

Pendal Active Long Volatility Fund

ARSN 624 298 022

Annual report - for the period 1 July 2020 to 31 May 2021

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These financial statements cover Pendal Active Long Volatility Fund as an individual entity.

The Responsible Entity of Pendal Active Long Volatility 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 Pendal Active Long Volatility Fund (the "Fund"), present their report together with the Fund's financial statements for the period 1 July 2020 to 31 May 2021.

Principal activities

The parent entity of the Fund, who was the only unitholder, fully redeemed their units effective 16 April 2021 with final balances settled on 31 May 2021 completing the termination of the Fund. As such the financial statements have not been prepared on a going concern basis. There is no impact on the financial position of the Fund.

During the period, until the Fund's investments were liquidated, the Fund continued to invest in cash management trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to rising volatility across selected currency, equity and commodity markets.

The Fund did not have any employees during the period.

Other than as noted in this report, there were no significant changes in the nature of the Fund's activities during the period.

Directors

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

Richard Brandweiner	(appointed 6 March 2019)
Justin Howell	(appointed 7 May 2018)
Anthony Serhan	(appointed 6 December 2019)
Cameron Williamson	(appointed 15 November 2012)

Review and results of operations

Effective 16 April 2021, the last unitholder redeemed their investment in the Fund. Final balances settled on 31 May 2021 completing the termination of the Fund.

The directors and management have assessed the potential financial and other impacts to the Fund of the actions taken to address the coronavirus (COVID-19) global pandemic. The severity and length of the global pandemic and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

There have been no other significant changes to the Fund's operations since the previous financial year. During the period, until the Fund's investments were liquidated, 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:

	Period 1 July 2020 to 31 May 2021	Year ended 30 June 2020
Operating profit/(loss) (\$)	<u>(1,110,374)</u>	<u>2,226,554</u>
<i>Distributions</i>		
Distributions paid and payable (\$)	<u>-</u>	<u>2,253,860</u>
Distributions (cents per unit)	<u>-</u>	<u>10.424</u>

Directors' report (continued)

Review and results of operations (continued)

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:

	31 May 2021	As at 30 June 2020
	\$	\$
Redemption value of outstanding units	-	18,813,502
Adjustment for differences in valuation inputs	-	-
Net assets attributable to unitholders	-	18,813,502

Significant changes in the state of affairs

The last unitholder's units were redeemed effective 16 April 2021 with final balances settled on 31 May 2021 completing the termination of the Fund. This report contains the final set of financial statements for the Fund.

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

Matters subsequent to the end of the financial period

As the Fund has terminated, there have been no matters subsequent to the end of the financial period that significantly affected, or may significantly affect, the Fund.

Likely developments and expected results of operations

The last unitholder's units were redeemed effective 16 April 2021 with final balances settled on 31 May 2021 completing the termination of the Fund.

Indemnity and insurance of officers

No insurance premiums were 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 were in no way indemnified out of the assets of the Fund.

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 period are disclosed in note 14 to the financial statements.

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

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

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 8 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.

Directors' report (continued)

Environmental regulation

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

Rounding of amounts to the nearest dollar

Amounts in the Directors' report have been rounded to the nearest dollar 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 6.

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



Director



Director

Sydney
26 August 2021



Auditor's Independence Declaration

As lead auditor for the audit of Pendal Active Long Volatility Fund for the period 1 July 2020 to 31 May 2021, 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 'Andrew Wilson', with a long horizontal stroke extending to the right.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
26 August 2021

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Statement of comprehensive income

	Notes	Period 1 July 2020 to 31 May 2021 \$	Year ended 30 June 2020 \$
Income			
Distribution income		35,066	434,827
Net gains/(losses) on financial instruments at fair value through profit or loss		(936,300)	1,870,130
Net foreign currency gains/(losses)		(46,816)	399,524
Total income/(loss)		(948,050)	2,704,481
Expenses			
Responsible Entity's fees	14(d)	157,988	460,833
Transaction costs		1,644	6,206
Other operating expenses		2,692	10,888
Total operating expenses		162,324	477,927
Operating profit/(loss)		(1,110,374)	2,226,554
Profit/(loss) for the period/year		(1,110,374)	2,226,554
Other comprehensive income		-	-
Total comprehensive income for the period/year		(1,110,374)	2,226,554

