

MFS Global Opportunistic Fixed Income Trust

ARSN 635 808 614

Annual report

For the year ended 30 June 2024

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This annual report covers MFS Global Opportunistic Fixed Income Trust as an individual entity.

The Responsible Entity of MFS Global Opportunistic Fixed Income Trust 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 MFS Global Opportunistic Fixed Income Trust (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Principal activities

The Fund aims to achieve a total return in excess of the benchmark, over a full market cycle, by primarily investing in global debt securities 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 | MFS International Australia Pty Ltd |
| Custodian and Administrator | State Street Australia Limited |
| Statutory Auditor | Deloitte Touche Tohmatsu |

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 (resigned 6 June 2024) |
| Michael J O'Brien | Chairman (appointed 6 June 2024) |
| Russell W Beasley | |
| Mary A O'Connor | |
| David B Warren | |
| Andrew P Godfrey | (appointed 1 May 2024) |

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 (net of fees) was 3.04% for Class I and 3.00% for Class W for the year ended 30 June 2024. The Fund's benchmark for both classes, the Bloomberg Global Aggregate Index (AUD Hedged), returned 2.67% for the same period.

The Fund's performance is calculated based on the percentage change in the Fund's redemption price over the year (with any distributions paid during the year reinvested). Returns are disclosed after fees and expenses but before taxes.

Directors' report (continued)

Review and results of operations (continued)

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

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2024 | 30 June 2023 |
| Profit/(loss) before finance costs attributable to unit holders for the year (\$'000) | 5,532 | 2,955 |
| Distributions - Class I | | |
| Distributions paid and payable (\$'000) | - | 901 |
| Distributions (cents per unit) | - | 0.56 |
| Distributions - Class W | | |
| Distributions paid and payable (\$'000) | - | 8 |
| Distributions (cents per unit) | - | 0.59 |

There were no distributions declared for the year ended 30 June 2024.

Significant changes in the state of affairs

Andrew P Godfrey was appointed as a director of Equity Trustees Limited on the 1 May 2024.

Philip D Gentry resigned as a director of Equity Trustees Limited on 6 June 2024.

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 2024 that has significantly affected, or may have a significant effect on:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the 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 regard 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.

Directors' report (continued)

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 16 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 16 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 9 to the financial statements.

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

Environmental regulation

The 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 5.

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



Andrew P Godfrey
Director

Melbourne
19 September 2024

19 September 2024

The Board of Directors
Equity Trustees Limited
Level 1, 575 Bourke Street
MELBOURNE VIC 3000

Dear Board Members,

Auditor's Independence Declaration- MFS Global Opportunistic Fixed Income Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of MFS Global Opportunistic Fixed Income Trust (the "Fund").

As lead audit partner for the audit of the financial report of the Fund for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



Deloitte Touche Tohmatsu



Jonathon Corbett
Partner
Chartered Accountants

Statement of comprehensive income

| | Note | Year ended | |
|---|------|---------------------------|---------------------------|
| | | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Income | | | |
| Interest income from financial assets at amortised cost | | 1 | 9 |
| Interest income from financial assets at fair value through profit or loss | | 7,482 | 5,694 |
| Net foreign exchange gain/(loss) | | 200 | (7) |
| Net gains/(losses) on financial instruments at fair value through profit or loss | | (1,139) | (1,883) |
| Other income | | 2 | 17 |
| Total income/(loss) | | 6,546 | 3,830 |
| Expenses | | | |
| Management fees and costs | | 875 | 754 |
| Withholding taxes | | 66 | 35 |
| Transaction costs | | 55 | 68 |
| Other expenses | | 18 | 18 |
| Total expenses | | 1,014 | 875 |
| Profit/(loss) before finance costs attributable to unit holders for the year | | 5,532 | 2,955 |
| Finance costs attributable to unit holders | | | |
| Distributions to unit holders | 10 | - | (909) |
| (Increase)/decrease in net assets attributable to unit holders | 9 | (5,532) | (2,046) |
| Profit/(loss) for the year | | - | - |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | - | - |

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

Statement of financial position

| | Note | As at | |
|--|------|---------------------------|---------------------------|
| | | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Assets | | | |
| Cash and cash equivalents | 11 | 13,336 | 4,651 |
| Receivables | 13 | 2,079 | 1,263 |
| Due from brokers - receivable for securities sold | | 5,481 | 1,242 |
| Financial assets at fair value through profit or loss | 6 | 213,098 | 163,564 |
| Margin accounts | | 298 | 436 |
| Total assets | | <u>234,292</u> | <u>171,156</u> |
| Liabilities | | | |
| Payables | 14 | 96 | 99 |
| Due to brokers - payable for securities purchased | | 13,451 | 2,437 |
| Financial liabilities at fair value through profit or loss | 7 | 2,259 | 3,224 |
| Margin accounts | | - | 98 |
| Total liabilities (excluding net assets attributable to unit holders) | | <u>15,806</u> | <u>5,858</u> |
| Net assets attributable to unit holders - liability | 9 | <u>218,486</u> | <u>165,298</u> |

