

Senior Floating Rate Loan Fund

ARSN 625 239 143

Annual report

For the year ended 30 June 2024

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This annual report covers Senior Floating Rate Loan Fund as an individual entity.

The Responsible Entity of Senior Floating Rate Loan Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Senior Floating Rate Loan Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Principal activities

The Fund seeks to accomplish its investment objective through investment primarily in a managed portfolio of predominantly U.S. Senior Loans. The Fund may not invest in more than 5% of the total assets in Senior Loans denominated in currencies other than the U.S dollar.

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	Natixis Investment Managers Australia Pty Limited
Sub-Investment Manager	Loomis, Sayles & Company, L. P.
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	PricewaterhouseCoopers

Directors

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

Philip D Gentry	Chairman (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 Information Memorandum and the provisions of the Fund's Constitution.

The Fund's performance was 7.53% (net of fees) for the year ended 30 June 2024. The Fund's benchmark, the 3 Month AUD Bank Bill returned 4.40% for the same period.

A Fund's total return is the percentage change in the value of an investment in the Fund, considering any changes in the Fund's unit pricing during specific period and assuming the reinvestment of all distributions back into the Fund.

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) for the year (\$'000)	39,828	68,130

There were no distributions declared for the year ended 30 June 2024 and 30 June 2023.

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 Information Memorandum 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.

Indemnification of auditor

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

Directors' report (continued)

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
30 September 2024



Auditor's Independence Declaration

As lead auditor for the audit of Senior Floating Rate Loan Fund for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'CJ Cummins'.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
30 September 2024

Statement of comprehensive income

		Year ended	
		30 June 2024	30 June 2023
		\$'000	\$'000
Income			
Interest income from financial assets at amortised cost		681	463
Net foreign exchange gain/(loss)		(143)	(5,654)
Net gains/(losses) on financial instruments at fair value through profit or loss		39,802	74,027
Management fees and costs reimbursement	16	11	-
Total income/(loss)		40,351	68,836
Expenses			
Management fees and costs		520	579
Other expenses		3	127
Total expenses		523	706
Profit/(loss) for the year		39,828	68,130
Other comprehensive income		-	-
Total comprehensive income for the year		39,828	68,130

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

Statement of financial position

		As at	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	11	55,681	34,917
Receivables	13	282	311
Due from brokers - receivable for securities sold		27,148	10,197
Financial assets at fair value through profit or loss	6	<u>575,297</u>	<u>505,908</u>
Total assets		<u>658,408</u>	<u>551,333</u>
Liabilities			
Payables	14	162	633
Due to brokers - payable for securities purchased		87,244	18,383
Financial liabilities at fair value through profit or loss	7	<u>431</u>	<u>1,574</u>
Total liabilities		<u>87,837</u>	<u>20,590</u>
Net assets attributable to unit holders - equity	9	<u>570,571</u>	<u>530,743</u>

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

Statement of changes in equity

	Note	Year ended	
		30 June 2024 \$'000	30 June 2023 \$'000
Total equity at the beginning of the financial year		530,743	856,524
Comprehensive income for the financial year			
Profit/(loss) for the year		39,828	68,130
Other comprehensive income		-	-
Total comprehensive income		39,828	68,130
Transactions with unit holders			
Applications	9	-	13,629
Redemptions	9	-	(407,540)
Total transactions with unit holders		-	(393,911)
Total equity at the end of the financial year		570,571	530,743

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

		Year ended	
		30 June 2024	30 June 2023
	Note	\$'000	\$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		496,715	717,440
Payments for purchase of financial instruments at fair value through profit or loss		(475,363)	(286,666)
Interest income received from financial assets at amortised cost		667	330
Management fees and costs reimbursement received		14	5
Other income received		40	102
Management fees and costs paid		(541)	(732)
Other expenses paid		(8)	(193)
Net cash inflow/(outflow) from operating activities	12(a)	<u>21,524</u>	<u>430,286</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		-	12,561
Payments for redemptions by unit holders		<u>(445)</u>	<u>(539,157)</u>
Net cash inflow/(outflow) from financing activities		<u>(445)</u>	<u>(526,596)</u>
Net increase/(decrease) in cash and cash equivalents		21,079	(96,310)
Cash and cash equivalents at the beginning of the year		34,917	131,239
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>(315)</u>	<u>(12)</u>
Cash and cash equivalents at the end of the year	11	<u>55,681</u>	<u>34,917</u>

