

# **T. Rowe Price Dynamic Global Bond Fund**

ARSN 167 869 561

**Annual report**

**For the year ended 30 June 2019**

# T. Rowe Price Dynamic Global Bond Fund

ARSN 167 869 561

## Annual report

For the year ended 30 June 2019

### Contents

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of T. Rowe Price Dynamic Global Bond Fund

This annual report covers T. Rowe Price Dynamic Global Bond Fund as an individual entity.

The Responsible Entity of T. Rowe Price Dynamic Global Bond Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of T. Rowe Price Dynamic Global Bond Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2019.

### Principal activities

The Fund invests in a portfolio of fixed income securities and collective investment schemes with the same or a substantially similar investment objectives in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	T. Rowe Price Australia Limited
Custodian and Administrator	JPMorgan Chase Bank, N.A.
Statutory Auditor	PricewaterhouseCoopers

### Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	(Chairman)
Harvey H Kalman	
Ian C Westley	
Michael J O'Brien	(appointed 11 July 2018)

### Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 1.84% (net of fees) for the year ended 30 June 2019. The Fund's benchmark, the Bloomberg AusBond Bank Bill Index returned 1.97% for the same period.

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

	Year ended	
	30 June 2019	30 June 2018
Operating profit/(loss) for the year (\$'000)	<u>27,954</u>	<u>6,120</u>
<i>Distributions - Class I</i>		
Distributions paid and payable (\$'000)	<u>20,578</u>	<u>25,993</u>
Distributions (cents per unit)	<u>1.277</u>	<u>1.718</u>
<i>Distributions - Class S</i>		
Distributions paid and payable (\$'000)	<u>5</u>	<u>-</u>
Distribution (cents per unit)	<u>1.291</u>	<u>-</u>

## **Directors' report (continued)**

### **Significant changes in the state of affairs**

Michael J O'Brien was appointed as a director of Equity Trustees Limited on 11 July 2018.

The Fund issued units under the new class (Class S) subject to different rights and obligations during the year ended 30 June 2019. Accordingly, the Fund has reclassified its net assets attributable to unit holders as a liability effective 23 January 2019.

In the opinion of the directors, there were no other 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 2019 that has significantly affected, or may have a significant effect on:

- (i) the operations of the Fund in future financial years;
- (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 Product Disclosure Statement and 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.

### **Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### **Indemnification of auditor**

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 17 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 17 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position 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 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 *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 4.

The report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
23 September 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of T. Rowe Price Dynamic Global Bond Fund for the year ended 30 June 2019, 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 circular stamp.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
23 September 2019

**T. Rowe Price Dynamic Global Bond Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2019**

**Statement of comprehensive income**

	Note	Year ended	
		30 June 2019 \$'000	30 June 2018 \$'000
<b>Investment income</b>			
Interest income from financial assets at fair value through profit or loss		45,892	25,659
Interest income from financial assets at amortised cost		1,070	624
Dividend and distribution income		1,582	702
Net foreign exchange gain/(loss)		3,019	7,548
Net gains/(losses) on financial instruments at fair value through profit or loss	6	(15,063)	(23,179)
Other income		<u>30</u>	<u>1,911</u>
<b>Total investment income/(loss)</b>		<u><b>36,530</b></u>	<u><b>13,265</b></u>
<b>Expenses</b>			
Management fees	17	5,840	5,210
Custody and administration fees		520	611
Withholding taxes		847	905
Transaction costs		1,275	336
Other expenses		<u>94</u>	<u>83</u>
<b>Total expenses</b>		<u><b>8,576</b></u>	<u><b>7,145</b></u>
<b>Operating profit/(loss) for the year</b>		<u><b>27,954</b></u>	<u><b>6,120</b></u>
<b>Finance costs attributable to unit holders</b>			
Distribution to unit holders*	11	(20,583)	-
(Increase)/decrease in net assets attributable to unit holders*	10	<u>(7,371)</u>	<u>-</u>
<b>Profit/(loss) for the year</b>		-	6,120
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>-</b></u>	<u><b>6,120</b></u>

\* Net assets attributable to unit holders are reclassified from equity to liability from 23 January 2019. As a result, the Fund's distributions, if any, are now classified as finance costs in the statement of comprehensive income, rather than distributions paid and payable in the statement of changes in equity. Refer to Note 1 and Note 10 for further detail.

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

## Statement of financial position

	Note	As at	
		30 June 2019 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	12	56,748	36,878
Receivables	14	731	587
Due from brokers - receivable for securities sold		2,208	83
Financial assets at fair value through profit or loss	7	1,604,662	1,672,363
Margin accounts		<u>102,698</u>	<u>62,941</u>
<b>Total assets</b>		<u><b>1,767,047</b></u>	<u><b>1,772,852</b></u>
<b>Liabilities</b>			
Distributions payable	11	5,538	12,703
Payables	15	1,670	413
Due to brokers - payable for securities purchased		16,960	253
Financial liabilities at fair value through profit or loss	8	<u>126,039</u>	<u>135,078</u>
<b>Total liabilities (30 June 2019 - excluding net assets attributable to unitholders)</b>		<u><b>150,207</b></u>	<u><b>148,447</b></u>
<b>Net assets attributable to unit holders - liability*</b>	10	<u><b>1,616,840</b></u>	<u><b>-</b></u>
<b>Net assets attributable to unit holders - equity*</b>	10	<u><b>-</b></u>	<u><b>1,624,405</b></u>

\* Net assets attributable to unit holders are classified as a financial liability at 30 June 2019 and as equity at 30 June 2018. Refer to Note 1 for further details.

