

Pendal Multi-Asset Target Return Fund

ARSN 623 987 968

Annual report - for the year ended 30 June 2020

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These financial statements cover Pendal Multi-Asset Target Return Fund as an individual entity.

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

Directors' report

The directors of Pendal Fund Services Limited, the Responsible Entity of Pendal Multi-Asset Target Return Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2020.

Principal Activities

During the year, the Fund continued to invest in equities, fixed interest securities, unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to domestic and international equities, fixed interest securities, derivatives and cash management trusts.

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

Review and results of operations

The directors and management continue to assess the potential financial and other impacts to the Fund of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

There have been no other significant changes to the Fund's operations since the previous financial period. 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 2020	Period from 31 January 2018 to 30 June 2019
Operating profit/(loss) (\$'000)	<u>(5,140)</u>	<u>2,528</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>-</u>	<u>1,278</u>
Distribution (cents per unit)	<u>-</u>	<u>1.207</u>

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:

Directors' report (continued)

Review and results of operations (continued)

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Redemption value of outstanding units	192,711	108,037
Adjustments for differences in valuation inputs	-	-
Net assets attributable to unitholders	192,711	108,037

Significant changes in the state of affairs

In the opinion of the directors, there were no 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 2020 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.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

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 14 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 14 to the financial statements.

Directors' report (continued)

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 8 to the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Director



Director

Sydney
10 September 2020



Auditor's Independence Declaration

As lead auditor for the audit of Pandal Multi Asset Target Return Fund for the year ended 30 June 2020, 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 'S Cuthbert', written in a cursive style.

S Cuthbert
Partner
PricewaterhouseCoopers

Sydney
10 September 2020

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Statement of comprehensive income

	Notes	Year ended 30 June 2020 \$'000	Period from 31 January 2018 to 30 June 2019 \$'000
Income			
Interest income	6	228	387
Dividend income		606	717
Distribution income		1,283	2,437
Net gains/(losses) on financial instruments at fair value through profit or loss		(5,805)	15
Net foreign currency gains/(losses)		<u>(157)</u>	<u>119</u>
Total income/(loss)		<u>(3,845)</u>	<u>3,675</u>
Expenses			
Responsible Entity's fees	14(d)	882	872
Transaction costs		259	179
Withholding taxes on foreign income		101	96
Other operating expenses		<u>53</u>	<u>-</u>
Total operating expenses		<u>1,295</u>	<u>1,147</u>
Operating profit/(loss)		<u>(5,140)</u>	<u>2,528</u>
Profit/(loss) for the year/period		<u>(5,140)</u>	<u>2,528</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year/period		<u>(5,140)</u>	<u>2,528</u>

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

Balance sheet

	Notes	As at	
		30 June 2020 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents	10	66,512	20,922
Margin accounts		7,228	4,506
Unsettled sales		591	-
Accrued income		203	568
Receivables		11	9
Financial assets at fair value through profit or loss	11	<u>127,466</u>	<u>85,488</u>
Total assets		<u>202,011</u>	<u>111,493</u>
Liabilities			
Margin accounts		80	-
Distributions payable	9	-	1,278
Payables		146	236
Financial liabilities at fair value through profit or loss	12	<u>9,074</u>	<u>1,942</u>
Total liabilities		<u>9,300</u>	<u>3,456</u>
Net assets attributable to unitholders - equity	8	<u>192,711</u>	<u>108,037</u>

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

Statement of changes in equity

	Notes	Year ended 30 June 2020 \$'000	Period from 31 January 2018 to 30 June 2019 \$'000
Total equity at the beginning of the financial year/period		108,037	-
Comprehensive income for the year/period			
Profit/(loss) for the year/period		(5,140)	2,528
Other comprehensive income		-	-
Total comprehensive income for the year/period		(5,140)	2,528
Transactions with unitholders			
Applications	8	120,154	143,420
Redemptions	8	(31,549)	(36,633)
Units issued upon reinvestment of distributions	8	1,209	-
Distributions paid and payable	9	-	(1,278)
Total transactions with unitholders		89,814	105,509
Total equity at the end of the financial year/period		192,711	108,037

