

Advance Australian Fixed Interest Multi-Blend Fund

ARSN 087 295 234

**Annual report - for the year ended
30 June 2021**

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These financial statements cover Advance Australian Fixed Interest Multi-Blend Fund as an individual entity.

The Responsible Entity of Advance Australian Fixed Interest Multi-Blend Fund is Advance Asset Management Limited (ABN 98 002 538 329). The Responsible Entity's registered office is Level 18, 275 Kent Street, Sydney, NSW 2000.

Directors' report

The directors of Advance Asset Management Limited, the Responsible Entity of the Advance Australian Fixed Interest Multi-Blend Fund ("the Fund"), present their report together with the Fund's financial statements for the year ended 30 June 2021.

Principal activities

During the year, the Fund continued to invest in fixed interest securities, unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents.

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 Advance Asset Management Limited during the year or since the end of the year and up to the date of this report:

Vicki Allen
 Andrew Rutherford (appointed 23 March 2021)
 Jonathan Sweeney
 Susan Thomas (resigned 31 December 2020)
 Katherine Vincent

Review and results of operations

The ordinary class is currently closed to investment by new investors, however, existing investors can continue to invest in the ordinary class.

Effective 1 November 2020, the Responsible Entity fee relating to the wholesale class was decreased from 0.55% per annum to 0.45% per annum (inclusive of GST and net of RITC).

Effective 1 December 2020, the Responsible Entity fee relating to the ordinary class was decreased from 1.75% per annum to 1.20% per annum (inclusive of GST and net of RITC).

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) global pandemic. The severity and length of the global pandemic and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

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

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

	Year ended	
	30 June 2021	30 June 2020
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	6,540	99,502
<i>Distributions - ordinary class</i>		
Distributions paid and payable (\$'000)	18	32
Distributions (cents per unit)	2.675	4.921

Directors' report (continued)

Review and results of operations (continued)

	Year ended	
	30 June 2021	30 June 2020
<i>Distributions - wholesale class</i>		
Distributions paid and payable (\$'000)	71,247	126,949
Distributions (cents per unit)	3.751	6.350

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 2021 \$'000	30 June 2020 \$'000
Redemption value of outstanding units	2,162,201	2,136,116
Adjustment for differences in valuation inputs	2,887	5,591
Net assets attributable to unitholders	2,165,088	2,141,707

Significant changes in the state of affairs

Other than as noted in this report, 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 2021 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Indemnity and insurance of officers

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

Indemnity of auditors

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

Directors' report (continued)

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

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

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

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

Interests in the Fund

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

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

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



Director



Director

Sydney
17 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Advance Australian Fixed Interest Multi-Blend Fund for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads 'Alexandra Richardson'.

Alexandra Richardson
Partner
PricewaterhouseCoopers

Sydney
17 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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Advance Australian Fixed Interest Multi-Blend Fund
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income

	Notes	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
Income			
Interest income	5	38,201	50,006
Distribution income		8,980	12,121
Net gains/(losses) on financial instruments held at fair value through profit or loss		(31,049)	50,438
Other income		7	1
Total income/(loss)		16,139	112,566
Expenses			
Responsible Entity's fees	13(d)	9,361	12,584
Other operating expenses		238	480
Total operating expenses		9,599	13,064
Operating profit/(loss)		6,540	99,502
Finance costs attributable to unitholders			
Distributions to unitholders	8	(71,265)	(126,981)
(Increase)/decrease in net assets attributable to unitholders	7	64,725	27,479
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

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

Advance Australian Fixed Interest Multi-Blend Fund
Balance sheet
As at 30 June 2021

