

Advance Defensive Multi-Blend Fund

ARSN 087 296 491

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

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These financial statements cover Advance Defensive Multi-Blend Fund as an individual entity.

The Responsible Entity of Advance Defensive 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 Defensive 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 unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to a diversified portfolio of investments.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as directors of 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 0.68% per annum to 0.58% 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 1.72% per annum to 1.17% per annum (inclusive of GST and net of RITC).

Effective 1 December 2020, the Responsible Entity fee relating to the Advance Retirement Suite ("ARS") class was decreased from 1.71% per annum to 1.27% per annum (inclusive of GST and net of RITC).

Effective 1 December 2020, the Responsible Entity fee relating to the ARS nil entry fee class was decreased from 2.19% per annum to 1.09% per annum (inclusive of GST and net of RITC).

During March 2021, unitholders in the Fund, who are related to the Responsible Entity, fully redeemed their holdings in the ARS and ARS nil entry fee classes of the Fund as part of a restructure of their investments. This was mainly via an in-specie transfer of assets. As a result of these full redemptions, these classes were terminated effective 20 March 2021.

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.

Directors' report (continued)

Review and results of operations (continued)

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)	<u>48,743</u>	<u>(2,326)</u>
 <i>Distributions - ordinary class</i>		
Distributions paid and payable (\$'000)	<u>143</u>	<u>155</u>
Distributions (cents per unit)	<u>4.182</u>	<u>4.150</u>
 <i>Distributions - wholesale class</i>		
Distributions paid and payable (\$'000)	<u>23,354</u>	<u>26,905</u>
Distributions (cents per unit)	<u>5.070</u>	<u>5.349</u>
	Period 1 July 2020 - 20 March 2021	Year ended 30 June 2020
 <i>Distributions - ARS⁽¹⁾ class</i>		
Distributions paid and payable (\$'000)	<u>126</u>	<u>811</u>
Distributions (cents per unit)	<u>0.570</u>	<u>3.525</u>
 ⁽¹⁾ Advance Retirement Suite ("ARS").		
 <i>Distributions - ARS nil entry fee class</i>		
Distributions paid and payable (\$'000)	<u>8</u>	<u>60</u>
Distributions (cents per unit)	<u>0.430</u>	<u>3.089</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:		
	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
Redemption value of outstanding units	<u>488,623</u>	<u>529,390</u>
Adjustment for differences in valuation inputs	<u>1,310</u>	<u>2</u>
Net assets attributable to unitholders	<u>489,933</u>	<u>529,392</u>

Directors' report (continued)

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.

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 12 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 12 to the financial statements.

Interests in the Fund

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Auditor's independence declaration

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

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 Defensive 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, appearing to read 'Alexandra Richardson'.

Alexandra Richardson
Partner
PricewaterhouseCoopers

Sydney
17 September 2021

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Advance Defensive 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		-	22
Distribution income		23,641	26,205
Net gains/(losses) on financial instruments held at fair value through profit or loss		25,930	(27,250)
Total income/(loss)		49,571	(1,023)
Expenses			
Responsible Entity's fees	12(d)	824	1,302
Other operating expenses		4	1
Total operating expenses		828	1,303
Operating profit/(loss)		48,743	(2,326)
Finance costs attributable to unitholders			
Distributions to unitholders	7	(23,631)	(27,931)
(Increase)/decrease in net assets attributable to unitholders	6	(25,112)	30,257
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 Defensive Multi-Blend Fund
Balance sheet
As at 30 June 2021

Balance sheet

	Notes	As at	
		30 June 2021	30 June 2020
		\$'000	\$'000
Assets			
Cash and cash equivalents	8	1,700	2,073
Margin accounts		814	766
Accrued income		15,073	11,516
Receivables		4	303
Financial assets held at fair value through profit or loss	9	488,336	535,862
Total assets		505,927	550,520
Liabilities			
Margin accounts		46	37
Distribution payable	7	15,733	20,896
Payables		58	112
Financial liabilities held at fair value through profit or loss	10	157	83
Total liabilities (excluding net assets attributable to unitholders)		15,994	21,128
Net assets attributable to unitholders - liability	6	489,933	529,392