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

Statement of changes in equity

| | Year ended | |
|--|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Total equity at the beginning of the financial year | - | - |
| Profit/(loss) for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income | - | - |
| Transactions with owners in their capacity as owners | - | - |
| Total equity at the end of the financial year* | - | - |

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

The above statement of changes in equity should be read in conjunction with the accompanying notes with reference to Notes 2(c) and 9.

Statement of cash flows

| | Note | Year ended | |
|---|-------|---------------------------|---------------------------|
| | | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Cash flows from operating activities | | | |
| Proceeds from sale of financial instruments at fair value through profit or loss | | 375,846 | 376,361 |
| Payments for purchase of financial instruments at fair value through profit or loss | | (420,325) | (417,276) |
| Net foreign exchange gain/(loss) | | 214 | 64 |
| Net movement in margin accounts | | 40 | 4,946 |
| Interest income received from financial assets at amortised cost | | 1 | 9 |
| Interest income received from financial assets at fair value through profit or loss | | 6,288 | 5,322 |
| Other income received | | 2 | 11 |
| Management fees and costs paid | | (861) | (750) |
| Other expenses paid | | (162) | (93) |
| Net cash inflow/(outflow) from operating activities | 12(a) | (38,957) | (31,406) |
| Cash flows from financing activities | | | |
| Proceeds from applications by unit holders | | 52,035 | 30,790 |
| Payments for redemptions by unit holders | | (4,379) | (7,043) |
| Distributions paid to unit holders | | - | (901) |
| Net cash inflow/(outflow) from financing activities | | 47,656 | 22,846 |
| Net increase/(decrease) in cash and cash equivalents | | 8,699 | (8,560) |
| Cash and cash equivalents at the beginning of the year | | 4,651 | 13,282 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | (14) | (71) |
| Cash and cash equivalents at the end of the year | 11 | 13,336 | 4,651 |
| Non-cash operating and financing activities | 12(b) | - | 8 |

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

Notes to the financial statements

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1 General information

These financial statements cover MFS Global Opportunistic Fixed Income Trust (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 27 August 2019 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 aims to achieve a total return in excess of the benchmark, over a full market cycle, by primarily investing in global debt securities in accordance with the Product Disclosure Statement and the provisions of the Fund’s Constitution.

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 material 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 holders’ 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 has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments have had an impact on the Fund’s disclosures of accounting policies, including the requirement to disclose ‘material’ rather than ‘significant’ accounting policies, but not on the measurement, recognition or presentation of any items in the Fund’s financial statements.

2 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

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

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(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 July 2024 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 its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For 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 objective. Consequently, the debt securities are measured at fair value through profit or loss.

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

- Financial liabilities

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

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (payables, due to brokers - payable for securities purchased and margin accounts).

(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 the fair value of the financial assets or financial liabilities from this date.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition and derecognition (continued)

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 liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) Measurement

- Financial instruments at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and 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 within 'net gains/(losses) on financial instruments at fair value through profit or loss' 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 cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, receivables, due from brokers, margin accounts, payables and due to brokers are carried at amortised cost.

(iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, receivables, due from brokers and margin accounts) 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 counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(v) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is 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.

(vi) *To be announced commitments (TBA)*

The Fund may purchase or sell mortgage-backed securities on a "To Be Announced" (TBA) basis. A TBA transaction is subject to extended settlement and typically does not designate the actual security to be delivered, but instead includes an approximate principal amount. The price of the TBA security and the date that it will be settled are fixed at the time the transaction is negotiated. The value of the security varies with market fluctuations and no interest accrues to the Fund until settlement takes place. TBA purchase and sale commitments are held at carrying amount, which approximates fair value and are categorized as level 2 within the fair value hierarchy as applicable. Losses may arise as a result of changes in the value of the TBA investment prior to settlement date or due to counterparty non-performance.

To mitigate the counterparty credit risk on TBA transactions, mortgage dollar rolls, and other types of forward settling mortgage-backed and asset-backed security transactions, the Fund whenever possible enters into a Master Securities Forward Transaction Agreement ("MSFTA") on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The MSFTA gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a specified deterioration in the credit quality of the other party. Upon an event of default or a termination of the MSFTA, the non-defaulting party has the right to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the MSFTA could result in a reduction of the Fund's credit risk to such counterparty equal to any amounts payable by the Fund under the applicable transactions, if any.

