

# **Pendal Monthly Income Plus Fund**

ARSN 137 707 996

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

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

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These financial statements cover Pendal Monthly Income Plus Fund as an individual entity.

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

## Directors' report

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

### Principal activities

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

The Fund did not have any employees during the year.

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

### Directors

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

Richard Brandweiner  
 Justin Howell  
 Anthony Serhan  
 Cameron Williamson

### Review and results of operations

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

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

	Year ended	
	30 June 2022	30 June 2021
Operating profit/(loss) (\$'000)	<u>(26,766)</u>	24,119
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>10,685</u>	6,586
Distributions (cents per unit)	<u>1.929</u>	1.213

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

	As at	
	30 June 2022 \$'000	30 June 2021 \$'000
Redemption value of outstanding units	<u>549,443</u>	570,897
Adjustment for differences in valuation inputs	-	-
Net assets attributable to unitholders	<u>549,443</u>	570,897

## **Directors' report (continued)**

### **Significant changes in the state of affairs**

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

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

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

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

### **Likely developments and expected results of operations**

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

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

### **Indemnity and insurance of officers**

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

### **Indemnity of auditors**

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

### **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 11 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 11 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in note 6 to the financial statements.

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

### **Environmental regulation**

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

### **Rounding of amounts to the nearest thousand dollars**

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

**Directors' report (continued)**

**Auditor's independence declaration**

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

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



Director



Director

Sydney  
8 September 2022



## Auditor's Independence Declaration

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

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

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

Alexandra Richardson  
Partner  
PricewaterhouseCoopers

Sydney  
8 September 2022

**Pendal Monthly Income Plus Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2022**

**Statement of comprehensive income**

	Notes	Year ended	
		30 June 2022 \$'000	30 June 2021 \$'000
<b>Income</b>			
Distribution income		21,948	21,055
Net gains/(losses) on financial instruments held at fair value through profit or loss		(45,008)	6,605
<b>Total income/(loss)</b>		<b>(23,060)</b>	<b>27,660</b>
<b>Expenses</b>			
Responsible Entity's fees	11(d)	3,687	3,530
Other operating expenses		19	11
<b>Total operating expenses</b>		<b>3,706</b>	<b>3,541</b>
<b>Operating profit/(loss)</b>		<b>(26,766)</b>	<b>24,119</b>
<b>Profit/(loss) for the year</b>		<b>(26,766)</b>	<b>24,119</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(26,766)</b>	<b>24,119</b>

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

**Pendal Monthly Income Plus Fund**  
**Balance sheet**  
**As at 30 June 2022**

**Balance sheet**

	Notes	As at	
		30 June 2022	30 June 2021
		\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	8	84,425	81,124
Margin accounts		4,115	1,109
Accrued income		8,734	7,984
Receivables		66	64
Financial assets held at fair value through profit or loss	9	459,301	483,167
<b>Total assets</b>		<b>556,641</b>	573,448
<b>Liabilities</b>			
Distribution payable	7	5,761	2,104
Payables		1,437	447
<b>Total liabilities</b>		<b>7,198</b>	2,551
<b>Net assets attributable to unitholders - equity</b>	6	<b>549,443</b>	570,897

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



**Pendal Monthly Income Plus Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

**Statement of changes in equity**

	Notes	Year ended	
		30 June 2022	30 June 2021
		\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>		<b>570,897</b>	562,514
<b>Comprehensive income for the year</b>			
Profit/(loss) for the year		(26,766)	24,119
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(26,766)</b>	24,119
<b>Transactions with unitholders</b>			
Applications	6	126,899	115,968
Redemptions	6	(111,448)	(127,499)
Units issued upon reinvestment of distributions	6	546	2,381
Distributions paid and payable	7	(10,685)	(6,586)
<b>Total transactions with unitholders</b>		<b>5,312</b>	(15,736)
<b>Total equity at the end of the financial year</b>		<b>549,443</b>	570,897