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

Balance sheet

		31 May 2021	As at 30 June 2020
	Notes	\$	\$
Assets			
Cash and cash equivalents	10	-	20,797,350
Margin accounts		-	425,225
Unsettled sales		-	505,292
Accrued income		-	9,278
Receivables		-	2,753
Financial assets at fair value through profit or loss	11	-	1,351,532
Total assets		-	23,091,430
Liabilities			
Margin accounts		-	800,000
Unsettled purchases		-	326,601
Distributions payable	9	-	2,253,860
Payables		-	18,980
Financial liabilities at fair value through profit or loss	12	-	878,487
Total liabilities		-	4,277,928
Net assets attributable to unitholders - equity	8	-	18,813,502

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

Statement of changes in equity

		Period 1 July 2020 to 31 May 2021	Year ended 30 June 2020
	Notes	\$	\$
Total equity at the beginning of the financial period/year		18,813,502	51,502,862
Comprehensive income for the period/year			
Profit/(loss) for the period/year		(1,110,374)	2,226,554
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period/year		<u>(1,110,374)</u>	<u>2,226,554</u>
Transactions with unitholders			
Applications	8	-	-
Redemptions	8	(19,956,988)	(32,662,054)
Units issued upon reinvestment of distributions	8	2,253,860	-
Distributions paid and payable	9	<u>-</u>	<u>(2,253,860)</u>
Total transactions with unitholders		<u>(17,703,128)</u>	<u>(34,915,914)</u>
Total equity at the end of the financial period/year		<u>-</u>	<u>18,813,502</u>

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

Statement of cash flows

	Notes	Period 1 July 2020 to 31 May 2021 \$	Year ended 30 June 2020 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		7,396,210	127,742,759
Purchase of financial instruments at fair value through profit or loss		(8,055,549)	(125,395,436)
Transaction costs		(1,644)	(6,206)
Interest received		-	1,491
Distributions received		44,344	518,362
Other income received		-	420,228
Responsible Entity's fees received/(paid)		(176,777)	(487,436)
Payment of other expenses		(49,942)	(10,888)
Net cash inflow/(outflow) from operating activities	15(a)	<u>(843,358)</u>	<u>2,782,874</u>
Cash flows from financing activities			
Payments for redemptions by unitholders		(19,956,988)	(32,662,054)
Net cash inflow/(outflow) from financing activities		<u>(19,956,988)</u>	<u>(32,662,054)</u>
Net increase/(decrease) in cash and cash equivalents		(20,800,346)	(29,879,180)
Cash and cash equivalents at the beginning of the period/year		20,797,350	50,674,900
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>2,996</u>	<u>1,630</u>
Cash and cash equivalents at the end of the period/year	10	<u>-</u>	<u>20,797,350</u>

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

1 General information

These financial statements cover Pendal Active Long Volatility Fund (the "Fund") as an individual entity. The Fund was constituted on 19 February 2018.

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 the Australian currency.

During the period, until the Fund's investments were liquidated, the Fund continued to invest in cash management trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to rising volatility across selected currency, equity and commodity markets.

The financial statements were authorised for issue by the directors of the Responsible Entity on 26 August 2021. 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 periods 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 last unitholder's units were redeemed effective 16 April 2021 with final balances settled on 31 May 2021 completing the termination of the Fund. The directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such the financial statements have been prepared on a liquidation basis whereby the Fund's assets have been measured at their net realisable values and the liabilities have been recognised at their contractual settlement amounts. Adoption of the liquidation basis of preparation has no impact on the carrying amount of assets and liabilities of the Fund.

The comparative figures are not entirely comparable due to different financial periods.

(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 period.

(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 period beginning 1 July 2020 that have a material impact on the financial report of the Fund.

