,476)	(33,168,642)
Cash flows from financing activities			
Redemption of portfolio participatory interests	4	(10,512,255)	(5,036,424)
Creation of portfolio participatory interests	4	124,010,528	49,456,427
Distributions paid to participatory interest holders	4	(7,151,237)	(12,432,106)
Net cash inflow from financing activities		106,347,036	31,987,897
Net increase in cash and cash equivalents		3,087,560	(1,180,745)
Cash and cash equivalents at the beginning of the year		2,351,779	3,532,524
Cash and cash equivalents at the end of the year	3	5,439,339	2,351,779

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Rand	2021	2020
Instrument class		
Equity instruments - local	461,124,847	248,642,164
Equity instruments - local - securities lent	82,083,710	76,501,374
Total investments at fair value through profit or loss	543,208,557	325,143,538

The Portfolio can sell these investments at any time to settle liabilities as and when these arise, refer to Note 15.

2. TRADE AND OTHER RECEIVABLES

Rand	2021	2020
Dividends receivable	320,981	150,522
Interest receivable	10,126	5,090
Prepaid expenses	38,799	20,595
Total trade and other receivables	369,906	176,207

There are no trade and other receivables that are past due or impaired. All amounts are due within one year from financial year end. While the trade and other receivables are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial. The carrying value of trade and other receivables approximates fair value.

Further information regarding credit quality of trade and other receivables is included in Note 15.

3. CASH AND CASH EQUIVALENTS

Rand	2021	2020
Cash and cash equivalents - local	5,439,339	2,351,779
Total cash and cash equivalents	5,439,339	2,351,779

While the cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial. The carrying value of cash and cash equivalents approximates fair value.

Cash and cash equivalents are not pledged as security.

4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS

Rand	2021	2020
Balance at the beginning of the year	327,199,623	363,992,667
Participatory interests created during the year	124,010,528	49,456,427
Participatory interests redeemed during the year	(10,512,255)	(5,036,424)
Increase/(decrease) in net assets attributable to participatory interest holders	114,697,700	(68,780,941)
Distributions paid	(7,151,237)	(12,432,106)
Balance at the end of the year	548,244,359	327,199,623

	Number of participatory interests in issue 2021	Net assets attributable to participatory interest holders 2021	Number of participatory interests in issue 2020	Net assets attributable to participatory interest holders 2020
Class A	74,752,103	548,244,359	58,000,000	327,199,623
Total	74,752,103	548,244,359	58,000,000	327,199,623

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS (CONTINUED)

Participatory interests can be put back to the Portfolio at any point in time. Participatory interests do not have a defined maturity date.

5. TRADE AND OTHER PAYABLES

Rand	2021	2020
Audit fee payable	86,268	82,521
Custody fee payable	15,274	5,813
Management fee payable	671,901	383,567
Total trade and other payables	773,443	471,901

All trade and other payables are payable within one year from financial year end. The carrying value of trade and other payables approximates fair value.

6. CATEGORIES OF FINANCIAL INSTRUMENTS

30 June 2021	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
Assets				
Investments at fair value through profit or loss	1	543,208,557	-	543,208,557
Trade and other receivables	2	-	369,906	369,906
Cash and cash equivalents	3	-	5,439,339	5,439,339
Total assets		543,208,557	5,809,245	549,017,802

Liabilities				
Net assets attributable to participatory interest holders	4	-	548,244,359	548,244,359
Trade and other payables	5	-	773,443	773,443
Total liabilities		-	549,017,802	549,017,802

30 June 2020	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
Assets				
Investments at fair value through profit or loss	1	325,143,538	-	325,143,538
Trade and other receivables	2	-	176,207	176,207
Cash and cash equivalents	3	-	2,351,779	2,351,779
Total assets		325,143,538	2,527,986	327,671,524

Liabilities				
Net assets attributable to participatory interest holders	4	-	327,199,623	327,199,623
Trade and other payables	5	-	471,901	471,901
Total liabilities		-	327,671,524	327,671,524

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

In terms of IFRS, the Portfolio measures its investments mandatorily at fair value. The Portfolio has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement.

