

Advance Property Securities Multi-Blend Fund

ARSN 094 112 580

Annual report - for the year ended

30 June 2021

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

The Responsible Entity of Advance Property Securities 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 Property Securities 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 equities, unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to Australian and international property trusts.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as directors of 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 December 2020, the Responsible Entity fee relating to the ordinary class was decreased from 1.97% per annum to 1.42% per annum (inclusive of GST and net of RITC).

Effective 1 November 2020, the Responsible Entity fee relating to the wholesale class was decreased from 0.85% per annum to 0.75% 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)	<u>421,942</u>	<u>(205,769)</u>
<i>Distributions - ordinary class</i>		
Distributions paid and payable (\$'000)	<u>22</u>	<u>35</u>
Distributions (cents per unit)	<u>6.3422</u>	<u>13.0763</u>
<i>Distributions - wholesale class</i>		
Distributions paid and payable (\$'000)	<u>144,033</u>	<u>318,305</u>
Distributions (cents per unit)	<u>6.5880</u>	<u>13.0473</u>

Directors' report (continued)

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	1,664,109	1,362,270
Adjustment for differences in valuation inputs	<u>(74)</u>	<u>(97)</u>
Net assets attributable to unitholders	<u>1,664,035</u>	<u>1,362,173</u>

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 13 to the financial statements.

No fees were paid out of Fund property 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.

Directors' report (continued)

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

22 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Advance Property Securities 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 'Andrew Wilson', with a large, stylized flourish extending to the right.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
22 September 2021

Advance Property Securities Multi-Blend Fund
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income

		Year ended	
		30 June 2021	30 June 2020
	Notes	\$'000	\$'000
Income			
Interest income		-	87
Dividend income		10,424	8,693
Distribution income		42,570	206,037
Net gains/(losses) on financial instruments held at fair value through profit or loss		387,802	(397,678)
Other income		<u>746</u>	<u>320</u>
Total income/(loss)		<u>441,542</u>	<u>(182,541)</u>
Expenses			
Responsible Entity's fees	13(d)	11,527	13,667
Withholding tax on foreign income		5,056	5,325
Transaction costs		1,521	4,003
Other operating expenses		<u>1,496</u>	<u>233</u>
Total operating expenses		<u>19,600</u>	<u>23,228</u>
Operating profit/(loss)		<u>421,942</u>	<u>(205,769)</u>
Finance costs attributable to unitholders			
Distributions to unitholders	8	(144,055)	(318,340)
(Increase)/decrease in net assets attributable to unitholders	7	<u>(277,887)</u>	<u>524,109</u>
Profit/(loss) for the year		-	-
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Advance Property Securities Multi-Blend Fund
Balance sheet
As at 30 June 2021

Balance sheet

		As at	
		30 June 2021	30 June 2020
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents	9	9,712	46,602
Margin accounts		27	-
Unsettled sales		10,904	10,140
Accrued income		13,664	9,110
Receivables		78	129
Financial assets held at fair value through profit or loss	10	<u>1,782,011</u>	<u>1,360,671</u>
Total assets		<u>1,816,396</u>	<u>1,426,652</u>
Liabilities			
Margin accounts		27	-
Unsettled purchases		10,337	10,185
Distribution payable	8	126,245	14,804
Payables		1,074	1,013
Financial liabilities held at fair value through profit or loss	11	<u>14,678</u>	<u>38,477</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>152,361</u>	<u>64,479</u>
Net assets attributable to unitholders - liability	7	<u>1,664,035</u>	<u>1,362,173</u>

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

Advance Property Securities 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 \$'000	30 June 2020 \$'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 Property Securities 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		988,310	1,942,766
Purchase of financial instruments held at fair value through profit or loss		(1,045,056)	(2,099,900)
Transaction costs		(1,521)	(4,003)
Interest received		-	89
Dividends received		8,893	8,477
Distributions received		32,984	207,599
Other income received		797	262
Responsible Entity's fees received/(paid)		(11,466)	(14,542)
Payment of other expenses		(1,491)	(233)
Interest expense paid		(34)	-
Net cash inflow/(outflow) from operating activities	16(a)	<u>(28,584)</u>	<u>40,515</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		34,269	135,697
Payments for redemptions by unitholders		(42,206)	(157,706)
Distributions paid		(702)	(9,568)
Net cash inflow/(outflow) from financing activities		<u>(8,639)</u>	<u>(31,577)</u>
Net increase/(decrease) in cash and cash equivalents		(37,223)	8,938
Cash and cash equivalents at the beginning of the year		46,602	38,005
Effects of foreign currency exchange rate changes on cash and cash equivalents		333	(341)
Cash and cash equivalents at the end of the year	9	<u>9,712</u>	<u>46,602</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 Property Securities Multi-Blend Fund (“the Fund”) as an individual entity. The Fund was constituted on 9 August 2000.