(b) Financial instruments

(i) *Recognition/derecognition*

The Fund recognised financial instruments on the date it became party to the contractual agreement and recognised changes in the value of the financial instruments from this date.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

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

(ii) Classification

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

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

(iii) Measurement

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss were 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 were presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arose.

Refer to note 6 for further details on how the fair values of financial instruments were 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 5 for further details.

(c) Net assets attributable to unitholders

As this Fund has terminated, units were not able to be put back to the Fund for cash.

(d) 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.

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.

(e) 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.

2 Summary of significant accounting policies (continued)

(f) Accrued income

Accrued income may include amounts owed to the Fund for trust distributions and interest. 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 receivables.

(g) 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.

(h) Receivables

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

(i) 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.

(j) 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.

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

(k) Expenses

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

(l) 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.

(m) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

2 Summary of significant accounting policies (continued)

(m) Income tax (continued)

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.

(n) Distributions

In accordance with the Fund's Constitution, the Responsible Entity is entitled to determine the amounts to be distributed to unitholders. The distributions are recognised in the statement of changes in equity.

(o) 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.

(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 period 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 at fair value through profit or loss.

(p) 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.

(q) Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. 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.

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.

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

The Fund did not have any assets or liabilities as at 31 May 2021 as the Fund completed its termination effective 31 May 2021.

For more information on how fair value is calculated refer to note 6.

(r) New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for the 31 May 2021 reporting period and have not been early adopted in preparing these financial statements.

These new accounting standards and interpretations will have no future impact as the Fund terminated effective 31 May 2021.

(s) 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 to the nearest dollar, unless otherwise indicated.

3 Termination of the Fund

Effective 16 April 2021, the last unitholder redeemed their investment in the Fund. Final balances settled on 31 May 2021 completing the termination of the Fund.

This report contains the final set of financial statements for Pendal Active Long Volatility Fund.

4 Financial risk management

The Fund's activities exposed 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 focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. Derivative financial instruments may have been used (or were used) to alter certain risk exposures. Financial risk management was carried out by the investment manager.

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

The investment manager mitigated 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 were reported to senior management committees on a regular basis.

The Fund did not have any assets or liabilities as at 31 May 2021.

The directors and management have assessed the potential financial and other impacts to the Fund of the actions taken to address the coronavirus (COVID-19) global pandemic. The severity and length of the global pandemic and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

4 Financial risk management (continued)

(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.

There was no significant direct price risk in the Fund.

The Fund did not have any assets or liabilities as at 31 May 2021.

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

(ii) 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 were used to manage foreign exchange risk. Alternatively these instruments were used to increase exposure to preferred foreign currencies.

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

The table below summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar (31 May 2021: \$Nil).

	Euro A\$	New Zealand Dollars A\$	British Pounds A\$	Canadian Dollar A\$	Other currencies A\$	Total A\$
As at 30 June 2020						
Cash and cash equivalents	398,058	187,001	179,463	106,640	230,813	1,101,975
Margin accounts	(5)	-	(29)	-	-	(34)
Financial assets at fair value through profit or loss	15,544	409,513	6,725	108,822	236,621	777,225
Payables	(158)	-	-	-	(33)	(191)
Financial liabilities at fair value through profit or loss	-	(314,098)	(30,560)	-	(277,118)	(621,776)
Net increase/(decrease) in exposure from forward currency contracts						
- sell foreign currency	(1,881,052)	(6,281,674)	(14,118,146)	(8,937,159)	(46,638,332)	(77,856,363)
- buy foreign currency	1,881,864	6,303,316	14,154,626	8,902,526	46,614,031	77,856,363
Total exposure	414,251	304,058	192,079	180,829	165,982	1,257,199
Total monetary assets/(liabilities) exposure	398,707	208,643	215,914	72,007	206,479	1,101,750

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

4 Financial risk management (continued)

(a) Market risk (continued)

(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 exposed it to interest rate risk. Interest rate risk from these investments was reported as a component of interest rate risk for the purposes of the sensitivity analysis.

