

Talaria Global Equity Fund

ARSN 132 393 705

Annual report for the year ended 30 June 2021

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the Responsible Entity of Talaria Global Equity Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the year ended 30 June 2021.

Directors

The following persons were directors of the Responsible Entity during the whole of the year and up to the date of this report (unless otherwise stated):

Rohan Mead, Chairman and Group Managing Director
 Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
 Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer (appointed 17 July 2020)

Principal activities

The Scheme aims to generate returns comprising capital growth, option premiums, dividends and interest earned on cash. The Scheme gains exposure to international equities primarily through the purchase of shares using derivatives. Its investment strategy aims to produce investment returns through a combination of capital appreciation and income generation.

The Scheme's assets are managed by Talaria Asset Management Pty Ltd.

Review and results of operations

For the year ended 30 June 2021, the Scheme's:

- Foundation units posted a total return of 17.76% (split between a distribution return of 7.99% and a growth return of 9.77%.)*
- Wholesale units posted a total return 17.35% (split between a distribution return of 7.49% and a growth return of 9.86%.)*

Unit prices (ex distribution) as at 30 June 2021 (2020) are as follows:

Foundation units \$0.9836 (\$0.8962)*

Wholesale units \$0.9149 (\$0.8329)*

* The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy and are not based on the net assets of these IFRS compliant financial statements. Return calculations assume reinvestment of distributions.

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

	2021 \$'000	2020 \$'000
Profit/(loss) before finance costs attributable to unitholders	<u>64,382</u>	<u>(10,750)</u>
<i>Distributions</i>		
Distributions paid and payable	<u>26,966</u>	<u>32,310</u>

The World Health Organisation (WHO) declared COVID-19 a pandemic in March 2020. The pandemic, as well as the measures to slow the spread of the virus, has had an unforeseen impact on global capital markets and slowed economic activity in 2020. However, the outlook for 2022 is more positive with the global economy recovering strongly as a result of central banks around the world cutting interest rates to record lows, unprecedented government support measures, vaccination efforts underway and the reopening of economies.

The Responsible Entity and Investment Manager will continue to actively manage the financial risks to which the Scheme is exposed. The directors will continue to monitor the situation as appropriate.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of the affairs of the Scheme that occurred during the year, except those mentioned elsewhere in the report.

Events occurring after end of the year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the operations of the Scheme, the results of operations, or the state of the Scheme's affairs in future reporting periods, except those mentioned elsewhere in the report.

Directors' report (continued)

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in Note 14 to the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in Note 14 to the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the year are disclosed in Note 5 to the financial statements.

The value of the Scheme's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The Scheme operations are not subject to environmental regulations under Australian law.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

Directors' report (continued)

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.



Rohan Mead
Director



Esther Kerr-Smith
Director

28 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Talaria Global Equity 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 blue ink, appearing to read 'G. Sagonas', is written over a faint, light blue grid background.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
28 September 2021

Talaria Global Equity Fund
Statement of comprehensive income
For the year ended 30 June 2021

Statement of comprehensive income

	Notes	2021 \$'000	2020 \$'000
Investment income			
Interest income from financial assets at amortised cost		5	633
Dividend income		4,973	3,256
Distribution income		759	839
Net foreign exchange loss		(9,599)	(4,973)
Net gains/(losses) on financial instruments at fair value through profit or loss	3	<u>74,748</u>	<u>(3,738)</u>
Total investment income/(loss)		<u>70,886</u>	<u>(3,983)</u>
Expenses			
Responsible Entity's fees	14	4,680	4,515
Performance management fees	14	244	661
Interest expense		619	512
Transaction costs		<u>961</u>	<u>1,079</u>
Total expenses		<u>6,504</u>	<u>6,767</u>
Profit/(loss) before finance costs attributable to unitholders		<u>64,382</u>	<u>(10,750)</u>
Finance costs attributable to unitholders			
Distributions to unitholders	6	(26,966)	(32,310)
(Increase)/decrease in net assets attributable to unitholders	5	<u>(37,416)</u>	<u>43,060</u>
Total comprehensive income attributable to unitholders		<u>-</u>	<u>-</u>

