

# **Pendal Sustainable Balanced Fund**

ARSN 637 429 237

**Annual report - for the year ended  
30 June 2022**

# Pendal Sustainable Balanced Fund

ARSN 637 429 237

## Annual report - for the year ended 30 June 2022

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These financial statements cover Pendal Sustainable Balanced Fund as an individual entity.

The Responsible Entity of Pendal Sustainable Balanced Fund is Pendal Fund Services Limited (ABN 13 161 249 332). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

## Directors' report

The directors of Pendal Fund Services Limited, the Responsible Entity of the Pendal Sustainable Balanced Fund ("the Fund"), present their report together with the Fund's financial statements for the year ended 30 June 2022.

### Principal activities

During the year, the Fund continued to invest in equities, unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to a diversified portfolio of investments.

The Fund did not have any employees during the year.

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

### Directors

The following persons held office as directors of Pendal Fund Services Limited during the year or since the end of the year and up to the date of this report:

Richard Brandweiner  
 Justin Howell  
 Anthony Serhan  
 Cameron Williamson

### Review and results of operations

In July 2021, the Responsible Entity approved the renaming the existing class of the Fund to Class R. In December 2021, the Responsible Entity approved two new classes, Class G and Class Z. Initial seeding of Class G and Class Z was received effective 3 February 2022.

There have been no other significant changes to the Fund's operations since the previous financial year. The Fund continued to invest in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

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

	<b>Year ended</b>	
	<b>30 June 2022</b>	30 June 2021
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>(44,108)</b>	137,288
<i>Distributions - Class R</i>		
Distributions paid and payable (\$'000)	<b>87,739</b>	95,192
Distributions (cents per unit)	<b>11.496</b>	14.109
<i>Distributions - Class G</i>		
Distributions paid and payable (\$'000)	<b>90</b>	-
Distributions (cents per unit)	<b>9.108</b>	-

## Directors' report (continued)

### Review and results of operations (continued)

	Year ended	
	30 June 2022	30 June 2021
<i>Distributions - Class Z</i>		
Distributions paid and payable (\$'000) *	-	-
Distributions (cents per unit)	<b>9.185</b>	-

\* Distributions less than \$500 in 2022.

The key differences, if any, between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards, have been outlined below:

	As at	
	30 June 2022 \$'000	30 June 2021 \$'000
Redemption value of outstanding units	744,741	798,182
Adjustment for differences in valuation inputs	-	-
Net assets attributable to unitholders	<b>744,741</b>	798,182

### Significant changes in the state of affairs

Other than as noted in this report, in the opinion of the directors, no significant changes in the state of affairs of the Fund occurred during the financial year.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

### Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund for insurance cover provided to the officers of the Responsible Entity.

### Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

## Directors' report (continued)

### Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 13 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 13 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheet and derived using the basis set out in note 2 to the financial statements.

### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5.

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



Director



Director

Sydney  
8 September 2022



## Auditor's Independence Declaration

As lead auditor for the audit of Pental Sustainable Balanced Fund for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Alexandra Richardson', written in a cursive style.

Alexandra Richardson  
Partner  
PricewaterhouseCoopers

Sydney  
8 September 2022

**Pendal Sustainable Balanced Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2022**

**Statement of comprehensive income**

	Notes	Year ended	
		30 June 2022	30 June 2021
		\$'000	\$'000
<b>Income</b>			
Dividend income		1,473	188
Distribution income		60,889	104,660
Net gains/(losses) on financial instruments held at fair value through profit or loss		(104,053)	34,125
Other income		10	4
<b>Total income/(loss)</b>		<b>(41,681)</b>	<b>138,977</b>
<b>Expenses</b>			
Responsible Entity's fees	13(d)	2,280	1,542
Other operating expenses		147	147
<b>Total operating expenses</b>		<b>2,427</b>	<b>1,689</b>
<b>Operating profit/(loss)</b>		<b>(44,108)</b>	<b>137,288</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	8	(87,829)	(95,192)
(Increase)/decrease in net assets attributable to unitholders	7	131,937	(42,096)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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

**Pendal Sustainable Balanced Fund**  
**Balance sheet**  
**As at 30 June 2022**

**Balance sheet**

	Notes	As at	
		30 June 2022	30 June 2021
		\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	9	26,059	81,940
Margin accounts		15,178	12,664
Accrued income		16,571	37,586
Receivables		28	5,039
Financial assets held at fair value through profit or loss	10	729,557	755,170
<b>Total assets</b>		<b>787,393</b>	<b>892,399</b>
<b>Liabilities</b>			
Margin accounts		4,145	1,958
Distribution payable	8	30,382	88,073
Payables		152	179
Financial liabilities held at fair value through profit or loss	11	7,973	4,007
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>42,652</b>	<b>94,217</b>
<b>Net assets attributable to unitholders - liability</b>	7	<b>744,741</b>	<b>798,182</b>

*The above balance sheet should be read in conjunction with the accompanying notes.*



**Pendal Sustainable Balanced Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

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**Statement of changes in equity**

