

**HUNTER GLOBAL FIXED INTEREST FUND**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020**

# HUNTER GLOBAL FIXED INTEREST FUND

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# HUNTER GLOBAL FIXED INTEREST FUND

## DIRECTORY

### THE MANAGER

Implemented Investment Solutions Limited  
Level 3, 1 Woodward Street  
Wellington

This is also the address of the registered office.

### THE SUPERVISOR

Public Trust  
100 Molesworth Street, New Zealand Rugby House  
PO Box 5067  
Wellington 6145

### DIRECTORS OF THE MANAGER

Anthony R J Edmonds  
Ian H Russon  
Lee K Mauger (Resigned 28 February 2020)  
Jeremy B Valentine

### BANKERS

Westpac New Zealand Limited  
BNP Paribas Securities Services

### INVESTMENT MANAGER

PIMCO Australia Pty Ltd

### FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

### AUDITOR

PricewaterhouseCoopers  
10 Waterloo Quay  
PO Box 243  
Wellington 6140 New Zealand

## CORRESPONDENCE

All correspondence and enquiries about the Hunter Global Fixed Interest Fund should be addressed to the Manager, Implemented Investment Solutions Limited, at the above address.

## HUNTER GLOBAL FIXED INTEREST FUND

Implemented Investment Solutions Limited (the "Manager") and Public Trust are parties to a trust deed dated 1 December 2016 (the "Trust Deed") which sets out the terms and conditions applicable to schemes and funds established by the Manager and the Supervisor with such scheme.

The Trust Deed provides that each scheme is to be established by the Manager and the Supervisor entering into a Scheme Establishment Deed setting out the specific terms and conditions relating to that fund.

The Scheme Establishment Deed dated 1 December 2016 (the "Scheme Establishment Deed") by the Manager and the Supervisor established the Hunter Investment Funds Scheme setting out the specific terms and conditions relating to the Scheme.

The Trust Deed provides that funds are to be established by the Manager and the Supervisor with respect to each scheme by the Manager and Supervisor entering into a Fund Establishment Deed setting out the specific terms and conditions relating to that fund.

The Manager has resolved to establish a fund to be known as the Hunter Global Fixed Interest Fund (the "Fund").

### STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice in New Zealand and present fairly the financial position of the Fund as at 31 March 2020, and of the results of its financial performance and cash flows for the period ended on that date in accordance with the requirements of the Trust Deed and Establishment Deed each dated 1 December 2016.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders in the assets other than those already disclosed in this report.

For and on behalf of:

**Implemented Investment Solutions Limited**



.....  
Director



.....  
Director

This Statement was approved for signing at a meeting of the Directors on 28 September 2020.

## HUNTER GLOBAL FIXED INTEREST FUND

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	31 March 2020 \$'000	31 March 2019 \$'000
<b>INCOME</b>			
Interest income		23,726	17,257
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	35,660	20,847
Foreign exchange losses		(38,348)	(7,787)
Other income		<u>24</u>	<u>2</u>
<b>TOTAL INCOME</b>		<b><u>21,062</u></b>	<b><u>30,319</u></b>
<b>EXPENSES</b>			
Interest expense		149	457
Management fees	15	4,181	4,032
Other expenses		<u>187</u>	<u>90</u>
<b>TOTAL EXPENSES</b>		<b><u>4,517</u></b>	<b><u>4,579</u></b>
<b>NET PROFIT</b>		<b>16,545</b>	<b>25,740</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>16,545</u></b>	<b><u>25,740</u></b>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