The Portfolio classifies fair value measurement using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If quoted prices are not available, fair value is measured using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the Portfolio include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out below. The Portfolio's fair value hierarchy has the following levels:

Level 1 – Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis.

Level 2 – Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3 – Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following principal methods and assumptions are used to determine the fair value of financial instruments:

Listed securities – equity instruments

The fair value of listed equities is determined using unadjusted quoted closing prices. The Portfolio therefore classifies the fair value measurement of the listed equities in the Level 1 category.

The following table presents the fair value measurements and fair value hierarchy of assets of the Portfolio which are recognised at fair value on a recurring basis.

30 June 2021 Rand	Fair value	Level 1	Level 2	Level 3
Instrument class				
Equity instruments - local	543,208,557	543,208,557	-	-
Total	543,208,557	543,208,557	-	-

30 June 2020 Rand	Fair value	Level 1	Level 2	Level 3
Instrument class				
Equity instruments - local	325,143,538	325,143,538	-	-
Total	325,143,538	325,143,538	-	-

Financial instruments not recorded at fair value

For all financial instruments that are not carried at fair value, the carrying value is equal to or a reasonable approximation of the fair value.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Participatory interest holder's liability

The fair value of the participatory interest holder's liability is R 548,244,359 (2020: R 327,199,623) which is within 0.1% (2020: 0.1%) of the carrying value of the liability at amortised cost. The participatory interest holders' liability is considered to be Level 1 in the IFRS hierarchy based on the liquidity of the JSE traded price as at 30 June 2021.

Transfers in / out of levels

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the current and prior reporting period.

8. FAIR VALUE GAINS OR LOSSES

Rand	2021	2020
Fair value gain/(loss)	117,117,019	(67,132,423)

Included in the above is the following:

Dividend income - local	11,384,400	14,142,505
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9. OTHER INCOME

Rand	2021	2020
Securities lending income	109,139	255,813
Total other income	109,139	255,813

10. OPERATING EXPENSES

Rand	2021	2020
Audit fees	87,002	98,590
Bank charges	11,440	5,265
Management fees	2,114,358	1,771,418
Trust and custody fees	363,133	157,464
Total operating expenses	2,575,933	2,032,737

The Manager is entitled to a management fee for the management of the Scheme, as determined by the Manager from time to time, based on the market value of the investments of the Portfolio.

An annual management fee of 50 basis points, which accrues daily, on the market value of the investments of the Portfolio, has been applied.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

11. DISTRIBUTIONS

Rand	Number of participatory interests 2021	Distribution 2021	Number of participatory interests 2020	Distribution 2020
Declared 30 September 2020 and paid 1 October 2020 (2020: Declared 30 September 2019 and paid 1 October 2019)				
Class A: 2.67 cents per participatory interest (2020: 5.7 cents per participatory interest)	58,500,000	1,564,495	51,000,000	2,905,973
Declared 31 December 2020 and paid 2 January 2021 (2020: Declared 31 December 2019 and paid 2 January 2020)				
Class A: 2.86 cents per participatory interest (2020: 6.67 cents per participatory interest)	61,300,000	1,750,504	54,500,000	3,633,520
Declared 31 March 2021 and paid 1 April 2021 (2020: Declared 31 March 2020 and paid 1 April 2020)				
Class A: 2.8 cents per participatory interest (2020: 5.29 cents per participatory interest)	70,600,000	1,979,386	54,500,000	2,882,081
Declared 30 June 2021 and paid 1 July 2021 (2020: Declared 30 June 2020 and paid 1 July 2020)				
Class A: nil cents per participatory interest (2020: 3.2 cents per participatory interest)	74,752,103	4,485,156	58,000,000	1,856,848
Total		9,779,541		11,278,423

The Portfolio effects quarterly distributions made out of income received by the Portfolio.