Balance sheet

	Notes	As at	
		30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents	9	85,104	55,853
Margin accounts		17,527	10,070
Unsettled sales		11,910	8,087
Accrued income		9,958	15,544
Receivables		53	68
Financial assets held at fair value through profit or loss	10	2,094,107	2,143,866
Total assets		2,218,659	2,233,488
Liabilities			
Margin accounts		8,313	6,913
Unsettled purchases		16,126	11,751
Distribution payable	8	16,884	63,825
Payables		726	927
Financial liabilities held at fair value through profit or loss	11	11,522	8,365
Total liabilities (excluding net assets attributable to unitholders)		53,571	91,781
Net assets attributable to unitholders - liability	7	2,165,088	2,141,707

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

Advance Australian Fixed Interest Multi-Blend Fund
Statement of changes in equity
For the year ended 30 June 2021

Statement of changes in equity

	Year ended	
	30 June 2021	30 June 2020
	\$'000	\$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

Advance Australian Fixed Interest Multi-Blend Fund
Statement of cash flows
For the year ended 30 June 2021

Statement of cash flows

	Notes	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		684,391	1,468,659
Purchase of financial instruments held at fair value through profit or loss		(655,386)	(1,027,137)
Interest received		40,072	54,610
Distributions received		42	9,872
Other income received		22	14
Responsible Entity's fees received/(paid)		(9,553)	(12,752)
Payment of other expenses		(238)	(480)
Net cash inflow/(outflow) from operating activities	16(a)	<u>59,350</u>	<u>492,786</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		151,771	145,311
Payments for redemptions by unitholders		(172,532)	(606,667)
Distributions paid		(9,348)	(6,639)
Net cash inflow/(outflow) from financing activities		<u>(30,109)</u>	<u>(467,995)</u>
Net increase/(decrease) in cash and cash equivalents		29,241	24,791
Cash and cash equivalents at the beginning of the year		55,853	31,077
Effects of foreign currency exchange rate changes on cash and cash equivalents		10	(15)
Cash and cash equivalents at the end of the year	9	<u>85,104</u>	<u>55,853</u>
Non-cash transactions	16(b)		

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

1 General information

These financial statements cover Advance Australian Fixed Interest Multi-Blend Fund ("the Fund") as an individual entity. The Fund was constituted on 16 March 1992.

The Responsible Entity of the Fund is Advance Asset Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 18, 275 Kent Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

During the year, the Fund continued to invest in fixed interest securities, unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents.

The financial statements were authorised for issue by the directors of the Responsible Entity on 17 September 2021. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

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

(i) Compliance with International Financial Reporting Standards

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

(ii) Comparatives

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

(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 2020 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)

(b) Financial instruments

(i) Recognition/derecognition

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

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

(ii) Classification

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

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

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, fixed interest securities are also measured at fair value through profit or loss.

(iii) Measurement

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

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

Refer to note 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.

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 all unitholders. The units are classified as financial liabilities as the Fund has more than one class of units.

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

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

(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.

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

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

(f) Accrued income

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

(g) Unsettled sales/purchases

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

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

(h) Receivables

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

2 Summary of significant accounting policies (continued)

(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 Responsible Entity has income that is distributable to unitholders, 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.

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 or distributes (as appropriate) 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.

(n) Distributions

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

2 Summary of significant accounting policies (continued)

(o) Increase/(decrease) in net assets attributable to unitholders

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

(p) 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

(q) 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.

(r) Classes of units

The Fund has the following classes of units:

- ordinary class
- wholesale class.

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

(s) 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)

(s) 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 unsettled sales and purchases 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 4.

(t) New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. None of these are expected to have a material effect on the financial statements of the Fund.

(u) 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 in accordance with board approved policies.

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 the board 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) global pandemic. The severity and length of the global pandemic and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing there is 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 global pandemic. The directors and management will continue to manage and monitor this situation.

(a) Market risk

(i) Price risk

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

There is no significant direct price risk in this Fund.

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 2021 and 30 June 2020.

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 the board on a regular basis.

(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 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 the board 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 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.

	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	Interest rate risk	
	-0.10%	+0.50%
	(2020: -0.25%)	(2020: +0.50%)
As at	\$'000	\$'000
30 June 2021	12,081	(60,406)
30 June 2020	34,038	(68,075)

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

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.