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

**Pendal Monthly Income Plus Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

**Statement of cash flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2022</b>	<b>2021</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Proceeds from sale of financial instruments held at fair value through profit or loss	<b>51,233</b>	155,339
	Purchase of financial instruments held at fair value through profit or loss	<b>(54,365)</b>	(117,000)
	Distributions received	<b>182</b>	170
	Responsible Entity's fees received/(paid)	<b>(3,692)</b>	(3,513)
	Payment of other expenses	<b>(21)</b>	(15)
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>(6,663)</b>	34,981
	<b>Cash flows from financing activities</b>		
	Proceeds from applications by unitholders	<b>126,899</b>	116,261
	Payments for redemptions by unitholders	<b>(110,453)</b>	(127,347)
	Distributions paid	<b>(6,482)</b>	(10,287)
	<b>Net cash inflow/(outflow) from financing activities</b>	<b>9,964</b>	(21,373)
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,301</b>	13,608
	Cash and cash equivalents at the beginning of the year	<b>81,124</b>	67,516
	<b>Cash and cash equivalents at the end of the year</b>	<b>84,425</b>	81,124
	Non-cash transactions		

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

## **1 General information**

These financial statements cover Pendal Monthly Income Plus Fund ("the Fund") as an individual entity. The Fund was constituted on 16 June 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *(ii) Comparatives*

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

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

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

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

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

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

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

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

#### *(ii) Classification*

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

For unlisted unit trusts and derivatives, the contractual cash flows are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

#### *(iii) Measurement*

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

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

Refer to note 4 for further details on how the fair values of financial instruments are determined.

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

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

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

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

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

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

Units are redeemable at the unitholder's option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as equity as the Fund has only one class of units and no contractual obligation to pay distributions.

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.

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

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

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation,
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical,
- the puttable financial instrument does not include any 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 instruments, and
- the total expected cash flows attributed to the puttable financial instrument over its life are based substantially on the profit or loss of the Fund.

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

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

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

### **(f) Margin accounts**

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.

### **(g) 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 receivable.

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

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

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

### **(i) Receivables**

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

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

### **(j) Payables**

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

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

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

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

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

### **(l) Expenses**

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

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

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

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

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

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

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

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

### **(o) Distributions**

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

### **(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.

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

### **(q) Use of estimates**

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

For the majority of the financial instruments held, quoted market prices are readily available.

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

Refer to note 4 for further details on how fair value is calculated.

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

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

### **(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 off to the nearest thousand dollars, unless otherwise indicated.

## **3 Financial risk management**

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

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

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

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

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

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

#### **(i) Price risk**

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

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

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

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

### 3 Financial risk management (continued)

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

##### (ii) Foreign exchange risk

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

The Fund does not hold any significant monetary assets denominated in currencies other than the Australian dollar as at 30 June 2022 and 30 June 2021.

##### (iii) Interest rate risk

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

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

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

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

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

#### (b) Summarised sensitivity analysis

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

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

	<b>Impact on operating profit/(loss)/Net assets attributable to unitholders</b>			
	<b>Price risk</b>		<b>Interest rate risk</b>	
	<b>-10%</b> (2021: -10%)	<b>+10%</b> (2021: +10%)	<b>-0.10%</b> (2021: -0.10%)	<b>+2.00%</b> (2021: +0.50%)
<b>As at</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2022</b>	<b>(46,090)</b>	<b>46,090</b>	<b>(88)</b>	<b>1,770</b>
30 June 2021	(48,867)	48,867	(82)	412

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.



### **3 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 Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these financial assets have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be insignificant to the Fund.

Investments in unlisted unit trusts are exposed to credit risk.

Concentrations of direct credit risk are minimised primarily by:

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

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

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

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

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risk associated with the need to meet redemption requests is mitigated by maintaining adequate liquidity to fulfil usual redemption volumes.

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

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

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

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

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

#### 4 Fair value measurement

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

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

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

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

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

Exchange traded futures are valued at the market closing price.

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

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

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

##### (i) Recognised fair value measurements

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

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss:				
Unlisted unit trusts	-	458,685	-	458,685
Derivatives	616	-	-	616
<b>Total</b>	<b>616</b>	<b>458,685</b>	<b>-</b>	<b>459,301</b>

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

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss:				
Unlisted unit trusts	-	482,976	-	482,976
Derivatives	191	-	-	191
<b>Total</b>	<b>191</b>	<b>482,976</b>	<b>-</b>	<b>483,167</b>

There were no financial liabilities measured and recognised at fair value as at 30 June 2021.