## HUNTER GLOBAL FIXED INTEREST FUND

### STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2020

	Note	31 March 2020 \$'000	31 March 2019 \$'000
<b>UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR</b>		670,497	593,064
Net profit and other comprehensive income for the year		<u>16,545</u>	<u>25,740</u>
<b>Total comprehensive income</b>		<b>16,545</b>	<b>25,740</b>
Subscriptions from Unitholders		143,289	108,470
Redemptions by Unitholders		(49,835)	(30,270)
Distributions to Unitholders		<u>(29,861)</u>	<u>(26,507)</u>
		<b>63,593</b>	<b>51,693</b>
<b>UNITHOLDERS' FUNDS AT THE END OF THE YEAR</b>	11b	<u><b>750,635</b></u>	<u><b>670,497</b></u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	31 March 2020 \$'000	31 March 2019 \$'000
<b>ASSETS</b>			
Cash at bank		20,674	7,810
Receivables	7	16,074	11,429
Receivables from sale and repurchase agreements		33,567	-
Financial assets at fair value through profit or loss			
Investment securities	4, 5	759,537	669,161
Derivatives	6	47,464	23,935
Margin accounts	5	56,655	13,305
<b>TOTAL ASSETS</b>		<b>933,971</b>	<b>725,640</b>
<b>LIABILITIES</b>			
Due to financial institutions		8,640	6,515
Payables	8	20,904	17,989
Payables under sale and repurchase agreements		50,884	-
Financial liabilities at fair value through profit or loss			
Investment securities - sold short		4,759	7,177
Derivatives	6	98,149	23,462
<b>TOTAL LIABILITIES</b>		<b>183,336</b>	<b>55,143</b>
<b>UNITHOLDERS' FUNDS</b>	11b	<b>750,635</b>	<b>670,497</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>		<b>933,971</b>	<b>725,640</b>

For and on behalf of the Manager, Implemented Investment Solutions Limited, who authorised the issue of the Financial Statements on 28 September 2020.

*J. L. Larsson*

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Director

*Abolito*

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Director

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# HUNTER GLOBAL FIXED INTEREST FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Note	31 March 2020 \$'000	31 March 2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest income		22,992	17,136
Maturity/Realisation of investments		1,522,748	1,383,915
Movement in margin accounts		(41,225)	(6,828)
Other income		24	2
Operating expenses		(4,123)	(4,150)
Interest expense		(165)	(483)
Purchase of investments		(1,557,762)	(1,441,068)
Net settlement of derivatives		4,195	(178)
Other expenses		(187)	(90)
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	12	<b>(53,503)</b>	<b>(51,744)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Subscriptions from Unitholders		143,289	108,470
Redemptions by Unitholders		(49,835)	(30,270)
Distributions to Unitholders		(28,050)	(24,951)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>65,404</b>	<b>53,249</b>
<b>Net increase in cash and cash equivalents</b>		<b>11,901</b>	<b>1,505</b>
Cash and cash equivalents at beginning of the year		7,810	6,421
Effect of exchange rate fluctuations on cash and cash equivalents		963	(116)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b><u>20,674</u></b>	<b><u>7,810</u></b>
<b>CASH BALANCE COMPRISES OF</b>			
Cash and cash equivalents		<u>20,674</u>	<u>7,810</u>
<b>CASH BALANCE AT THE END OF THE YEAR</b>		<b><u>20,674</u></b>	<b><u>7,810</u></b>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.



# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 1. GENERAL INFORMATION

The Hunter Global Fixed Interest Fund (the "Fund") is a for-profit managed investment scheme domiciled in New Zealand and established under the Financial Markets Conduct Act 2013 ("FMC Act 2013").

The Fund was established under a Trust Deed and Establishment Deed each dated 1 December 2016 and commenced operations on 15 March 2017.

The objective of the Fund is to provide a total return, before costs and tax, 1% higher than the Bloomberg Barclays Global Aggregate Index - 100% New Zealand dollar hedged over the long term (3 years plus).

The Fund invests in a diversified portfolio of actively managed fixed interest securities, cash and derivatives. The predominant investment is in securities issued by governments, supranationals, local authorities, and corporates. The Fund may also invest in emerging market debt, asset backed securities, mortgage backed securities, structured notes, bank loans, high yield securities, mortgage derivatives, preferred securities, unrated securities, cash and cash equivalents, and derivative instruments, including currency hedging instruments.

Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. PIMCO Australia Pty Ltd ('PIMCO') has been appointed as the Investment Manager of the Fund and is responsible for investing and managing the Fund's assets.

#### Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Reporting Period

The financial statements are for the year ended 31 March 2020, with the comparatives for the year ended 31 March 2019.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### Basis of Preparation

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the FMC Act 2013. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). However, where specific amounts are referred to in the note wording, the figures are rounded to the nearest dollar.

Implemented Investment Solutions Limited is the Manager of the Fund. The Manager enters into fund hosting arrangements with various investment managers. The arrangements involve the issuing and managing of funds, under the Manager's Managed Investment Scheme licence, on behalf of an investment manager who wants to provide investors with access to their investment solutions. The Manager contracts with other service providers to provide the services required to be provided directly to the Fund. This includes investment management, trustee/supervisor, custodian, fund administration and audit services. In respect of these services the Manager is acting as an agent of the Fund.