For mortgage-backed and asset-backed securities traded under a MSFTA, the collateral and margining requirements are contract specific. Collateral amounts across all transactions traded under such agreement are netted and an amount is posted from one party to the other to collateralise such obligations.

(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 can be put back to the Fund at any time for cash based on the 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.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions 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.

2 Summary of material accounting policies (continued)

(d) Cash and cash equivalents (continued)

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 represents 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) Income

(i) Interest income

Interest income from financial assets at amortised cost is recognised 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 measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income 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. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does 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 at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) IBOR Transition

The London Interbank Offered Rate (LIBOR) was intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. Certain of the Fund's investments, payment obligations, and financing terms have historically been based on LIBOR or other Interbank Offered Rates ("IBOR"). In 2017, the United Kingdom Financial Conduct Authority (FCA) announced plans to transition away from LIBOR by the end of 2021. LIBOR's administrator, ICE Benchmark Administration (IBA), ceased publication (on a representative basis) of many of its LIBOR settings as of December 31, 2021 and ceased publication (on a representative basis) of the remaining U.S. dollar LIBOR settings as of June 30, 2023. In addition, global regulators announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. Although the FCA has announced that it will require the IBA to continue to publish certain select LIBOR rates on a synthetic basis after the relevant cessation dates, such synthetic rates are not considered to be representative of the underlying market and economic reality they are intended to measure, are expected to be published for a limited time period, and are intended solely for use on a limited basis for legacy transactions.

Regulators and industry groups have implemented measures to facilitate the transition away from LIBOR and other IBOR to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). SOFR rates are broad measures of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, respectively, in the repurchase agreement (repo) market. The transition to alternative reference rates may affect the liquidity and valuation of investments that were tied to LIBOR or other IBOR and may lead to other consequences affecting securities and credit markets more broadly. For example, while some investments that were tied to LIBOR provided for an alternative or "fallback" rate-setting methodology in the event LIBOR is not available, there is uncertainty regarding the effectiveness of any such alternative methodologies to replace LIBOR and certain investments tied to LIBOR may not have fallback provisions. While legislation passed in the United States facilitates by operation of law the replacement of U.S. dollar LIBOR settings in certain legacy instruments with a specified replacement rate, such as SOFR, there is uncertainty regarding the effectiveness of such legislation. There also remains uncertainty regarding the willingness and ability of parties to add or amend fallback provisions in certain other legacy instruments maturing after the cessation of the applicable IBOR rates, which could create market and litigation risk.

2 Summary of material accounting policies (continued)

(f) Income (continued)

(ii) IBOR Transition (continued)

It is difficult to quantify or predict the impact on the Fund resulting from the transition from IBOR to alternative reference rates and the potential effects of the transition from IBOR on the Fund, or on certain instruments in which the Fund invests, are not known. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that relied on IBOR to determine interest rates. The transition may also result in a reduction in value of certain IBOR-related investments held by the Fund or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from IBOR and the adoption of alternative reference rates, as well as other unforeseen effects, could have an adverse impact on the Fund's performance.

Management is actively preparing for the cessation of IBOR and the transition to alternative reference rates, such as SOFR. In order to facilitate a successful IBOR transition, management has established a cross-functional IBOR transition working group which has addressed any necessary changes to processes and systems as well as any tax and accounting implications. The working group has completed a comprehensive review of the Fund's IBOR-related exposures, including any contractual interest rate fallback language, and has established investment rules to limit the addition to the Fund's portfolio of any securities tied to IBOR that mature after the applicable cessation date. With respect to the Fund's accounting for investments, including investments in certain debt instruments and derivatives (if any), as well as any borrowings by the Fund and other contractual arrangements of the Fund that undergo reference rate-related modifications as a result of the IBOR transition, management has and will continue to rely upon the relief provided by the amendments to IFRS 9, IAS 39: Financial Instruments – Recognition and Measurement and IFRS 7: Financial Instruments – Disclosures under the IASB's Interest Rate Benchmark Reform – Phase 2. The guidance in those amendments permits the Fund to account for such contract modifications made as a continuation of the existing contracts. As at June 30, 2024 and June 30, 2023, the Fund held variable rate bonds with combined fair values of \$2,445,617 and \$4,570,681, respectively, which were linked to the U.S. dollar LIBOR. The situation remains fluid, and management believes, based on best available information, that the impact of the transition will not be material to the Fund.

(g) Expenses

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

Management fees and costs covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, and administration and audit fees.