#### 4 Fair value measurement (continued)

(i) *Recognised fair value measurements (continued)*

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

(ii) *Transfers between levels*

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

(iii) *Valuation processes*

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

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

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

#### 5 Remuneration of auditors

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	14,191	14,413
Other services*	2,477	2,294
Total remuneration for audit and other assurance services inclusive of GST	16,668	16,707

\* Other services includes compliance plan audit.

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

#### 6 Net assets attributable to unitholders

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

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	No. '000	No. '000	\$'000	\$'000
Opening balance	535,143	543,908	570,897	562,514
Profit/(loss) for the year	-	-	(26,766)	24,119
Applications	119,535	109,732	126,899	115,968
Redemptions	(106,043)	(120,788)	(111,448)	(127,499)
Units issued upon reinvestment of distributions	517	2,291	546	2,381
Distributions paid and payable	-	-	(10,685)	(6,586)
Closing balance	549,152	535,143	549,443	570,897

## 6 Net assets attributable to unitholders (continued)

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

### (b) Realised capital losses

At the end of the reporting period, the Fund had realised capital losses of \$Nil (2021: \$4,120,000) available to offset against future net capital gains.

Net realised capital losses are not finalised for taxation purposes, are unaudited and may change due to calculation adjustment, denial, offset or recoupment.

## 7 Distributions to unitholders

	Year ended			
	30 June 2022 \$'000	30 June 2022 CPU	30 June 2021 \$'000	30 June 2021 CPU
Distributions paid				
- 31 July	379	0.070	384	0.070
- 31 August	385	0.070	385	0.070
- 30 September	387	0.070	388	0.070
- 31 October	391	0.070	386	0.070
- 30 November	396	0.070	385	0.070
- 31 December	400	0.070	383	0.070
- 31 January	402	0.070	383	0.070
- 28 February	399	0.070	386	0.070
- 31 March	392	0.070	382	0.070
- 30 April	558	0.100	377	0.070
- 31 May	835	0.150	643	0.120
Distribution payable				
- 30 June	5,761	1.049	2,104	0.393
<b>Total</b>	<b>10,685</b>	<b>1.929</b>	<b>6,586</b>	<b>1.213</b>

## 8 Cash and cash equivalents

	As at	
	30 June 2022	30 June 2021
	\$'000	\$'000
Cash at bank	4,088	3,361
Cash management trusts	80,337	77,763
<b>Total cash and cash equivalents</b>	<b>84,425</b>	<b>81,124</b>

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

	As at	
	30 June 2022	30 June 2021
	Fair value \$'000	Fair value \$'000
<b>Financial assets held at fair value through profit or loss</b>		
Unlisted unit trusts	458,685	482,976
Derivatives (note 10)	616	191
<b>Total financial assets held at fair value through profit or loss</b>	<b>459,301</b>	<b>483,167</b>

### Comprising:

#### Unlisted unit trusts

Units in Australian fixed interest trusts	352,735	366,101
Units in Australian equity trusts	105,950	116,875
<b>Total unlisted unit trusts</b>	<b>458,685</b>	<b>482,976</b>

#### Derivatives

Australian share price index futures	616	191
<b>Total derivatives</b>	<b>616</b>	<b>191</b>

<b>Total financial assets held at fair value through profit or loss</b>	<b>459,301</b>	<b>483,167</b>
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An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 4.

## 10 Derivative financial instruments

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

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

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

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

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

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

The following derivative financial instruments were held during the year:

### (a) Futures

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

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

	<b>As at</b>	
	<b>30 June 2022</b>	30 June 2021
	<b>Contract/ notional</b>	Contract/ notional
	<b>\$'000</b>	\$'000
<b>Sell</b>		
Australian share price index futures	<b>42,129</b>	17,345

### Risk exposures and fair value measurements

Information about the exposure to credit risk, foreign exchange risk and interest rate risk and the methods and assumptions used in determining fair values is provided in note 3 and note 4 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.