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

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

The table presented in note 4(b) summarises sensitivity analysis to interest rate risk.

The Fund did not have any significant direct exposure to interest rate risk as at 31 May 2021.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to 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.

	Impact on operating profit/(loss)/Net assets attributable to unitholders			
	Interest rate risk		Foreign exchange risk**	
	-0.10%	+0.50%	-10%	+10%
	(2020: -0.25%)	(2020: +0.50%)	(2020: -10%)	(2020: +10%)
As at	\$	\$	\$	\$
31 May 2021*	-	-	-	-
30 June 2020	(51,056)	102,113	(110,175)	110,175

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 Fund did not have any assets or liabilities as at 31 May 2021.

** The foreign exchange risk is calculated using the reasonably possible percentage times the total monetary assets/(liabilities) exposure calculated in note 4(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.

4 Financial risk management (continued)

(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 assets of the Fund were not impaired.

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 trusts were exposed to credit risk.

Concentrations of direct credit risk were minimised primarily by:

- ensuring counterparties, together with the respective credit limits, were approved, and
- ensuring that transactions were undertaken with a number of counterparties.

Exceptions to compliance were 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 was 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 was mitigated by maintaining adequate liquidity to fulfil usual redemption volumes.

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

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

Exceptions to the above were 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 comprised distribution payable, unsettled purchases and payables. These had no contractual maturities but were typically settled within 30 days.

The Fund did not have any financial liabilities as at 31 May 2021.

4 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 (31 May 2021: \$Nil).

	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
As at 30 June 2020			
<i>Net settled derivatives</i>			
Currency options	(569,079)	-	-
Forward currency contracts	(309,408)	-	-

5 Offsetting financial assets and financial liabilities

Financial assets and liabilities were offset and the net amount reported in the balance sheet when there was a legally enforceable right to offset the recognised amounts and there was 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 liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below (31 May 2021: \$Nil).

Financial assets	Effects of offsetting on the balance sheet			Related amounts not offset		
As at 30 June	Gross amounts of financial assets \$	Gross amounts set off in the balance sheet \$	Net amount of financial assets presented in the balance sheet \$	Amounts subject to enforceable netting arrangements \$	Cash collateral \$	Net amount \$
2020						
Margin accounts	425,225	-	425,225	-	-	425,225
Derivatives	1,351,532	-	1,351,532	(529,283)	-	822,249
Total	1,776,757	-	1,776,757	(529,283)	-	1,247,474
Financial liabilities	Effects of offsetting on the balance sheet			Related amounts not offset		
As at 30 June	Gross amounts of financial liabilities \$	Gross amounts set off in the balance sheet \$	Net amount of financial liabilities presented in the balance sheet \$	Amounts subject to enforceable netting arrangements \$	Cash collateral \$	Net amount \$
2020						
Margin accounts	(800,000)	-	(800,000)	-	-	(800,000)
Derivatives	(878,487)	-	(878,487)	529,283	-	(349,204)
Total	(1,678,487)	-	(1,678,487)	529,283	-	(1,149,204)

5 Offsetting financial assets and financial liabilities (continued)

(i) Enforceable netting arrangement – not currently enforceable

Most agreements with derivative counterparties were based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occurred (such as default), the net position owing / receivable to a single counterparty in the same currency was taken as owing and all the relevant arrangements terminated. As the Fund did 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.

6 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 were valued in accordance with the accounting policies set out in note 2 to the financial statements.

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

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

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

Over-the-counter options were valued by applying the Black-Scholes option valuation model.

Management used a variety of valuation methods and made assumptions that were based on market conditions existing at the end of each reporting period. Valuation techniques used for swaps and over-the-counter options included the use of discounted cash flow techniques, option pricing models or any other valuation technique that was commonly used by market participants.

Where option pricing models were used, inputs were based on market data at the end of the reporting period. Some of the inputs to these models may not have been market observable and were therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with a high degree of certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

6 Fair value measurement (continued)

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

(i) Recognised fair value measurements

The Fund did not have any assets or liabilities as at 31 May 2021.