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

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

Statement of cash flows

	Year ended	
	30 June 2021	30 June 2020
Notes	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	195,344	216,910
Purchase of financial instruments held at fair value through profit or loss	(123,988)	(125,947)
Interest received	-	22
Distributions received	1,627	1,780
Other income received	18	-
Responsible Entity's fees received/(paid)	(885)	(1,297)
Payment of other expenses	(4)	(15)
Net cash inflow/(outflow) from operating activities	72,112	91,453
14(a)		
Cash flows from financing activities		
Proceeds from applications by unitholders	46,224	65,786
Payments for redemptions by unitholders	(95,792)	(141,965)
Distributions paid	(22,916)	(14,119)
Net cash inflow/(outflow) from financing activities	(72,484)	(90,298)
Net increase/(decrease) in cash and cash equivalents	(372)	1,155
Cash and cash equivalents at the beginning of the year	2,073	921
Effects of foreign currency exchange rate changes on cash and cash equivalents	(1)	(3)
Cash and cash equivalents at the end of the year	1,700	2,073
8		
Non-cash transactions		
14(b)		

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

1 General information

These financial statements cover Advance Defensive 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 unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to a diversified portfolio of investments.

The financial statements were authorised for issue by the directors of the Responsible Entity on 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, equity securities 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.

(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.

(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.

2 Summary of significant accounting policies (continued)

(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

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.

(f) Accrued income

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

(g) Unsettled sales/purchases

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

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

(h) Receivables

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

(i) Payables

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

Where the 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.

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.

2 Summary of significant accounting policies (continued)

(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.

(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.

2 Summary of significant accounting policies (continued)

(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 as at 30 June 2021:

- ordinary class
- wholesale class

The following class of units terminated during the year ended 30 June 2021:

- Advance Retirement Suite ("ARS") class
- ARS nil entry fee 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 12.

(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.

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.

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 the board on a regular basis.

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

(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.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

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

The Fund does not have any significant direct exposure to interest rate risk. Any 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.

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

(b) Summarised sensitivity analysis

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

As at	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	Price risk	
	-10% (2020: -5%)	+10% (2020: +5%)
	\$'000	\$'000
30 June 2021	(48,993)	48,993
30 June 2020	(26,470)	26,470

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 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.

3 Financial risk management (continued)

(c) Credit risk (continued)

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

Investments in unlisted unit trusts are exposed to credit risk.

All transactions in listed 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,
- 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 the board on a regular basis.

(d) Liquidity risk

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

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

(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.

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.

	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	19	95	21
International share price index futures	-	22	-
	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	-	-	6
Australian share price index futures	-	24	-
International share price index futures	-	53	-

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)

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.

4 Fair value measurement (continued)

(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.

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

Unlisted unit trusts are classified as level 3 when they are not actively traded, have lockout periods and infrequent unit pricing or suspended applications and redemptions at the end of the reporting period. The 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.

(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:				
Unlisted unit trusts	-	468,698	18,830	487,528
Derivatives	10	798	-	808
Total	10	469,496	18,830	488,336
Financial liabilities				
Financial liabilities held at fair value through profit or loss:				
Derivatives	(22)	(135)	-	(157)
Total	(22)	(135)	-	(157)

4 Fair value measurement (continued)

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

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:				
Equity securities	24,767	-	-	24,767
Unlisted unit trusts	-	498,628	10,801	509,429
Derivatives	36	1,630	-	1,666
Total	24,803	500,258	10,801	535,862

Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	(77)	(6)	-	(83)
Total	(77)	(6)	-	(83)

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.

(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.

4 Fair value measurement (continued)

(d) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments by class of financial instrument.

30 June 2021

	Unlisted unit trusts \$'000
Opening balance	10,801
Purchases	8,025
Sales	-
Transfers out of level 3	-
Transfers into level 3	-
Gains/(losses) recognised in the statement of comprehensive income	4
Closing balance	18,830
Total gains/(losses) for the year included in the statement of comprehensive income for the financial assets and liabilities held at the end of the year	4

30 June 2020

	Unlisted unit trusts \$'000
Opening balance	-
Purchases	11,263
Sales	-
Transfers out of level 3	-
Transfers into level 3	-
Gains/(losses) recognised in the statement of comprehensive income	(462)
Closing balance	10,801
Total gains/(losses) for the year included in the statement of comprehensive income for the financial assets and liabilities held at the end of the year	(462)

Valuation inputs and relationships to fair value

The significant unobservable inputs used in the fair value measurement of level 3 investments are outlined below. Generally, a change in the assumptions used in any input in isolation may be accompanied by a change in another input. Significant changes in third party vendor pricing may significantly impact the fair value measurement of investments. The impact is based on the relationship between each unobservable input and the fair value measurement of a significant change in broker or third party vendor pricing information which could result in a significantly higher or lower value in such level 3 investments.