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

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

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

**Pendal Sustainable Balanced Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

**Statement of cash flows**

	Year ended	
	30 June 2022	30 June 2021
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	175,221	72,969
Purchase of financial instruments held at fair value through profit or loss	(163,129)	(153,488)
Dividends received	1,353	188
Distributions received	172	14,510
Other income received	12	-
Responsible Entity's fees received/(paid)	(2,307)	(1,439)
Payment of other expenses	(147)	(155)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>11,175</b>	<b>(67,415)</b>
	16(a)	
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	85,015	186,112
Payments for redemptions by unitholders	(151,300)	(42,548)
Distributions paid	(753)	(48)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(67,038)</b>	<b>143,516</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(55,863)</b>	<b>76,101</b>
Cash and cash equivalents at the beginning of the year	81,940	5,839
Effects of foreign currency exchange rate changes on cash and cash equivalents	(18)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>26,059</b>	<b>81,940</b>
	9	
Non-cash transactions		16(b)

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

## **1 General information**

These financial statements cover Pendal Sustainable Balanced Fund ("the Fund") as an individual entity. The Fund was constituted on 7 August 1984.

The Responsible Entity of the Fund is Pendal Fund Services Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

During the year, the Fund continued to invest in equities, unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to a diversified portfolio of investments.

In July 2021, the Responsible Entity approved the renaming the existing class of the Fund to Class R. In December 2021, the Responsible Entity approved two new classes, Class G and Class Z. Initial seeding of Class G and Class Z was received effective 3 February 2022.

The financial statements were authorised for issue by the directors of the Responsible Entity on 8 September 2022. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets and liabilities at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however an estimate cannot be reliably determined at the end of the reporting period.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However holders of these instruments typically retain them for the medium to long term. As such the amount expected to be settled within 12 months cannot be reliably determined at the end of the reporting period.

#### *(i) Compliance with International Financial Reporting Standards*

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *(ii) Comparatives*

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

#### *(iii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the amounts recognised in the financial statements in the prior, current or future periods.

### **(b) Financial instruments**

#### *(i) Recognition/derecognition*

The Fund recognises financial instruments ("investments") on the date it becomes party to the contractual agreement and recognises changes in the value of the financial instruments from this date.

Financial assets and liabilities are derecognised when the contractual right to cash flows from the investments has expired or has been transferred, and the Fund has transferred substantially all of the risks and rewards of ownership.

#### *(ii) Classification*

The Fund classifies its financial instruments based on its business model for managing its investments and their contractual cash flow characteristics. The Fund's investments are managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about the investments on a fair value basis together with other related financial information.

For unlisted unit trusts, equity securities and derivatives, the contractual cash flows are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

#### *(iii) Measurement*

At initial recognition, a financial asset or liability is measured at fair value. Transaction costs associated with financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Refer to note 5 for further details on how the fair values of financial instruments are determined.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities may be offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Refer to note 4 for further details.

### **(c) Investments in unconsolidated entities**

Investments in unconsolidated entities are measured in accordance with note 2(b).

## **2 Summary of significant accounting policies (continued)**

### **(d) Net assets attributable to unitholders**

Units are redeemable at the unitholder's option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund has more than one class of units.

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value.

The units are carried at the redemption amount that is payable at the end of the reporting period if the unitholders were to exercise their right to redeem the units in the Fund.

### **(e) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and investments in cash management trusts where they hold short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of financial assets and liabilities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

### **(f) Margin accounts and collateral**

Margin accounts comprise cash held, or owed, as collateral for derivative transactions and short sales. The cash is held by, or owed to, the broker and is only available to meet margin calls.

Cash collateral provided by the Fund is disclosed in the balance sheet as margin accounts and is not included as a component of cash and cash equivalents.

Cash collateral paid and receivable comprises cash paid as collateral for over-the-counter derivative transactions. The cash is held by the broker and is receivable by the Fund.

Cash collateral received and payable comprises cash received as collateral for over-the-counter derivative transactions. The cash is held by the Fund and is payable to the broker.

### **(g) Accrued income**

Accrued income may include amounts owed to the Fund for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivable.

### **(h) Unsettled sales/purchases**

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on unsettled sales/purchases at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

### **(i) Receivables**

Receivables include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

## **2 Summary of significant accounting policies (continued)**

### **(j) Payables**

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.

Where the Fund has distributed income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### **(k) Investment income**

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Dividend income is recognised when the Fund's right to receive payment is established.

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

### **(l) Expenses**

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

### **(m) Transaction costs**

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

### **(n) Income tax**

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be included in the Fund's taxable income for distribution/attribution, so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed or attributed to unitholders.

To the extent allowable by taxation legislation, the benefits of imputation credits and foreign tax paid are passed on to unitholders.

### **(o) Distributions**

In accordance with the Fund's Constitution, the Fund distributes its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### **(p) Increase/(decrease) in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### **(q) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund operates and is regulated. The Australian dollar is also the presentation currency.

