

Pendal American Share Fund

ARSN 087 594 509

Annual report

for the year ended 30 June 2023

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Directors' report

The directors of Pendal Fund Services Limited, the Responsible Entity of the Pendal American Share Fund ("the Fund"), present their report together with the Fund's financial statements for the year ended 30 June 2023.

Responsible Entity

The Responsible Entity of Pendal American Share 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

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:

Amanda Apted (appointed 31 August 2023)
Richard Brandweiner (appointed 6 March 2019, resigned 31 July 2023)
Justin Howell (appointed 7 May 2018, resigned 1 September 2023)
Anthony Serhan (appointed 6 December 2019)
Simone Mosse (appointed 23 January 2023)
Cameron Williamson (appointed 15 November 2012, resigned 23 January 2023)

Principal activities

The Fund invests in BT American Share Fund in accordance with the provisions of the governing documents. Through this investment, the Fund was exposed to international equities.

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.

Review and results of operations

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:

	30 June 2023	30 June 2022
Profit/(loss) (\$'000)	<u>5,457</u>	<u>(1,481)</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>1,238</u>	<u>6,113</u>
Distributions (cents per unit)	<u>2.937</u>	<u>16.979</u>

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 4 to the financial statements.

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

Directors' report (continued)

Significant changes in the state of affairs

On 23 January 2023, Pendal Group Limited, the parent entity of the Pendal Fund Services Limited, was acquired by Perpetual Limited. The sale is not expected to have material impact on the operation of the Fund.

On 24 August 2023, the Responsible Entity resolved to terminate the Fund with effect on and from 28 November 2023. The Responsible Entity formed the view that the termination was in the best interests of investors, due to the Fund's small size, which meant that it has high running costs and cannot be managed in a cost-efficient way and there was little prospect of significant growth in funds under management in the foreseeable future. The Fund will commence winding up on or around 28 November 2023. Accordingly, the financial statements for the financial year ended 30 June 2023 have been prepared on a basis other than going concern.

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 year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 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.

Environmental regulation

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

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 9 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 9 to the financial statements.

Directors' report (continued)

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund for insurance cover provided to the officers of the Responsible Entity. So long as the officers of Pendal Fund Services Limited act in accordance with the Fund's Constitution and the law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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
19 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of Pandal American Share Fund for the year ended 30 June 2023, 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
19 September 2023

Pendal American Share Fund
Statement of comprehensive income
For the year ended 30 June 2023

Statement of comprehensive income

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Interest income		1	-
Distribution income		2,291	4,897
Net gains/(losses) on financial instruments at fair value through profit or loss		3,142	(6,403)
Net Responsible Entity's rebates	9(e)	<u>23</u>	<u>25</u>
Total investment income/(loss)		<u>5,457</u>	<u>(1,481)</u>
Profit/(loss)		<u>5,457</u>	<u>(1,481)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>5,457</u>	<u>(1,481)</u>

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

Pendal American Share Fund
Statement of financial position
As at 30 June 2023

Statement of financial position

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	5	62	73
Unsettled sales		313	3,800
Accrued income		2,266	4,897
Receivables		2	-
Financial assets at fair value through profit or loss	6	<u>29,415</u>	<u>22,892</u>
Total assets		<u>32,058</u>	<u>31,662</u>
Liabilities			
Distribution payable	3	1,238	6,113
Payables		<u>100</u>	<u>2,718</u>
Total liabilities		<u>1,338</u>	<u>8,831</u>
Net assets attributable to unitholders - equity	4	<u>30,720</u>	<u>22,831</u>

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

**Pendal American Share Fund
Statement of changes in equity
For the year ended 30 June 2023**

Statement of changes in equity

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the year	4	22,831	42,434
Comprehensive income for the year			
Profit/(loss)		<u>5,457</u>	<u>(1,481)</u>
Total comprehensive income		<u>5,457</u>	<u>(1,481)</u>
Transactions with unitholders			
Applications	4	2,617	3,069
Redemptions	4	(4,016)	(15,407)
Units issued upon reinvestment of distributions	4	5,069	329
Distributions paid and payable	3,4	<u>(1,238)</u>	<u>(6,113)</u>
Total transactions with unitholders		<u>2,432</u>	<u>(18,122)</u>
Total equity at the end of the year	4	<u>30,720</u>	<u>22,831</u>