4 Fair value measurement (continued)

(d) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relationships to fair value (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Security type	Fair value as at 30 June 2021 \$'000	Valuation approach	Key unobservable inputs	Range of estimates (weighted average) for unobservable input
Unlisted unit trusts	18,830	Valuation provided by the investment managers	These closed ended unlisted unit trusts are infrequently traded, therefore there are significant unobservable inputs into the fair value of these investments. The value provided by the investment manager has been used in the financial statements for valuation purposes. Management considers this value to be appropriate.	Not applicable
Security type	Fair value as at 30 June 2020 \$'000	Valuation approach	Key unobservable inputs	Range of estimates (weighted average) for unobservable input
Unlisted unit trusts	10,801	Valuation provided by the investment managers	These closed ended unlisted unit trusts are infrequently traded, therefore there are significant unobservable inputs into fair value of these investments. The value provided by the investment manager has been used in the financial statements for valuation purposes. Management considers this value to be appropriate.	Not applicable

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

5 Remuneration of auditors

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	20,542	19,944
Other services*	1,898	1,356
Total remuneration for audit and other assurance services	22,440	21,300

* 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.

6 Net assets attributable to unitholders

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

	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	No. '000	No. '000	\$'000	\$'000
Ordinary class				
Opening balance	3,670	4,350	3,733	4,676
Applications	4	4	4	4
Redemptions	(411)	(746)	(434)	(811)
Units issued upon reinvestment of distributions	131	62	135	67
Increase/(decrease) in net assets attributable to unitholders	-	-	179	(203)
Closing balance	3,394	3,670	3,617	3,733
Wholesale class				
Opening balance	493,659	556,877	504,353	601,207
Applications	41,973	60,162	44,612	64,826
Redemptions	(87,187)	(126,794)	(92,370)	(136,558)
Units issued upon reinvestment of distributions	5,569	3,414	5,743	3,702
Increase/(decrease) in net assets attributable to unitholders	-	-	23,978	(28,824)
Closing balance	454,014	493,659	486,316	504,353

6 Net assets attributable to unitholders (continued)

	20 March 2021 No. '000	30 June 2020 No. '000	20 March 2021 \$'000	30 June 2020 \$'000
ARS class				
Opening balance	22,818	25,935	19,629	23,575
Applications	1,420	1,285	1,247	1,172
Redemptions	(24,238)	(4,402)	(21,756)	(3,984)
Increase/(decrease) in net assets attributable to unitholders	-	-	880	(1,134)
Closing balance	-	22,818	-	19,629
ARS nil entry fee class				
Opening balance	1,947	2,048	1,677	1,865
Applications	91	71	80	65
Redemptions	(2,038)	(172)	(1,832)	(157)
Increase/(decrease) in net assets attributable to unitholders	-	-	75	(96)
Closing balance	-	1,947	-	1,677
Total net assets attributable to unitholders			489,933	529,392

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 four classes of unitholders in the Fund being ordinary, wholesale, ARS and ARS nil entry fee.

Effective 20 March 2021, the ARS and ARS nil entry fee classes of the Fund terminated as a result of the full redemption of the unitholders in these classes.

(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.

7 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	9	0.230	-	-
- 31 October	1	0.030	-	-
- 31 December	8	0.220	20	0.460
- 31 January	2	0.070	-	-
- 28/29 February	5	0.140	-	-
- 31 March	4	0.120	-	-
- 30 April	1	0.040	-	-
Distribution payable				
- 30 June	113	3.332	135	3.690
Total	143	4.182	155	4.150
Wholesale class				
Distributions paid				
- 31 July	148	0.030	-	-
- 31 August	639	0.130	276	0.050
- 30 September	1,553	0.320	1,149	0.210
- 31 October	721	0.150	216	0.040
- 30 November	240	0.050	428	0.080
- 31 December	1,416	0.300	3,507	0.660
- 31 January	707	0.150	210	0.040
- 28/29 February	932	0.200	260	0.050
- 31 March	783	0.170	514	0.100
- 30 April	458	0.100	255	0.050
- 31 May	137	0.030	101	0.020
Distribution payable				
- 30 June	15,620	3.440	19,989	4.049
Total	23,354	5.070	26,905	5.349