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

Statement of financial position

	Notes	2021 \$'000	2020 \$'000
Assets			
Cash and cash equivalents	7	238,816	258,637
Receivables	12	2,146	1,482
Financial assets at fair value through profit or loss	8	<u>221,415</u>	<u>127,288</u>
Total assets		<u>462,377</u>	<u>387,407</u>
Liabilities			
Distributions payable	6	10,330	16,069
Payables	13	1,193	1,289
Financial liabilities at fair value through profit or loss	9	<u>4,550</u>	<u>5,388</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>16,073</u>	<u>22,746</u>
Net assets attributable to unitholders - liability	5	<u>446,304</u>	<u>364,661</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Talaria Global Equity Fund
Statement of changes in net assets attributable to unitholders - liability
For the year ended 30 June 2021

Statement of changes in net assets attributable to unitholders - liability

	2021 \$'000	2020 \$'000
Balance at the beginning of the year	364,661	345,057
Profit/(loss) before finance costs attributable to unitholders	64,382	(10,750)
Distributions to unitholders	(26,966)	(32,310)
Applications	121,221	142,957
Redemptions	(90,543)	(93,289)
Units issued upon re-investment of distributions	13,549	12,996
	<hr/>	<hr/>
Balance at the end of the year	446,304	364,661

The above statement of changes in net assets attributable to unitholders - liability should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	2021 \$'000	2020 \$'000
<i>Cash flows from operating activities</i>			
Proceeds from sale of financial instruments at fair value through profit or loss		74,077	262,358
Payments for purchase of financial instruments at fair value through profit or loss		(94,294)	(205,394)
Interest received from financial assets at amortised cost		(42)	721
Dividends received		4,487	3,745
Distributions received		815	769
Interest expense paid		(619)	(512)
GST received		269	334
Responsible Entity's fees paid		(4,897)	(4,805)
Performance management fees paid		(154)	(799)
Transaction costs paid		<u>(961)</u>	<u>(1,079)</u>
Net cash (outflow)/inflow from operating activities	15	<u>(21,319)</u>	<u>55,338</u>
 <i>Cash flows from financing activities</i>			
Proceeds from applications by unitholders		121,053	142,754
Payments for redemptions by unitholders		(90,800)	(92,897)
Distributions paid to unitholders		<u>(19,156)</u>	<u>(15,823)</u>
Net cash inflow from financing activities		<u>11,097</u>	<u>34,034</u>
 Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		258,637	174,238
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>(9,599)</u>	<u>(4,973)</u>
Cash and cash equivalents at the end of the year		<u>238,816</u>	<u>258,637</u>

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

Notes to the financial statements

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1 General information

These financial statements cover Talaria Global Equity Fund ("the Scheme") as an individual entity. The Scheme was constituted on 1 January 2005 and will terminate on the 80th anniversary or earlier in accordance with the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the financial year 1 July 2020 to 30 June 2021.

The financial statements were authorised for issue by the directors of the Responsible Entity on 28 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. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The Scheme is a for-profit entity for the purposes of preparing financial statements.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Scheme manages financial assets 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 of that amount cannot be determined as at balance date.

(i) Compliance with Australian Accounting Standards and International Financial Reporting Standards

The financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

These financial statements are presented in the local currency being Australian dollars.

(ii) New accounting standards and amendments adopted by the Scheme

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 prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2021 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- *Financial assets*

The Scheme classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Scheme's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- *Financial liabilities*

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost. This category includes short term payables.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gains or losses arising from derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

At initial recognition, the Scheme measures its investments, which are classified as financial assets and liabilities at fair value through profit or loss, at its fair value. Transaction costs of 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 financial 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' category are presented in the statement of comprehensive income in the period in which they arise.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in 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.