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 equities, unlisted unit trusts and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to Australian and international property trusts.

The financial statements were authorised for issue by the directors of the Responsible Entity on 22 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 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.

(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.

(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 fair 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

For unlisted unit trusts, equity securities and derivatives, the contractual cash flows held by the Fund 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 the 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 5 for further details on how the fair values of financial instruments are determined.

(iv) Offsetting financial instruments

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

(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.

2 Summary of significant accounting policies (continued)

(f) Accrued income

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

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

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

(k) Expenses

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

(l) Transaction costs

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

(m) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes 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.

2 Summary of significant accounting policies (continued)

(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.

(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 entry fees and 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.

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.

2 Summary of significant accounting policies (continued)

(s) Use of estimates (continued)

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 5.

(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 a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 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.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

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

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

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

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

As at 30 June 2021

	US Dollars AS'000	Euro AS'000	Japanese Yen AS'000	Hong Kong Dollars AS'000	British Pounds AS'000	Other currencies AS'000	Total AS'000
Cash and cash equivalents	612	2	187	39	92	1	933
Margin accounts	27	-	-	-	-	-	27
Unsettled sales	6,841	1,574	249	1,062	137	588	10,451
Accrued income	4,881	1,292	940	636	323	358	8,430
Financial assets held at fair value through profit or loss	983,485	174,755	161,230	115,980	94,514	130,436	1,660,400
Margin accounts	(27)	-	-	-	-	-	(27)
Unsettled purchases	(7,104)	(598)	(1,612)	(657)	-	(365)	(10,336)
Financial liabilities held at fair value through profit or loss	(11,475)	(24)	(1,222)	(1,215)	(161)	(574)	(14,671)
Net increase/(decrease) in exposure from forward currency contracts							
- sell foreign currency	(1,017,688)	(179,483)	(165,705)	(115,684)	(90,953)	(125,507)	(1,695,020)
- buy foreign currency	23,827	1,557	-	405	-	3,160	28,949
Total exposure	(16,621)	(925)	(5,933)	566	3,952	8,097	(10,864)
Total monetary assets/(liabilities) exposure	<u>(988,631)</u>	<u>(175,656)</u>	<u>(165,941)</u>	<u>(114,199)</u>	<u>(90,401)</u>	<u>(121,765)</u>	<u>(1,656,593)</u>

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

As at 30 June 2020

	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	Hong Kong Dollars A\$'000	British Pounds A\$'000	Other currencies A\$'000	Total A\$'000
Cash and cash equivalents	738	163	332	212	-	52	1,497
Unsettled sales	-	6,562	1,945	-	1,633	-	10,140
Accrued income	4,545	2,053	781	305	405	249	8,338
Financial assets held at fair value through profit or loss	682,335	123,513	147,022	82,913	79,264	97,284	1,212,331
Unsettled purchases	-	(3,390)	(2,898)	(165)	-	(2,342)	(8,795)
Financial liabilities held at fair value through profit or loss	(36)	(10)	-	-	(4)	(80)	(130)
Net increase/(decrease) in exposure from forward currency contracts							
- sell foreign currency	(956,329)	(173,094)	(206,340)	(115,549)	(104,175)	(139,990)	(1,695,477)
- buy foreign currency	<u>284,472</u>	<u>44,832</u>	<u>55,991</u>	<u>29,960</u>	<u>23,551</u>	<u>41,684</u>	<u>480,490</u>
Total exposure	<u>15,725</u>	<u>629</u>	<u>(3,167)</u>	<u>(2,324)</u>	<u>674</u>	<u>(3,143)</u>	<u>8,394</u>
Total monetary assets/(liabilities) exposure	<u>(666,574)</u>	<u>(122,874)</u>	<u>(150,189)</u>	<u>(85,237)</u>	<u>(78,586)</u>	<u>(100,347)</u>	<u>(1,203,807)</u>