## **2 Summary of significant accounting policies (continued)**

### **(q) Foreign currency translation (continued)**

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

### **(r) Goods and Services Tax ("GST")**

The GST incurred on the costs of various services provided to the Fund, such as management fees, has been passed onto the Fund. The Fund qualifies for RITC, hence fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(s) Classes of units**

The Fund has the following classes of units:

- Class R
- Class G
- Class Z.

All classes of units are exposed to the same underlying pool of assets. The unit classes are differentiated by the management fee structures as detailed in note 13.

### **(t) Use of estimates**

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the financial instruments held, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel, independent of the area that created them.

To the extent practicable, models use observable data. However areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

Refer to note 5 for further details on how fair value is calculated.

## **2 Summary of significant accounting policies (continued)**

### **(u) New accounting standards and interpretations**

A number of new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. None of these are expected to have a material effect on the financial statements of the Fund.

### **(v) Rounding of amounts**

The Fund is an entity of the kind referred to in *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

## **3 Financial risk management**

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Derivative financial instruments may also be used or are used to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risks and ratings analysis for credit risk.

The investment manager mitigates these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits.

The Fund's performance exceptions to its benchmark are reported to senior management committees on a regular basis.

### **(a) Market risk**

#### *(i) Price risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Price risk arises on investments held for which prices in the future are uncertain. These are classified in the balance sheet as at fair value through profit or loss. All security investments present a risk of loss of capital.

Exceptions to compliance are reported to management on a regular basis.

The table presented in note 3(b) summarises sensitivity analysis to price risk.

#### *(ii) Foreign exchange risk*

Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk.

The Fund holds monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates.

Foreign currency contracts and other derivatives are used to manage foreign exchange risk. Alternatively these instruments are used to increase exposure to preferred foreign currencies.

Exceptions to compliance are reported to management on a regular basis.



### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

The table below summarises the assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

#### As at 30 June 2022

	US Dollars A\$'000	Euro A\$'000	Canadian Dollars A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other currencies A\$'000	Total A\$'000
Cash and cash equivalents	15	493	-	-	995	-	1,503
Margin accounts	-	1,944	2,098	-	-	3,918	7,960
Accrued income	-	-	-	-	120	-	120
Financial assets held at fair value through profit or loss	4,150	10,979	213	558	36,498	12	52,410
Margin accounts	(2,912)	-	-	-	(695)	(238)	(3,845)
Financial liabilities held at fair value through profit or loss	(3,571)	(2,791)	-	(262)	(493)	(856)	(7,973)
Net increase/(decrease) in exposure from forward currency contracts							
- sell foreign currency	-	(8,711)	-	-	(36,498)	-	(45,209)
<b>Total exposure</b>	<b>(2,318)</b>	<b>1,914</b>	<b>2,311</b>	<b>296</b>	<b>(73)</b>	<b>2,836</b>	<b>4,966</b>
Total monetary assets/(liabilities) exposure	(2,897)	(6,274)	2,098	-	(36,078)	3,680	(39,471)

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

As at 30 June 2021

	US Dollars A\$'000	Euro A\$'000	Canadian Dollars A\$'000	British Pounds A\$'000	Other currencies A\$'000	Total A\$'000
Cash and cash equivalents	-	75	-	115	-	190
Margin accounts	-	-	-	2,609	1,569	4,178
Financial assets held at fair value through profit or loss	3,031	7,169	-	17,272	-	27,472
Margin accounts	(703)	(1,213)	(42)	-	-	(1,958)
Financial liabilities held at fair value through profit or loss	(2,143)	(1,336)	(66)	(353)	(91)	(3,989)
Net increase/(decrease) in exposure from forward currency contracts						
- sell foreign currency	-	(3,877)	-	(16,884)	-	(20,761)
Total exposure	185	818	(108)	2,759	1,478	5,132
Total monetary assets/(liabilities) exposure	(703)	(5,015)	(42)	(14,160)	1,569	(18,351)

Foreign exchange risk is measured using sensitivity analysis. The table presented in note 3(b) summarises sensitivity analysis to foreign exchange risk.

##### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Fund's interest bearing financial assets expose it to interest rate risk. Interest rate risk from these investments is reported as a component of interest rate risk for the purposes of the sensitivity analysis. Interest rate risk from investments held indirectly through underlying investments is reported as a component of price risk for the purposes of the sensitivity analysis.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with the investment mandate, overall investment strategy and within approved limits.

Exceptions to compliance are reported to management on a regular basis.

The table presented in note 3(b) summarises sensitivity analysis to interest rate risk.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk, interest rate risk and foreign exchange risk. The analysis is based on reasonably possible movements in the risk variables applied to the Fund's net assets. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market indices, security prices and/or benchmark returns, interest rates and foreign exchange rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The reasonably possible movements in the risk variables are based on long term averages consistent with the investing profile of the Fund.