(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 on present entitlement basis.

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 an expense.

(i) Distributions

The Fund distributes 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 assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As 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.

2 Summary of material accounting policies (continued)

(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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in 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 is recognised initially at fair value and subsequently measured at amortised cost.

(m) Receivables

Receivables may include amounts for interest. 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 and accrued expenses owed by the Fund 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 material 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%. 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 and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

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.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

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 and judgements. 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.

(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.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates foreign exchange risk and cash flow and fair value 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.

All investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions. The maximum loss of capital on options and swaps is limited to the fair value of those positions.

3 Financial risk management (continued)

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, MFS International Australia Pty Ltd (“MFS”) under an Investment Management Agreement (the “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 majority of the Fund’s directly held financial assets and financial liabilities are interest bearing securities that have exposure to interest rate movement and therefore have minimal exposure to price risk. As a result, there are limited exposures to price risk at year end.

An analysis of interest rate risk is provided at Note 3(a)(iii).

(ii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated 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.

In keeping with the bottom up approach to selecting what MFS believes to be high quality investments, all MFS analysts examine currency exposure as an integral part of the individual company valuation process. When looking at downside risk associated with any company, currency plays an important role in the stress testing conducted by the analysts. Stress tests are run for all companies, which examine the potential risk on a company’s bottom line earnings associated with any move in relevant currencies and the subsequent impact on the investment’s performance. In this way, potential currency impacts are built into the MFS valuation process through their fundamental, bottom up research at the individual investment level. The Fund uses forward currency contracts to manage foreign exchange risk.

However, for accounting purposes, the Fund does not designate any derivatives as hedges in a hedging relationship, and hence, these derivative financial instruments are classified as at fair value through profit or loss.

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.

| | US Dollars A\$'000 | Euro A\$'000 | All other foreign currencies A\$'000 |
|--|--------------------------|-----------------|---|
| As at 30 June 2024 | | | |
| Cash and cash equivalents | 1,284 | - | 3 |
| Due from brokers - receivable for securities sold | 4,546 | 217 | 718 |
| Receivables | 927 | 834 | 266 |
| Financial assets at fair value through profit or loss | 95,377 | 58,996 | 54,516 |
| Due to brokers - payable for securities purchased | (12,332) | (850) | (269) |
| Financial liabilities at fair value through profit or loss | (800) | (409) | (1,050) |
| Net exposure | 89,002 | 58,788 | 54,184 |
| | | | |
| Net increase/(decrease) in exposure from forward currency contracts* | (86,511) | (65,161) | (53,472) |
| Net exposure including forward currency contracts | 2,491 | (6,373) | 712 |

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

| As at 30 June 2023 | US Dollars A\$'000 | Euro A\$'000 | All other foreign currencies A\$'000 |
|--|--------------------------|-----------------|---|
| Cash and cash equivalents | 933 | - | 4 |
| Due from brokers - receivable from securities sold | 774 | 347 | 121 |
| Receivables | 674 | 290 | 260 |
| Financial assets at fair value through profit or loss | 68,557 | 38,143 | 55,773 |
| Margin accounts | 435 | - | 1 |
| Due to brokers - payable for securities purchased | (1,784) | (653) | - |
| Financial liabilities at fair value through profit or loss | (1,640) | (219) | (1,365) |
| Margin accounts | (31) | (9) | (4) |
| Net exposure | <u>67,918</u> | <u>37,899</u> | <u>54,790</u> |
| Net increase/(decrease) in exposure from forward currency contracts* | <u>(64,435)</u> | <u>(37,925)</u> | <u>(54,185)</u> |
| Net exposure including forward currency contracts | <u>3,483</u> | <u>(26)</u> | <u>605</u> |

*The amount disclosed above reflects mark to market value. Refer to Note 8 for the notional values of forward currency contracts.

(iii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows.

The Fund's main interest rate risk arises from its investments in government bonds with exposure to credit/bond securities.

Interest rate risk is managed as part of the aim to achieve a total return in excess of the benchmark, before fees, taxes and expenses, over the full cycle by primarily investing in debt instruments.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