#### *(i) New Standards and amendments to existing standards effective 1 January 2019*

There are no new standards, amendments to standards or interpretations that are effective for the annual reporting period commencing beginning on 1 April 2019 that have a material effect on the financial statements of the Fund.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *(ii) Issued but not yet effective accounting standards*

A number of new accounting standards and amendments to existing standards are issued or revised that are not yet effective as at 31 March 2020, they have been identified as not applicable or relevant to the Fund. Therefore they are not included in the financial statements.

#### **Investment Entity**

The Fund has multiple investors and holds multiple investments (mainly fixed income securities).

Ownership interests in the Fund are in the form of redeemable units which are classified as equity in accordance with *NZ IAS 32 Financial Instruments: Presentation* and which are exposed to variable returns from changes in the fair value of the Fund's net assets. The Fund has been deemed to meet the definition of an investment entity per *NZ IFRS 10 Consolidated Financial Statements* as the following criteria are met:

- The Fund has obtained funds for the purpose of providing investors with investment management services.
- The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the unit trust investments.
- The performance of its investments is measured and evaluated on a fair value basis.

Accordingly, investments in subsidiaries are recognised at fair value and subsequently measured at fair value through profit or loss.

The Fund is considered to meet the typical characteristics of the definition from being an Investment Entity, hence, it is qualified as Investment Entity.

#### **Foreign Currency Translation**

##### *Functional and presentation currency*

The Manager considers the New Zealand dollar the currency that most accurately represents the economic effect of the underlying transactions, events and conditions, the Fund's functional currency. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from Unitholders.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses arising from translation are included in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the Statement of Profit or Loss and Other Comprehensive Income within 'net changes in fair value of financial assets and financial liabilities at fair value through profit or loss'.

#### **Income Recognition**

##### *Interest*

Interest is recognised on a time-proportionate basis using effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.

##### *Changes in fair value of investments*

Net gains or losses on investments at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial Instruments

##### *Classification*

##### **Assets**

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

##### **Liabilities**

The Fund holds derivatives financial instruments. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

The Fund's policy is for the Manager and the Board of Directors to evaluate the information about these financial assets and financial liabilities on a fair value basis together with other related financial information.

##### *Recognition, Derecognition and Measurement*

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments and derivatives have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is presented in the Statement of Profit or Loss and Other Comprehensive Income within net changes in fair value of financial assets and liabilities at fair value through profit or loss.

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

##### *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the bid price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial Assets and Financial Liabilities Measured at Amortised Cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash at bank and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses. The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

#### Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, demand deposits and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with an original maturity of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the above as defined above, net of bank overdrafts when applicable.

#### Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Receivables are measured initially at fair value and subsequently at amortised cost. Amounts are generally received within 30 days of being recorded as receivables. Given the short-term nature of most receivables, the carrying amount approximates their fair value.

#### Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates their fair value.

#### Impairment of Financial Assets at Amortised Cost

In accordance with *NZ IFRS 9 Financial Instruments*, the Fund applies expected credit losses (ECL) provision on all of its receivables, either on a 12-month or lifetime basis.

The Fund holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under *NZ IFRS 9: Financial Instruments* to all its receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at the reporting date.

With short time period and nature of the financial assets, accrued interest, dividends and receivables from sale of investments measured at amortised cost, the Fund does not anticipate any expected credit losses for these assets.

#### Expenses

All expenses are recognised on an accrual basis.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Taxation**

##### *Income taxation*

The Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007.

Tax treatment applicable to a PIE:

Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR") and pays the tax to the taxation authorities on behalf of the investor, capped at a maximum of 28%.

The Fund calculates and deducts tax based on each investor's PIR and pays the tax to the taxation authorities on behalf of the investor. The PIE tax liabilities, at the end of the year, are due for payment on the last day of the next month.

PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities on behalf of the investors based on the investors' current period's income and their PIR.

##### *Goods and services tax (GST)*

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

#### **Distributions to Unitholders**

The Fund distributes six monthly.

The record dates for the distributions are the last business days of March and September. Distributions are paid within 10 business days of the month following the record date.