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



**T. Rowe Price Dynamic Global Bond Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2019**

**Statement of changes in equity**

	Note	Year ended	
		30 June 2019 \$'000	30 June 2018 \$'000
<b>Total equity at the beginning of the financial year</b>	10	<b>1,624,405</b>	-
Reclassification due to AMIT tax regime implementation	10	-	1,331,388
Reclassification due to criteria for equity classification under AASB 132 <i>Financial Instruments: Presentation</i> not met*	10	<b>(1,624,405)</b>	-
<b>Comprehensive income for the year</b>			
Profit/(loss) for the year		-	6,120
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>6,120</u>
<b>Transactions with unit holders</b>			
Applications	10	-	494,636
Redemptions	10	-	(190,512)
Reinvestment of distributions	10	-	8,766
Distributions paid and payable	10	<u>-</u>	<u>(25,993)</u>
<b>Total transactions with unit holders</b>		<u>-</u>	<u>286,897</u>
<b>Total equity at the end of the financial year*</b>		<u>-</u>	<u>1,624,405</u>

\*Effective from 23 January 2019, the Fund's units have been reclassified from equity to financial liability. Refer Note 1 and Note 10 for further detail.

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

**T. Rowe Price Dynamic Global Bond Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2019**

**Statement of cash flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	Note	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		5,007,167	2,229,394
Purchase of financial instruments at fair value through profit or loss		(4,948,987)	(2,550,667)
Net movement in margin accounts		(39,757)	(27,198)
Transaction costs on purchase of financial instruments at fair value through profit or loss		(1,275)	(197)
Interest income received from financial assets at fair value through profit or loss		45,892	25,659
Interest income received from financial assets at amortised cost		1,073	621
Dividend and distribution received		1,399	308
Other income received		-	1,880
Management fees paid		(4,622)	(5,958)
Custody and administration fees paid		(573)	(439)
Other expenses paid		<u>(821)</u>	<u>(1,114)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<u><b>59,496</b></u>	<u><b>(327,711)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		385,325	494,749
Payments for redemptions by unit holders		(412,270)	(190,512)
Distributions paid to unit holders		<u>(15,700)</u>	<u>(9,552)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u><b>(42,645)</b></u>	<u><b>294,685</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>16,851</b>	<b>(33,026)</b>
Cash and cash equivalents at the beginning of the year		36,878	62,356
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>3,019</u>	<u>7,548</u>
<b>Cash and cash equivalents at the end of the year</b>	12	<u><b>56,748</b></u>	<u><b>36,878</b></u>
Non-cash operating and financing activities	13(b)	<b>12,048</b>	8,766

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

## **Notes to the financial statements**

### **Contents**

- 1 General information
- 2 Summary of significant accounting policies
- 3 Financial risk management
- 4 Offsetting financial assets and financial liabilities
- 5 Fair value measurement
- 6 Net gains/(losses) on financial instruments at fair value through profit or loss
- 7 Financial assets at fair value through profit or loss
- 8 Financial liabilities at fair value through profit or loss
- 9 Derivative financial instruments
- 10 Net assets attributable to unit holders
- 11 Distribution to unit holders
- 12 Cash and cash equivalents
- 13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
- 14 Receivables
- 15 Payables
- 16 Remuneration of auditor
- 17 Related party transactions
- 18 Events occurring after the reporting period
- 19 Contingent assets and liabilities and commitments

## 1 General information

These financial statements cover T. Rowe Price Dynamic Global Fund (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 16 January 2014 and will terminate in accordance with the provisions of the Fund’s Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests primarily in a portfolio of fixed income securities in accordance with the Product Disclosure Statement and the provisions of the Fund’s Constitution.

The Fund adopted Attribution Managed Investment Trust (“AMIT”) tax regime effective 1 July 2017 and there were no contractual obligations to pay distributions. Accordingly, the units in the Funds were reclassified from a financial liability to equity on 1 July 2017. However, during year ended 30 June 2019, the Fund issued new class of units with specific contractual rights and obligations, which resulted in the units in the Fund being reclassified from equity to financial liability, see Note 10 for further information.

The financial statements were authorised for issue by the directors on the date the Directors’ declaration was signed. 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 in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity 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 statement of financial position 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 investments in financial assets and liabilities at fair value through profit or loss and net assets attributable to unit holders.

The Fund 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 reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder’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 (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Fund

The Fund had to change some of the accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting.

Classification and measurement of debt securities is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

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

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Fund has elected to restate the comparative period presented to comply with AASB 9. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

- *AASB 15 Revenue from Contracts with Customers*

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB15 does not have a material impact on the Fund's accounting policies or the amounts recognised in the financial statements.

#### *(iii) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### **(b) Financial instruments**

#### *(i) Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

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

The Fund's portfolio of financial assets is 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 these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

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

For cash and cash equivalents, margin accounts, due from brokers 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.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

- Financial liabilities

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 (due to brokers, distributions payable, management fees payable, custody and administration fees payable and other payables).

#### *(ii) Recognition and derecognition*

The Fund 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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

#### *(iii) Measurement*

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures financial assets and financial liabilities at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

- Financial instruments at amortised costs

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

#### *(iv) Impairment*

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, margin accounts, due from broker and 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 Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party 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.