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

Statement of cash flows

	Notes	Year ended 30 June 2020 \$'000	Period from 31 January 2018 to 30 June 2019 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		97,865	22,257
Purchase of financial instruments at fair value through profit or loss		(140,865)	(109,346)
Transaction costs		(259)	(179)
Interest received		132	128
Dividends received		573	640
Distributions received		789	1,168
Other income received		-	111
Responsible Entity's fees received/(paid)		(824)	(817)
Payment of other expenses		(190)	-
Net cash inflow/(outflow) from operating activities	15(a)	(42,779)	(86,038)
Cash flows from financing activities			
Proceeds from applications by unitholders		120,154	143,420
Payments for redemptions by unitholders		(31,694)	(36,459)
Distributions paid		(69)	-
Net cash inflow/(outflow) from financing activities		88,391	106,961
Net increase/(decrease) in cash and cash equivalents		45,612	20,923
Cash and cash equivalents at the beginning of the year/period		20,922	-
Effects of foreign currency exchange rate changes on cash and cash equivalents		(22)	(1)
Cash and cash equivalents at the end of the year/period	10	66,512	20,922
Non-cash transactions	15(b)		

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

1 General information

These financial statements cover Pendal Multi-Asset Target Return Fund (the “Fund”) as an individual entity. The Fund was constituted on 15 January 2018.

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

During the year, the Fund continued to invest in equities, fixed interest securities, unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to domestic and international equities, fixed interest securities, derivatives and cash management trusts.

The financial statements were authorised for issue by the directors of the Responsible Entity on 10 September 2020. 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

Other than as noted below, there are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Adoption of AASB 16 Leases ("AASB 16")

AASB 16 became effective for annual periods beginning on or after 1 January 2019. The adoption of this standard had no impact on the Fund's accounting policies nor the amounts recognised in the financial statements as the Fund does not hold leases.

(b) Financial instruments

(i) *Recognition/derecognition*

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

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

(ii) *Classification*

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

For equity securities, 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. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For fixed interest securities, the contractual cash flows are solely principal and interest, however they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the objective of the Fund's business model. Consequently, the fixed interest securities are also measured at fair value through profit or loss.

(iii) *Measurement*

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

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

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

(iv) *Offsetting financial instruments*

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

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. 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.

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.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and investments in cash management trusts.

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

(e) Margin accounts and collateral

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

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

(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 receivables.

(g) Unsettled sales/purchases

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

2 Summary of significant accounting policies (continued)

(g) Unsettled sales/purchases (continued)

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

(h) Receivables

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

(i) Payables

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

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

(j) Investment income

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

Interest income and expenses are recognised in the statement of comprehensive income for all debt instruments using the effective interest method.

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. Interest income includes the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest rate basis.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

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

(k) Expenses

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

(l) Transaction costs

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

(m) Income tax

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

2 Summary of significant accounting policies (continued)

(m) Income tax (continued)

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

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

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

(n) Distributions

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

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(q) Use of estimates

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

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

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

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

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

For more information on how fair value is calculated refer to note 5.

(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 2020 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 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 other 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.

The directors and management continue to assess the potential financial and other impacts to the Fund of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