	<b>Impact on operating profit/(loss)/Net assets attributable to unitholders</b>					
	<b>Price risk</b>		<b>Interest rate risk</b>		<b>Foreign exchange risk*</b>	
	<b>-10%</b> (2021: -10%)	<b>+10%</b> (2021: +10%)	<b>-0.10%</b> (2021: -0.10%)	<b>+2.00%</b> (2021: +0.50%)	<b>-10%</b> (2021: -10%)	<b>+10%</b> (2021: +10%)
<b>As at</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2022</b>	<b>(70,764)</b>	<b>70,764</b>	<b>(37)</b>	<b>742</b>	<b>(3,947)</b>	<b>3,947</b>
30 June 2021	(70,554)	70,554	(93)	463	(1,835)	1,835

In determining the impact of an increase/(decrease) in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

\* The foreign exchange risk is calculated using the reasonably possible percentage times the total monetary assets/(liabilities) exposure calculated in note 3(a)(ii). The foreign exchange risk of a positive reasonably possible percentage represents the strengthening of the Australian dollar against other currencies and a negative reasonably possible percentage represents the weakening of the Australian dollar. The movements above are based only on the Fund's monetary positions including hedging derivatives. For derivative hedges, the foreign exchange sensitivity movements will be substantially offset by non-monetary movements in the market value of the financial assets being hedged.

#### (c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

Credit risk primarily arises from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these financial assets have a low risk of default and 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 12-month expected credit losses as any such impairment would be insignificant to the Fund.

Investments in unlisted unit trusts are exposed to credit risk.

### **3 Financial risk management (continued)**

#### **(c) Credit risk (continued)**

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as the delivery of securities sold is only made once the broker has received payment. Payment is made on the purchase of securities once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

Exceptions to compliance are reported to management on a regular basis.

#### **(d) Liquidity risk**

Liquidity risk is the risk that sufficient cash resources may not be able to be generated to settle obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risk associated with the need to meet redemption requests is mitigated by maintaining adequate liquidity to fulfil usual redemption volumes. The Fund therefore primarily holds investments that are traded in an active market and can be disposed of readily. Only a limited proportion of its assets are not traded on an active market.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

Exceptions to the above are reported to management on a regular basis.

From time to time, investments may be held in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. These investments may not be able to be quickly liquidated at an amount close to their fair value to meet liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. Any such investments held at the end of each reporting period are disclosed in the note on derivative financial instruments below.

##### *(i) Maturities of non-derivative financial liabilities*

The non-derivative financial liabilities of the Fund comprise distribution payable, margin accounts, payables and net assets attributable to unitholders. These have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are redeemable at the unitholder's option, however, as permitted under the governing documents, management may decide to delay payment of the redemption amount if it is in the best interests of unitholders.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (ii) Maturities of derivative financial instruments liabilities

The table below details the contractual maturities of the derivative financial instruments liabilities which are measured at fair value and considered important to understanding the timing of cash flows.

	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
<b>As at 30 June 2022</b>			
Net settled derivatives			
Forward currency contracts	648	-	-
Currency futures	-	275	-
International share price index futures	527	1,447	-
International fixed interest futures	-	798	-
Total return swaps	4,278	-	-
	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
<b>As at 30 June 2021</b>			
Net settled derivatives			
Forward currency contracts	125	-	-
Currency futures	-	735	-
Australian share price index futures	-	17	-
International share price index futures	-	515	-
Commodity futures	-	358	-
Australian fixed interest futures	-	1	-
International fixed interest futures	-	474	-
Total return swaps	1,782	-	-

#### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and financial liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below.

Financial assets	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets \$'000	Gross amounts set off in the balance sheet \$'000	Net amount of financial assets presented in the balance sheet \$'000	Amounts subject to enforceable netting arrangements \$'000	Cash collateral \$'000	Net amount \$'000
<b>As at 30 June</b>						
<b>2022</b>						
Margin accounts	15,178	-	15,178	-	(4,001)	11,177
Derivatives	7,710	-	7,710	(7,108)	(361)	241
<b>Total</b>	<b>22,888</b>	<b>-</b>	<b>22,888</b>	<b>(7,108)</b>	<b>(4,362)</b>	<b>11,418</b>
<b>2021</b>						
Margin accounts	280	-	280	-	(280)	-
Derivatives	6,486	-	6,486	(3,472)	(1,958)	1,056
<b>Total</b>	<b>6,766</b>	<b>-</b>	<b>6,766</b>	<b>(3,472)</b>	<b>(2,238)</b>	<b>1,056</b>
<b>Financial liabilities</b>						
<b>As at 30 June</b>						
<b>2022</b>						
Margin accounts	(4,145)	-	(4,145)	-	4,145	-
Derivatives	(7,325)	-	(7,325)	(7,108)	217	-
<b>Total</b>	<b>(11,470)</b>	<b>-</b>	<b>(11,470)</b>	<b>(7,108)</b>	<b>4,362</b>	<b>-</b>
<b>2021</b>						
Margin accounts	(1,958)	-	(1,958)	-	1,958	-
Derivatives	(3,882)	-	(3,882)	3,472	280	(130)
<b>Total</b>	<b>(5,840)</b>	<b>-</b>	<b>(5,840)</b>	<b>3,472</b>	<b>2,238</b>	<b>(130)</b>

#### **4 Offsetting financial assets and financial liabilities (continued)**

*(i) Enforceable netting arrangement – not currently enforceable*

Most agreements with derivative counterparties are based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing / receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet and have been presented separately in the above table.