(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 investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The assets of the Fund are not impaired.

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

Investments in unlisted unit trusts are exposed to credit risk.

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

Concentrations of direct credit risk are minimised primarily by:

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

Exceptions to compliance are reported to the board on a regular basis.

3 Financial risk management (continued)

(c) Credit risk (continued)

Fixed interest securities

The Fund invests in fixed interest 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 2021	30 June 2020
	\$'000	\$'000
Fixed interest securities		
Rating		
AAA	629,593	852,100
AA	447,273	316,267
A	358,312	361,086
BBB	363,680	309,596
A-1+	-	11,493
Not rated	-	2,702
Total	1,798,858	1,853,244

(d) Liquidity risk

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

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

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

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

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

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

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

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

(ii) Maturities of derivative financial instruments liabilities

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

	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
As at 30 June 2021			
Net settled derivatives			
Forward currency contracts	470	-	-
Australian fixed interest futures	-	950	-
International fixed interest futures	-	488	-
Interest rate swaps	-	1,317	5,733
Credit default swaps	-	1,396	-
Swaptions	274	139	755
	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
As at 30 June 2020			
Net settled derivatives			
Forward currency contracts	133	-	-
Futures in respect of money market securities	-	274	-
International fixed interest futures	-	77	-
Interest rate swaps	1,450	1,540	3,646
Credit default swaps	-	593	-
Swaptions	-	-	558
Options in respect of fixed interest securities	94	-	-

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.

Interest bearing financial assets are valued at quoted market prices at the end of the reporting period as provided by independent pricing services.

Exchange traded futures and options 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.

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

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

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

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

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

4 Fair value measurement (continued)

(i) *Recognised fair value measurements*

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

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Fixed interest securities	791,404	1,007,455	-	1,798,859
Unlisted unit trusts	-	280,905	-	280,905
Derivatives	502	13,841	-	14,343
Total	791,906	1,302,201	-	2,094,107

Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	(1,438)	(10,084)	-	(11,522)
Total	(1,438)	(10,084)	-	(11,522)

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Fixed interest securities	842,520	1,010,724	-	1,853,244
Unlisted unit trusts	-	277,175	-	277,175
Derivatives	2,867	10,580	-	13,447
Total	845,387	1,298,479	-	2,143,866

Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	(351)	(8,014)	-	(8,365)
Total	(351)	(8,014)	-	(8,365)

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 2021 or 30 June 2020.

4 Fair value measurement (continued)

(iii) Valuation processes

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

(c) Fair values of non-financial instruments

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

Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material as at 30 June 2021 or 30 June 2020.

5 Interest income

	Year ended	
	30 June 2021	30 June 2020
	\$'000	\$'000
Interest income from debt securities designated at fair value through profit or loss	38,201	49,891
Interest income from financial assets not at fair value through profit or loss:		
Cash and cash equivalents	-	115
Total interest income	<u>38,201</u>	<u>50,006</u>

6 Remuneration of auditors

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	16,121	15,652
Other services*	1,898	1,356
Total remuneration for audit and other assurance services	<u>18,019</u>	<u>17,008</u>

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the years ended 30 June 2021 and 30 June 2020.

7 Net assets attributable to unitholders

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

	30 June 2021 No. '000	30 June 2020 No. '000	30 June 2021 \$'000	30 June 2020 \$'000
Ordinary class				
Opening balance	643	765	750	904
Applications	3	9	4	10
Redemptions	(7)	(147)	(9)	(176)
Units issued upon reinvestment of distributions	24	16	28	19
Increase/(decrease) in net assets attributable to unitholders	-	-	(22)	(7)
Closing balance	663	643	751	750
Wholesale class				
Opening balance	1,860,268	2,176,994	2,140,957	2,537,988
Applications	234,433	167,976	268,127	197,801
Redemptions	(252,108)	(563,343)	(288,874)	(658,998)
Units issued upon reinvestment of distributions	94,698	78,641	108,830	91,638
Increase/(decrease) in net assets attributable to unitholders	-	-	(64,703)	(27,472)
Closing balance	1,937,291	1,860,268	2,164,337	2,140,957
Total net assets attributable to unitholders			2,165,088	2,141,707

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 two classes of unitholders in the Fund being ordinary and wholesale.