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

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

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

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

(ii) Foreign exchange risk

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

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

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

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

As at 30 June 2020	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	South Korean Won A\$'000	Other currencies A\$'000	Total A\$'000
Cash and cash equivalents	1,060	956	1,122	-	216	3,354
Margin accounts	(276)	(695)	93	1,268	(191)	199
Unsettled sales	-	-	-	-	441	441
Accrued income	29	80	-	-	-	109
Financial assets at fair value through profit or loss	77,187	24,815	972	-	6,866	109,840
Payables	(3)	(1)	-	-	-	(4)
Financial liabilities at fair value through profit or loss	(4,535)	(3,257)	(1,014)	(124)	(87)	(9,017)
Net increase/(decrease) in exposure from forward currency contracts						
- sell foreign currency	<u>(62,449)</u>	<u>(20,588)</u>	<u>(7)</u>	<u>-</u>	<u>(4,642)</u>	<u>(87,686)</u>
Total exposure	<u>11,013</u>	<u>1,310</u>	<u>1,166</u>	<u>1,144</u>	<u>2,603</u>	<u>17,236</u>
Total monetary assets/(liabilities) exposure	<u>(61,639)</u>	<u>(20,248)</u>	<u>1,208</u>	<u>1,268</u>	<u>(4,176)</u>	<u>(83,587)</u>

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

As at 30 June 2019	US Dollars A\$'000	Japanese Yen A\$'000	South Korean Won A\$'000	British Pounds A\$'000	Other currencies A\$'000	Total A\$'000
Cash and cash equivalents	326	31	-	20	-	377
Margin accounts	493	(65)	436	(44)	21	841
Accrued income	44	20	-	-	-	64
Financial assets at fair value through profit or loss	36,845	9,112	45	3,281	101	49,384
Payables	(5)	(2)	-	-	-	(7)
Financial liabilities at fair value through profit or loss	(1,765)	-	-	-	(112)	(1,877)
Net increase/(decrease) in exposure from forward currency contracts						
- sell foreign currency	(57,780)	(27)	-	(3,218)	-	(61,025)
Total exposure	(21,842)	9,069	481	39	10	(12,243)
Total monetary assets/(liabilities) exposure	(56,922)	(43)	436	(3,242)	21	(59,750)

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

(iii) Interest rate risk

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

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

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

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

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

(b) Summarised sensitivity analysis

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

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

The reasonably possible movements in the risk variables are based on long term averages consistent with the investing profile of the Fund. Though there have been significant movements in the year as a result of COVID-19, except for interest rate risk, the long term reasonably possible movements have remained consistent.

	Impact on operating profit/(loss)/Net assets attributable to unitholders					
	Price risk		Interest rate risk		Foreign exchange risk**	
	-10.00%	+10.00%	-0.25%	+0.50%	-10%	+10%
	(2019:-10.00%)	(2019:+10.00%)	(2019:-1.00%)	(2019:+1.00%)	(2019:-10%)	(2019:+10%)
As at	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2020	(6,269)	6,269	(244)	488	(8,359)	8,359
30 June 2019	(3,542)	3,542	(439)	439	5,975	(5,975)

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

** The foreign exchange risk of a positive reasonably possible percentage represents the strengthening of the Australian dollar against other currencies and a negative reasonably possible percentage represents the weakening of the Australian dollar.

(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. None of these assets are impaired nor past due but not impaired.

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

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

Concentrations of direct credit risk are minimised primarily by:

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

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

There were no significant direct concentrations of credit risk to counterparties at 30 June 2020 or 30 June 2019.

Fixed interest securities and market securities

3 Financial risk management (continued)

(c) Credit risk (continued)

The Fund invests in fixed interest securities and money market securities which have an investment grade as rated by an independent rating agency.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. An analysis by rating is set out in the table below:

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Fixed interest securities		
Rating		
AAA	19,606	18,437
AA	4,414	-
Total	<u>24,020</u>	<u>18,437</u>

(d) Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risk associated with the need to meet redemption requests is mitigated by maintaining adequate liquidity to fulfil usual redemption volumes. The Fund therefore primarily holds investments that are traded in an active market and can be disposed of readily.