Included in the liability to participatory interest holders is the distribution payable as at 30 June.

12. QUARTERLY REVIEW OF PORTFOLIO PARTICIPATORY INTEREST PRICES

Rand	High	Low	Close
2021			
Quarter ended			
30 September 2020			
- Class A	5.89	5.41	5.67
31 December 2020			
- Class A	6.48	5.47	6.41
31 March 2021			
- Class A	7.15	6.34	6.96
30 June 2021			
- Class A	7.62	7.00	7.33

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. QUARTERLY REVIEW OF PORTFOLIO PARTICIPATORY INTEREST PRICES

Rand	High	Low	Close
2020			
Quarter ended			
30 September 2019			
- Class A	7.27	6.63	6.94
31 December 2019			
- Class A	7.83	6.96	7.76
31 March 2020			
- Class A	7.94	4.55	4.95
30 June 2020			
- Class A	5.98	4.92	5.64

13. SECURITIES LENDING

The Manager of the Portfolio may at its discretion engage in securities lending in respect of investments held by the Portfolio, subject to the following limitations:

- Not more than 50% of market value of all investments held in the portfolio can be lent;
- Securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar for the inclusion of money market instruments in a portfolio;
- Collateral security for the securities loaned must have an aggregated value that exceeds the market value of the securities loaned by not less than 5%;
- Collateral may consist of cash, other securities, or a combination of cash and other securities. Securities may not be lent for a period longer than 12 months; and
- Collateral required will be placed with a securities lending intermediary. Collateral held consisted of cash pledged as security.

FirstRand Bank Limited acts as the securities lending intermediary of the Portfolio. The table below analyses the Portfolio's securities lending activities for the year:

Rand	Security out on loan	Average balance lent	Collateral held	Fees earned
2021	82,083,710	79,292,542	94,655,180	109,139
2020	76,501,374	69,127,090	89,005,599	255,813

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

14. CASH UTILISED BY OPERATIONS

Rand	2021	2020
Profit/(loss) before taxation	114,697,700	(68,780,941)
Adjusted for:		
Interest income	(47,475)	(128,406)
Fair value gain	(117,117,019)	67,132,423
Changes in working capital		
Trade and other receivables	(18,204)	(20,595)
Trade and other payables	301,542	(59,407)
Total cash utilised by operations	(2,183,456)	(1,856,926)

15. RISK MANAGEMENT

Exposure to investment, credit, index, secondary trading, tracking, market and operational risks arise in the normal course of investment activities. The Portfolio's acceptance of risk is directly attributable to the risks associated with any investment in securities.

The objectives for managing the risks associated with financial instruments held for investment purposes, as well as a brief description of the relevant risks and methods adopted to mitigate these risks are outlined in more detail below. The Portfolio is regulated in terms of the CISCA. In terms of this Act, the Manager must appoint a trustee. The assets of the portfolio are held under the control of the trustee.

Management monitors compliance in terms of the CISCA requirements and reports are submitted to the Financial Sector Conduct Authority (the "FSCA") on a quarterly basis.

Daily pricing of the Portfolio is publicly available.

The Manager's investment committee oversees management's compliance with the Portfolio's risk management framework in relation to the risks faced by the portfolio.

The investment policy of the Portfolio is to track the Index as closely as possible, by buying only FTSE/JSE Mid Cap securities in the weighting in which they are included in the Index, and selling only securities which are excluded from the Index from time to time as a result of quarterly index reviews or corporate actions, or which are required to be sold to ensure that the portfolio holds FTSE/JSE Mid Cap securities in the same weighting as they are included in the Index. However, the Portfolio is also entitled, at its discretion and only on a temporary basis, to employ such other investment techniques and instruments as will most effectively give effect to the objective or the investment policies of the Portfolio. The Portfolio is not managed according to traditional methods of active management, which involve buying and selling of securities based on economic, financial and market analysis and investing judgement. The Portfolio will not buy or sell securities for trading purposes or for any purpose other than to track the Index as closely as possible. As a further objective, the securities held by the Portfolio will be managed to generate income for the benefit of investors, for instance, income is generated from scrip lending, which is applied to reduce expenses and the related tracking error.