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit or loss:				
Derivatives	-	1,351,532	-	1,351,532
Total	-	1,351,532	-	1,351,532
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	-	878,487	-	878,487
Total	-	878,487	-	878,487

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

(ii) Transfers between levels

There were no transfers between levels as at 31 May 2021 or 30 June 2020.

(iii) Valuation processes

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

(b) 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.

7 Remuneration of auditors

	Period 1 July 2020 to 31 May 2021 \$	Year ended 30 June 2020 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	24,620	23,962
Other services*	2,294	2,340
Total remuneration for audit and other assurance services	26,914	26,302

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the period ended 31 May 2021 and year ended 30 June 2020.

8 Net assets attributable to unitholders

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

	31 May 2021 No.	30 June 2020 No.	31 May 2021 \$	30 June 2020 \$
Opening balance	21,622,039	54,954,763	18,813,502	51,502,862
Applications	-	-	-	-
Redemptions	(24,212,384)	(33,332,724)	(19,956,988)	(32,662,054)
Units issued upon reinvestment of distributions	2,590,345	-	2,253,860	-
Distributions paid and payable	-	-	-	(2,253,860)
Profit/(loss) for the period/year	-	-	(1,110,374)	2,226,554
Closing balance	-	21,622,039	-	18,813,502

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

(a) Capital risk management

Effective 16 April 2021 the last unitholder's units were redeemed with final balances settled on 31 May 2021 completing the termination of the Fund.

9 Distributions to unitholders

	Period 1 July 2020 to 31 May 2021 \$	Period 1 July 2020 to 31 May 2021 CPU	Year ended 30 June 2020 \$	Year ended 30 June 2020 CPU
30 June (payable)	-	-	2,253,860	10,424
Total Distributions	-	-	2,253,860	10,424

10 Cash and cash equivalents

	As at 31 May 2021 \$	30 June 2020 \$
Cash at bank	-	601,628
Cash management trusts	-	19,093,747
Foreign currency holdings	-	1,101,975
Total cash and cash equivalents	-	20,797,350

11 Financial assets at fair value through profit or loss

	As at 31 May 2021 Fair value \$	30 June 2020 Fair value \$
Financial assets at fair value through profit or loss		
Derivatives (note 13)	-	1,351,532
Total financial assets at fair value through profit or loss	-	1,351,532
Derivatives		
Currency options	-	886,675
Forward currency contracts	-	464,857
Total derivatives	-	1,351,532
Total financial assets at fair value through profit or loss	-	1,351,532

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 4 and note 6.

12 Financial liabilities at fair value through profit or loss

	As at	
	31 May 2021 Fair value \$	30 June 2020 Fair value \$
Financial liabilities at fair value through profit or loss		
Derivatives (note 13)	-	878,487
Total financial liabilities at fair value through profit or loss	-	878,487
Derivatives		
Currency options	-	569,079
Forward currency contracts	-	309,408
Total derivatives	-	878,487
Total financial liabilities at fair value through profit or loss	-	878,487

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 4 and note 6.

13 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 were 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.

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 period:

(a) Options

Options are contractual arrangements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future price risk. Options held were exchange-traded and over the counter.

13 Derivative financial instruments (continued)

(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 were primarily used to hedge against foreign currency exchange rate risks on non-Australian dollar denominated securities.

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

	31 May 2021	As at 30 June 2020
	Contract/ notional \$	Contract/ notional \$
Buy		
Currency options	-	92,382,374
Forward currency contracts	-	77,856,363
Sell		
Currency options	-	67,162,374
Forward currency contracts	-	77,856,363

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 4 and note 6 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.

14 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 period or since the end of the period and up to the date of this report were as follows:

Richard Brandweiner	(appointed 6 March 2019)
Justin Howell	(appointed 7 May 2018)
Anthony Serhan	(appointed 6 December 2019)
Cameron Williamson	(appointed 15 November 2012)

(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 period.