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

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

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

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

(i) Maturities of non-derivative financial liabilities

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

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of derivative financial instruments liabilities

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

As at 30 June 2020	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
<i>Net settled derivatives</i>			
Australian share price index futures	-	(51)	-
International share price index futures	(58)	(1,216)	-
Australian fixed interest futures	-	(6)	-
International fixed interest futures	-	(26)	-
Currency futures	-	(46)	-
Commodity futures	-	(40)	(59)
Futures options	-	-	(712)
Forward currency contracts	-	(157)	-
Spot currency contracts	(1)	-	-
Index swaps	-	(159)	(6,543)
As at 30 June 2019	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
<i>Net settled derivatives</i>			
Australian share price index futures	-	(49)	-
International share price index futures	(65)	(891)	-
Australian fixed interest futures	-	(17)	-
International fixed interest futures	-	(322)	-
Currency futures	-	(109)	-
Commodity futures	-	(9)	(8)
Forward currency contracts	(88)	-	-
Index swaps	-	(146)	(238)

4 Offsetting financial assets and financial liabilities

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

Financial assets	Effects of offsetting on the balance sheet			Related amount not offset		
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to enforceable netting arrangements	Cash collateral	Net amount
As at 30 June	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Margin accounts	7,228	-	7,228	-	(310)	6,918
Derivatives	11,777	(449)	11,328	(8,169)	(80)	3,079
Total	19,005	(449)	18,556	(8,169)	(390)	9,997
2019						
Margin accounts	4,506	-	4,506	-	(1,195)	3,311
Derivatives	1,188	(72)	1,116	(727)	-	389
Total	5,694	(72)	5,622	(727)	(1,195)	3,700
Financial liabilities	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts subject to enforceable netting arrangements	Cash collateral	Net amount
As at 30 June	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Margin accounts	(80)	-	(80)	-	80	-
Derivatives	(9,523)	449	(9,074)	8,169	310	(595)
Total	(9,603)	449	(9,154)	8,169	390	(595)
2019						
Derivatives	(2,014)	72	(1,942)	727	1,195	(20)
Total	(2,014)	72	(1,942)	727	1,195	(20)

5 Fair value measurement

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

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

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

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

Investments are valued in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of financial assets and liabilities, information provided by independent pricing services is relied upon for valuation. Fair value inputs utilise the last traded prices for both financial assets and liabilities.

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

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

Fixed interest securities, such as mortgage backed securities, corporate bonds and floating rate notes, are valued using quoted market prices or dealer quotes at the end of the reporting period for similar instruments.

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

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

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

5 Fair value measurement (continued)

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

(i) Recognised fair value measurements

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

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Equity securities	92,051	67	-	92,118
Fixed interest securities	24,020	-	-	24,020
Derivatives	<u>3,238</u>	<u>8,090</u>	-	<u>11,328</u>
Total	<u>119,309</u>	<u>8,157</u>	-	<u>127,466</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	<u>2,214</u>	<u>6,860</u>	-	<u>9,074</u>
Total	<u>2,214</u>	<u>6,860</u>	-	<u>9,074</u>

As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Equity securities	42,751	-	-	42,751
Fixed interest securities	18,437	-	-	18,437
Unlisted unit trusts	-	23,184	-	23,184
Derivatives	<u>486</u>	<u>630</u>	-	<u>1,116</u>
Total	<u>61,674</u>	<u>23,814</u>	-	<u>85,488</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	<u>1,470</u>	<u>472</u>	-	<u>1,942</u>
Total	<u>1,470</u>	<u>472</u>	-	<u>1,942</u>

Transfers into and transfers 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 2020 or 30 June 2019.

5 Fair value measurement (continued)

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

(iii) Valuation processes

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

(c) Fair values of non-financial instruments

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

6 Interest income

	Year ended 30 June 2020 \$'000	Period from 31 January 2018 to 30 June 2019 \$'000
Interest income from debt securities designated at fair value through profit or loss	196	373
Interest income from financial assets not at fair value through profit or loss:		
Cash and cash equivalents	<u>32</u>	<u>14</u>
Total interest income	<u>228</u>	<u>387</u>

7 Remuneration of auditors

	Year ended 30 June 2020 \$	Period from 31 January 2018 to 30 June 2019 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	23,962	23,264
Other services*	<u>2,340</u>	<u>2,229</u>
Total remuneration for audit and other assurance services	<u>26,302</u>	<u>25,493</u>

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the year ended 30 June 2020 and period ended 30 June 2019.