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

(iii) Interest rate risk

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

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

(b) Summarised sensitivity analysis

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

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

	Impact on operating profit/(loss)/ Net assets attributable to unitholders			
	Price risk		Foreign exchange risk*	
	-20% (2020: -15%) \$'000	+20% (2020: +15%) \$'000	-10% (2020: -10%) \$'000	+10% (2020: +10%) \$'000
As at				
30 June 2021	(356,299)	356,299	(165,660)	165,660
30 June 2020	(197,397)	197,397	(120,381)	120,381

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

* The foreign exchange risk is calculated using the reasonably possible percentage times the monetary assets/(liabilities) exposure calculated in note 3 (a) (ii). The foreign exchange risk of a positive reasonably possible percentage represents the strengthening of the Australian dollar against other currencies and a negative reasonably possible percentage represents the weakening of the Australian dollar.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

Credit risk primarily arises from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

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 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.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

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.

(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	(14,678)	-	-
	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	(23,785)	(14,692)	-

4 Offsetting financial assets and financial liabilities

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

Financial assets	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to enforceable netting arrangements	Cash collateral	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June						
2021						
Margin accounts	27	-	27	-	-	27
Derivatives	<u>515</u>	-	<u>515</u>	<u>(185)</u>	-	<u>330</u>
Total	<u>542</u>	-	<u>542</u>	<u>(185)</u>	-	<u>357</u>
2020						
Derivatives	<u>44,693</u>	-	<u>44,693</u>	<u>(287)</u>	-	<u>44,406</u>
Total	<u>44,693</u>	-	<u>44,693</u>	<u>(287)</u>	-	<u>44,406</u>
Financial liabilities						
As at 30 June	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts subject to enforceable netting arrangements	Cash collateral	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
Margin accounts	(27)	-	(27)	-	-	(27)
Derivatives	<u>(14,678)</u>	-	<u>(14,678)</u>	<u>185</u>	-	<u>(14,493)</u>
Total	<u>(14,705)</u>	-	<u>(14,705)</u>	<u>185</u>	-	<u>(14,520)</u>
2020						
Derivatives	<u>(38,477)</u>	-	<u>(38,477)</u>	<u>287</u>	-	<u>(38,190)</u>
Total	<u>(38,477)</u>	-	<u>(38,477)</u>	<u>287</u>	-	<u>(38,190)</u>

(i) *Enforceable netting arrangement – not currently enforceable*

Most agreements with derivative counterparties are based on the International Swaps and Derivatives Association (“ISDA”) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet and have been presented separately in the above table.

5 Fair value measurement

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

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

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

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

For the majority of financial assets, information provided by independent pricing services is relied upon for valuation. Fair value inputs utilise the last traded prices for financial assets.

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.

(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.

Equity securities are classified as level 3 when there are inputs other than quoted prices that contain significant unobservable inputs for the asset.

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.

(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	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Equity securities	1,729,248	-	-	1,729,248
Unlisted unit trusts	-	52,248	-	52,248
Derivatives	-	515	-	515
Total	1,729,248	52,763	-	1,782,011
Financial liabilities				
Financial liabilities held at fair value through profit or loss:				
Derivatives	-	(14,678)	-	(14,678)
Total	-	(14,678)	-	(14,678)

5 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	1,269,872	-	71	1,269,943
Unlisted unit trusts	-	46,035	-	46,035
Derivatives	-	44,693	-	44,693
Total	<u>1,269,872</u>	<u>90,728</u>	<u>71</u>	<u>1,360,671</u>
Financial liabilities				
Financial liabilities held at fair value through profit or loss:				
Derivatives	-	(38,477)	-	(38,477)
Total	<u>-</u>	<u>(38,477)</u>	<u>-</u>	<u>(38,477)</u>

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

(ii) Transfers between levels

There were no transfers between levels as at 30 June 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.