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

| As at 30 June 2024 | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|---|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| Financial assets | | | | |
| Cash and cash equivalents | 13,336 | - | - | 13,336 |
| Receivables | - | - | 2,079 | 2,079 |
| Due from brokers - receivable for securities sold | - | - | 5,481 | 5,481 |
| Financial assets at fair value through profit or loss | 24,190 | 182,403 | 6,505 | 213,098 |
| Margin accounts | 298 | - | - | 298 |
| Total financial assets | 37,824 | 182,403 | 14,065 | 234,292 |
| Financial liabilities | | | | |
| Payables | - | - | 96 | 96 |
| Due to brokers - payable for securities purchased | - | - | 13,451 | 13,451 |
| Financial liabilities at fair value through profit or loss | 328 | 184 | 1,747 | 2,259 |
| Total financial liabilities (excluding net assets attributable to unit holders) | 328 | 184 | 15,294 | 15,806 |
| Net increase/(decrease) in exposure from fixed interest rate futures (notional principal) | (22,939) | 22,939 | - | - |
| fixed interest rate swaps (notional principal) | (20,100) | 20,100 | - | - |
| fixed interest rate options (notional principal) | (17,653) | 17,653 | - | - |
| Net exposure | (23,196) | 242,911 | (1,229) | 218,486 |

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

| As at 30 June 2023 | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|--|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| Financial assets | | | | |
| Cash and cash equivalents | 4,651 | - | - | 4,651 |
| Receivables | - | - | 1,263 | 1,263 |
| Due from brokers - receivable for securities sold | - | - | 1,242 | 1,242 |
| Financial assets at fair value through profit or loss | 17,190 | 144,248 | 2,126 | 163,564 |
| Margin accounts | 436 | - | - | 436 |
| Total financial assets | 22,277 | 144,248 | 4,631 | 171,156 |
| Financial liabilities | | | | |
| Payables | - | - | 99 | 99 |
| Due to brokers - payable for securities purchased | - | - | 2,437 | 2,437 |
| Financial liabilities at fair value through profit or loss | - | 354 | 2,870 | 3,224 |
| Margin accounts | 98 | - | - | 98 |
| Total financial liabilities (excluding net assets attributable to unit holders) | 98 | 354 | 5,406 | 5,858 |
| Net increase/(decrease) in exposure from | | | | |
| fixed interest rate futures (notional principal) | 3,981 | (3,981) | - | - |
| fixed interest rate options (notional principal) | (21,258) | 21,258 | - | - |
| Net exposure | 4,902 | 161,171 | (775) | 165,298 |

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/-426 basis points (2023: +/-579 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 and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, 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 variances in the risk variables.

| | Impact on net assets attributable to unit holders | |
|---------------------------|--|----------------|
| | Interest rate risk | |
| | +426bps | -426bps |
| | \$'000 | \$'000 |
| As at 30 June 2024 | 1,594 | (1,594) |
| As at 30 June 2023 | 1,410 | (1,410) |

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

The sensitivity factor for 30 June 2023 was +/-579 basis points for interest rate risk.

(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 Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk is the carrying amount of these balances as at the reporting date.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2024 and 30 June 2023, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with an investment grade and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

MFS aims to reduce credit risk by following the Fund's investment objectives in terms of its investment decisions.

(i) Debt securities

The Fund's investments will normally include both investment grade rating quality debt instruments and below investment grade quality debt instruments utilising ratings from Moody's, Fitch and Standard & Poor's. Bonds that are not rated by Moody's, Fitch or Standard & Poor's are considered below investment grade. For fixed income securities not rated by Moody's, Fitch or Standard & Poor's, the issuer rating will be applied, if available. The Fund may at times have meaningful below investment grade exposure.

The table below summarises the credit rating composition for the Fund's interest bearing securities assets using Standard and Poor's or Moody's ratings.

| | As at | |
|--|-----------------|-----------------|
| | 30 June 2024 | 30 June 2023 |
| | \$'000 | \$'000 |
| Australian debt securities rating | | |
| AAA | 32,880 | 12,402 |
| AA | 29,435 | 5,848 |
| A | 44,724 | 21,648 |
| BBB | 49,402 | 38,841 |
| BB | 15,048 | 21,661 |
| B | 5,524 | 6,318 |
| CCC | 1,920 | 1,126 |
| C | 143 | - |
| Not rated | <u>27,072</u> | <u>52,954</u> |
| Total | <u>206,148</u> | <u>160,798</u> |

3 Financial risk management (continued)

(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, margin calls on derivative transactions or to Fund foreign exchange related cash flow requirements.

Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of.

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 2024 and 2023.