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

Notes to the financial statements

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1 General information

These financial statements cover Senior Floating Rate Loan Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 2 October 2007 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 seeks to accomplish its investment objective through investment primarily in a managed portfolio of predominantly U.S. Senior Loans. The Fund may not invest in more than 5% of the total assets in Senior Loans denominated in currencies other than the U.S. dollar.

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 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 term loans, 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 term loans are measured at fair value through profit or loss.

For cash and cash equivalents, receivables and due from brokers, 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 and due to brokers - payable for securities purchased).

(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.

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

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition and derecognition (continued)

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, 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 and due from brokers) 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 financial assets carried at amortised cost 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.

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.

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.

(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.

The Fund's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents 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.

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) 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.

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.

2 Summary of material accounting policies (continued)

(f) 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.

(g) 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.

(h) Distributions

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

(i) 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.

(j) 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.

(k) 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.

2 Summary of material accounting policies (continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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(c) 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.

(p) 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.

2 Summary of material accounting policies (continued)

(q) Comparative revisions

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

3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and 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 Constitution, the Information Memorandum 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 long equity securities and term loans is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Natixis Investment Managers Australia Pty Limited (formerly known as NGAM Australia Pty Limited) 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 Information Memorandum. Natixis have appointed a Sub-Investment Manager, Loomis, Sayles & Company, L.P., under a Sub-Investment Management Agreement (the "sub IMA").

Compliance with the Fund's investment policy is reviewed by Senior Management of the Sub Investment Manager at least monthly and provides reports and information related to the Fund's policy to their Board and Compliance Committee. Both the Board and the Compliance Committee meet at least four times per annum.

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

(a) Market risk

(i) Price risk

The Fund may be exposed to price risk. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The majority of the Fund's directly held financial assets and liabilities are interest bearing securities that have exposure to interest rate movement and therefore have minimal exposure to price risk. As a result, there is limited exposure to price risk at year end.

An analysis of cash flow and fair value 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.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The Fund's policy is to hedge between 95% to 105% of the direct foreign currency exposure on both monetary and non-monetary financial assets and liabilities. However, for accounting purpose, 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.

When the Sub-Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its hedging decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in Australian dollars. For that reason, the sensitivity analysis at Note 3(b) may not necessarily indicate the total effect on the Fund's net assets attributable to unit holders of future movements in foreign exchange rates.

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
As at 30 June 2024		
Cash and cash equivalents	53,389	1,606
Due from brokers - receivable from securities sold	27,148	-
Receivables	62	1
Financial assets at fair value through profit or loss	570,704	4,593
Due to brokers - payable for securities purchased	(85,080)	(2,164)
Financial liabilities at fair value through profit or loss	(431)	-
Net exposure	565,792	4,036
Net increase/(decrease) in exposure from forward currency contracts - sell foreign currency	(562,363)	(3,878)
Net exposure including forward currency contracts	3,429	158
	US Dollars A\$'000	Euro A\$'000
As at 30 June 2023		
Cash and cash equivalents	34,436	2
Due from brokers - receivable from securities sold	10,197	-
Receivables	8	-
Financial assets at fair value through profit or loss	501,149	4,759
Due to brokers - payable for securities purchased	(18,383)	-
Financial liabilities at fair value through profit or loss	(1,574)	-
Net exposure	525,833	4,761
Net increase/(decrease) in exposure from forward currency contracts - sell foreign currency	(523,143)	(4,952)
Net exposure including forward currency contracts	2,690	(191)

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2023: +/-10%) against the material foreign currencies to which the Fund is exposed.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk of market losses attributable to changes in interest rates. In general, the prices of fixed-income securities rise when interest rates fall, and prices fall when interest rates rise. Senior Loans are susceptible to interest rate risk as Senior Loans generally pay interest at rates which float or reset periodically at a margin against a recognised lending rate. Interest rate risk is measured using sensitivity analysis.