The Portfolio will be adjusted as determined by the stipulations of the JSE's Index calculation methodology to conform to changes in the basket of securities comprising the Portfolio so as to substantially reflect the composition and weighting of the securities comprising the Index at all times.

It is recorded that the Portfolio's ability to replicate the price and yield performance of the Index will be affected by the costs and expenses incurred by the Portfolio. Costs and expenses may result in the Index not being replicated perfectly by the Portfolio.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

The Portfolio is exposed to the following risks from its use of financial instruments:

- Liquidity risk;
- Interest rate risk;
- Credit risk;
- Operational risk;
- Index risk;
- Market risk;
- Investment risk;
- Tracking risk; and
- Secondary trading risk.

The above-mentioned risks are addressed below in more detail.

15.1 Liquidity risk

Liquidity risk is the risk that the Portfolio will not be able to meet its financial obligations towards participatory interest holders when they fall due. Net assets attributable to participatory interest holders are payable on demand.

The approach to managing liquidity risk is to ensure that the Portfolio would be able to pay suitable distributions to participatory interest holders on a quarterly basis. All distributions are calculated and approved by the Manager.

Liquidity risk may arise upon realisation or rebalancing of the Portfolio, in line with the index, where one or more securities within the index does not trade in sufficient volume.

The Portfolio participatory interests are listed instruments; that are bought and sold on the JSE through a JSE member. The participatory interest holders may exchange their interests for the underlying assets which the participatory interests represent; or may sell their interests on the JSE.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell the Portfolio participatory interests at prices around net asset value (NAV) of the Portfolio securities, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions, the participatory interest holders will be able to buy or sell the Portfolio participatory interests from market makers.

The table below analyses the Portfolio's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are undiscounted.

30 June 2021	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	548,244,359	-	-	-	548,244,359
Trade and other payables	773,443	-	-	-	773,443
Total	549,017,802	-	-	-	549,017,802

30 June 2020	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	327,199,623	-	-	-	327,199,623
Trade and other payables	471,901	-	-	-	471,901
Total	327,671,524	-	-	-	327,671,524

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The table below provides a split of interest-bearing assets that are exposed to cash flow interest rate risk.

Rand	Cash flow interest rate risk	Fair value interest rate risk	Total
30 June 2021			
Cash and cash equivalents	5,439,339	-	5,439,339
Total	5,439,339	-	5,439,339

Rand	Cash flow interest rate risk	Fair value interest rate risk	Total
30 June 2020			
Cash and cash equivalents	2,351,779	-	2,351,779
Total	2,351,779	-	2,351,779

At the reporting date the interest rate profile of the Portfolio's interest-bearing financial instruments was:

Rand	30 June 2021	30 June 2020
Variable rate instruments		
Cash and cash equivalents	5,439,339	2,351,779
Total	5,439,339	2,351,779

Sensitivity Analysis

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) profits by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

Rand	30 June 2021	30 June 2020
Cash and cash equivalents	54,393	23,518
Total	54,393	23,518

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the portfolio by failing to discharge an obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.

Credit risk is only applicable to the financial assets of the Portfolio. The credit risk is considered to be low. The carrying amounts of financial assets represent the maximum credit exposure. None of the Portfolio's financial assets are considered past due or impaired.

Credit risk arising on cash on call, money market instruments and cash deposits is mitigated by depositing funds with reputable banks with acceptable credit ratings. Credit risk arising on debt instruments is mitigated by investing in highly rated investments or instruments issued by highly rated counterparties and, where this is not possible, all investments are analysed and due diligence is applied by the Portfolio's credit committee to ensure that investments are of a good enough quality to counter risk exposure.