#### *(v) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Fund has 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.

Financial assets and liabilities that have been offset are disclosed in Note 4.

### **(c) Net assets attributable to unit holders**

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

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

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund. As at 30 June 2018, net assets attributable to unit holders are classified as equity. Effective from 23 January 2019, the Fund's units have been reclassified from equity to financial liability.

## **2 Summary of significant accounting policies (continued)**

### **(c) Net assets attributable to unit holders (continued)**

Units were classified as equity for the year ended 30 June 2018 when they satisfied the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### **(e) Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

### **(f) Investment income**

#### *(i) Interest income*

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### *(ii) Dividends and distributions*

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 net of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

### **(g) Expenses**

All expenses are recognised in the statement of comprehensive income on an accruals basis.

As per the Fund's Product Disclosure Statement (PDS), management fees include ordinary expenses such as investment management fees, custody and administration fees, audit fees and other ordinary expenses, excluding the transactions costs. These ordinary expenses are disclosed separately in the statement of comprehensive income. The total of these ordinary expenses are capped at the rate disclosed in the PDS. If the ordinary expenses exceed the disclosed cap then the Investment Manager will cover the shortfall and reimburse this to the Fund.

## **2 Summary of significant accounting policies (continued)**

### **(h) Income tax**

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

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income as expenses.

### **(i) Distributions**

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### **(j) Increase/decrease in net asset attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### **(k) Foreign currency translation**

#### *(i) Functional and presentation currency*

Balances 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 competes for funds and is regulated. The Australian dollar is also the Fund'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 Fund does not isolate that portion of unrealised 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. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

### **(l) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

### **(m) Receivables**

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### **(n) Payables**

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### **(o) Applications and redemptions**

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



## **2 Summary of significant accounting policies (continued)**

### **(p) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55% where applicable. Hence fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(q) Use of estimates**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are 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 Fund's financial instruments, 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 of the Investment Manager.

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

For more information on how fair value is calculated refer to Note 5 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

### **(r) Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

### **(s) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **3 Financial risk management**

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, T. Rowe Price Australia Limited ("TRP" or the "Investment Manager") under an Investment Management Agreement (IMA) approved by the Responsible Entity and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

#### **(a) Market risk**

##### *(i) Price risk*

The Fund is exposed to price risk on equity securities, debt securities or unit trusts listed on recognised stock exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible change that the markets in which the Fund invests moves by +/-10% (2018: +/-10%).

The Investment Manager uses research and analysis to monitor variables that elevate price risk and to minimize the downside impact of these variables on the Fund's investments. Additionally, the Investment Manager performs regular reviews of both large security positions held across all portfolios and large market exposures for the Fund.

##### *(ii) Foreign exchange risk*

The Fund operates internationally and holds both monetary and non-monetary assets dominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Investment Manager performs regular reviews of currency exposure within the Fund. The Fund may enter into forward currency contracts designed to either hedge currency exposure from portfolio investments, or alternatively increase exposure to preferred foreign currencies. It is currently the Investment Manager's intent not to hedge currency exposure to reduce the risk of adverse fluctuations in the value of the Australian dollar relative to other currencies.

### 3 Financial risk management (continued)

**(a) Market risk (continued)**

*(ii) Foreign exchange risk (continued)*

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	Brazil Real A\$'000	Chinese Yuan A\$'000	Euro A\$'000	British Pounds A\$'000
<b>As at 30 June 2019</b>				
Cash and cash equivalents	-	3,084	588	22
Receivables	-	-	518	-
Due from brokers - receivable for securities sold	-	-	2,208	-
Financial assets at fair value through profit or loss	13,204	63,742	107,751	8,421
Due to brokers - payable for securities purchased	-	-	-	-
Financial liabilities at fair value through profit or loss	(1,070)	(578)	(34,266)	(1,111)
Margin accounts	-	-	(28,877)	1,788
<b>Net exposure</b>	<b>12,134</b>	<b>66,248</b>	<b>47,922</b>	<b>9,120</b>
Net increase/(decrease) in exposure from forward currency contracts	<u>36,579</u>	<u>(66,798)</u>	<u>(91,758)</u>	<u>(8,052)</u>
<b>Net exposure including forward currency contracts</b>	<b><u>48,713</u></b>	<b><u>(550)</u></b>	<b><u>(43,836)</u></b>	<b><u>1,068</u></b>
	Japanese Yen A\$'000	Mexican Peso A\$'000	US Dollars A\$'000	Other Currencies A\$'000
<b>As at 30 June 2019</b>				
Cash and cash equivalents	1	160	28,157	14,296
Receivables	-	-	96	-
Due from brokers - receivable for securities sold	-	-	-	-
Financial assets at fair value through profit or loss	1,641	38,244	685,031	662,922
Due to brokers - payable for securities purchased	-	-	(10,561)	(6,399)
Financial liabilities at fair value through profit or loss	(1,078)	(874)	(64,311)	(22,216)
Margin accounts	139	-	123,702	(4,669)
<b>Net exposure</b>	<b>703</b>	<b>37,530</b>	<b>762,114</b>	<b>643,934</b>
Net increase/(decrease) in exposure from forward currency contracts	<u>(10,181)</u>	<u>(37,033)</u>	<u>(945,174)</u>	<u>(557,012)</u>
<b>Net exposure including forward currency contracts</b>	<b><u>(9,478)</u></b>	<b><u>497</u></b>	<b><u>(183,060)</u></b>	<b><u>86,922</u></b>