8 Net assets attributable to unitholders

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

	Year ended 30 June 2020 No.'000	Period from 31 January 2018 to 30 June 2019 No.'000	Year ended 30 June 2020 \$'000	Period from 31 January 2018 to 30 June 2019 \$'000
Opening balance	105,946	-	108,037	-
Applications	121,072	141,718	120,154	143,420
Redemptions	(31,139)	(35,772)	(31,549)	(36,633)
Units issued upon reinvestment of distributions	1,185	-	1,209	-
Distributions paid and payable	-	-	-	(1,278)
Profit/(loss) for the year/period	-	-	(5,140)	2,528
Closing balance	<u>197,064</u>	<u>105,946</u>	<u>192,711</u>	<u>108,037</u>

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 \$2,258,775 (2019: \$Nil) 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.

9 Distributions to unitholders

	Year ended 30 June 2020 \$'000	Year ended 30 June 2020 CPU	Period from 31 January 2018 to 30 June 2019 \$'000	Period from 31 January 2018 to 30 June 2019 CPU
30 June (payable)	-	-	1,278	1,207
Total Distributions	<u>-</u>	<u>-</u>	<u>1,278</u>	<u>1,207</u>

10 Cash and cash equivalents

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Cash at bank	15,513	4,223
Cash management trusts	47,645	16,322
Foreign currency holdings	3,354	377
Total cash and cash equivalents	<u>66,512</u>	<u>20,922</u>

11 Financial assets at fair value through profit or loss

	As at	
	30 June 2020 Fair value \$'000	30 June 2019 Fair value \$'000
Financial assets at fair value through profit or loss		
Equity securities	92,118	42,751
Fixed interest securities	24,020	18,437
Unlisted unit trusts	-	23,184
Derivatives (note 13)	11,328	1,116
Total financial assets at fair value through profit or loss	<u>127,466</u>	<u>85,488</u>

Comprising:

Equity securities

Australian equity securities listed on a prescribed stock exchange	11,181	5,638
International equity securities listed on a prescribed stock exchange	80,937	37,113
Total equity securities	<u>92,118</u>	<u>42,751</u>

Fixed interest securities

Commonwealth Government securities	24,020	18,437
Total fixed interest securities	<u>24,020</u>	<u>18,437</u>

Unlisted unit trusts

Units in international equity trusts	-	23,184
Total unlisted unit trusts	<u>-</u>	<u>23,184</u>

11 Financial assets at fair value through profit or loss (continued)

	As at	
	30 June 2020 Fair value \$'000	30 June 2019 Fair value \$'000
Derivatives		
Futures options	1,595	-
Australian fixed interest futures	149	13
International fixed interest futures	39	296
Currency futures	167	16
International share price index futures	1,133	158
Commodity futures	155	3
Forward currency contracts	2,027	414
Credit default swaps	100	-
Index swaps	5,963	216
Total derivatives	<u>11,328</u>	<u>1,116</u>
Total financial assets at fair value through profit or loss	<u>127,466</u>	<u>85,488</u>

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

12 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2020 Fair value \$'000	30 June 2019 Fair value \$'000
Financial liabilities at fair value through profit or loss		
Derivatives (note 13)	<u>9,074</u>	<u>1,942</u>
Total financial liabilities at fair value through profit or loss	<u>9,074</u>	<u>1,942</u>

12 Financial liabilities at fair value through profit or loss (continued)

	As at	
	30 June 2020 Fair value \$'000	30 June 2019 Fair value \$'000
Derivatives		
Australian share price index futures	51	49
International share price index futures	1,274	956
Australian fixed interest futures	6	17
International fixed interest futures	26	322
Currency futures	46	109
Commodity futures	99	17
Futures options	712	-
Forward currency contracts	157	88
Spot currency contracts	1	-
Index swaps	<u>6,702</u>	<u>384</u>
Total derivatives	<u>9,074</u>	<u>1,942</u>
Total financial liabilities at fair value through profit or loss	<u>9,074</u>	<u>1,942</u>