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equities to listed unit trusts, where applicable.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of an option contract is determined by applying the most appropriate option valuation model.

The Scheme's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments, ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives, where applicable.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when, there is currently 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.

As at the end of the year, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Scheme. This amount represents the expected cash flows on redemption of these units.

The Scheme does not satisfy the equity criteria under AASB 132 *Financial Instruments: Presentation*.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

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

(e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

Dividend income is recognised on the ex-dividend date.

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

2 Summary of significant accounting policies (continued)

(e) Investment income (continued)

Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the year and the fair value at the previous valuation point. Net gains/(losses) do not include interest, dividend or distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

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

(g) Income tax

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

The Scheme currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded net of withholding taxes in the statement of comprehensive income.

(h) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for 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.

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

Income not distributed is included in net assets attributable to unitholders. Where the Scheme's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in profit or loss as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Scheme'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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's 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.

The Scheme does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established (ex-date). Interest is accrued at the end of each year from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables. Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables 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 Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

2 Summary of significant accounting policies (continued)

(l) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

Trades are recorded on trade date and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

The distribution amount payable to unitholders at the end of each year is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(m) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Scheme's Constitution by reference to the net assets of the Scheme divided by the number of units on issue.

(n) Goods and services tax (GST)

Expenses of various services provided to the Scheme by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the related expense or cost item. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of judgement and estimates

The preparation of the Scheme's financial statements requires it to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Scheme's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

(p) Structured entities

The Scheme has assessed whether the funds in which it invests should be classified as structured entities. The Scheme has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Scheme has also considered whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Scheme has concluded that the funds in which it invests in are not structured entities.

2 Summary of significant accounting policies (continued)

(q) Rounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

3 Net gains/(losses) on financial instruments at fair value through profit or loss

	2021 \$'000	2020 \$'000
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	41,473	(34,811)
Net realised gain on financial assets at fair value through profit or loss	<u>33,275</u>	<u>31,073</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>74,748</u>	<u>(3,738)</u>

4 Auditor's remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

During the year the following fees were paid or payable for services provided by the auditor of the Scheme:

	2021 \$	2020 \$
Audit services - PwC		
Audit and review of financial statements	14,000	14,000
Audit of compliance plan	<u>3,157</u>	<u>2,930</u>
Total auditor's remuneration	<u>17,157</u>	<u>16,930</u>

5 Net assets attributable to unitholders - liability

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right in the underlying assets of the Scheme. There are two classes of unitholders in the Scheme being Foundation and Wholesale.

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

	2021 No. '000	2020 No. '000	2021 \$'000	2020 \$'000
Opening balance	435,088	368,091	364,661	345,057
Foundation Class				
Applications	471	2,156	431	2,227
Redemptions	(2,668)	(2,148)	(2,499)	(2,089)
Units issued upon re-investment of distributions	<u>1,777</u>	<u>1,132</u>	<u>1,609</u>	<u>1,124</u>
	<u>(420)</u>	<u>1,140</u>	<u>(459)</u>	<u>1,262</u>
Wholesale Class				
Applications	138,087	152,842	120,790	140,730
Redemptions	(101,966)	(99,828)	(88,044)	(91,200)
Units issued upon re-investment of distributions	<u>14,216</u>	<u>12,843</u>	<u>11,940</u>	<u>11,872</u>
	<u>50,337</u>	<u>65,857</u>	<u>44,686</u>	<u>61,402</u>
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>37,416</u>	<u>(43,060)</u>
Closing Balance	<u>485,005</u>	<u>435,088</u>	<u>446,304</u>	<u>364,661</u>

5 Net assets attributable to unitholders (continued)

Capital risk management

The Scheme considers its net assets attributable to unitholders - liability as capital, notwithstanding that net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Distributions to unitholders