(i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net 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 | 1-6 months \$'000 | 6-12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
|--------------------------------------|--------------------------------|-------------------------|--------------------------|-----------------------------|-----------------|
| As at 30 June 2024 | | | | | |
| Net settled derivatives | | | | | |
| Forward currency contracts | 4,840 | (82) | - | - | 4,758 |
| Swaps contracts | - | - | - | (175) | (175) |
| Futures contracts | - | (15) | - | - | (15) |
| Option contracts | - | 123 | - | - | 123 |
| Total net settled derivatives | 4,840 | 26 | - | (175) | 4,691 |
| | Less than 1 month \$'000 | 1-6 months \$'000 | 6-12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| As at 30 June 2023 | | | | | |
| Net settled derivatives | | | | | |
| Forward currency contracts | (591) | 93 | - | - | (498) |
| Swaps contracts | - | - | - | 68 | 68 |
| Futures contracts | - | (64) | - | - | (64) |
| Option contracts | 21 | 15 | - | - | 36 |
| Total net settled derivatives | (570) | 44 | - | 68 | (458) |

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 amount 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 |
| As at 30 June 2024 | | | | | | |
| Financial assets | | | | | | |
| Derivative financial instruments | 6,950 | - | 6,950 | (795) | - | 6,155 |
| Total | 6,950 | - | 6,950 | (795) | - | 6,155 |
| Financial liabilities | | | | | | |
| Derivative financial instruments | 2,259 | - | 2,259 | (795) | - | 1,464 |
| Total | 2,259 | - | 2,259 | (795) | - | 1,464 |
| As at 30 June 2023 | | | | | | |
| Financial assets | | | | | | |
| Derivative financial instruments | 4,369 | (1,603) | 2,766 | (1,145) | - | 1,621 |
| Total | 4,369 | (1,603) | 2,766 | (1,145) | - | 1,621 |
| Financial liabilities | | | | | | |
| Derivative financial instruments | 4,827 | (1,603) | 3,224 | (1,145) | (335) | 1,744 |
| Total | 4,827 | (1,603) | 3,224 | (1,145) | (335) | 1,744 |

(a) 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 when certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the 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.

- Financial assets/liabilities at fair value through profit or loss (see Note 6 and Note 7)
- Derivative financial instruments (see Note 8)

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.

(a) Valuations using level 1 inputs

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) are based on their 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 and financial liabilities held by the Fund is the last traded price. When the Fund holds derivatives with offsetting market risks, it uses last traded prices as a basis for establishing fair values for the offsetting risk positions.

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) Valuation using level 2 inputs

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all material inputs required to fair value an instrument are observable, the instrument is included in level 2.

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.

Specific valuation techniques using observable inputs used to value financial instruments include:

- Debt instruments and floating rate loans, including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value.
- Put option contracts may be valued at the last daily ask quotation if there are no trades reported during the day. Options not traded on an exchange are generally valued at a broker/dealer bid quotation.
- Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods.
- Futures contracts are generally valued at last posted settlement price on their primary exchange as provided by a third-party pricing service. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation on their primary exchange as provided by a third-party pricing service.

5 Fair value measurement (continued)

(b) Valuation using level 2 inputs (continued)

- Swap agreements are generally valued using valuations provided by a third-party pricing service, which for cleared swaps includes an evaluation of any trading activity at the clearinghouses.

(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 2024 and 30 June 2023.

| As at 30 June 2024 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| Forward currency contracts | - | 6,505 | - | 6,505 |
| Swaps contracts | - | 153 | - | 153 |
| Futures contracts | 169 | - | - | 169 |
| Options | - | 123 | - | 123 |
| Debt securities | - | 198,624 | - | 198,624 |
| TBA securities | - | 7,524 | - | 7,524 |
| Total financial assets | 169 | 212,929 | - | 213,098 |
| Financial liabilities | | | | |
| Forward currency contracts | - | 1,747 | - | 1,747 |
| Swaps contracts | - | 328 | - | 328 |
| Futures contracts | 184 | - | - | 184 |
| Total financial liabilities | 184 | 2,075 | - | 2,259 |
| | | | | |
| As at 30 June 2023 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets | | | | |
| Forward currency contracts | - | 2,372 | - | 2,372 |
| Swaps contracts | - | 68 | - | 68 |
| Futures contracts | 287 | - | - | 287 |
| Options | - | 39 | - | 39 |
| Debt securities | - | 160,798 | - | 160,798 |
| Total financial assets | 287 | 163,277 | - | 163,564 |
| Financial liabilities | | | | |
| Forward currency contracts | - | 2,870 | - | 2,870 |
| Futures contracts | 351 | - | - | 351 |
| Options | - | 3 | - | 3 |
| Total financial liabilities | 351 | 2,873 | - | 3,224 |

(d) Transfer 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.

5 Fair value measurement (continued)

(e) Financial instruments not carried at fair value

The financial instruments not measured at fair value through profit or loss include:

- i. Cash and cash equivalents, balances due from/to brokers and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying values approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
- ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying value of net assets attributable to unit holders approximates their fair value. Any difference is not material in the current year or prior year.