(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	Equity securities \$'000
Opening balance	71
Purchases	-
Sales	-
Gains/(losses) recognised in the statement of comprehensive income	<u>(71)</u>
Closing balance	<u>-</u>
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	<u>465</u>

5 Fair value measurement (continued)

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

	Equity securities \$'000
30 June 2020	
Opening balance	221
Purchases	536
Sales	(536)
Gains/(losses) recognised in the statement of comprehensive income	<u>(150)</u>
Closing balance	<u>71</u>
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	<u>(150)</u>

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. 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.

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

30 June 2021: Nil

Security type	Fair value as at 30 June 2020 \$'000	Valuation approach	Key unobservable inputs	Range of estimates (weighted average) for unobservable input
Equity securities	71	Independent third party vendor pricing services	The security had a stale price and therefore it had significant unobservable inputs into the fair value for this investment. 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.

6 Remuneration of auditors

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	25,123	23,622
Other services*	<u>1,898</u>	<u>1,356</u>
Total remuneration for audit and other assurance services	<u>27,021</u>	<u>24,978</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 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	358	252	239	230
Applications	7	87	5	77
Redemptions	(18)	(31)	(15)	(28)
Units issued upon reinvestment of distributions	4	50	3	43
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>49</u>	<u>(83)</u>
Closing balance	<u>351</u>	<u>358</u>	<u>281</u>	<u>239</u>
Wholesale class				
Opening balance	2,153,890	2,248,088	1,361,934	1,940,245
Applications	117,098	169,140	80,270	135,620
Redemptions	(130,303)	(882,173)	(88,197)	(698,071)
Units issued upon reinvestment of distributions	47,656	618,835	31,909	508,166
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>277,838</u>	<u>(524,026)</u>
Closing balance	<u>2,188,341</u>	<u>2,153,890</u>	<u>1,663,754</u>	<u>1,361,934</u>
Total net assets attributable to unitholders			<u>1,664,035</u>	<u>1,362,173</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are 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.

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 *	-	0.0500	-	-
- 9 December	-	-	33	12.5792
- 31 December *	-	0.2000	-	-
- 31 March	1	0.1900	-	-
Distribution payable				
- 30 June	<u>21</u>	<u>5.9022</u>	<u>2</u>	<u>0.4971</u>
	<u>22</u>	<u>6.3422</u>	<u>35</u>	<u>13.0763</u>

*Distribution paid was less than \$500

Wholesale class

Distributions paid				
- 30 September	3,455	0.1600	245	0.0100
- 9 December	-	-	303,258	12.3501
- 31 December	8,008	0.3700	-	-
- 31 March	6,346	0.2900	-	-
Distribution payable				
- 30 June	<u>126,224</u>	<u>5.7680</u>	<u>14,802</u>	<u>0.6872</u>
	<u>144,033</u>	<u>6.5880</u>	<u>318,305</u>	<u>13.0473</u>
Total distributions	<u>144,055</u>		<u>318,340</u>	

9 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	8,779	45,105
Foreign currency holdings	<u>933</u>	<u>1,497</u>
Total cash and cash equivalents	<u>9,712</u>	<u>46,602</u>

10 Financial assets held at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	Fair value \$'000	Fair value \$'000
Financial assets held at fair value through profit or loss		
Equity securities	1,729,248	1,269,943
Unlisted unit trusts	52,248	46,035
Derivatives (note 12)	<u>515</u>	<u>44,693</u>
Total financial assets held at fair value through profit or loss	<u>1,782,011</u>	<u>1,360,671</u>
Comprising:		
Equity securities		
Australian equity securities listed on a prescribed stock exchange	68,983	57,627
International equity securities listed on a prescribed stock exchange	<u>1,660,265</u>	<u>1,212,316</u>
Total equity securities	<u>1,729,248</u>	<u>1,269,943</u>
Unlisted unit trusts		
Units in international property trusts	<u>52,248</u>	<u>46,035</u>
Total unlisted unit trusts	<u>52,248</u>	<u>46,035</u>
Derivatives		
Forward currency contracts	<u>515</u>	<u>44,693</u>
Total derivatives	<u>515</u>	<u>44,693</u>
Total financial assets held at fair value through profit or loss	<u>1,782,011</u>	<u>1,360,671</u>

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

11 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	Fair value \$'000	Fair value \$'000
Financial liabilities held at fair value through profit or loss		
Derivatives (note 12)	<u>14,678</u>	<u>38,477</u>
Total financial liabilities held at fair value through profit or loss	<u>14,678</u>	<u>38,477</u>
Derivatives		
Forward currency contracts	<u>14,678</u>	<u>38,477</u>
Total derivatives	<u>14,678</u>	<u>38,477</u>
Total financial liabilities held at fair value through profit or loss	<u>14,678</u>	<u>38,477</u>

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

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.