(a) Capital risk management

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

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

(b) Realised capital losses

At the end of the reporting period, the Fund had realised capital losses of \$245,000 (2020: \$290,000) 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.

8 Distributions to unitholders

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
Ordinary class				
Distributions paid				
- 30 September	6	0.830	6	0.930
- 31 December	7	1.050	5	0.710
- 31 March	1	0.130	2	0.340
Distribution payable				
- 30 June	4	0.665	19	2.941
Total	18	2.675	32	4.921
Wholesale class				
Distributions paid				
- 30 September	22,098	1.180	28,174	1.300
- 31 December	25,504	1.350	24,107	1.100
- 31 March	6,765	0.350	10,862	0.520
Distribution payable				
- 30 June	16,880	0.871	63,806	3.430
Total	71,247	3.751	126,949	6.350
Total distributions	71,265		126,981	

9 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	70,180	34,729
Cash management trusts	14,257	20,255
Foreign currency holdings	667	869
Total cash and cash equivalents	85,104	55,853

10 Financial assets held at fair value through profit or loss

	As at	
	30 June 2021 Fair value \$'000	30 June 2020 Fair value \$'000
Financial assets held at fair value through profit or loss		
Fixed interest securities	1,798,859	1,853,244
Unlisted unit trusts	280,905	277,175
Derivatives (note 12)	14,343	13,447
Total financial assets held at fair value through profit or loss	2,094,107	2,143,866
Fixed interest securities		
Commonwealth government securities	412,280	369,178
Other public sector securities	379,124	473,342
International fixed interest securities	24,708	-
Other bonds*	982,747	1,010,724
Total fixed interest securities	1,798,859	1,853,244
Unlisted unit trusts		
Units in Australian fixed interest trusts	280,905	277,175
Total unlisted unit trusts	280,905	277,175
Derivatives		
Forward currency contracts	3	65
Futures in respect of money market securities	24	4
International exchange traded options	13	-
Australian fixed interest futures	282	2,813
International fixed interest futures	183	50
Interest rate swaps	12,706	9,452
Credit default swaps	-	214
Swaptions	1,132	667
Options in respect of fixed interest securities	-	182
Total derivatives	14,343	13,447
Total financial assets held at fair value through profit or loss	2,094,107	2,143,866

* Other bonds include mortgage backed securities, corporate bonds and floating rate notes.

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

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.

11 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2021 Fair value \$'000	30 June 2020 Fair value \$'000
Financial liabilities held at fair value through profit or loss		
Derivatives (note 12)	11,522	8,365
Total financial liabilities held at fair value through profit or loss	11,522	8,365
Derivatives		
Forward currency contracts	470	133
Futures in respect of money market securities	-	274
Australian fixed interest futures	950	-
International fixed interest futures	488	77
Interest rate swaps	7,050	6,636
Credit default swaps	1,396	593
Swaptions	1,168	558
Options in respect of fixed interest securities	-	94
Total derivatives	11,522	8,365
Total financial liabilities held at fair value through profit or loss	11,522	8,365

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 4.

12 Derivative financial instruments

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

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

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

12 Derivative financial instruments (continued)

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.

(b) Options

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

(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) Interest rate swaps

Interest rate swaps are agreements between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

(e) Swaptions

Swaptions are contractual arrangements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to enter into a swap where the holder pays the fixed leg and receives the floating leg (a payer swaption) or to enter into a swap in which the holder will receive the fixed leg, and pay the floating leg (a receiver swaption) at or by a set date or during a set period. The seller receives a premium from the purchaser in consideration for the assumption of future price risk.