7 Distributions to unitholders (continued)

	Period 1 July 2020 - 20 March 2021 \$'000	Period 1 July 2020 - 20 March 2021 CPU	Year ended 30 June 2020 \$'000	Year ended 30 June 2020 CPU
ARS class				
Distributions paid				
- 30 September	45	0.200	-	-
- 31 October	5	0.020	-	-
- 31 December	40	0.180	96	0.390
- 31 January	13	0.060	-	-
- 28/29 February	23	0.110	-	-
Distribution payable				
- 30 June	-	-	715	3.135
Total	126	0.570	811	3.525

ARS nil entry fee class

Distributions paid				
- 30 September	2	0.110	-	-
- 31 December	3	0.140	3	0.170
- 31 January	1	0.060	-	-
- 28/29 February	2	0.120	-	-
Distribution payable				
- 30 June	-	-	57	2.919
Total	8	0.430	60	3.089

Total distributions

23,631

27,931

8 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	1,362	1,759
Foreign currency holdings	338	314
Total cash and cash equivalents	1,700	2,073

9 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		
Equity securities	-	24,767
Unlisted unit trusts	487,528	509,429
Derivatives (note 11)	808	1,666
Total financial assets held at fair value through profit or loss	488,336	535,862
Comprising:		
Equity securities		
Australian equity securities listed on a prescribed stock exchange	-	24,767
Total equity securities	-	24,767
Unlisted unit trusts		
Units in money market trusts	74,833	87,099
Units in Australian fixed interest trusts	108,283	114,943
Units in international fixed interest trusts	69,001	77,586
Units in Australian equity trusts	57,651	39,838
Units in international equity trusts	53,569	57,105
Units in property trusts	34,557	32,454
Units in alternative investment trusts	89,634	100,404
Total unlisted unit trusts	487,528	509,429
Derivatives		
Forward currency contracts	798	1,630
Australian share price index futures	10	-
International share price index futures	-	36
Total derivatives	808	1,666
Total financial assets held at fair value through profit or loss	488,336	535,862

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 4.

10 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 11)	157	83
Total financial liabilities held at fair value through profit or loss	157	83
Derivatives		
Forward currency contracts	135	6
Australian share price index futures	-	24
International share price index futures	22	53
Total derivatives	157	83
Total financial liabilities held at fair value through profit or loss	157	83

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.

11 Derivative financial instruments

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

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

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

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

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

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

11 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.

(b) Forward currency contracts

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

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

	As at	
	30 June 2021	30 June 2020
	Contract/ notional	Contract/ notional
	\$'000	\$'000
Buy		
Forward currency contracts	23,242	16,789
International share price index futures	9,734	2,646
Sell		
Forward currency contracts	46,371	39,804
Australian share price index futures	5,427	6,899
International share price index futures	6,302	-

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.

12 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

12 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 1.72% per annum. This fee was decreased to 1.17% per annum from 1 December 2020 (2020: 1.72%),
- (ii) Wholesale class: For the period 1 July 2020 to 31 October 2020, the Responsible Entity received a management fee of 0.68% per annum. This fee was decreased to 0.58% per annum from 1 November 2020 (2020: 0.68%),
- (iii) ARS class: For the period 1 July 2020 to 30 November 2020, the Responsible Entity received a management fee of 1.71% per annum. This fee was decreased to 1.27% per annum from 1 December 2020 (2020: 1.71%), and
- (iv) ARS nil entry fee class: For the period 1 July 2020 to 30 November 2020, the Responsible Entity received a management fee of 2.19% per annum. This fee was decreased to 1.09% per annum from 1 December 2020 (2020: 2.19%).

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.

In addition to the above fee, a performance fee is payable to certain underlying investment managers when they exceed specific investment performance targets. This fee is paid out of the assets of the underlying fund in which performance fees are charged and reflected in the daily unit prices for that underlying fund. This fee does not accrue to the Responsible Entity.

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

12 Related party transactions (continued)

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

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 #	824	1,302
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	51	112

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 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.

(e) Related party unitholdings

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

(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).