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

13 Derivative financial instruments

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

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

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

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

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

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

13 Derivative financial instruments (continued)

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. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Options

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

(c) Forward currency contracts

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

(d) Index swaps

An index swap is an agreement between two parties to exchange their cash flow obligations (payments) or receipts associated with a debt or equity index at set intervals on a notional principal amount over an agreed time period.

The fair value of index swaps is the estimated amount that would be received or paid to terminate the swap at the end of each reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties. Swap legs will be settled on a net basis with the counterparty.

(e) Credit default swaps

A credit default swap ("CDS") is a form of insurance which protects the buyer of the CDS in the case of a loan default. If the loan defaults, the buyer of the CDS can exchange or "swap" the defaulted loan (or in some CDSs the reduced cash value of the defaulted loan) for the face value of the loan. One difference between a traditional insurance policy and a CDS is that anyone can purchase a CDS, even those who have no direct "insurable interest" in the lender. The buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the loan or any credit instrument named in the contract (typically a bond or loan) defaults, creating a credit event.

13 Derivative financial instruments (continued)

(e) Credit default swaps (continued)

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

	As at	
	30 June 2020	30 June 2019
	Contract/ notional \$'000	Contract/ notional \$'000
Buy		
International share price index futures	32,332	17,064
Australian fixed interest futures	8,000	1,500
International fixed interest futures	16,724	32,102
Currency futures	36,153	1,834
Commodity futures	4,982	1,758
Futures options	49,999	-
Credit default swaps	11,251	-
Index swaps	142,252	36,391
Sell		
Australian share price index futures	3,337	3,231
International share price index futures	58,426	44,352
Australian fixed interest futures	12,000	5,800
International fixed interest futures	8,151	19,095
Currency futures	25,236	21,268
Commodity futures	4,870	1,484
Futures options	16,685	-
Forward currency contracts	87,237	60,954
Spot currency contracts	449	71
Credit default swaps	11,251	-

Risk exposures and fair value measurements

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

14 Related party transactions

(a) Responsible Entity

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

14 Related party transactions (continued)

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

(c) Other key management personnel

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

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

For the year ended 30 June 2020, in accordance with the Fund's governing documents, the Fund incurred a total management fee of 0.78% (inclusive of GST, net of RITC available to the Fund) per annum (2019: 0.78%).

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:

	30 June 2020 \$'000	30 June 2019 \$'000
Management fees incurred by the Fund*	882	872
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	113	55

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

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

14 Related party transactions (continued)

(e) Related party unitholdings

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

30 June 2020

Unitholder	Number of units held opening '000s Units	Number of units held closing '000s Units	Interest held %	Number of units acquired '000s Units	Number of units disposed '000s Units	Distributions paid/payable by the Fund \$'000
Pendal Sustainable Balanced Fund	13,571	59,397	30.14	46,258	(432)	-
Pendal Active High Growth Fund	210	273	0.14	101	(38)	-
Pendal Active Moderate Fund	4,105	5,399	2.74	2,038	(744)	-
Pendal Active Conservative Fund	2,231	3,415	1.73	1,299	(115)	-
Pendal Balanced Returns Fund	1,395	1,860	0.94	712	(247)	-
Pendal Sustainable Conservative Fund	7,004	33,237	16.87	26,472	(239)	-
Pendal Active Balanced Fund	7,635	8,839	4.49	2,550	(1,346)	-
Related Party of KMP	25	-	-	-	(25)	-
Total	36,176	112,420	57.05	79,430	(3,186)	-