## 11 Related party transactions

### (a) Responsible Entity

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

### (b) Directors

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

Richard Brandweiner  
 Justin Howell  
 Anthony Serhan  
 Cameron Williamson

### (c) Other key management personnel

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

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

For the year ended 30 June 2022, in accordance with the Fund's governing documents, the Fund incurred a total management fee of 0.65% (inclusive of GST, net of RITC available to the Fund) per annum (2021: 0.65%).

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

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

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

	<b>30 June 2022</b>	30 June 2021
	<b>\$</b>	\$
Management fees incurred by the Fund #	<b>3,687,456</b>	3,530,316
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	<b>290,177</b>	295,155

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

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

### (e) Related party unitholdings

Other funds related to the Responsible Entity hold units in the Fund but these funds do not meet the definition of related parties under the Australian Accounting Standards and as such unitholdings are not required to be disclosed.

## 11 Related party transactions (continued)

### (f) Transactions with key management personnel

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

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

#### *Key management personnel unitholdings*

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

### (g) Investments

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

#### 30 June 2022

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the year Units	Units disposed during the year Units
Pendal Stable Cash Plus Fund*	80,336,988	2.99	214,442	74,718,184	(72,144,000)
Pendal Australian Share Trust	105,949,587	6.48	12,114,534	3,686,372	-
Pendal Credit Income Fund	352,735,032	100.00	9,619,100	12,576,800	-
<b>Total</b>	<u>539,021,607</u>		<u>21,948,076</u>		

#### 30 June 2021

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the year Units	Units disposed during the year Units
Pendal Stable Cash Plus Fund*	77,762,804	3.72	145,337	83,969,814	(70,871,000)
Pendal Australian Share Trust	116,875,051	6.41	7,837,739	57,149,975	(29,619,928)
Pendal Credit Income Fund	366,101,458	100.00	12,046,595	14,857,515	-
Pendal Government Bond Fund	-	-	1,025,240	4,484,926	(89,233,695)
<b>Total</b>	<u>560,739,313</u>		<u>21,054,911</u>		

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



## 11 Related party transactions (continued)

### (g) Investments (continued)

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

	As at	
	30 June 2022	30 June 2021
	\$	\$
<b>Distributions receivable</b>		
Pendal Stable Cash Plus Fund	39,609	8,350
Pendal Australian Share Trust	8,693,811	5,311,876
Pendal Credit Income Fund	-	2,664,270
<b>Total</b>	<b>8,733,420</b>	<b>7,984,496</b>

### (h) Other transactions within the Fund

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

## 12 Investments in unconsolidated entities

The following entity is recorded at fair value within financial assets held at fair value through profit or loss.

Name of entity	Place of business	Fair value		Ownership interest held by the Fund	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		\$'000	\$'000	%	%
Pendal Credit Income Fund	Australia	352,735	366,102	100.00	100.00

## 13 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore does not consolidate its controlled entities (refer to note 12). In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are summarised in notes 8 and 9.

During the year ended 30 June 2022 total net gains/(losses) incurred on investments in structured entities were (\$45,308,000) (2021: \$12,669,000).

### 13 Structured entities (continued)

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

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

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

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

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

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

	Year ended	
	30 June 2022 \$'000	30 June 2021 \$'000
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	(26,766)	24,119
Proceeds from sale of financial instruments held at fair value through profit or loss	51,233	155,339
Purchase of financial instruments held at fair value through profit or loss	(54,365)	(117,000)
Net (gains)/losses on financial instruments held at fair value through profit or loss	45,008	(6,605)
Income reinvested	(21,016)	(23,218)
Net change in accrued income and receivables	(752)	2,329
Net change in payables	(5)	17
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(6,663)</b>	<b>34,981</b>
 <b>(b) Non-cash transactions</b>		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	546	2,381

**15 Events occurring after the reporting period**

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

**16 Contingent assets and liabilities and commitments**

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

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 26 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney  
8 September 2022



## Independent auditor's report

To the unitholders of Pental Monthly Income Plus Fund

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### Our opinion

In our opinion:

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

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

### *What we have audited*

The financial report comprises:

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

### Basis for opinion

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

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

### *Independence*

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

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### Other information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

PricewaterhouseCoopers

Alexandra Richardson  
Partner

Sydney  
8 September 2022