12 Related party transactions (continued)

(g) Investments

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
Advance Australian Fixed Interest Multi-Blend Fund	108,283	5.01	3,641	7,899	(10,978)
Advance Australian Shares Multi-Blend Fund	56,409	2.73	3,179	24,616	(15,308)
Advance Cash Multi-Blend Fund	74,833	2.15	138	61,422	(73,445)
Advance Commodities Fund	-	-	-	-	(8,470)
Advance Defensive Yield Multi-Blend Fund	57,815	5.01	2,108	4,401	(8,908)
Advance International Fixed Interest Multi Blend Fund	69,001	3.41	5,126	10,399	(14,958)
Advance International Shares Multi-Blend Fund	32,450	1.88	4,458	9,624	(14,131)
Advance Property Securities Multi-Blend Fund	23,364	1.40	2,043	791	(8,068)
BT Australian Shares Index Fund	1,242	0.03	60	81	(3,563)
BT Diversified Alternatives Fund (formerly known as BT Liquid Alternative Strategies Fund)	12,989	8.54	617	7,409	(16,073)
BT International Shares Index Fund	21,119	0.33	299	3,280	(10,769)
BT Property Securities Index Fund	11,193	0.84	335	4,977	(4,537)
Total	468,698		22,004		

12 Related party transactions (continued)

(g) Investments (continued)

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
Advance Australian Fixed Interest Multi-Blend Fund	114,943	5.38	6,948	5,067	(31,011)
Advance Australian Shares Multi-Blend Fund	35,649	1.93	1,641	6,767	(9,692)
Advance Cash Multi-Blend Fund	87,099	2.39	816	81,533	(77,061)
Advance Commodities Fund	5,653	1.39	-	463	-
Advance Defensive Yield Multi-Blend Fund	62,793	5.90	822	3,998	(15,180)
Advance International Fixed Interest Multi Blend Fund	77,586	5.44	4,775	1,529	(27,483)
Advance International Shares Multi-Blend Fund	31,664	2.16	1,567	7,712	(14,210)
Advance Property Securities Multi-Blend Fund	24,015	1.77	6,311	13,066	(24,306)
BT Australian Shares Index Fund	4,189	0.16	59	7,290	(3,847)
BT International Shares Index Fund	25,441	0.59	1,584	4,095	(14,695)
BT Liquid Alternative Strategies Fund	21,157	2.59	-	3,173	(408)
BT Property Securities Index Fund	8,439	1.40	292	19,334	-
Total	<u>498,628</u>		<u>24,815</u>		

12 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 2021 \$'000	30 June 2020 \$'000
Distributions receivable		
Advance Australian Fixed Interest Multi-Blend Fund	846	3,435
Advance Australian Shares Multi-Blend Fund	2,293	677
Advance Cash Multi-Blend Fund	8	24
Advance Defensive Yield Multi-Blend Fund	1,981	822
Advance International Fixed Interest Multi-Blend Fund	4,943	3,135
Advance International Shares Multi-Blend Fund	2,144	1,300
Advance Property Securities Multi-Blend Fund	1,778	262
BT Australian Shares Index Fund	7	25
BT Diversified Alternatives Fund (formerly known as BT Liquid Alternative Strategies Fund)	617	-
BT International Shares Index Fund	299	1,584
BT Property Securities Fund	157	-
BT Property Securities Index Fund	-	114
Total	15,073	11,378

(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.

13 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore does not consolidate its controlled entities. 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 note 9.

During the year ended 30 June 2021 total net gains/(losses) incurred on investments in structured entities were \$23,388,000 (2020: (\$21,959,000)).

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 and any capital commitment obligations as disclosed in note 17.

13 Structured entities (continued)

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.

14 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	48,743	(2,326)
Proceeds from sale of financial instruments held at fair value through profit or loss	195,344	216,910
Purchase of financial instruments held at fair value through profit or loss	(123,988)	(125,947)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(25,930)	27,250
Income reinvested	(18,457)	(24,990)
Net change in accrued income and receivables	(3,539)	551
Net change in payables	(61)	5
Net cash inflow/(outflow) from operating activities	72,112	91,453
 (b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	5,878	3,769
Redemptions settled as non-cash withdrawals	(20,593)	-
Sales received as non-cash proceeds	22,693	11,067
Purchases settled as non-cash purchases	(2,100)	(11,067)

15 Events occurring after the reporting period

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

16 Contingent assets and liabilities

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

17 Capital commitments

The total of unpaid commitments to purchase units in a private debt fund is as follows:

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
Uncalled commitments in Australian dollars	8,777	14,272

Other than as noted above, there are no outstanding 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 7 to 37 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 Defensive Multi-Blend Fund

Our opinion

In our opinion:

The accompanying financial report of Advance Defensive 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Alexandra Richardson
Partner

Sydney
17 September 2021