#### **5 Fair value measurement**

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

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

Investments are valued in accordance with the accounting policies set out in note 2 to the financial statements.

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

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

For the majority of financial assets and liabilities, information provided by independent pricing services is relied upon for valuation. Fair value inputs utilise the last traded prices for both financial assets and liabilities.

Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

Exchange traded futures are valued at the market closing price.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined by using quoted market prices, dealer quotes and/or valuation techniques.

Unlisted unit trusts are valued at the redemption value per unit as reported by the managers of such funds.

Forward currency contracts are valued using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts as at the valuation date.

Management uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques used for include the use of or any other valuation technique that is commonly used by market participants.

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

## 5 Fair value measurement (continued)

### (i) Recognised fair value measurements

The following table presents the financial assets and liabilities measured and recognised at fair value by fair value hierarchy levels:

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss:				
Equity securities	45,283	-	-	45,283
Unlisted unit trusts	-	676,564	-	676,564
Derivatives	3,108	4,602	-	7,710
<b>Total</b>	<b>48,391</b>	<b>681,166</b>	<b>-</b>	<b>729,557</b>

### Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	(3,047)	(4,926)	-	(7,973)
<b>Total</b>	<b>(3,047)</b>	<b>(4,926)</b>	<b>-</b>	<b>(7,973)</b>

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss:				
Equity securities	21,154	-	-	21,154
Unlisted unit trusts	-	727,530	-	727,530
Derivatives	5,115	1,371	-	6,486
<b>Total</b>	<b>26,269</b>	<b>728,901</b>	<b>-</b>	<b>755,170</b>

### Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	(2,100)	(1,907)	-	(4,007)
<b>Total</b>	<b>(2,100)</b>	<b>(1,907)</b>	<b>-</b>	<b>(4,007)</b>

Transfers into and out of the fair value hierarchy levels are recognised at the end of the reporting period.

### (ii) Transfers between levels

There were no transfers between levels as at 30 June 2022 or 30 June 2021.



## 5 Fair value measurement (continued)

### (iii) Valuation processes

Management undertakes regular portfolio reviews to identify securities that may not be actively traded or have stale security pricing and could be regarded as level 2 or level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identified securities. In the event that the security is not actively traded, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

### (c) Fair values of non-financial instruments

Due to their short-term nature, the carrying value of receivables and payables are assumed to approximate their fair values.

The carrying value of net assets attributable to unitholders differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material as at 30 June 2022 or 30 June 2021.

## 6 Remuneration of auditors

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	16,184	16,347
Other services*	2,477	2,294
Total remuneration for audit and other assurance services inclusive of GST	18,661	18,641

\* Other services includes compliance plan audit.

Audit fees were paid by the Responsible Entity for the years ended 30 June 2022 and 30 June 2021.

## 7 Net assets attributable to unitholders

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

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	No. '000	No. '000	\$'000	\$'000
<b>Class R</b>				
Opening balance	679,617	510,786	798,182	557,638
Applications	70,296	182,451	84,029	215,398
Redemptions	(134,664)	(35,183)	(151,300)	(41,096)
Units issued upon reinvestment of distributions	125,708	21,563	144,767	24,146
Increase/(decrease) in net assets attributable to unitholders	-	-	(131,789)	42,096
Closing balance	740,957	679,617	743,889	798,182

## 7 Net assets attributable to unitholders (continued)

	30 June 2022 No. '000	30 June 2021 No. '000	30 June 2022 \$'000	30 June 2021 \$'000
<b>Class G</b>				
Opening balance	-	-	-	-
Applications	1,031	-	1,000	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(148)	-
Closing balance	1,031	-	852	-
<b>Class Z</b>				
Opening balance	-	-	-	-
Applications *	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders *	-	-	-	-
Closing balance *	-	-	-	-
<b>Total net assets attributable to unitholders</b>			<b>744,741</b>	<b>798,182</b>

\* Amounts less than \$500 in 2022.

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are three classes of unitholders in the Fund being Class R, Class G and Class Z.