The Fund's policy is to hold the net assets attributable to unit holders invested in interest bearing securities. The Fund may also enter into derivative financial instruments to mitigate the risk of future interest rate changes.

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

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
As at 30 June 2024				
Financial assets				
Cash and cash equivalents	55,681	-	-	55,681
Receivables	-	-	282	282
Due from brokers - receivable for securities sold	-	-	27,148	27,148
Financial assets at fair value through profit or loss	565,504	-	9,793	575,297
Total financial assets	621,185	-	37,223	658,408
Financial liabilities				
Payables	-	-	162	162
Due to brokers - payable for securities purchased	-	-	87,244	87,244
Financial liabilities at fair value through profit or loss	-	-	431	431
Total financial liabilities	-	-	87,837	87,837
Net exposure	621,185	-	(50,614)	570,571
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	34,917	-	-	34,917
Receivables	-	-	311	311
Due from brokers - receivable for securities sold	-	-	10,197	10,197
Financial assets at fair value through profit or loss	497,225	-	8,683	505,908
Total financial assets	532,142	-	19,191	551,333
Financial liabilities				
Payables	-	-	633	633
Due to brokers - payable for securities purchased	-	-	18,383	18,383
Financial liabilities at fair value through profit or loss	3	-	1,571	1,574
Total financial liabilities	3	-	20,587	20,590
Net exposure	532,139	-	(1,396)	530,743

3 Financial risk management (continued)

(a) Market risk (continued)

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

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 +/-200 basis points (2023: +/-200 basis points) from the year end rates with all other variables held constant.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible 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 operating profit/Net assets attributable to unit holders			
	Foreign exchange risk		Interest rate risk	
	+10%	-10%	+200bps	-200bps
	USD	USD		
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2024	343	(343)	12,424	(12,424)
As at 30 June 2023	269	(269)	10,643	(10,643)

The sensitivity factors for 30 June 2023 were +/-10% for foreign exchange risk and +/-200bps for the 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 main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to from brokers and other receivables. None of these assets are impaired.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2024 and 30 June 2023, all receivables, amounts due from brokers, cash and short-term deposits are either callable on demand or due to be settled within 1 week. Management consider 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.

(i) Debt securities

The Fund invests primarily in Senior Loans secured by collateral with a value (at the time of acquisition), in the Sub Investment Manager's view, at least equal to the amount of the Senior Loan. There is no assurance, however, that the collateral securing a Senior Loan will be sufficient to protect the Fund against losses in value or a decline in income in the event of a borrower's non-payment of principal or interest. For example, the value of the collateral could, subsequent to the

3 Financial risk management (continued)

(c) Credit risk (continued)

Fund's investment in a Senior Loan, decline below the amount of such Senior Loan. In addition, it may not be possible to liquidate the collateral promptly and, in the event that a borrower declares bankruptcy, a court could, in certain circumstances, invalidate the Fund's security interest in the collateral or subordinate the Fund's rights under the Senior Loan to other creditors of the borrower.

The Fund may also invest in Senior Loans made in connection with leveraged buy-out transactions, recapitalisations and other highly leveraged transactions. These types of Senior Loans may be subject to greater risks than other kinds of Senior Loans in which the Fund may invest.

The Fund invests in Senior Loans which are generally rated below investment grade. The Senior Loans, because of their seniority in the borrower's capital structure and their claim upon assets pledged to secure such loans, will generally be rated higher than the public debt of such borrowers which will also generally be rated below investment grade. The total portfolio's average weighted credit quality is expected to be at least CCC by Standard and Poor's or B3 by Moody's or B- by Fitch or better.

The credit quality of financial assets is managed using Standard and Poor's, Fitch or Moody's rating categories, in accordance with the investment mandate of the Fund. The Fund's exposure in each grade is monitored on a daily basis. This review process allows the Sub-Investment Manager to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of asset for debt instruments based on Standard and Poor ratings.