### 3 Financial risk management (continued)

**(a) Market risk (continued)**

*(ii) Foreign exchange risk (continued)*

	Brazil Real A\$'000	Chinese Yuan A\$'000	Euro A\$'000	British Pounds A\$'000
As at 30 June 2018				
Cash and cash equivalents	-	2,484	1,659	-
Receivables	-	-	396	-
Due from brokers - receivable for securities sold	-	-	-	-
Financial assets at fair value through profit or loss	66,320	10,404	252,356	19,844
Due to brokers - payable for securities purchased	-	-	-	-
Financial liabilities at fair value through profit or loss	(98)	-	(8,880)	-
Margin accounts	-	-	<u>(12,902)</u>	<u>3,679</u>
Net exposure	<u>66,222</u>	<u>12,888</u>	<u>232,629</u>	<u>23,523</u>
Net increase/(decrease) in exposure from forward currency contracts	<u>(44,493)</u>	<u>-</u>	<u>(187,005)</u>	<u>(22,592)</u>
Net exposure	<u>21,729</u>	<u>12,888</u>	<u>45,624</u>	<u>931</u>

	Japanese Yen A\$'000	Mexican Peso A\$'000	US Dollars A\$'000	Other Currencies A\$'000
As at 30 June 2018				
Cash and cash equivalents	123	1,738	15,429	4,788
Receivables	-	-	95	(1)
Due from brokers - receivable for securities sold	-	-	83	-
Financial assets at fair value through profit or loss	31,491	50,902	492,715	719,983
Due to brokers - payable for securities purchased	-	-	(253)	-
Financial liabilities at fair value through profit or loss	-	(387)	(124,014)	(1,680)
Margin accounts	<u>128</u>	<u>-</u>	<u>80,962</u>	<u>(6,574)</u>
Net exposure	<u>31,742</u>	<u>52,253</u>	<u>465,017</u>	<u>716,516</u>
Net increase/(decrease) in exposure from forward currency contracts	<u>1,514</u>	<u>(51,920)</u>	<u>(617,410)</u>	<u>(661,246)</u>
Net exposure	<u>33,256</u>	<u>333</u>	<u>(152,393)</u>	<u>55,270</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial positions and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investments in fixed interest and money market interest securities.

Interest rate risk is managed by the Investment Manager. The Investment Manager manages interest rate risk through the active selection of sovereign bonds and may use fixed income futures, interest rate futures, interest rate swaps and options on interest rate futures/interest rate swaps to increase or decrease the total interest rate risk (also called duration) of the Fund.

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
<b>As at 30 June 2019</b>				
<b>Assets</b>				
Cash and cash equivalents	56,748	-	-	56,748
Receivables	-	-	731	731
Due from brokers - receivable for securities sold	-	-	2,208	2,208
Financial assets at fair value through profit or loss	67,206	1,436,448	101,008	1,604,662
Margin accounts	<u>102,698</u>	<u>-</u>	<u>-</u>	<u>102,698</u>
<b>Total assets</b>	<b><u>226,652</u></b>	<b><u>1,436,448</u></b>	<b><u>103,947</u></b>	<b><u>1,767,047</u></b>
<b>Liabilities</b>				
Distributions payable	-	-	5,538	5,538
Payables	-	-	1,670	1,670
Due to brokers - payable for securities purchased	-	-	16,960	16,960
Financial liabilities at fair value through profit or loss	<u>831</u>	<u>20,117</u>	<u>105,091</u>	<u>126,039</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b><u>831</u></b>	<b><u>20,117</u></b>	<b><u>129,259</u></b>	<b><u>150,207</u></b>
Net increase/(decrease) in exposure from interest rate futures, options and swaps (notional principal)	<u>4,490,560</u>	<u>141,237</u>	<u>1,616,840</u>	<u>6,248,637</u>
<b>Net exposure</b>	<b><u>4,716,381</u></b>	<b><u>1,557,568</u></b>	<b><u>1,591,528</u></b>	<b><u>7,865,477</u></b>
<b>As at 30 June 2018</b>				
<b>Assets</b>				
Cash and cash equivalents	36,878	-	-	36,878
Receivables	-	-	587	587
Due from brokers - receivable for securities sold	-	-	83	83
Financial assets at fair value through profit or loss	55,988	1,460,264	156,111	1,672,363
Margin accounts	<u>62,941</u>	<u>-</u>	<u>-</u>	<u>62,941</u>
<b>Total assets</b>	<b><u>155,807</u></b>	<b><u>1,460,264</u></b>	<b><u>156,781</u></b>	<b><u>1,772,852</u></b>
<b>Liabilities</b>				
Distributions payable	-	-	12,703	12,703
Payables	-	-	413	413
Due to brokers - payable for securities purchased	-	-	253	253
Financial liabilities at fair value through profit or loss	<u>160</u>	<u>5,985</u>	<u>128,933</u>	<u>135,078</u>
<b>Total liabilities</b>	<b><u>160</u></b>	<b><u>5,985</u></b>	<b><u>142,302</u></b>	<b><u>148,447</u></b>
Net increase/(decrease) in exposure from interest rate futures and swaps (notional principal)	<u>-</u>	<u>(458,785)</u>	<u>-</u>	<u>(458,785)</u>
<b>Net exposure</b>	<b><u>155,647</u></b>	<b><u>995,494</u></b>	<b><u>14,479</u></b>	<b><u>1,165,620</u></b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/-100 basis points (2018: +/-100 basis points) from the year end rates with all other variables held constant.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible change in the risk variables have been determined based on the management's best estimates, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates, and the historical correlation of the Fund's investments with the relevant benchmark 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 movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	+10%	-10%	+100 bps	-100 bps
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2019	8,118	(8,118)	(11,905)	11,905
As at 30 June 2018	9,888	(9,888)	(12,987)	12,987