### (a) Capital risk management

Management manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Management monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. In the event of a significant redemption, as permitted under the governing documents, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

## 8 Distributions to unitholders

	Year ended			
	30 June 2022 \$'000	30 June 2022 CPU	30 June 2021 \$'000	30 June 2021 CPU
<b>Class R</b>				
Distributions paid				
- 30 September	756	0.100	860	0.150
- 31 December	2,295	0.300	2,905	0.500
- 31 March	3,854	0.500	3,354	0.500
- 6 June	50,487	6.500	-	-
Distribution payable				
- 30 June	30,347	4.096	88,073	12.959
Total	<u>87,739</u>	<u>11.496</u>	<u>95,192</u>	<u>14.109</u>
<b>Class G</b>				
Distributions paid				
- 31 March*	-	0.400	-	-
- 6 June	55	5.320	-	-
Distribution payable				
- 30 June	35	3.388	-	-
Total	<u>90</u>	<u>9.108</u>	<u>-</u>	<u>-</u>
<b>Class Z</b>				
Distributions paid				
- 31 March*	-	0.400	-	-
- 6 June*	-	5.360	-	-
Distribution payable				
- 30 June*	-	3.425	-	-
Total	<u>-</u>	<u>9.185</u>	<u>-</u>	<u>-</u>
<b>Total distributions</b>	<u>87,829</u>		<u>95,192</u>	

\* Distributions less than \$500 in 2022.

## 9 Cash and cash equivalents

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Cash at bank	2,043	6,057
Cash management trusts	22,513	75,693
Foreign currency holdings	1,503	190
<b>Total cash and cash equivalents</b>	<b>26,059</b>	<b>81,940</b>

## 10 Financial assets held at fair value through profit or loss

	As at	
	30 June 2022	30 June 2021
	Fair value \$'000	Fair value \$'000
<b>Financial assets held at fair value through profit or loss</b>		
Equity securities	45,283	21,154
Unlisted unit trusts	676,564	727,530
Derivatives (note 12)	7,710	6,486
<b>Total financial assets held at fair value through profit or loss</b>	<b>729,557</b>	<b>755,170</b>

### Comprising:

#### Equity securities

International equity securities listed on a prescribed stock exchange	45,283	21,154
<b>Total equity securities</b>	<b>45,283</b>	<b>21,154</b>

#### Unlisted unit trusts

Units in Australian fixed interest trusts	66,025	66,550
Units in international fixed interest trusts	58,420	57,349
Units in Australian equity trusts	234,761	224,813
Units in international equity trusts	207,702	220,787
Units in Australian property trusts	18,367	26,525
Units in international property trusts	14,428	23,634
Units in diversified trusts	42,145	73,036
Units in alternative investment trusts	34,716	34,836
<b>Total unlisted unit trusts</b>	<b>676,564</b>	<b>727,530</b>

**10 Financial assets held at fair value through profit or loss (continued)**

	As at	
	30 June 2022 Fair value \$'000	30 June 2021 Fair value \$'000
<b>Derivatives</b>		
Currency futures	529	803
Australian share price index futures	538	-
International share price index futures	536	4,144
Commodity futures	728	-
Australian fixed interest futures	45	168
International fixed interest futures	732	-
Total return swaps	4,602	1,371
Total derivatives	7,710	6,486
<b>Total financial assets held at fair value through profit or loss</b>	<b>729,557</b>	<b>755,170</b>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 5.

## 11 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2022 Fair value \$'000	30 June 2021 Fair value \$'000
<b>Financial liabilities held at fair value through profit or loss</b>		
Derivatives (note 12)	7,973	4,007
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>7,973</b>	<b>4,007</b>
<b>Derivatives</b>		
Forward currency contracts	648	125
Currency futures	275	735
Australian share price index futures	-	17
International share price index futures	1,974	515
Commodity futures	-	358
Australian fixed interest futures	-	1
International fixed interest futures	798	474
Total return swaps	4,278	1,782
Total derivatives	<b>7,973</b>	<b>4,007</b>
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>7,973</b>	<b>4,007</b>

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in note 3 and note 5.

## 12 Derivative financial instruments

A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable.

Derivative transactions are entered into in the normal course of business.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forward currency contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability against a fluctuation in market values or to reduce volatility,
- a substitution for trading of physical securities, and
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

## 12 Derivative financial instruments (continued)

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio occurs if the level of exposure to the markets exceeds the underlying value of the Fund.

The following derivative financial instruments were held during the year:

### (a) Futures

Futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price, established in an organised market. Futures contracts are collateralised by cash or marketable securities. Changes in the values of futures contracts are usually settled net daily with the exchange or broker.

### (b) Forward currency contracts

Forward currency contracts are agreements to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are primarily used to hedge against foreign currency exchange rate risks on non-Australian dollar denominated securities.

### (c) Total return swaps

Total return swaps are agreements between two parties to exchange their obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. One party makes payments on a set rate (plus a funding spread) in exchange for receiving the total return on a reference asset or index. Swap legs will be settled on a net basis with the counterparty.