6 Financial assets at fair value through profit or loss

| | As at | |
|--|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Derivatives | 6,950 | 2,766 |
| Debt securities | 198,624 | 160,798 |
| TBA securities | <u>7,524</u> | <u>-</u> |
| Total financial assets at fair value through profit or loss | <u>213,098</u> | <u>163,564</u> |

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

7 Financial liabilities at fair value through profit or loss

| | As at | |
|---|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Derivatives | <u>2,259</u> | <u>3,224</u> |
| Total financial liabilities at fair value through profit or loss | <u>2,259</u> | <u>3,224</u> |

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

8 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.

8 Derivative financial instruments (continued)

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. Options are settled on a gross basis. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

(c) Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees 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.

8 Derivative financial instruments (continued)

(d) Swaps (continued)

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.

The Fund's derivative financial instruments measured at fair value at year end are detailed below:

As at 30 June 2024

| | Contractual/ notional \$'000 | Assets \$'000 | Liabilities \$'000 |
|----------------------------|------------------------------------|------------------|-----------------------|
| Forward currency contracts | 363,282 | 6,505 | 1,747 |
| Swaps contracts | 25,050 | 153 | 328 |
| Futures contracts | 69,799 | 169 | 184 |
| Options | 17,653 | 123 | - |
| Total derivatives | <u>475,784</u> | <u>6,950</u> | <u>2,259</u> |

As at 30 June 2023

| | Contractual/ notional \$'000 | Assets \$'000 | Liabilities \$'000 |
|----------------------------|------------------------------------|------------------|-----------------------|
| Forward currency contracts | 366,171 | 2,372 | 2,870 |
| Swaps contracts | 21,900 | 68 | - |
| Futures contracts | 63,653 | 287 | 351 |
| Options | 29,584 | 39 | 3 |
| Total derivatives | <u>481,308</u> | <u>2,766</u> | <u>3,224</u> |

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.

9 Net assets attributable to unit holders - liability

The Fund's units are classified as a liability as they do not meet the definition of a financial instrument to be classified as equity.

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

| | Year ended | | | |
|--|----------------------------------|---------------------------|----------------------------------|---------------------------|
| | 30 June 2024 Units '000 | 30 June 2024 \$'000 | 30 June 2023 Units '000 | 30 June 2023 \$'000 |
| Class I | | | | |
| Opening balance | 180,598 | 159,384 | 159,814 | 139,359 |
| Applications | 55,762 | 50,101 | 28,761 | 25,025 |
| Redemptions | (3,391) | (2,994) | (7,977) | (7,043) |
| Increase/(decrease) in net assets attributable to unit holders | - | 5,360 | - | 2,043 |
| Closing balance | 232,969 | 211,851 | 180,598 | 159,384 |
| Class W | | | | |
| Opening balance | 6,702 | 5,914 | 158 | 138 |
| Applications | 2,124 | 1,934 | 6,535 | 5,765 |
| Redemptions | (1,527) | (1,385) | - | - |
| Reinvestment of distributions | - | - | 9 | 8 |
| Increase/(decrease) in net assets attributable to unit holders | - | 172 | - | 3 |
| Closing balance | 7,299 | 6,635 | 6,702 | 5,914 |
| Closing balance | | 218,486 | | 165,298 |

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 in the underlying assets of the Fund.

There are two separate classes of units. Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

Units are redeemed on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

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 a liability. 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.

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 redemption of units if the exercise of such discretion is in the best interests of unit holders.

10 Distributions to unit holders

The distributions declared during the year were as follows:

| | Year ended | | | |
|--------------------------------|---------------------------|------------------------|---------------------------|------------------------|
| | 30 June 2024 \$'000 | 30 June 2024 CPU | 30 June 2023 \$'000 | 30 June 2023 CPU |
| Distributions - Class I | | | | |
| September | - | - | 901 | 0.56 |
| Total distributions | - | - | 901 | |
| Distributions - Class W | | | | |
| September | - | - | 8 | 0.59 |
| Total distributions | - | - | 8 | |
| Total distributions | - | - | 909 | |

There were no distributions declared for the year ended 30 June 2024.