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

Pendal American Share Fund
Statement of cash flows
For the year ended 30 June 2023

Statement of cash flows

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		9,522	15,489
Purchase of financial instruments at fair value through profit or loss		(4,494)	(3,805)
Interest received		1	-
Distributions received		-	1,857
Responsible Entity's rebates received		<u>20</u>	<u>27</u>
Net cash inflow/(outflow) from operating activities	7(a)	<u>5,049</u>	<u>13,568</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		2,617	3,069
Payments for redemptions by unitholders		(6,633)	(12,690)
Distributions paid		<u>(1,044)</u>	<u>(4,110)</u>
Net cash inflow/(outflow) from financing activities		<u>(5,060)</u>	<u>(13,731)</u>
Net increase/(decrease) in cash and cash equivalents		(11)	(163)
Cash and cash equivalents at the beginning of the year		<u>73</u>	<u>236</u>
Cash and cash equivalents at the end of the year	5	<u>62</u>	<u>73</u>

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

1 General information

These financial statements cover Pendal American Share Fund (“the Fund”) as an individual entity. The Fund was constituted on 30 August 1989. The Fund is domiciled in Australia.

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 were authorised for issue by the directors of the Responsible Entity on 19 September 2023. 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 financial statements have been prepared on a basis other than going concern as the Responsible Entity has decided to terminate and commence winding up the Fund effective 28 November 2023 (the termination date). There is no difference in the financial statements that are prepared on a going concern basis and the alternate basis.

Compliance with International Financial Reporting Standards

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

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Fund’s functional currency.

Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the current changing market conditions are assessed and estimated. Actual results may differ from these estimates.

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 12.

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)

New standards, amendments and interpretations adopted by the Fund

There are no standards, interpretations and amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

(b) Financial instruments

(i) 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, the contractual cash flows are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

(ii) Recognition/derecognition

The Fund recognises financial assets on the date it becomes party to the contractual agreement and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets 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.

(iii) Measurement

At initial recognition, a financial asset is measured at fair value. Transaction costs are expensed in the statement of comprehensive income as incurred. Subsequently, all financial assets are measured at fair value without any deduction for estimated future selling costs. Gains and losses arising from changes in the fair value measurement are recognised in the statement of comprehensive income in the period in which they arise.

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

Refer to note 12 for further details on how the fair values of financial instruments are determined.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, 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.

There are no significant financial assets and liabilities subject to offsetting arrangements as at the end of each reporting period.

2 Summary of significant accounting policies (continued)

(c) 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.

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 carrying amount of these units at the redemption price represents 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.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unitholders as equity as they satisfy the following criteria:

- the puttable financial instruments entitle the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instruments are in the class of instruments that is subordinate to all other classes of instruments and the class features are identical;
- no contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instrument; and
- the total expected cash flows attributable to the puttable financial instruments over the life are based substantially on the profit or loss.

(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 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.

(e) 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.

2 Summary of significant accounting policies (continued)

(f) 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.

(g) Receivables

Receivables include Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders. The carrying amount of receivables is a reasonable approximation of fair value due to their short term nature.

(h) Payables

Payables include accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period. The carrying amount of payables is a reasonable approximation of fair value due to their short term nature.

A separate distribution payable is recognised in the statement of financial position when the Fund has distributed income and this amount remains unpaid as at the end of the reporting period.

(i) Investment income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

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

(j) Expenses

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

(k) Income tax

The Fund is not subject to income tax provided the taxable income of the Fund is attributed to its unitholders each financial year. Unitholders are subject to income tax at their own marginal tax rates on amounts attributable to them.

The benefits of franking credits and foreign tax paid are passed on to unitholders, providing certain conditions are met.

(l) Distributions

Distributions are payable as set out in the Fund's Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Fund.