In terms of the CISCA, the Manager may, subject to the requirements of section 85 of the Act, lend or offer to lend assets included in the Portfolio's portfolio within the limits or on the conditions determined by the supplemental trust deed. The trustee of the Portfolio gives authority to the Manager to lend or offer to lend securities with a value not exceeding 50% of the market value of all securities included in the Portfolio. The Manager engaged in securities lending activities, in respect of the securities held by the Portfolio, during the reporting period.

In terms of the supplemental trust deed, the Manager may engage in securities lending under section 85 of the Act, subject to the following limits and conditions:

- The securities lending must be beneficial to all participatory interest holders;
- The Manager may lend or offer to lend securities with a value not exceeding 50% of the market value of all securities included in the Portfolio;
- The securities that may be lent to one borrower are limited in accordance with the limits determined by the Registrar for the inclusion of the money market instruments in a portfolio; and
- Collateral security for the securities loaned must have an aggregate value that exceeds the market value of the securities loaned by not less than 5% at all times and may only consist of –
 - Cash; or
 - Other securities; or
 - A combination of cash and other securities.
 - Securities may not be lent for a period longer than 12 months; and
 - Securities may not be lent unless subject to a right of recall.

In terms of the securities lending agreements, it is the duty of the agent to take delivery of the collateral assets, any appropriate instruments of transfer or instruments of title in respect of a service level agreement. Collateral assets and instruments of transfer or title are held on behalf of, and for the benefit of the principal as represented by the Portfolio.

The portfolio could be exposed to credit risk to the extent that inadequate collateral is held on the underlying assets. As at 30 June 2021, collateral held exceeded the securities out on loan and therefore the Portfolio has no exposure to residual credit risk related to this, refer to Note 13. If a borrower fails to perform its obligations, the Portfolio may be unable to recover the loaned investment. However, the Manager only engages in securities lending with highly rated financial institutions.

The Portfolio's exposure to credit risk could be as a result of a counterparty failing to meet its contractual obligations. This could arise primarily from the Portfolio's investment activities.

Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the lifetime ECL as any such impairment would be insignificant to the Portfolio. All trade and other receivables are due to be settled within three months. Trade and other receivables and cash and cash equivalents are classified at Stage 1 for ECL purposes. ECL assessment isn't required for instruments measured at fair value through profit and loss.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
AUDITED ANNUAL FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.3 Credit risk (continued)

The Portfolio's maximum exposure to credit risk at the reporting date is as follows:

Rand	30 June 2021	30 June 2020
Trade and other receivables	369,906	176,207
Cash and cash equivalents - local	5,439,339	2,351,779
Total	5,809,245	2,527,986

The credit quality of assets exposed to credit risk can be assessed by reference to Moody's national credit ratings as notated in the Standard & Poor's rating scale as shown in the table below:

Credit rating	30 June 2021 %	30 June 2020 %
Trade and other receivables	6.37%	6.97%
No credit rating allocated		
Cash and cash equivalents - local		
AA (zaf)	93.63%	93.03%
Total	100.00%	100.00%

15.4 Operational risk

If shares in the underlying companies are suspended or cease trading for any reason, the suspended shares will not be delivered to a holder exercising its right to take delivery of the underlying shares until the suspension on the trading in respect of those shares is lifted.

If the computer facilities or other facilities of the JSE malfunction, calculation and trading in the Portfolio securities may be suspended for a period of time.

Operational risk arises in rebalancing the underlying portfolio of securities in the Portfolio to the underlying securities constituting the Index, thereby impacting the value of the Portfolio's securities and in the determination of the distributions around distribution dates in order to minimise tracking error.