30 June 2019

Unitholder	Number of units held opening '000s Units	Number of units held closing '000s Units	Interest held %	Number of units acquired '000s Units	Number of units disposed '000s Units	Distributions paid/payable by the Fund \$'000
Pendal Sustainable Balanced Fund	-	13,571	12.81	14,564	(993)	164
Pendal Active High Growth Fund	-	210	0.20	214	(4)	3
Pendal Active Moderate Fund	-	4,105	3.87	4,105	-	50
Pendal Active Conservative Fund	-	2,231	2.11	2,231	-	27
Pendal Balanced Returns Fund	-	1,395	1.32	1,669	(274)	17
Pendal Sustainable Conservative Fund	-	7,004	6.61	7,206	(202)	85
Pendal Active Balanced Fund	-	7,635	7.21	7,679	(44)	92
Westpac Life Insurance Services Limited	-	28,432	26.84	30,977	(2,545)	343
Related Party of KMP	-	25	0.02	25	-	-
Total	-	64,608	60.99	68,670	(4,062)	781

(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.

14 Related party transactions (continued)

(f) Transactions with key management personnel (continued)

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 2020 no key management personnel held units in the Fund (2019: 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 2020

	Fair value of investments \$'000	Interest held %	Distributions received/ receivable \$'000	Units acquired during the year 000's Units	Units disposed during the year 000's Units
Pendal Concentrated Global Share Fund	-	-	210	363	(8,169)
Pendal European Share Fund	-	-	35	132	(4,320)
Pendal Global Emerging Markets Opportunities Fund	-	-	-	251	(4,718)
Pendal Liquidity Management Trust*	<u>47,645</u>	<u>1.82</u>	<u>322</u>	<u>74,323</u>	<u>(43,000)</u>
	<u>47,645</u>		<u>567</u>		

* This investment is included in cash and cash equivalents.

30 June 2019

	Fair value of investments \$'000	Interest held %	Distributions received/ receivable \$'000	Units acquired during the period 000's Units	Units disposed during the period 000's Units
Pendal Concentrated Global Share Fund	10,589	2.17	477	8,490	(684)
Pendal European Share Fund	6,359	16.11	168	4,563	(375)
Pendal Global Emerging Markets Opportunities Fund	6,236	2.17	404	4,877	(411)
Pendal Liquidity Management Trust*	<u>16,322</u>	<u>0.67</u>	<u>846</u>	<u>70,322</u>	<u>(54,000)</u>
	<u>39,506</u>		<u>1,895</u>		

* This investment is included in cash and cash equivalents.

14 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 2020	30 June 2019
	\$'000	\$'000
Distributions receivable		
Pendal Liquidity Management Trust	22	24

(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.

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

	Year ended 30 June 2020	Period from 31 January 2018 to 30 June 2019
	\$'000	\$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year/period	(5,140)	2,528
Proceeds from sale of financial instruments at fair value through profit or loss	97,865	22,257
Purchase of financial instruments at fair value through profit or loss	(140,865)	(109,346)
Net (gains)/losses on financial instruments at fair value through profit or loss	5,805	(15)
Income reinvested	(872)	(716)
Net interest bought/(sold)	(12)	(232)
Net change in accrued income and receivables	363	(577)
Net change in payables	55	62
Effects of foreign currency exchange rate changes on cash and cash equivalents	<u>22</u>	<u>1</u>
Net cash inflow/(outflow) from operating activities	<u>(42,779)</u>	<u>(86,038)</u>
(b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	1,209	-

16 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 2020 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 36 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 2020 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
10 September 2020



Independent auditor's report

To the unitholders of Pental Multi Asset Target Return Fund

Our opinion

In our opinion:

The accompanying financial report of Pental Multi Asset Target Return Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2020 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 2020
- 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 a summary of significant accounting policies
- the directors of the Responsible Entity's 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 Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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.

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 2020, 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.

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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 Registered Scheme 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 Registered Scheme 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 black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'S Cuthbert' in a cursive script.

S Cuthbert
Partner

Sydney
10 September 2020