The distributions for the year were as follows:

	2021 \$'000	2021 CPU	2020 \$'000	2020 CPU
Distributions - Foundation Class				
30 September	505	1.6421	180	0.6081
31 December	491	1.5916	307	1.0177
31 March	488	1.5906	464	1.5373
30 June (payable)	<u>531</u>	<u>1.7752</u>	<u>1,299</u>	<u>4.2809</u>
	<u>2,015</u>		<u>2,250</u>	
Distributions - Wholesale Class				
30 September	5,116	1.2500	4,394	1.2000
31 December	4,927	1.2000	4,430	1.2000
31 March	5,109	1.2000	6,466	1.7000
30 June (payable)	<u>9,799</u>	<u>2.1532</u>	<u>14,770</u>	<u>3.6492</u>
	<u>24,951</u>		<u>30,060</u>	
Total distributions	<u>26,966</u>		<u>32,310</u>	

7 Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank	82,162	126,179
Deposits held with brokers	<u>156,654</u>	<u>132,458</u>
Total cash and cash equivalents	<u>238,816</u>	<u>258,637</u>

8 Financial assets at fair value through profit or loss

	2021 \$'000	2020 \$'000
Listed equities	202,473	114,086
Listed unit trusts	<u>18,942</u>	<u>13,202</u>
Total financial assets at fair value through profit or loss	<u>221,415</u>	<u>127,288</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 11.

9 Financial liabilities at fair value through profit or loss

	2021	2020
	\$'000	\$'000
Derivatives	4,550	5,388
Total financial liabilities at fair value through profit or loss	4,550	5,388

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in Note 11.

10 Derivative financial instruments

In the normal course of business the Scheme may enter into transactions in various derivative financial instruments with certain risks. 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 or credit index or other variable.

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 forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme'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 Scheme 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 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 would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

The Scheme holds the following derivative instruments:

(a) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Scheme are exchange traded. The Scheme is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Scheme's derivative financial instruments at year end are detailed below:

	Notional	Assets	Liabilities
	\$'000	\$'000	\$'000
2021			
Options	48,519	-	4,550
		-	4,550
2020			
Options	44,622	-	5,388
		-	5,388

11 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities may 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 Scheme's overall risk management program focuses on ensuring compliance with the Scheme's disclosure documents and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity ("the Board").

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

As part of its risk management strategy, the Scheme may use derivatives and other investments, including bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in the Scheme.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

Due to the nature of the pandemic and the increase in market volatility, future outcomes are uncertain and it is difficult to predict the overall impact on the Scheme. The Responsible Entity and Investment Manager will continue to actively manage the financial risks to which the Scheme is exposed.

The overall market exposures at year end were as follows:

	2021	2020
	\$'000	\$'000
Derivatives liabilities	(4,550)	(5,388)
Securities at fair value through profit or loss	221,415	127,288

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's Investment Manager. This information and the compliance with the Scheme's disclosure documents are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

If the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

	Impact on net assets attributable to unitholders	
	2021	2020
	\$'000	\$'000
Securities prices 2021: +13.6% (2020: +25.0%)	29,494	30,475
Securities prices 2021: -13.6% (2020: -25.0%)	(29,494)	(30,475)

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2021 and 2020.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's currency position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

The foreign exchange risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Scheme where the Scheme has significant investments in indirect trusts which also have exposure to the currency markets.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Scheme, the Investment Manager factors that into its portfolio allocation decisions. While the Scheme has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Scheme invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in foreign exchange rates.