The Manager purely executes and administers trades. Daily participatory interest reconciliations are prepared. Weekly reconciliations are prepared between the Portfolio administrators and the custodian. The Manager reviews all the reconciliations performed with necessary follow ups. A reconciliation is prepared and reviewed monthly by the Manager and is considered the most appropriate control for internal risk management. Assets are held in custody at The Standard Chartered Bank. Trades are all in listed equity instruments.

15.5 Index risk

There is no assurance that the Index will continue to be calculated and published on the same or similar basis indefinitely. The Index was created by the JSE as a measure of market performance and not for the purposes of trading Portfolio Index securities. The past performance of the Index is not necessarily a guide to its future performance.

The Index may be adjusted from time to time as a result of mergers, re-organisations, Schemes of arrangement or other corporate activity involving constituent companies.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.5 Index risk (continued)

Any adjustments to the Index will be implemented as determined from time to time in terms of the relevant Index stipulations, for example, if a constituent company pays a special dividend.

The adjustments may require the removal of a constituent company from the Index and the substitution thereof with a new constituent company while at the same time, if necessary, adjusting the base level. The adjustments to the Portfolio will be made in such a way that the Portfolio will remain substantially aligned with the Index level at all times.

15.6 Market risk

Market risk exists where significant changes in security prices will affect the value of the Portfolio's financial instruments. The investment mandates indicate that the Portfolio is passively managed and as a result the management of the market risk is not possible.

There is no guarantee that the Portfolio will achieve its investment objective of perfectly tracking the Index. The value of Portfolio securities and distributions payable by the Portfolio will rise and fall as the capital values of the underlying securities housed in the Portfolio and the income flowing there-from fluctuates. Prospective participatory interest holders should be prepared for the possibility that they may sustain a loss.

The Portfolio may not be able to perfectly replicate the performance of the Index because:

- The Portfolio is liable for certain costs and expenses not taken into account in the calculation of the Index;
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise Index weightings.

15.7 Investment risk

There can be no assurance that the Portfolio will achieve its investment objectives.

The following factors could impact negatively on the investment performance of the Portfolio:

- Certain costs and expenses incurred by the Portfolio could cause the underlying portfolio to miss-track against the Index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the Index;
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the Portfolio and this may lead to a tracking error; or
- Misinterpretation of information in the calculation of the Index could result in miss-tracking of the Index.

The investment mandate requires that the Portfolio is passively managed and as a result the management of market risk is not possible.

Sensitivity analysis

All the Portfolio's underlying investments are listed on the JSE. The price of the Portfolio participatory interest is closely correlated to the movements in the Index. Any movement or adjustment in the Index, or the underlying constituents of the Index, will have an impact on the price of the participatory interest.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.7 Investment risk (continued)

Sensitivity analysis (continued)

At any point in time, the market value of a Portfolio participatory interest is expected to reflect 1/1000th of the Index level, plus an amount which reflects a pro-rata portion of any accrued distribution amount within the Portfolio. Therefore, a 100-point movement in the Index would result in a R 0.10 movement in the NAV per participatory interest of the Portfolio.

Actual market values may be affected by supply and demand and other market factors, but the ability of a participatory interest holder to switch out of the Portfolio's participatory interest by redeeming them in specie for one or more baskets of constituent securities, subject to a minimum of 1 million Portfolio participatory interests being delivered, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket and/or Index level and the value at which the Portfolio participatory interests trade from time to time.

The movement in the value of the Portfolio, should the Portfolio's security price increase/decrease by 10% is summarised in the table below:

	+10%	Fair value per the statement of financial position	-10%
Rand			
30 June 2021			
Investments at fair value through profit or loss	597,529,413	543,208,557	488,887,701
30 June 2020			
Investments at fair value through profit or loss	357,657,892	325,143,538	292,629,184

Investment in derivatives

The Manager may invest in derivatives from time to time. While an investment in derivatives will only be employed within the investment restrictions stipulated in the supplemental trust deed and the Act, some risks may be associated with investments in these instruments.