The Fund may also invest in Senior Loans where a rating is assigned by the Sub Investment Manager using an approach that is consistent with the approach used by that rating agency. In order to monitor the credit quality of the unrated assets, the Investment Manager, on the basis of internal research, may prepare its own shadow ratings for the various instruments for which publicly available credit ratings are not available.

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Senior Loans		
Rating		
BBB	56,823	37,198
BB	288,442	263,163
B	216,552	187,896
CCC	3,454	8,670
Not rated	233	295
Total	565,504	497,222

(ii) Derivative financial instruments

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

3 Financial risk management (continued)

(c) Credit risk (continued)

(iii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or better by a recognised rating agency, or if not rated, is assessed by the Sub-Investment Manager as being of at least equivalent rating.

(v) Other

The Fund is not materially exposed to credit risk on other financial assets.

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(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.

Unit holders can redeem their units in the Fund on a bi-monthly basis. It therefore invests the majority of its assets in investments that can be readily disposed.

The Fund may, from time to time, invest in financial instruments traded over the counter, or which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer or counterparty.

Financial liabilities of the Fund's comprise of due to brokers - payable for securities purchased, payables, derivative instruments, distribution payable and net assets attributable to unit holders. Payables have no contractual maturities but are typically settled within 30 days.

Derivative instruments are held for trading for the purposes of making short term gains. Although they have contractual maturities, the Sub-Investment Manager's expectation is that they will typically dispose of them within a shorter period of time.

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.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2024					
Payables	162	-	-	-	162
Due to brokers - payable for securities purchased	87,244	-	-	-	87,244
Contractual cash flows (excluding derivatives)	87,406	-	-	-	87,406
As at 30 June 2023					
Payables	633	-	-	-	633
Due to brokers - payable for securities purchased	18,383	-	-	-	18,383
Financial liabilities at fair value through profit or loss	-	-	-	3	3
Contractual cash flows (excluding derivatives)	19,016	-	-	3	19,019

(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	6,633	2,729	-	-	9,362
Total net settled derivatives	6,633	2,729	-	-	9,362
As at 30 June 2023					
Net settled derivatives					
Forward currency contracts	2,411	4,701	-	-	7,112
Total net settled derivatives	2,411	4,701	-	-	7,112

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 pledged/received	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2024						
Financial assets						
Derivative financial instruments	9,793	-	9,793	(431)	-	9,362
Total	9,793	-	9,793	(431)	-	9,362
Financial liabilities						
Derivative financial instruments	431	-	431	(431)	-	-
Total	431	-	431	(431)	-	-
As at 30 June 2023						
Financial assets						
Derivative financial instruments	9,558	(875)	8,683	(1,571)	-	7,112
Total	9,558	(875)	8,683	(1,571)	-	7,112
Financial liabilities						
Derivative financial instruments	2,446	(875)	1,571	(1,571)	-	-
Total	2,446	(875)	1,571	(1,571)	-	-

(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) 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 are valued using quoted market prices or dealer quotes for similar instruments.
- Foreign currency forwards are valued at the present value of future cash flows based on the forward exchange rates at the balance sheet date.

5 Fair value measurement (continued)

(b) 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2024				
Financial assets				
Forward currency contracts	-	9,793	-	9,793
Term loans	-	565,504	-	565,504
Total financial assets	-	575,297	-	575,297
Financial liabilities				
Forward currency contracts	-	431	-	431
Total financial liabilities	-	431	-	431
As at 30 June 2023				
Financial assets				
Forward currency contracts	-	8,683	-	8,683
Term loans	-	497,225	-	497,225
Total financial assets	-	505,908	-	505,908
Financial liabilities				
Forward currency contracts	-	1,571	-	1,571
Term borrowing	-	3	-	3
Total financial liabilities	-	1,574	-	1,574

(c) 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 (30 June 2023: nil).

(d) Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Derivatives	9,793	8,683
Term loans	565,504	497,225
Total financial assets at fair value through profit or loss	575,297	505,908

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	30 June 2023
	\$'000	\$'000
Derivatives	431	1,571
Term borrowings	-	3
Total financial liabilities at fair value through profit or loss	431	1,574

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.