	Impact on operating profit/net assets attributable to unit holders							
	Foreign exchange risk							
	Brazil Real		Chinese Yuan		Euro		British Pounds	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2019	3,658	(3,658)	(6,371)	6,371	(11,732)	11,732	(624)	624
As at 30 June 2018	(4,449)	4,449	248	(248)	(19,785)	19,785	(1,891)	1,891

	Japanese Yen		Mexican Peso		US Dollars		Other Currencies	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2019	(1,004)	1,004	(3,687)	3,687	(80,378)	80,378	(55,379)	55,379
As at 30 June 2018	177	(177)	(5,018)	5,018	(52,109)	52,109	(66,303)	66,303

#### (c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Investment Manager manages credit risk through the active selection of physical credit securities of different maturities and with various rating profiles. The total exposure to credit risk is also managed through the exposure to single name credit default swaps as well as derivative instruments on credit indices to increase or decrease the overall credit risk of the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to/from brokers and other receivables.

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

##### (i) Debt securities

The Fund invests into debt securities subject to its limits as set out in the Product Disclosure Statement. The overall credit risk of the debt securities held is actively monitored by the Investment Manager. The credit rating used for debt securities is based on the following order, where available: Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings. Where credit rating is not provided by any of those credit rating agencies, the security issuer's own credit rating may be used, or otherwise the security is treated as unrated. Investment into unrated debt securities is decided within the context of the overall risk of the portfolio. The Fund may require collateral or other security to support financial instruments with credit risk.

An analysis of debt by rating is set out in the table below.

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
<b>Rating</b>		
AAA+ to AA-	420,043	490,613
A+ to A-	296,630	381,784
BBB+ to CCC	539,445	600,776
Non-rated	241,696	37,336
<b>Total</b>	<u>1,497,814</u>	<u>1,510,509</u>

##### (ii) Derivative financial instruments

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Credit risk associated with favourable contracts is reduced by master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to Note 4 to the financial statements for further analysis of the Fund's master netting arrangements.

#### (d) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by investing in a diversified portfolio of liquid and illiquid securities. In particular, the Investment Manager invests in government bonds in both developed market countries, and developing market countries with adequate liquidity to ensure market standard transaction costs are attained if a portion of the investment is liquidated. The Fund also maintains a cache of funds and financial assets which can easily be converted to cash as an additional source of liquidity.

In order to manage the Fund's overall liquidity, 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 unit holders. The Fund did not reject or withhold any redemptions during 2019 and 2018.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. However, for net assets attributable to unit holders, 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.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2019</b>					
Distributions payable	5,538	-	-	-	5,538
Payables	1,670	-	-	-	1,670
Due to brokers - payable for securities purchased	16,960	-	-	-	16,960
Net asset attributable to unit holders - liability	<u>1,616,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,616,840</u>
<b>Contractual cash flows (excluding derivatives)</b>	<b><u>1,641,008</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,641,008</u></b>
As at 30 June 2018					
Distributions payable	12,703	-	-	-	12,703
Payables	413	-	-	-	413
Due to brokers - payable for securities purchased	<u>253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253</u>
Contractual cash inflows (excluding derivatives)	<u>13,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,369</u>



### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (ii) Maturities of gross settled derivative financial instruments

The table below analyses the Fund's gross settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2019</b>					
Forward currency contracts					
Inflows	1,677,595	1,995,442	519,348	-	4,192,385
(Outflows)	(1,691,244)	(2,014,838)	(530,271)	-	(4,236,353)
Fixed interest futures					
Inflows	-	-	-	-	-
(Outflows)	-	(11,152)	-	-	(11,152)
Fixed interest options					
Inflows	-	-	-	-	-
Currency options					
(Outflows)	(63)	(734)	-	-	(797)
Interest rate swaps					
Inflows	-	-	-	1,618,583	1,618,583
(Outflows)	-	-	-	(1,618,583)	(1,618,583)
Total net settled derivatives	<u>(13,712)</u>	<u>(31,282)</u>	<u>(10,923)</u>	<u>-</u>	<u>(55,917)</u>
<b>As at 30 June 2018</b>					
Forward currency contracts					
Inflows	1,956,113	2,002,156	-	-	3,958,269
(Outflows)	(1,993,029)	(2,015,808)	-	-	(4,008,837)
Fixed interest futures					
Inflows	-	153,734	-	-	153,734
(Outflows)	-	(612,519)	-	-	(612,519)
Fixed interest options					
Inflows	75,186	2,740	-	-	77,926
Currency options					
Inflows	-	2,707	-	-	2,707
Interest rate swaps					
Inflows	-	-	-	971,251	971,251
(Outflows)	-	-	-	(971,251)	(971,251)
Total net settled derivatives	<u>38,270</u>	<u>(466,990)</u>	<u>-</u>	<u>-</u>	<u>(428,720)</u>

#### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral received /pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2019</b>						
<b>Financial assets</b>						
Derivative financial instruments	27,321	-	27,321	(27,321)	-	-
<b>Total</b>	<b>27,321</b>	<b>-</b>	<b>27,321</b>	<b>(27,321)</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Derivative financial instruments	126,039	-	126,039	27,321	98,718	-
<b>Total</b>	<b>126,039</b>	<b>-</b>	<b>126,039</b>	<b>27,321</b>	<b>98,718</b>	<b>-</b>
<b>As at 30 June 2018</b>						
<b>Financial assets</b>						
Derivative financial instruments	66,154	-	66,154	(66,154)	-	-
<b>Total</b>	<b>66,154</b>	<b>-</b>	<b>66,154</b>	<b>(66,154)</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Derivative financial instruments	135,078	-	135,078	66,154	68,924	-
<b>Total</b>	<b>135,078</b>	<b>-</b>	<b>135,078</b>	<b>66,154</b>	<b>68,924</b>	<b>-</b>

(i) *Master netting arrangement - not currently enforceable*

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), that 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 statement of financial position, but have been presented separately in the above table.

## 5 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement 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); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed unit trusts) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

### (b) Fair value in an inactive or unquoted market (level 2)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, 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 a 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. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund 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 a forward contract is determined at the prevailing bid price at the end of each reporting period. The fair value of an option contract or futures contract is determined by applying the Black Scholes option valuation model.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2019</b>				
<b>Financial assets at fair value through profit or loss</b>				
Fixed interest futures	1,341	-	-	1,341
Forward currency contracts	-	15,264	-	15,264
Fixed interest options	-	678	-	678
Currency options	-	2,824	-	2,824
Equity options	-	1,655	-	1,655
Interest rate swaps	-	5,559	-	5,559
Equity securities	8,277	-	-	8,277
Debt securities	-	1,454,498	-	1,454,498
Money market securities	-	39,244	-	39,244
Convertible notes	-	4,072	-	4,072
Unit trusts	-	71,250	-	71,250
<b>Total financial assets at fair value through profit or loss</b>	<b>9,618</b>	<b>1,595,044</b>	<b>-</b>	<b>1,604,662</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Currency Options	-	797	-	797
Forward currency contracts	-	59,234	-	59,234
Interest rate swaps	-	54,856	-	54,856
Fixed interest futures	11,152	-	-	11,152
<b>Total financial liabilities at fair value through profit or loss</b>	<b>11,152</b>	<b>114,887</b>	<b>-</b>	<b>126,039</b>
<b>As at 30 June 2018</b>				
<b>Financial assets at fair value through profit or loss</b>				
Fixed interest futures	645	-	-	645
Forward currency contracts	-	57,946	-	57,946
Fixed interest options	-	712	-	712
Equity options	-	2,465	-	2,465
Interest rate swaps	-	4,386	-	4,386
Equity securities	6,372	-	-	6,372
Debt securities	-	1,490,361	-	1,490,361
Money market securities	-	20,148	-	20,148
Unit trusts	-	89,328	-	89,328
<b>Total financial assets at fair value through profit or loss</b>	<b>7,017</b>	<b>1,665,346</b>	<b>-</b>	<b>1,672,363</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Forward currency contracts	-	108,513	-	108,513
Interest rate swaps	-	21,625	-	21,625
Fixed interest futures	4,940	-	-	4,940
<b>Total financial liabilities at fair value through profit or loss</b>	<b>4,940</b>	<b>130,138</b>	<b>-</b>	<b>135,078</b>

## 5 Fair value measurement (continued)

### (d) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

### (e) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair value due to their short term nature.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended	
	30 June	30 June
	2019	2018
	\$'000	\$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	103,008	(2,395)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>46,215</u>	<u>73,856</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>149,223</u>	<u>71,461</u>
<b>Financial liabilities</b>		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(140,030)	3,198
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(24,256)</u>	<u>(97,838)</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(164,286)</u>	<u>(94,640)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>(15,063)</u>	<u>(23,179)</u>

## 7 Financial assets at fair value through profit or loss

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Forward currency contracts	15,264	57,946
Fixed interest futures	1,341	645
Equity options	1,655	2,465
Fixed interest options	678	712
Currency options	2,824	-
Interest rate swaps	5,559	4,386
Equity securities	8,277	6,372
Debt securities	1,454,498	1,490,361
Money market securities	39,244	20,148
Convertible notes	4,072	-
Listed unit trusts	<u>71,250</u>	<u>89,328</u>
<b>Total financial assets at fair value through profit or loss*</b>	<b><u>1,604,662</u></b>	<b><u>1,672,363</u></b>

\*The Fund's investments in equity securities, money market securities, unit trusts and debt securities were previously designated at fair value through profit or loss and derivatives were held for trading. On adoption of AASB 9 all above investments are mandatorily classified as financial assets at fair value through profit or loss.

## 8 Financial liabilities at fair value through profit or loss

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Forward currency contracts	59,234	108,513
Fixed interest futures	11,152	4,940
Currency options	797	-
Interest rate swaps	<u>54,856</u>	<u>21,625</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<b><u>126,039</u></b>	<b><u>135,078</u></b>

## **9 Derivative financial instruments**

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have 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 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 Fund against a fluctuation in market values, foreign exchange risk 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 Fund.