No significant investments in derivatives were used for the financial period under review.

15.8 Tracking risk

The risk that the Index may not be appropriately tracked is managed in the following manner:

- Announcements made on the JSE website are checked for any events that may change the Index and a rebalance performed, if necessary;
- The corporate actions schedule is checked for any events that may change the Index and a rebalance performed, if necessary;
- The positions report is compared to what theoretically should be held with the ETF trading application and a rebalance performed, if necessary; and
- During the daily net asset value (NAV) calculation process, a check is done to ensure that, the Ashburton Midcap ex-closing price is equal to 1/1000th of the Index closing level, i.e. a reasonability check is performed.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. RISK MANAGEMENT (CONTINUED)

15.9 Secondary trading risk

There can be no guarantee that the Portfolio participatory interests will remain listed on the JSE. Any termination of a listing would be subject to the JSE listing requirements. Despite the presence of market makers, the liquidity of the Portfolio participatory interests cannot be guaranteed. The participatory interests may trade at a discount or premium to their NAV.

16. RELATED PARTIES

Relationships

Management company	Ashburton Management Company (RF) Limited
Ultimate holding company of the management company	FirstRand Limited
Subsidiary of the FirstRand Limited Group	RMB Securities Proprietary Limited
	FirstRand Bank Limited

The Portfolio defines related parties as:

- The ultimate parent of the management company which is FirstRand Limited;
- Any subsidiary of the FirstRand Limited Group; and
- Key management personnel.

Key management includes the directors and prescribed officers of the Manager.

16.1 Related party balances

Rand	2021	2020
Management fee payable		
Ashburton Management Company (RF) Proprietary Limited	671,901	383,567

The above amount is for the management fees due and payable for management services rendered.

Rand	2021	2020
Holding in the Portfolio		
RMB Securities Proprietary Limited	1,692,208	2,030,535

RMB Securities Proprietary Limited holds 230,546 participatory interests, which represents of 0.30% of the total Portfolio participatory interests (2020: 360,024 participatory interests, which represents 0.60% of the total Portfolio participatory interests).

Rand	2021	2020
Securities out on loan		
FirstRand Bank Limited	82,083,710	76,501,374

Securities out on loan at 30 June.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTIES (CONTINUED)

16.2 Related party transactions

Rand	2021	2020
Management fee		
Ashburton Management Company (RF) Proprietary Limited	2,114,358	1,771,418

Management fees are paid for management services rendered.

Rand	2021	2020
Distribution Paid		
RMB Securities Proprietary Limited	26,441	23,162

Distributions were made to RMB Securities Proprietary Limited as holder of participatory interests in the Portfolio.

Rand	2021	2020
Securities lending income		
FirstRand Bank Limited	109,139	255,813

Income derived from security lending activities

17. OPERATING SEGMENT

The Portfolio offers only one product, being units in the Portfolio, tracking the FTSE/JSE Mid Cap Index. Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required.

18. EVENTS AFTER THE REPORTING PERIOD

No matter, which is material to the financial affairs of the Portfolio, has occurred between the reporting date and the date of approval of the annual financial statement.

19. COVID-19 IMPACT

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities markets worldwide has been noted.

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

This Portfolio is a passively managed portfolio. Although the impact of COVID-19 can be seen in fluctuations in the market values of the underlying investments in the portfolio, the nature of business and conduct of the portfolio has remained unchanged. The objective of the portfolio remains to track the price and performance yield of FTSE/JSE Mid Cap Index on the JSE Limited as closely as possible regardless of the fluctuations in price or changes in the constituents of the Index.