The table below summarises the Scheme's assets and liabilities which are denominated in non-Australian currencies:

2021	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other* A\$'000
Assets					
Cash and cash equivalents	117,578	31,793	20,044	18,285	24,187
Receivables	146	101	165	258	22
Financial assets at fair value through profit or loss					
Listed equities	93,191	47,967	26,282	9,931	25,103
Listed unit trusts	8,409	-	-	10,533	-
Total assets	<u>219,324</u>	<u>79,861</u>	<u>46,491</u>	<u>39,007</u>	<u>49,312</u>
Liabilities					
Financial liabilities at fair value through profit or loss					
Options	1,295	998	1,160	225	872
Total liabilities	<u>1,295</u>	<u>998</u>	<u>1,160</u>	<u>225</u>	<u>872</u>
Net assets attributable to unitholders	<u>218,029</u>	<u>78,863</u>	<u>45,331</u>	<u>38,782</u>	<u>48,440</u>

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

	USD A\$'000	EUR A\$'000	GBP A\$'000	JPY A\$'000	Other* A\$'000
2020					
Assets					
Cash and cash equivalents	99,440	45,044	31,588	13,388	40,485
Receivables	247	-	-	170	-
Financial assets at fair value through profit or loss					
Listed equities	50,746	14,952	14,804	26,954	6,630
Listed unit trusts	4,788	-	8,414	-	-
Total assets	<u>155,221</u>	<u>59,996</u>	<u>54,806</u>	<u>40,512</u>	<u>47,115</u>
Liabilities					
Financial liabilities at fair value through profit or loss					
Options	3,241	700	680	21	746
Total liabilities	<u>3,241</u>	<u>700</u>	<u>680</u>	<u>21</u>	<u>746</u>
Net assets attributable to unitholders	<u>151,980</u>	<u>59,296</u>	<u>54,126</u>	<u>40,491</u>	<u>46,369</u>

* Other represents the Scheme's assets and liabilities denominated in multiple currencies which individually are of lesser significance.

Had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Scheme is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		AUD Strengthened	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
AUD/USD 2021: 10.8% (2020: 25.0%)	23,547	37,995	(23,547)	(37,995)
AUD/EUR 2021: 10.8% (2020: 25.0%)	8,517	14,824	(8,517)	(14,824)
AUD/GBP 2021: 10.8% (2020: 25.0%)	4,896	13,532	(4,896)	(13,532)
AUD/JPY 2021: 10.8% (2020: 25.0%)	4,188	10,123	(4,188)	(10,123)
AUD/Other 2021: 10.8% (2020: 25.0%)	5,232	11,592	(5,232)	(11,592)

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table. The analysis is performed on the same basis for 2021 and 2020.

(iii) Interest rate risk

There was no significant direct interest rate risk in the Scheme as at 30 June 2021 (2020: Nil).

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the year.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

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

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

11 Financial risk management (continued)

(c) Credit risk (continued)

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's credit position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

The Scheme has disclosed the most significant counterparties by concentration of risk. "Other" represents multiple counterparties by concentration of risk which individually are of lesser significance.

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2021 and 30 June 2020:

	2021 \$'000	2020 \$'000
Financials	65,572	43,146
Health Care	56,703	18,951
Consumer Staples	29,821	13,255
Real Estate	18,942	13,202
Energy	18,804	-
Materials	11,562	5,142
Consumer Discretionary	10,080	17,689
Other	9,931	15,903
Total	221,415	127,288

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the year.

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as key management personnel, compliance committees and ultimately the Board.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

Maturity analysis for financial liabilities

The table below summarises the maturity profile of the Scheme's financial liabilities, redeemable units and derivative financial instruments on the remaining period at the end of the year to the contractual maturity date.

The Scheme's non-derivative financial liabilities in the table are the contractual undiscounted cash flows and the Scheme's derivative financial instruments in the table are net fair values, based on the amounts at which an orderly settlement of the transactions would take place between market participants at the reporting date.