The Fund holds the following derivatives:

### **(a) Futures**

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

### **(b) Options**

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

### **(c) Forward currency contracts**

Forward currency contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The Fund agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

### **(d) Swaps**

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principal, to another counterparty in return for security against default by the underlying loan or asset.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

## 9 Derivative financial instruments (continued)

The Fund's derivative financial instruments at year end are detailed as follows:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2019</b>			
Forward currency contracts	4,192,384	15,264	59,234
Fixed interest futures	(108,710)	1,341	11,152
Interest rate swaps	1,618,583	5,559	54,856
Equity options	4,652	1,655	-
Currency options	4,548,648	2,824	797
Fixed interest options	<u>191,859</u>	<u>678</u>	<u>-</u>
<b>Total derivatives</b>	<b><u>10,447,416</u></b>	<b><u>27,321</u></b>	<b><u>126,039</u></b>
As at 30 June 2018			
Forward currency contracts	3,958,269	57,946	108,513
Fixed interest futures	(458,785)	645	4,940
Interest rate swaps	971,251	4,386	21,625
Equity options	2,707	2,465	-
Fixed interest options	<u>77,926</u>	<u>712</u>	<u>-</u>
<b>Total derivatives</b>	<b><u>4,551,368</u></b>	<b><u>66,154</u></b>	<b><u>135,078</u></b>

Information about the Fund's exposure to credit risk, foreign exchange risk, 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.

An overview of the risk exposures relating to derivatives is included in Note 3.



## 10 Net assets attributable to unit holders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 23 January 2019, the Fund classified its net assets attributable to unit holders as equity in accordance with AASB 132 *Financial Instruments: Presentation* as the criteria were met. On 23 January 2019, the Fund has issued a new class (Class S). Therefore the net assets attributable to unit holders of the Fund does not meet the criteria set out under AASB 132 and are classified as a financial liability from 23 January 2019 onwards.

As a result of the reclassification of net assets attributable to unit holders from equity to liabilities, the Fund's distributions are now classified as finance costs in the statement of comprehensive income, rather than as dividends paid in the statement of changes in equity.

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

	Year ended		Year ended	
	30 June 2019 Units '000	30 June 2019 \$'000	30 June 2018 Units '000	30 June 2018 \$'000
<b>Class I</b>				
Opening balance	1,583,584	1,624,405	1,284,995	1,331,388
Applications	373,122	384,676	473,345	494,636
Redemptions	(401,878)	(412,270)	(183,181)	(190,512)
Reinvestment of distributions	11,726	12,048	8,425	8,766
Distributions paid and payable	-	-	-	(25,993)
Profit/(loss) for the year	-	-	-	6,120
Increase/(decrease) in net assets attributable to unit holders	-	7,376	-	-
<b>Closing balance</b>	<b>1,566,554</b>	<b>1,616,235</b>	<b>1,583,584</b>	<b>1,624,405</b>
<b>Class S</b>				
Opening balance	-	-	-	-
Applications	606	610	-	-
Redemptions	-	-	-	-
Reinvestment of distributions	-	-	-	-
Increase/(decrease) in net assets attributable to unit holders	-	(5)	-	-
<b>Closing balance</b>	<b>606</b>	<b>605</b>	<b>-</b>	<b>-</b>
<b>Total balance</b>		<b>1,616,840</b>		<b>1,624,405</b>

Net assets attributable to unit holders are classified as a financial liability at 30 June 2019 and as equity at 30 June 2018. Refer to Note 1 for further details.

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 in the Fund.

There are 2 separate classes of units. Each unit has the same rights attaching to it as all other units of the Fund. Each unit class has different management fee rate and investment restrictions.

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as equity until 30 June 2018. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

## 10 Net assets attributable to unit holders (continued)

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

## 11 Distribution to unit holders

The distributions declared for the year were as follows:

	Year ended		Year ended	
	30 June 2019 \$'000	30 June 2019 CPU	30 June 2018 \$'000	30 June 2018 CPU
<b>Class I</b>				
<b>Distributions declared</b>				
September	4,978	0.307	4,190	0.305
December	5,016	0.308	4,414	0.304
March	5,051	0.309	4,686	0.307
June (payable)	<u>5,533</u>	<u>0.353</u>	<u>12,703</u>	<u>0.802</u>
<b>Total distributions</b>	<u>20,578</u>	<u>1.277</u>	<u>25,993</u>	<u>1.718</u>
<b>Class S</b>				
<b>Distributions declared</b>				
March	-	0.542	-	-
June (payable)	<u>5</u>	<u>0.749</u>	<u>-</u>	<u>-</u>
<b>Total distributions</b>	<u>5</u>	<u>1.291</u>	<u>-</u>	<u>-</u>
<b>Total distributions</b>	<u>20,583</u>	-	<u>25,993</u>	-

## 12 Cash and cash equivalents

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Domestic currency cash at bank	10,440	10,657
Foreign currency cash at bank	<u>46,308</u>	<u>26,221</u>
<b>Total cash and cash equivalents</b>	<u>56,748</u>	<u>36,878</u>

These accounts are earning a floating interest rate of between -1.5% and 2.00% as at 30 June 2019 (30 June 2018: -1.5% and 2.00%).