14 Related party transactions (continued)

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

For the period ended 16 April 2021, in accordance with the Fund's governing documents, the Fund incurred a total management fee of 1.25% (inclusive of GST, net of RITC available to the Fund) per annum. This was decreased to Nil% per annum from 17 April 2021 (2020:1.25%).

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 were fully borne by the Responsible Entity.

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

	31 May 2021	30 June 2020
	\$	\$
Management fees incurred by the Fund*	157,988	460,833
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	-	18,789

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

(e) Related party unitholdings

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

31 May 2021

Unitholder	Number of units held opening Units	Number of units held closing Units	Interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Parent - Pandal Total Return Fund	21,621,939	-	-	2,590,333	(24,212,272)	-

30 June 2020

Unitholder	Number of units held opening Units	Number of units held closing Units	Interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Parent - Pandal Total Return Fund	54,954,663	21,621,939	100.00	-	(33,332,724)	2,253,849

14 Related party transactions (continued)

(f) Transactions with key management personnel

Key management personnel services were provided by Pendal Fund Services Limited and included in the management fees disclosed in (d) above. There was 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 31 May 2021, no key management personnel held units in the Fund (2020: Nil).

(g) Investments

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

31 May 2021

	Fair value of investments	Interest held	Distributions received/ receivable	Units acquired during the period	Units disposed during the period
	\$	%	\$	Units	Units
Pendal Stable Cash Plus Fund*	-	-	35,066	5,743,673	(24,837,420)

30 June 2020

	Fair value of investments	Interest held	Distributions received/ receivable	Units acquired during the year	Units disposed during the year
	\$	%	\$	Units	Units
Pendal Stable Cash Plus Fund*	19,093,747	1.07	434,827	51,718,360	(79,710,000)

* This investment was included in cash and cash equivalents

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

	As at	
	31 May 2021	30 June 2020
	\$	\$
Distributions receivable		
Pendal Stable Cash Plus Fund	-	9,278

(h) Other transactions within the Fund

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

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

	Period 1 July 2020 to 31 May 2021 \$	Year ended 30 June 2020 \$
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the period/year	(1,110,374)	2,226,554
Proceeds from sale of financial instruments at fair value through profit or loss	7,396,210	127,742,759
Purchase of financial instruments at fair value through profit or loss	(8,055,549)	(125,395,436)
Net (gains)/losses on financial instruments at fair value through profit or loss	936,300	(1,870,130)
Net change in accrued income and receivables	12,031	107,848
Net change in payables	(18,980)	(27,091)
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2,996)	(1,630)
Net cash inflow/(outflow) from operating activities	(843,358)	2,782,874
(b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	2,253,860	-

16 Events occurring after the reporting period

As the Fund has terminated, there have been no matters subsequent to the end of the reporting period that significantly affected, or may significantly affect, the Fund.

17 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 May 2021 and 30 June 2020.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 May 2021 and of its performance for the financial period ended on that date,
- (b) as disclosed in note 2(a) to the financial statements, the Fund has been terminated and all debts were paid for at that time, 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
26 August 2021



Independent auditor's report

To the unitholders of Pendal Active Long Volatility Fund

Our opinion

In our opinion:

The accompanying financial report of Pendal Active Long Volatility 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 31 May 2021 and of its financial performance for the period 1 July 2020 to 31 May 2021
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 31 May 2021
- the statement of comprehensive income for the period 1 July 2020 to 31 May 2021
- the statement of changes in equity for the period 1 July 2020 to 31 May 2021
- the statement of cash flows for the period 1 July 2020 to 31 May 2021
- 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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Emphasis of matter - going concern no longer appropriate

We draw attention to Note 2(a) in the financial report, which states that the last unitholders' units were redeemed effective 16 April 2021 with final balances settled on 31 May 2021 completing the termination of the Fund. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

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 period 1 July 2020 to 31 May 2021, but does not include the financial report and our auditor's report thereon.

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

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.

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 determines 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 intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature, likely belonging to Andrew Wilson.

Andrew Wilson
Partner

Sydney
26 August 2021