#### **Redeemable Units and Unitholders' Funds**

Units issued by the Fund provide the Unit Holder the right to request redemption for cash at the value proportionate to the Unit Holder's share in the Fund's net asset value. The Unit Holders' Funds meet the definition of a "puttable instrument" in accordance with NZ IAS 32: Financial Instruments: Presentation and is classified as equity.

The redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net assets value if the Unitholders exercise their right to put the units back to the Fund. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 11.

The redeemable units are redeemed at the Unitholders' option at a price based on the Fund's net assets valued as per the Unit Pricing Methodology less any spread at the time of redemption.

#### **Sale and Repurchase Agreements - Repos**

Securities sold subject to repurchase agreements are reclassified in the financial statements as receivable from sale and purchase agreements. Securities purchased under agreements to resell are recorded separately under payables under sale and purchase agreements. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

#### **Due From/To Financial Institutions**

Due from/to financial institutions includes the cash collateral provided by the Fund that is identified in the Statement of Financial Position as margin cash and is not included as a component of cash and cash equivalents.

Futures margin accounts comprise cash held as collateral for derivatives transactions. The cash is held by the broker and is only available to meet margin calls.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Presentation of Cash Flows

For the purposes of the Statement of Cash Flows, proceeds from the sale and purchase of investments at fair value through profit or loss and proceeds from realisation of derivatives are operating activities. The sale and purchase of investments maintain the operating capability of the Fund even though the investments may not be acquired specifically for resale or trading.

#### Critical Accounting Estimates and Assumptions

##### *Fair value of financial assets and liabilities*

The investments of the Fund have been valued at closing bid price. Repos are valued at carrying amount plus accrued interest. Fixed interest securities have been valued at bid price or binding dealer price quotations, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets.

Where an investment is unlisted the value is based on the relevant redemption price established by underlying investment managers.

##### *Fair value of derivative financial instruments*

The Fund may, from time to time, hold financial instruments that are not quoted in an active market, such as over-the-counter derivatives. All of the Fund's derivative financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss.

Fair values of such instruments are determined by using valuation techniques that are primarily based on inputs derived or corroborated by observable market data. Forward foreign exchange contracts are mark to market at the forward currency exchange rate at the valuation date for contracts with similar maturity and risk profiles. The options and swaps excluding the interest rate swaps are valued using market prices at the valuation date. Fair value for interest rate swaps and forward rate agreements are calculated using the Interest Rate Swap Yield Curve; and currency swaps' fair value is calculated using the London Mid Close rates provided by a third party vendor. The fair value of futures is based on quoted market prices. The fair value of a To-Be-Announced forward is calculated by reference to underlying bond prices. The valuation techniques are disclosed in note 16f.

##### *COVID-19*

On 11 March 2020, the World Health Organisation ("WHO") declared a global pandemic as a result of the outbreak and spread of COVID-19. Subsequent to this, on 25 March 2020, the New Zealand Government increased its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. Management implemented its Business Continuity framework to mitigate business disruption. Management continues to closely monitor the impacts of the COVID-19 Pandemic on the Fund as the situation continues to unfold. Management has evaluated the impact of COVID-19 on the valuation of financial instruments at 31 March 2020 and has concluded that an adjustment was not required on the basis that markets were functioning and the redemption price for the financial assets at fair value through profit or loss represented fair value. Management continues to monitor the liquidity requirements of the Fund and concluded that there is sufficient liquidity to meet liabilities when due under current conditions. The adoption of the going concern assumption remains appropriate.

#### Restatement of comparatives

During the year, it was identified the certain cash collateral and derivative trades had been incorrectly recorded and consequently the derivatives, margin accounts and due to financial institution balances did not reflect the correct asset and liability position as at 31 March 2019. In addition, investment securities short sold (liabilities) were incorrectly netted against investment securities. The comparative balance, the related cash flows and disclosures and notes have therefore been restated in these financial statements to reflect the correct position. The impacted statements of financial position and statement of cash flow line items are shown below.