11 Cash and cash equivalents

| | As at | |
|--|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Cash at bank | 13,336 | 4,651 |
| Total cash and cash equivalents | 13,336 | 4,651 |

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

| | Year ended | |
|---|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the year | - | - |
| Increase/(decrease) in net assets attributable to unit holders | 5,532 | 2,046 |
| Distributions to unit holders | - | 909 |
| Proceeds from sale of financial instruments at fair value through profit or loss | 375,846 | 376,361 |
| Payments for purchase of financial instruments at fair value through profit or loss | (420,325) | (417,276) |
| Net (gains)/losses on financial instruments at fair value through profit or loss | 1,139 | 1,883 |
| Net foreign exchange (gain)/loss | 14 | 71 |
| Net interest bought/(sold) | (384) | (269) |
| Net movement in margin accounts | 40 | 4,946 |
| Net change in receivables | (816) | (91) |
| Net change in payables | (3) | 14 |
| Net cash inflow/(outflow) from operating activities | (38,957) | (31,406) |
| (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 plan | - | 8 |
| Total non-cash operating and financing activities | - | 8 |

As described in Note 2(j), income not distributed is included in net assets attributable to unit holders. The change in this amount for the 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.

13 Receivables

| | As at | |
|--------------------------|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Interest receivable | 2,035 | 1,225 |
| GST receivable | 44 | 38 |
| Total receivables | 2,079 | 1,263 |

14 Payables

| | As at | |
|-----------------------------------|---------------------------|---------------------------|
| | 30 June 2024 \$'000 | 30 June 2023 \$'000 |
| Management fees and costs payable | 80 | 66 |
| Other payables | 16 | 33 |
| Total payables | 96 | 99 |

15 Remuneration of auditors

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

| | Year ended | |
|---|-----------------|-----------------|
| | 30 June 2024 | 30 June 2023 |
| | \$ | \$ |
| Deloitte Touche Tohmatsu | | |
| <i>Audit and other assurance services</i> | | |
| Audit of financial statements | 33,475 | 23,583 |
| Total auditor remuneration and other assurance services | 33,475 | 23,583 |
| <i>Taxation services</i> | | |
| Tax compliance services | 10,217 | 9,731 |
| Total remuneration for taxation services | 10,217 | 9,731 |
| Total remuneration of Deloitte Touche Tohmatsu | 43,692 | 33,314 |
| PricewaterhouseCoopers | | |
| <i>Audit and other assurance services</i> | | |
| Audit of compliance plan | 2,400 | 2,346 |
| Total auditor remuneration and other assurance services | 2,400 | 2,346 |
| Total remuneration of PricewaterhouseCoopers | 2,400 | 2,346 |

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

16 Related party transactions

The Responsible Entity of MFS Global Opportunistic Fixed Income Trust 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 MFS International Australia Pty Ltd to act as Investment Manager for the Fund and State Street Australia Limited 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 or since the end of the financial year and up to the date of this report.

| | |
|-------------------|----------------------------------|
| Philip D Gentry | Chairman (resigned 6 June 2024) |
| Michael J O'Brien | Chairman (appointed 6 June 2024) |
| Russell W Beasley | |
| Mary A O'Connor | |
| David B Warren | |
| Andrew P Godfrey | (appointed 1 May 2024) |

(ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

16 Related party transactions (continued)

(a) Key management personnel (continued)

(iii) 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.

(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 2024 (30 June 2023: 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 fees, Investment Manager's fees and other transactions

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 2024 | 30 June 2023 |
| | \$ | \$ |
| Management fees for the year | 666,305 | 565,467 |
| Responsible Entity fees for the year | 64,005 | 53,183 |
| Management fees payable at year end | 57,207 | 13,467 |
| Responsible Entity fees payable at year end | 6,546 | 4,699 |

Under the terms of the Fund's Constitution and Product Disclosure Statement, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

16 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 \$ |
|---|------------------------------|------------------------------|-----------------------------|-----------------|--------------------------|--------------------------|---|
| As at 30 June 2024 | | | | | | | |
| MFS International Holdings Pty Ltd | 80,494 | 80,494 | 73,169 | 0.03 | - | - | - |
| Apex Fund Services Pty Ltd ACF PAC | - | 1,686,982 | 1,533,466 | 0.70 | 3,213,626 | 1,526,644 | - |
| As at 30 June 2023 | | | | | | | |
| MFS International Holdings Pty Ltd | 79,937 | 80,494 | 71,036 | 0.04 | 557 | - | - |

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties for the year (2023: nil).

17 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 2024 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 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 2024 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.



Andrew P Godfrey
Director

Melbourne
19 September 2024

Independent Auditor's Report to the Unit Holders of MFS Global Opportunistic Fixed Income Trust

Opinion

We have audited the financial report of MFS Global Opportunistic Fixed Income Trust (the "Fund") which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, and notes to the financial statements, including material accounting policy information and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of the the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2024, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 for the Financial Report

The Directors are responsible:

- For the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Fund in accordance with Australian Accounting Standards and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Fund and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors 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 either intend to liquidate the Fund or to cease operations, or has 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Jonathon Corbett
Partner
Chartered Accountants

Sydney, 19 September 2024