ASHBURTON MIDCAP EXCHANGE TRADED FUND
AUDITED ANNUAL FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

20. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations will be assessed on the Portfolio. The Portfolio will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS 1	<p>Amendments to classification of liabilities as current or non-current</p> <p>The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically:</p> <ul style="list-style-type: none"> ➤ The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ➤ Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. ➤ The amendments clarify the situations that are considered in settlement of a liability. <p>This amendment is not expected to have a significant impact on the annual financial statements of the portfolio.</p>	Annual periods commencing on or after 1 January 2023
IAS 16	<p>Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16</p> <p>The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, a portfolio recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.</p> <p>The amendment will not have an impact on the portfolio's annual financial statements as it does not own property, plant and equipment.</p>	Annual periods commencing on or after 1 January 2022
IAS 37	<p>Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37</p> <p>The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.</p> <p>The amendment is not expected to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2022

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**20. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE
(CONTINUED)**

Standard	Impact assessment	Effective date
IFRS 3	<p>Reference to the Conceptual Framework – Amendment to IFRS 3</p> <p>The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> or IFRIC 21 <i>Levies</i>, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.</p> <p>The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3.</p> <p>The amendment will not have an impact on the portfolio’s annual financial statements as it does not enter into business combinations.</p>	Annual periods commencing on or after 1 January 2022
IFRS 17	<p>Insurance contracts</p> <p>IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities as well as the release of profits on these contracts to the income statement.</p> <p>IFRS 17 will not have an impact on the portfolio’s annual financial statements.</p>	Annual periods commencing on or after 1 January 2023
Annual improvements 2016 - 2018	<p>Improvements to IFRS</p> <p>The IASB issued the annual improvements to IFRS standards 2016-2018 cycle. These annual improvements include amendments to the following standards.</p> <ul style="list-style-type: none"> IFRS 9 – The amendment clarifies that fees that a portfolio includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. <p>The amendment is not expected to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2022

ASHBURTON MIDCAP EXCHANGE TRADED FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**20. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE
(CONTINUED)**

Standard	Impact assessment	Effective date
Annual improvements 2018 - 2020	<p>Improvements to IFRS</p> <p>The IASB issued the Annual improvements to IFRS standards 2018-2020 cycle. These annual improvements include amendments to the following standards.</p> <ul style="list-style-type: none"> • IFRS 9 - The amendment clarifies the fees that a portfolio includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. • A portfolio applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the portfolio first applies the amendment. • The amendment will be applied when a modification of a financial liability occurs. This amendment is not expected to have a significant impact on the Portfolio. • IFRS 16 - The amendment removes the illustration of payments from the lessor relating to leasehold improvements in illustrative example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. <p>This amendment is not expected to have a significant impact on the portfolio.</p>	Annual periods commencing on or after 1 January 2022



30 July 2021

Abridged Report of the Trustee: Standard Chartered Bank Johannesburg Branch

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the

**ASHBURTON COLLECTIVE INVESTMENT SCHEME IN SECURITIES EXCHANGE TRADED FUNDS
(THE "SCHEME")**

have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the period 01 July 2020 up to and including 30 June 2021 ("the Report"). The Report is available from us and/or

ASHBURTON MANAGEMENT COMPANY (RF) PROPRIETARY LIMITED (THE "MANAGER")

This letter is an abridged version of the Report.

Having fulfilled our duties as required by the Act, we confirm that the Manager of the Scheme has in general administered the Scheme:

- (i) within the limitations on the investment and borrowing powers of the Manager imposed by the Act, and
- (ii) in accordance with the provisions of the Act and the deed.

We do however wish to bring to your attention the following instances of where the Manager has not administered the Scheme in accordance with the said limitations and provisions:

Some errors and timing differences resulted in contraventions of some of the limitations referred to in (i) and some of the provisions referred to in (ii) above. These contraventions were in our view not material and where appropriate the portfolios were compensated by the Manager for loss (if any) that may have been suffered by the portfolios as a result on these contraventions.

Should any investor require a copy of the Report, kindly contact the Manager.

Yours sincerely,


Charl Steyn
Manager, Trustee Services


Chantell Kruger
Senior Manager, Trustee Services

Standard Chartered Bank

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