(m) Goods and Services Tax ("GST")

GST is incurred on the costs of various services provided to the Fund. The Fund qualifies for RITC, hence expenses such as Responsible Entity's fees have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office. Payables are inclusive of GST. The net amount of GST recoverable is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(n) Rounding of amounts

The Fund is an entity of the kind referred to in *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 Distributions to unitholders

	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
Distribution payable				
- June	<u>1,238</u>	<u>2,937</u>	6,113	16,979
Total distributions	<u>1,238</u>	<u>2,937</u>	6,113	16,979

4 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 2023 No. '000	30 June 2022 No. '000	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance	36,003	50,378	22,831	42,434
Applications	4,013	3,340	2,617	3,069
Redemptions	(5,874)	(18,106)	(4,016)	(15,407)
Units issued upon reinvestment of distributions	8,008	391	5,069	329
Distributions paid and payable	-	-	(1,238)	(6,113)
Profit/(loss)	-	-	5,457	(1,481)
Closing balance	<u>42,150</u>	<u>36,003</u>	<u>30,720</u>	<u>22,831</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Fund.

(a) Capital risk management

Management manages the Fund's net assets attributable to unitholders as capital. 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.

5 Cash and cash equivalents

	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	<u>62</u>	<u>73</u>
Total cash and cash equivalents	<u>62</u>	<u>73</u>

6 Financial assets at fair value through profit or loss

	30 June 2023 \$'000	30 June 2022 \$'000
Financial assets at fair value through profit or loss		
Unlisted unit trusts	<u>29,415</u>	<u>22,892</u>
Total financial assets at fair value through profit or loss	<u>29,415</u>	<u>22,892</u>

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

	30 June 2023 \$'000	30 June 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss)	5,457	(1,481)
Proceeds from sale of financial instruments at fair value through profit or loss	9,522	15,489
Purchase of financial instruments at fair value through profit or loss	(4,494)	(3,805)
Net (gains)/losses on financial instruments at fair value through profit or loss	(3,142)	6,403
Income reinvested	(4,922)	-
Net change in accrued income and receivables	2,629	(3,039)
Net change in payables	(1)	1
Net cash inflow/(outflow) from operating activities	<u>5,049</u>	<u>13,568</u>
(b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	<u>5,069</u>	<u>329</u>

8 Remuneration of auditors

	30 June 2023	30 June 2022
	\$	\$
Auditors of the Fund - PricewaterhouseCoopers Australia (PwC)		
<i>Audit and other assurance services</i>		
Audit of financial statements	10,447	8,526
Other assurance services	2,602	2,477
Total	13,049	11,003

Audit fees were paid by the Responsible Entity.

9 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).

(b) Key management personnel

(i) Directors

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

Amanda Apted (appointed 31 August 2023)
Richard Brandweiner (appointed 6 March 2019, resigned 31 July 2023)
Justin Howell (appointed 7 May 2018, resigned 1 September 2023)
Anthony Serhan (appointed 6 December 2019)
Simone Mosse (appointed 23 January 2023)
Cameron Williamson (appointed 15 November 2012, resigned 23 January 2023)

(ii) 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 year or since the end of the year.

(c) Key management personnel unitholdings

At 30 June 2023, no key management personnel held units in the Fund (2022: Nil).

(d) Transactions with key management personnel

Key management personnel services are provided by Pendal Fund Services Limited and included in the Responsible Entity's fees. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel during the year.

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.

9 Related party transactions (continued)

(e) Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive management fees. The Fund incurred management fees of 1.00% per annum (inclusive of GST and net of RITC) for the year ended 30 June 2023 (2022: 1.00%). The management fees are calculated by reference to the net asset value of the Fund.

Where the Fund invests into other funds, the Responsible Entity's fee is calculated after rebating the fees charged in the underlying funds.

The Responsible Entity pays for the Fund's recoverable expenses and does not recover these expenses from the Fund.

The transactions during the year and amounts receivable at the reporting date between the Fund and the Responsible Entity were as follows:

	30 June 2023	30 June 2022
	\$	\$
Responsible Entity rebates (net of fees)	22,977	25,106
Responsible Entity rebates receivable	1,877	1,448

10 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding control and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in unlisted unit trusts to be structured entities. The Fund may invest in related and unrelated unlisted unit trusts for the purpose of capital appreciation and earning investment income.

The unlisted unit trusts are invested in accordance with the investment strategy by their respective investment managers. The return of the unlisted unit trusts is exposed to the variability of the performance of their investments. The unlisted unit trusts finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective trusts' net assets and distributions.