2021	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
Financial liabilities:				
Distributions payable	10,330	-	-	-
Payables	1,193	-	-	-
Net assets attributable to unit holders	<u>446,304</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>457,827</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net settled derivatives				
Options	<u>(874)</u>	<u>(3,676)</u>	<u>-</u>	<u>-</u>
Total net settled derivatives inflow (outflow)	<u>(874)</u>	<u>(3,676)</u>	<u>-</u>	<u>-</u>
2020	Under 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Over 12 months \$'000
Financial liabilities:				
Distributions payable	16,069	-	-	-
Payables	1,289	-	-	-
Net assets attributable to unitholders	<u>364,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>382,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net settled derivatives				
Options	<u>(1,505)</u>	<u>(3,883)</u>	<u>-</u>	<u>-</u>
Total net settled derivatives inflow (outflow)	<u>(1,505)</u>	<u>(3,883)</u>	<u>-</u>	<u>-</u>

As disclosed above, the Investment Manager manages the Scheme's liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within seven days or less. Liquid assets include cash and cash equivalents, listed unit trusts and listed equities. As at 30 June 2021, these assets amounted to \$460,231,085 (2020: \$385,924,474).

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the year approximated their fair values.

The Scheme values its investments in accordance with the accounting policies set out in Note 2.

For the years ended 30 June 2021 and 30 June 2020, the Scheme did not include financial assets that were determined using valuation techniques. The fair values of the Scheme's financial assets for the years then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

(g) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Listed equities	202,473	-	-	202,473
Listed unit trusts	<u>18,942</u>	<u>-</u>	<u>-</u>	<u>18,942</u>
Total financial assets	<u>221,415</u>	<u>-</u>	<u>-</u>	<u>221,415</u>
Financial liabilities				
Options	<u>(4,550)</u>	<u>-</u>	<u>-</u>	<u>(4,550)</u>
Total financial liabilities	<u>(4,550)</u>	<u>-</u>	<u>-</u>	<u>(4,550)</u>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2020				
Financial assets				
Listed equities	114,086	-	-	114,086
Listed unit trusts	<u>13,202</u>	<u>-</u>	<u>-</u>	<u>13,202</u>
Total financial assets	<u>127,288</u>	<u>-</u>	<u>-</u>	<u>127,288</u>
Financial liabilities				
Options	<u>(5,388)</u>	<u>-</u>	<u>-</u>	<u>(5,388)</u>
Total financial liabilities	<u>(5,388)</u>	<u>-</u>	<u>-</u>	<u>(5,388)</u>

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment grade corporate bonds and over the counter derivatives.

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the year (30 June 2020: Nil).

12 Receivables

	2021 \$'000	2020 \$'000
Dividends receivable	533	248
Distributions receivable	112	168
Interest receivable from financial assets at amortised cost	47	-
GST receivable	78	57
Applications receivable	533	365
Withholding tax reclaims receivable	<u>843</u>	<u>644</u>
Total receivables	<u>2,146</u>	<u>1,482</u>

13 Payables

	2021	2020
	\$'000	\$'000
Responsible Entity's fees payable	460	387
Performance fees payable	90	-
Withholding tax payable	-	2
Redemptions payable	643	900
Total payables	1,193	1,289

14 Related party transactions

Responsible Entity

The Responsible Entity of Talaria Global Equity Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

Key management personnel include persons who were directors of Australian Unity Funds Management Limited at any time during the year as follows:

Rohan Mead, Chairman and Group Managing Director
Esther Kerr-Smith, Chief Executive Officer, Wealth & Capital Markets
Darren Mann, Group Executive Finance & Strategy and Chief Financial Officer (appointed 17 July 2020)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

Other transactions within the Scheme

From time to time directors of Australian Unity Funds Management Limited, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

Responsible Entity's fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive Responsible Entity's fees, calculated by reference to the average daily gross assets (excluding net assets attributable to unitholders) of the Scheme.

Administration expenses incurred in the day to day running of the Scheme are reimbursed in accordance with the Scheme's Constitution.

The Responsible Entity may charge a Performance management fee. The Performance management fee is only paid where the Responsible Entity meets certain performance objectives.