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.

8 Derivative financial instruments (continued)

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) 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.

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2024			
Forward currency contracts	<u>1,125,137</u>	<u>9,793</u>	<u>431</u>
Total derivatives	<u>1,125,137</u>	<u>9,793</u>	<u>431</u>
As at 30 June 2023			
Forward currency contracts	<u>1,169,047</u>	<u>8,683</u>	<u>1,571</u>
Total derivatives	<u>1,169,047</u>	<u>8,683</u>	<u>1,571</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 - equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they 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
Opening balance	391,729	530,743	694,462	856,524
Applications	-	-	10,660	13,629
Redemptions	-	-	(313,393)	(407,540)
Profit/(loss) for the year	-	39,828	-	68,130
Closing balance	<u>391,729</u>	<u>570,571</u>	<u>391,729</u>	<u>530,743</u>

9 Net assets attributable to unit holders - equity (continued)

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 no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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 which is classified as equity. The amount of net assets attributable to unit holders can change significantly on a bi-monthly basis as the Fund is subject to bi-monthly applications and redemptions at the discretion of unit holders.

Bi-monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a bi-monthly 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

There were no distributions declared for the years ended 30 June 2024 and 30 June 2023.

11 Cash and cash equivalents

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Cash at bank	<u>55,681</u>	<u>34,917</u>
Total cash and cash equivalents	<u>55,681</u>	<u>34,917</u>

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

	Year ended	
	30 June 2024	30 June 2023
	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	39,828	68,130
Proceeds from sale of financial instruments at fair value through profit or loss	496,715	717,440
Payments for purchase of financial instruments at fair value through profit or loss	(475,363)	(286,666)
Net (gains)/losses on financial instruments at fair value through profit or loss	(39,802)	(74,027)
Net foreign exchange (gain)/loss	143	5,654
Net change in receivables	29	(92)
Net change in payables	(26)	(153)
Net cash inflow/(outflow) from operating activities	21,524	430,286
(b) Non-cash operating and financing activities		
The following applications were satisfied by no physical cash movement	-	(1,068)
The following redemptions were satisfied by no physical cash movement	-	1,068
Total non-cash operating and financing activities	-	-

13 Receivables

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Interest receivable	147	133
GST receivable	21	103
Management fees reimbursement receivable	2	5
Other receivables	112	70
Total receivables	282	311

14 Payables

	As at	
	30 June 2024	30 June 2023
	\$'000	\$'000
Management fees and costs payable	161	182
Redemptions payable	-	445
Other payables	1	6
Total payables	162	633

15 Remuneration of auditor

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

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit of financial statements	81,760	75,300
Audit of compliance plan	2,400	2,346
Total auditor remuneration and other assurance services	<u>84,160</u>	<u>77,646</u>
<i>Taxation services</i>		
Tax compliance services	14,716	14,014
Total remuneration for taxation services	<u>14,716</u>	<u>14,014</u>
Total remuneration of PricewaterhouseCoopers	<u>98,876</u>	<u>91,660</u>

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

16 Related party transactions

The Responsible Entity of Senior Floating Rate Loan Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Natixis Investment Managers Australia Pty Limited 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.

(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.

16 Related party transactions (continued)

(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	-	29,639
Responsible Entity fees for the year	268,134	328,283
Management fees reimbursement for the year	11,333	-
Responsible Entity fees payable at year end	45,665	66,326
Management fees reimbursement receivable at year end	2,568	5,405

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.

Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

(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) held no units in the Fund as at 30 June 2024 (30 June 2023: nil).

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties for the year (30 June 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 33 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
30 September 2024



Independent auditor's report

To the unit holders of Senior Floating Rate Loan Fund

Our opinion

In our opinion:

The accompanying financial report of Senior Floating Rate Loan Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors of Equity Trustees Limited (the Responsible Entity) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

A stylized, handwritten signature in dark ink, likely representing the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature in dark ink, likely belonging to CJ Cummins.

CJ Cummins
Partner

Sydney
30 September 2024