Derivative transactions include many different instruments such as forward currency contracts. 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 of the 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) 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 \$'000	Contract/ notional \$'000
Buy		
Forward currency contracts	28,949	480,490
Sell		
Forward currency contracts	1,695,020	1,695,477

Risk exposures and fair value measurements

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

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

(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 1 December 2020, the Responsible Entity received a management fee of 1.97% per annum. This fee was decreased to 1.42% per annum from 1 December 2020 (2020: 1.97%), and
- (ii) Wholesale class: For the period 1 July 2020 to 1 November 2020, the Responsible Entity received a management fee of 0.85% per annum. This fee was decreased to 0.75% per annum from 1 November 2020 (2020: 0.85%).

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 #	11,527	13,667
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	1,074	1,012

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

13 Related party transactions (continued)

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

Where the Fund invests into other funds, the Responsible Entity's fees are 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 fees charged directly to the Fund.

(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 000's Units	Number of units held closing 000's Units	Interest held %	Number of units acquired 000's Units	Number of units disposed 000's Units	Distributions paid/payable by the Fund \$'000
Parent - BT Multi-manager Accumulator Fund	1,042,839	1,113,962	50.90	71,123	-	73,229

30 June 2020

Unitholder	Number of units held opening 000's Units	Number of units held closing 000's Units	Interest held %	Number of units acquired 000's Units	Number of units disposed 000's Units	Distributions paid/payable by the Fund \$'000
Parent - BT Multi-manager Accumulator Fund	1,040,221	1,042,839	48.41	361,488	(358,870)	153,547

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 International Property Securities Fund 1	52,248	85.04	4,512	17	(2,309)

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 Global Property Fund	-	-	166,635	35,266	(730,027)
Managed Portfolio Series International Property Securities Fund 1	<u>46,035</u>	92.22	<u>20</u>	1,817	-
Total	<u>46,035</u>		<u>166,655</u>		

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 International Property Securities Fund 1	4,512	15

(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 \$'000	30 June 2020 \$'000	30 June 2021 %	30 June 2020 %
Managed Portfolio Series International Property Securities Fund 1	Australia	<u>56,762</u>	<u>46,035</u>	85.04	92.22
Total		<u>56,762</u>	<u>46,035</u>		

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* 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 note 10.

During the year ended 30 June 2021 total income distributions from investments in structured entities were \$4,512,000 (2020: \$166,655,000).

During the year ended 30 June 2021 total net gain earned on investments in structured entities were \$8,699,000 (2020: loss \$134,793,000).

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	30 June
	2021	2020
	\$'000	\$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	421,942	(205,769)
Proceeds from sale of financial instruments held at fair value through profit or loss	988,310	1,942,766
Purchase of financial instruments held at fair value through profit or loss	(1,045,056)	(2,099,900)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(387,802)	397,678
Income reinvested	(1,270)	(29,627)
Net change in accrued income and receivables	(4,769)	36,242
Net change in payables	<u>61</u>	<u>(875)</u>
Net cash inflow/(outflow) from operating activities	<u>(28,584)</u>	<u>40,515</u>
(b) Non-cash transactions		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	31,912	508,209
Applications received as non-cash contributions	46,006	-
Redemptions settled as non-cash withdrawals	(46,006)	(540,393)
Sales received as non-cash proceeds	-	1,209,403
Purchases settled as non-cash purchases	<u>-</u>	<u>(666,841)</u>

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 31 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

22 September 2021



Independent auditor's report

To the unitholders of Advance Property Securities Multi-Blend Fund

Our opinion

In our opinion:

The accompanying financial report of Advance Property Securities 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 significant accounting policies and other explanatory information
- the directors declaration.

Basis for opinion

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

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

Independence

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

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.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

The PricewaterhouseCoopers logo is a stylized, handwritten-style signature of the firm's name.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Andrew Wilson'.

Andrew Wilson
Partner

Sydney
22 September 2021