(f) Credit default swaps

Credit default swaps ("CDS") are 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.

12 Derivative financial instruments (continued)

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

	As at	
	30 June 2021 Contract/ notional \$'000	30 June 2020 Contract/ notional \$'000
Buy		
Forward currency contracts	431	1,474
Futures in respect of money market securities	-	81,539
International exchange traded options	4,714	-
Australian fixed interest futures	458,976	357,885
International fixed interest futures	7,610	14,664
Interest rate swaps	1,104,381	755,041
Credit default swaps	66,199	109,401
Swaptions	1,132	667
Options in respect of fixed interest securities	-	11,057
Sell		
Forward currency contracts	17,787	21,441
Futures in respect of money market securities	369,290	491,569
International fixed interest futures	46,763	26,064
Interest rate swaps	1,104,381	755,041
Credit default swaps	66,199	109,401
Swaptions	1,168	558
Options in respect of fixed interest securities	-	6,750

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.

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Fund is Advance Asset Management Limited (ABN 98 002 538 329), a wholly owned subsidiary of Westpac Financial Services Group Ltd (ABN 50 000 326 312). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 18, 275 Kent Street, Sydney, NSW 2000.

(b) Directors

The directors of Advance Asset Management Limited during the financial year or since the end of the year and up to the date of this report were as follows:

Vicki Allen
Andrew Rutherford (appointed 23 March 2021)
Jonathan Sweeney
Susan Thomas (resigned 31 December 2020)
Katherine Vincent

13 Related party transactions (continued)

(c) Other key management personnel

Name	Position	Employer
Jason Yetton	Chief Executive, Specialist Businesses	Westpac Banking Corporation
Melinda Howes	Managing Director, BT Superannuation, Specialist Businesses	Westpac Banking Corporation

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 2021, in accordance with the Fund's governing documents, the Fund incurred a total management fee (inclusive of GST, net of RITC available to the Fund) as follows:

- (i) Ordinary class: For the period 1 July 2020 to 30 November 2020, the Responsible Entity received a management fee of 1.75% per annum. This fee was decreased to 1.20% per annum from 1 December 2020 (2020: 1.75%), and
- (ii) Wholesale class: For the period 1 July 2020 to 31 October 2020, the Responsible Entity received a management fee of 0.55% per annum. This fee was decreased to 0.45% per annum from 1 November 2020 (2020: 0.55%).

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:

	30 June 2021 \$'000	30 June 2020 \$'000
Management fees incurred by the Fund #	9,361	12,584
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	711	903

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

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

13 Related party transactions (continued)

(e) Related party unitholdings

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

30 June 2021

Unitholder	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	000's Units	000's Units	%	000's Units	000's Units	\$'000
BT Multi-manager Protector Fund	782,623	749,896	38.70	86,257	(118,984)	28,361
Retirement Wrap	380,881	427,987	22.08	61,989	(14,883)	15,247
Total	1,163,504	1,177,883	60.78	148,246	(133,867)	43,608

30 June 2020

Unitholder	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	000's Units	000's Units	%	000's Units	000's Units	\$'000
BT Multi-manager Protector Fund	944,020	782,623	42.06	84,231	(245,628)	54,043
Retirement Wrap	416,478	380,881	20.47	54,622	(90,219)	25,542
Total	1,360,498	1,163,504	62.53	138,853	(335,847)	79,585

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.

(f) Transactions with key management personnel

Key management personnel services are provided by Advance Asset Management 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 2021, no key management personnel held units in the Fund (2020: Nil).