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

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

	Year ended	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Profit/(loss) for the year	-	6,120
Increase/(decrease) in net assets attributable to unit holders	7,371	-
Distributions to unit holders	20,583	-
Proceeds from sale of financial instruments at fair value through profit or loss	5,007,167	2,229,394
Purchase of financial instruments at fair value through profit or loss	(4,948,987)	(2,550,667)
Net (gains)/losses on financial instruments at fair value through profit or loss	15,063	23,179
Net foreign exchange gain/(loss)	(3,019)	(7,548)
Net change in margin accounts	(39,757)	(27,198)
Net change in receivables	(183)	(414)
Net change in payables	1,257	(577)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>59,495</b>	<b>(327,711)</b>

**(b) Non-cash operating and financing activities**

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plans.

	<u>12,048</u>	<u>8,766</u>
<b>Total non-cash operating and financing activities</b>	<b>12,048</b>	<b>8,766</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

### 14 Receivables

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Dividends receivable	97	93
Interests receivable	-	3
Applications receivable	-	39
GST receivable	117	57
Withholding tax receivable	517	395
<b>Total receivables</b>	<b>731</b>	<b>587</b>

### 15 Payables

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Management fees payable	1,298	80
Custody and administration fees payable	231	284
Other payables	141	49
<b>Total payables</b>	<b>1,670</b>	<b>413</b>

## 16 Remuneration of auditor

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

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	27,200	26,623
Audit of compliance plan	3,106	3,106
Total remuneration for audit and other assurance services	30,306	29,729
<i>Taxation services</i>		
Tax compliance services	13,280	15,112
Total remuneration for taxation services	13,280	15,112
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>43,586</b>	<b>44,841</b>

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

## 17 Related party transactions

The Responsible Entity of T. Rowe Price Dynamic Global Bond Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to T. Rowe Price Australia Limited to act as Investment Manager for the Fund, and JPMorgan Chase Bank, N.A. to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

### (a) Key management personnel

#### (i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during the financial year or since the end of the financial year and up to the date of this report.

Philip D Gentry	(Chairman)
Harvey H Kalman	
Ian C Westley	
Michael J O'Brien	(appointed 11 July 2018)

#### (ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

## 17 Related party transactions (continued)

### (b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2019 (30 June 2018: nil).

### (d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### (e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

### (f) 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 management personnel's interests existing at year end.

### (g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Management fees for the year	5,395,066	4,802,395
Responsible Entity fees for the year	444,857	407,716
Management fees payable at year end	1,224,725	44,661
Responsible Entity fees payable at year end	72,956	35,807

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

## 17 Related party transactions (continued)

### (h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Fund, as follows:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/ payable by the Fund \$
<b>As at 30 June 2019</b>							
Fund BPO Pty Ltd ACF DMG Diversified Portfolio	11,982,273	-	-	-	202,520	12,184,793	-
BNP Paribas Nominees Pty Ltd ACF Stonehouse Core Value Portfolio	9,375,939	-	-	-	587,862	9,963,801	-
BNP Paribas Nominees Pty Limited <LDI Connect 3 Portfolio>	3,808,731	-	-	-	52,706	3,861,437	-
BNP Paribas Nominees Pty Limited <Profile Accumulation Portfolio>	3,621,439	-	-	-	50,114	3,671,553	-
BNP Paribas Nominees Pty Limited <LDI Connect 7 Portfolio>	3,463,576	-	-	-	27,050	3,490,626	-
BNP Paribas Nominees Pty Limited <Profile Preservation Portfolio>	2,884,031	-	-	-	36,940	2,920,971	-
<b>As at 30 June 2018</b>							
Fund BPO Pty Ltd ACF DMG Diversified Portfolio	11,310,145	11,982,273	12,291,416	0.76	672,128	-	204,293
BNP Paribas Nominees Pty Ltd ACF Stonehouse Core Value Portfolio	6,664,614	9,375,939	9,617,838	0.59	2,711,325	-	147,579
BNP Paribas Nominees Pty Limited <LDI Connect 3 Portfolio>	3,761,271	3,808,731	3,906,996	0.24	47,460	-	65,215
BNP Paribas Nominees Pty Limited <Profile Accumulation Portfolio>	3,576,313	3,621,439	3,714,872	0.23	45,126	-	62,008
BNP Paribas Nominees Pty Limited <LDI Connect 7 Portfolio>	3,420,417	3,463,576	3,552,936	0.22	43,159	-	59,305
BNP Paribas Nominees Pty Limited <Profile Preservation Portfolio>	2,848,094	2,884,031	2,958,439	0.18	35,937	-	49,382

### (i) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2018: nil).

## 18 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

## 19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2019 and 30 June 2018.

## **Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 36 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 Fund's financial position as at 30 June 2019 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 also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman  
Melbourne  
23 September 2019



## *Independent auditor's report*

To the unit holders of T. Rowe Price Dynamic Global Bond Fund

---

### *Our opinion*

In our opinion:

The accompanying financial report of T. Rowe Price Dynamic Global Bond 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 2019 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 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

---

### *Basis for opinion*

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

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

### *Independence*

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 Equity Trustees 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 2019, 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**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.





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

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'George Sagonas', with a large, stylized flourish extending from the end of the signature.

George Sagonas  
Partner

Melbourne  
23 September 2019