The Fund's exposure to structured entities at fair value is disclosed in the following table:

	Fair value		Ownership interest	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	%	%
BT American Share Fund	29,415	22,892	45.60	44.30

The fair value of these entities is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interests in the structured entities is equal to the total fair value of its investments in these entities as there are no off balance sheet exposures relating to them. The Fund's exposure to any risk from the structured entities will cease when these investments are disposed of.

10 Structured entities (continued)

The Fund does not have current commitments or intentions and contractual obligations to provide financial or other support to the structured entities. There are no loans or advances currently made to these entities.

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

All investment securities present a risk of loss of capital. The maximum loss of capital on investment securities is generally limited to the fair values of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

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.

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.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Fund is exposed to price risk predominantly through its investments for which prices in the future are uncertain.

The fair value of the Fund's investments exposed to price risk was as follows:

	30 June 2023 \$'000	30 June 2022 \$'000
Unlisted unit trusts	<u>29,415</u>	<u>22,892</u>
	29,415	22,892

The table presented in note 11(b) summarises sensitivity analysis to price risk. This analysis assumes that all other variables remain constant.

11 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

Foreign exchange risk arises as the fair value and future cash flows value of monetary assets and liabilities 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. However, management monitors the exposures on all foreign currency denominated assets and liabilities.

The Fund did not have any significant direct exposure to currency risk at the reporting date.

(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 does not have any significant direct exposure to interest rate risk.

(b) Sensitivity analysis

The following table summarises the sensitivity of profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on management's estimates, having regard to a number of factors including historical levels of changes in market indices and benchmark returns. 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 should not be used to predict 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 profit/net assets attributable to unitholders	
	Price risk	Price risk
	-15.00%	+15.00%
	(2022: -20.00%)	(2022: +20.00%)
	\$'000	\$'000
30 June 2023	(4,412)	4,412
30 June 2022	(4,578)	4,578

(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 cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

11 Financial risk management (continued)

(c) Credit risk (continued)

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.

All transactions in unlisted unit trusts are settled/unitised when unit prices are issued. The risk of default is considered low except when trading in a suspended unlisted unit trust.

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.

(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. 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.

(i) Maturities of non-derivative financial liabilities

The non-derivative financial liabilities of the Fund comprise distribution payable and payables. These have no contractual maturities but are typically settled within 30 days.

12 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).

12 Fair value measurement (continued)

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

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.

(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. These include the use of recent arm's length transactions, reference to current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Valuation models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in the assumptions for these factors could affect the reported fair value of financial instruments. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

Unlisted unit trusts are valued at the unit price as reported by the managers of such funds. The Fund may make adjustments to the value based on the considerations such as: liquidity of the unlisted unit trust or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Recognised fair value measurements

The following table presents the financial assets by fair value hierarchy levels:

30 June 2023	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	29,415	-	29,415
Total	-	29,415	-	29,415

12 Fair value measurement (continued)

Recognised fair value measurements (continued)

There were no financial liabilities measured and recognised at fair value as at 30 June 2023.

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	<u>22,892</u>	-	<u>22,892</u>
Total	-	<u>22,892</u>	-	<u>22,892</u>

There were no financial liabilities measured and recognised at fair value as at 30 June 2022.

Transfers between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

There were no transfers between levels as at 30 June 2023 or 30 June 2022.

13 Events occurring after the reporting period

On 24 August 2023, the Responsible Entity resolved to terminate the Fund with effect on and from 28 November 2023. The Responsible Entity formed the view that the termination was in the best interests of investors, due to the Fund's small size, which meant that it has high running costs and cannot be managed in a cost-efficient way and there was little prospect of significant growth in funds under management in the foreseeable future. The Fund will commence winding up on or around 28 November 2023. Accordingly, the financial statements for the financial year ended 30 June 2023 have been prepared on a basis other than going concern.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 or 30 June 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 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
19 September 2023



Independent auditor's report

To the unitholders of Pental American Share Fund

Our opinion

In our opinion:

The accompanying financial report of Pental American Share 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 2023 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 statement of financial position as at 30 June 2023
- 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.

Emphasis of matter - going concern no longer appropriate

We draw attention to note 2(a) in the financial report, which states that the Responsible Entity has decided to terminate and commence winding up the Fund effective 28 November 2023. 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2023, 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 handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Alexandra Richardson'.

Alexandra Richardson
Partner

Sydney
19 September 2023