The Investment Management fee paid to Talaria Asset Management Pty Ltd is borne by the Responsible Entity.

The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	2021	2020
	\$	\$
Responsible Entity's fees for the year paid by the Scheme to the Responsible Entity	4,241,273	4,092,009
Administration expenses (audit fees inclusive) incurred by the Responsible Entity which are reimbursed in accordance with the Scheme's Constitution	438,305	422,880
Performance management fees for the year paid by the Scheme to the Responsible Entity	244,364	661,383
Aggregate amounts payable to the Responsible Entity at the end of the year	550,801	386,734

14 Related party transactions (continued)

Related party scheme's unitholdings

Parties related to the Scheme (including Australian Unity Funds Management Limited, its related parties and other schemes managed by Australian Unity Funds Management Limited) held units in the Scheme as follows:

2021 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Talaria Global Equity Fund - Hedged	43,741,428	49,832,282	46,573,251	10.23	15,581,160	(9,490,306)	2,644,460
Other Related Parties**	<u>18,144,944</u>	<u>14,159,514</u>	<u>13,236,595</u>	<u>2.91</u>	<u>3,578,969</u>	<u>(7,564,399)</u>	<u>923,696</u>
	<u>61,886,372</u>	<u>63,991,796</u>	<u>59,809,846</u>	<u>13.14</u>	<u>19,160,129</u>	<u>(17,054,705)</u>	<u>3,568,156</u>
2020 Unitholder	No. of units held opening	No. of units held closing	Fair value of investment \$*	Interest held %	No. of units acquired	No. of units disposed	Distributions paid/payable \$
Talaria Global Equity Fund - Hedged	24,873,973	43,741,428	37,950,063	10.00	25,306,656	(6,439,201)	2,862,749
Other Related Parties**	<u>17,421,751</u>	<u>18,144,944</u>	<u>15,745,892</u>	<u>4.15</u>	<u>7,067,362</u>	<u>(6,344,169)</u>	<u>1,313,321</u>
	<u>42,295,724</u>	<u>61,886,372</u>	<u>53,695,955</u>	<u>14.15</u>	<u>32,374,018</u>	<u>(12,783,370)</u>	<u>4,176,070</u>

* Fair value of investment includes accrued distribution at the end of the year.

** Other related parties consists of investors with holdings of less than 5%.

Investments

The Scheme did not hold any investments in Australian Unity Funds Management Limited or its related parties during the year (2020: Nil).

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

	2021 \$'000	2020 \$'000
Increase/(decrease) in net assets attributable to unitholders	37,416	(43,060)
Distributions to unitholders	26,966	32,310
Proceeds from sale of financial instruments at fair value through profit or loss	74,077	262,358
Payments for purchase of financial instruments at fair value through profit or loss	(94,294)	(205,394)
Net (gains)/losses on financial instruments at fair value through profit or loss	(74,748)	3,738
Net foreign exchange loss	9,599	4,973
Net change in receivables	(496)	497
Net change in payables	161	(84)
Net cash (outflow)/inflow from operating activities	<u>(21,319)</u>	<u>55,338</u>

16 Events occurring after end of year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Scheme for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 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 26 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) The financial statements are in accordance with the Scheme's Constitution.
- (d) Note 2(a) confirms that the financial statements also 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.



Rohan Mead
Director



Esther Kerr-Smith
Director

28 September 2021



Independent auditor's report

To the unitholders of Talaria Global Equity Fund

Our opinion

In our opinion:

The accompanying financial report of Talaria Global Equity Fund (“the Scheme”) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Scheme'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 statement of financial position as at 30 June 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to unitholders – liability 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 Scheme 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 Australian Unity Funds Management Limited (“the Responsible Entity”) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 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 and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The directors of the Responsible Entity of the Scheme 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 Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'George Sagonas', is written over a light blue circular stamp.

George Sagonas
Partner

Melbourne
28 September 2021