13 Related party transactions (continued)

(g) Investments

(i) Units in related funds

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

30 June 2021

	Fair value of investment \$'000	Interest held %	Distributions received/ receivable \$'000	Units acquired during the year 000's Units	Units disposed during the year 000's Units
Managed Portfolio Series Australian Fixed Interest Fund 1	55,355	84.68	1,805	1,749	(628)
Managed Portfolio Series Australian Fixed Interest Fund 2	112,515	93.72	1,788	3,464	(482)
Managed Portfolio Series Australian Fixed Interest Fund 3	113,035	93.82	5,349	6,778	(395)
Total	<u>280,905</u>		<u>8,942</u>		

30 June 2020

	Fair value of investment \$'000	Interest held %	Distributions received/ receivable \$'000	Units acquired during the year 000's Units	Units disposed during the year 000's Units
Managed Portfolio Series Australian Fixed Interest Fund 1	55,768	92.68	1,934	2,043	-
Managed Portfolio Series Australian Fixed Interest Fund 2	111,227	97.14	4,674	3,482	-
Managed Portfolio Series Australian Fixed Interest Fund 3	110,180	97.13	5,341	3,617	-
Total	<u>277,175</u>		<u>11,949</u>		

13 Related party transactions (continued)

(g) Investments (continued)

(i) Units in related funds (continued)

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

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Distributions receivable		
Managed Portfolio Series Australian Fixed Interest 1	628	676
Managed Portfolio Series Australian Fixed Interest 2	120	2,029
Managed Portfolio Series Australian Fixed Interest 3	1,020	2,774
Total	1,768	5,479

(ii) Other investments in related parties

The Fund held the following other investments in related parties:

30 June 2021

	Fair value of investment \$'000	Interest held %	Income received \$'000	Income receivable \$'000
Related party				
Westpac Banking Corporation - bonds*	35,102	N/A	631	200

30 June 2020

	Fair value of investment \$'000	Interest held %	Income received \$'000	Income receivable \$'000
Related party				
Westpac Banking Corporation - bonds*	41,840	N/A	1,442	318

* Interest was earned at normal commercial rates.

(h) Other transactions within the Fund

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

14 Investments in unconsolidated subsidiaries

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

Name of entity	Place of business	Fair value		Ownership interest held by the Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	%	%
Managed Portfolio Series Australian Fixed Interest 1	Australia	55,355	55,768	84.68	92.68
Managed Portfolio Series Australian Fixed Interest 2	Australia	112,515	111,227	93.72	97.14
Managed Portfolio Series Australian Fixed Interest 3	Australia	113,035	110,180	93.82	97.13
Total		280,905	277,175		

15 Structured entities

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

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

During the year ended 30 June 2021 total net gains/(losses) incurred on investments in structured entities were (\$7,418,000) (2020: (\$374,000)).

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

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

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

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

As at 30 June 2021, there were no capital commitment obligations other than what is in unsettled sales or unsettled purchases in the balance sheet (2020: \$Nil).

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

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	6,540	99,502
Proceeds from sale of financial instruments held at fair value through profit or loss	684,391	1,468,659
Purchase of financial instruments held at fair value through profit or loss	(655,386)	(1,027,137)
Net (gains)/losses on financial instruments held at fair value through profit or loss	31,049	(50,438)
Amortisation included in interest income	-	(2,591)
Income reinvested	(12,653)	-
Net change in accrued income and receivables	5,601	4,959
Net change in payables	(192)	(168)
Net cash inflow/(outflow) from operating activities	59,350	492,786
(b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	108,858	91,657
Applications received as non-cash contributions	116,360	52,500
Redemptions settled as non-cash withdrawals	(116,360)	(52,500)

17 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 34 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 2021 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
17 September 2021



Independent auditor's report

To the unitholders of Advance Australian Fixed Interest Multi-Blend Fund

Our opinion

In our opinion:

The accompanying financial report of Advance Australian Fixed Interest Multi-Blend 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 2021 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 2021
- 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 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 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 Fund's annual report for the year ended 30 June 2021, 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 identified above 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 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 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.

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.

PricewaterhouseCoopers

Alexandra Richardson
Partner

Sydney
17 September 2021