The derivative financial instruments held at the end of each reporting period are detailed below:

	As at	
	30 June 2022 Contract/ notional \$'000	30 June 2021 Contract/ notional \$'000
<b>Buy</b>		
International share price index futures	68,270	101,714
Commodity futures	-	11,976
Currency futures	11,210	24,349
Australian fixed interest futures	-	5,789
International fixed interest futures	40,328	8,537
Total return swaps	82,669	55,654
<b>Sell</b>		
Forward currency contracts	45,209	20,761
Australian share price index futures	35,589	3,053
International share price index futures	45,896	12,003
Commodity futures	13,805	-
Currency futures	13,901	24,488
Australian fixed interest futures	12,054	50,024
International fixed interest futures	43,546	63,731
Total return swaps	82,669	55,654

### Risk exposures and fair value measurements

Information about the exposure to credit risk, foreign exchange risk and interest rate risk and the methods and assumptions used in determining fair values is provided in note 3 and note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

### 13 Related party transactions

#### (a) Responsible Entity

The Responsible Entity of the Fund is Pendal Fund Services Limited (ABN 13 161 249 332), a wholly owned subsidiary of Pendal Group Limited (ABN 28 126 385 822). The registered office of the Responsible Entity and the Fund is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

#### (b) Directors

The directors of Pendal Fund Services Limited during the financial year or since the end of the year and up to the date of this report were as follows:

Richard Brandweiner  
 Justin Howell  
 Anthony Serhan  
 Cameron Williamson

#### (c) Other key management personnel

There was no other person with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, during the financial year.

#### (d) Responsible Entity's/manager's fees and other transactions

For the year ended 30 June 2022, in accordance with the Fund's governing documents, the Fund incurred a total management fee (inclusive of GST, net of RITC available to the Fund) as follows:

- (i) Class R: 0.80% per annum (2021: 0.80%),
- (ii) Class G: 0.40% per annum, and
- (iii) Class Z: Nil% per annum.

This fee is partially paid out of the Fund and partially out of the assets of the underlying funds into which the Fund invests. The latter is reflected in the daily unit prices for the underlying funds.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable/(receivable) at the end of each reporting period between the Fund and the Responsible Entity were as follows:

	<b>30 June 2022</b>	30 June 2021
	<b>\$</b>	<b>\$</b>
Management fees incurred by the Fund #	<b>2,279,864</b>	1,542,302
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	<b>152,047</b>	178,515

# This represents the amount paid out of the Fund to the Responsible Entity. In addition to this amount, the total fee charged also includes the fees charged in the underlying funds.

Where the Fund invests into other funds, the Responsible Entity's fee is calculated after rebating the fees charged in the underlying funds. As a consequence, the amounts shown in the statement of comprehensive income reflect only the amount of the fee charged directly to the Fund.



### 13 Related party transactions (continued)

#### (e) Related party unitholdings

Parties related to the Fund (including the Responsible Entity, its related parties and other funds managed by the Responsible Entity) held units in the Fund as follows:

#### 30 June 2022

	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Unitholder	Units	Units	%	Units	Units	\$
Parent - Retirement Wrap	443,951,243	486,286,449	65.55	90,255,135	(47,919,929)	54,231,005

#### 30 June 2021

	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Unitholder	Units	Units	%	Units	Units	\$
Parent - Retirement Wrap	447,339,191	443,951,243	65.32	31,844,503	(35,232,451)	62,666,823

#### (f) Transactions with key management personnel

Key management personnel services are provided by Pendal Fund Services Limited and included in the management fees disclosed in (d) above. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

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

#### *Key management personnel unitholdings*

At 30 June 2022, no key management personnel held units in the Fund (2021: Nil).

### 13 Related party transactions (continued)

#### (g) Investments

The Fund held the following investments including funds which are also managed by the Responsible Entity or its related parties:

**30 June 2022**

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the year Units	Units disposed during the year Units
Pental Liquidity Management Trust*	22,513,474	1.34	187,694	175,517,657	(228,697,000)
Pental Global Property Trust	14,428,148	10.61	1,332,439	10,490,447	(15,968,137)
Pental Multi-Asset Target Return Fund	42,145,134	16.55	3,404,287	-	(26,677,760)
Pental Property Trust	18,367,466	3.17	5,182,559	3,372,193	(3,129,171)
Pental Risk Parity Fund	34,716,087	28.17	-	7,970,817	(6,241,266)
Pental Sustainable Australian Fixed Interest Fund	66,024,758	9.71	600,771	14,083,825	(5,920,984)
Pental Sustainable Australian Share Fund	234,760,043	61.74	19,014,135	54,373,376	(10,140,731)
Pental Sustainable International Fixed Interest Fund	58,420,037	20.19	-	8,447,871	-
Pental Sustainable International Share Fund	167,538,097	50.71	31,070,311	49,249,058	(29,804,571)
Regnan Global Equity Impact Solutions Fund	40,163,333	21.92	97,173	6,554,278	-
<b>Total</b>	<b>699,076,577</b>		<b>60,889,369</b>		

\*This investment is included in cash and cash equivalents.

### 13 Related party transactions (continued)

#### (g) Investments (continued)

30 June 2021

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the year Units	Units disposed during the year Units
Pendal Liquidity Management Trust*	75,692,817	4.90	80,268	219,335,594	(146,614,000)
Pendal Dynamic Global Equity Fund	-	-	6,503,039	5,021,320	(30,933,031)
Pendal Enhanced Property Securities Fund	-	-	27,956,999	60,574,363	(84,410,705)
Pendal Global Property Trust	23,634,469	12.21	2,584,895	18,777,064	(2,281,471)
Pendal Multi-Asset Target Return Fund	73,036,048	35.61	-	16,435,768	(4,123,816)
Pendal Property Trust	26,525,384	3.44	3,138,458	28,029,559	(5,290,267)
Pendal Risk Parity Fund	34,836,312	32.21	6,910,538	8,963,379	(1,203,397)
Pendal Sustainable Australian Fixed Interest Fund	66,549,958	15.82	540,590	22,272,240	-
Pendal Sustainable Australian Share Fund	224,812,687	58.94	32,847,334	34,966,282	(19,679,604)
Pendal Sustainable International Fixed Interest Fund	57,348,575	18.28	2,177,154	30,288,035	-
Pendal Sustainable International Share Fund	177,232,445	65.04	18,154,792	31,640,226	(20,158,029)
Pendal Total Return Fund	-	-	-	-	(18,406,077)
Regnan Global Equity Impact Solutions Fund	43,554,935	23.69	-	40,098,449	-
<b>Total</b>	<u>803,223,630</u>		<u>100,894,067</u>		

\*This investment is included in cash and cash equivalents.

### 13 Related party transactions (continued)

#### (g) Investments (continued)

Distributions received/receivable includes the following amounts which remain unpaid at the end of each reporting period:

	As at	
	30 June 2022	30 June 2021
	\$	\$
<b>Distributions receivable</b>		
Pendal Liquidity Management Trust	28,168	13,131
Pendal Global Property Trust	1,332,439	2,436,653
Pendal Multi-Asset Target Return Fund	3,404,287	-
Pendal Property Trust	4,562,247	3,138,458
Pendal Risk Parity Fund	-	4,734,791
Pendal Sustainable Australian Fixed Interest Fund	72,332	215,153
Pendal Sustainable Australian Share Fund	3,165,259	16,707,780
Pendal Sustainable International Fixed Interest Fund	-	2,177,154
Pendal Sustainable International Share Fund	3,788,958	8,162,796
Regnan Global Equity Impact Solutions Fund	97,173	-
<b>Total</b>	<b>16,450,863</b>	<b>37,585,916</b>

#### (h) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

### 14 Investments in unconsolidated entities

The following entities are recorded at fair value within financial assets held at fair value through profit or loss.

Name of entity	Place of business	Fair value		Ownership interest held by the Fund	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		\$'000	\$'000	%	%
Pendal Sustainable Australian Share Fund	Australia	234,760	224,813	61.74	58.94
Pendal Sustainable International Share Fund	Australia	167,538	177,232	50.71	65.04
<b>Total</b>		<b>402,298</b>	<b>402,045</b>		

## 15 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore does not consolidate its controlled entities (refer to note 14). In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are summarised in notes 9 and 10.

During the year ended 30 June 2022 total net gains/(losses) incurred on investments in structured entities were (\$123,390,000) (2021: \$24,412,000).

The Fund has exposures to unconsolidated structured entities through its investment activities. The Fund's maximum exposure to loss is restricted to the carrying value of the asset.

The Fund's overall risk management program focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The risks associated with the investments are referred to in note 3.

During the year the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The Fund's investment strategy entails investments in other funds on a regular basis. The Fund intends to continue investing in other funds.

As at 30 June 2022, there were no capital commitment obligations other than what is in unsettled sales or unsettled purchases in the balance sheet (2021: \$Nil).

## 16 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	(44,108)	137,288
Proceeds from sale of financial instruments held at fair value through profit or loss	175,221	72,969
Purchase of financial instruments held at fair value through profit or loss	(163,129)	(153,488)
Net (gains)/losses on financial instruments held at fair value through profit or loss	104,053	(34,125)
Income reinvested	(81,852)	(65,217)
Net change in accrued income and receivables	21,017	(24,945)
Net change in payables	(27)	103
<b>Net cash inflow/(outflow) from operating activities</b>	<b>11,175</b>	<b>(67,415)</b>

**16 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities (continued)**

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
<b>(b) Non-cash transactions</b>		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	144,767	24,146
Applications received as non-cash contributions	-	29,286
Sales received as non-cash proceeds	-	36,215
Purchases settled as non-cash purchases	-	(65,501)

**17 Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2022 or on the results and cash flows of the Fund for the year ended on that date.

**18 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2022 or 30 June 2021.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney  
8 September 2022



## Independent auditor's report

To the unitholders of Pental Sustainable Balanced Fund

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### Our opinion

In our opinion:

The accompanying financial report of Pental Sustainable Balanced Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the balance sheet as at 30 June 2022
  - the statement of comprehensive income for the year then ended
  - the statement of changes in equity for the year then ended
  - the statement of cash flows for the year then ended
  - the notes to the financial statements, which include significant accounting policies and other explanatory information
  - the directors' declaration.
- 

### Basis for opinion

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

We 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

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### **Responsibilities of the directors of the Responsible Entity for the financial report**

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

PricewaterhouseCoopers

Alexandra Richardson  
Partner

Sydney  
8 September 2022