The restatement has no impact on the Fund's unitholders funds.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Statement of Financial Position as at 31 March 2019

	31 March 2019 As previously reported \$'000	31 March 2019 As restated \$'000
<b>ASSETS</b>		
Cash at bank	7,828	7,810
Receivables	11,374	11,429
Financial assets at fair value through profit or loss		
Investment securities	661,984	669,161
Derivatives	25,202	23,935
Margin accounts	7,486	13,305
<b>TOTAL ASSETS</b>	<b><u>713,874</u></b>	<b><u>725,640</u></b>
<b>LIABILITIES</b>		
Due to financial institutions	2,241	6,515
Payables	17,934	17,989
Financial liabilities at fair value through profit or loss		
Investment securities - sold short	-	7,177
Derivatives	23,202	23,462
<b>TOTAL LIABILITIES</b>	<b><u>43,377</u></b>	<b><u>55,143</u></b>
<b>UNITHOLDERS' FUNDS</b>	<b><u>670,497</u></b>	<b><u>670,497</u></b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>	<b><u>713,874</u></b>	<b><u>725,640</u></b>

#### (b) Statement of Cash Flows for the year ended 31 March 2019

	31 March 2019 As previously reported \$'000	31 March 2019 As restated \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Maturity/Realisation of investments	1,382,388	1,383,915
Movement in margin accounts	<u>(5,283)</u>	<u>(6,828)</u>
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(51,726)</b>	<b>(51,744)</b>
<b>CASH BALANCE COMPRISES OF</b>		
Cash and cash equivalents	<u>7,828</u>	<u>7,810</u>
<b>CASH BALANCE AT THE END OF THE YEAR</b>	<b><u>7,828</u></b>	<b><u>7,810</u></b>

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 3. NET CHANGES IN FAIR VALUE ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 \$'000	2019 \$'000
Financial assets and financial liabilities at fair value through profit or loss	81,511	18,527
Derivatives	<u>(45,851)</u>	<u>2,320</u>
	<u><b>35,660</b></u>	<u><b>20,847</b></u>

### 4. INVESTMENT SECURITIES

	2020 \$'000	2019 \$'000
<i>Financial assets at fair value through profit or loss</i>		
International fixed interest securities	<u>759,537</u>	<u>669,161</u>
	<u><b>759,537</b></u>	<u><b>669,161</b></u>

### 5. MARGIN ACCOUNTS AND ASSETS PLEDGED AS COLLATERAL

At the year ended 31 March 2020, pledged securities amounted to \$9,040,547 (31 March 2019: \$7,635,019) were identified as collateral for the Fund's derivatives facilities.

Margin accounts represent cash deposits held with brokers as collateral for open derivative contracts. Certain cash balances within the margin accounts are restricted.

### 6. DERIVATIVES

The Fund holds the following derivative financial instruments:

#### (a) Forward foreign exchange contracts (FFX)

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

#### (b) Mortgage-backed securities (To-Be-Announced forwards)

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

#### (c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

Currency swaps (CCY), referred to as cross-currency swaps, are the agreements between two parties to exchange interest payments and principal on loans denominated in two different currencies.

Inflation indexed swaps (CPIs) are agreements in which one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

Overnight index swaps (OIS) are an interest rate swap agreement where a fixed rate is swapped against a pre-determined published index of a daily overnight reference rate for an agreed period.



# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 6. DERIVATIVES (Continued)

#### (d) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

#### (e) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	2020 \$'000	2019 \$'000
<b>Assets</b>		
<i>Derivatives:</i>		
Forward foreign exchange contracts	21,624	10,568
To-Be-Announced forwards	8,701	2,311
Interest rate swaps	13,799	7,560
Currency swaps	47	-
Credit default swaps	522	6
Currency options	16	246
Options	185	-
Futures	<u>2,570</u>	<u>3,244</u>
	<b><u>47,464</u></b>	<b><u>23,935</u></b>
<b>Liabilities</b>		
<i>Derivatives</i>		
Forward foreign exchange contracts	73,891	10,798
To-Be-Announced forwards	61	-
Interest rate swaps	14,674	6,119
Currency swaps	97	1,140
Inflation indexed swaps	153	-
Overnight interest rate swaps	1,213	537
Credit default swaps	2,167	1,795
Currency options	666	387
Options	902	66
Futures	<u>4,325</u>	<u>2,620</u>
	<b><u>98,149</u></b>	<b><u>23,462</u></b>

### 7. RECEIVABLES

	2020 \$'000	2019 \$'000
Interest receivable	4,623	4,455
Receivables from sale of investments	11,447	6,974
PIE tax receivable from Unitholders	<u>4</u>	<u>-</u>
	<b><u>16,074</u></b>	<b><u>11,429</u></b>

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 8. PAYABLES

	2020	2019
	\$'000	\$'000
Interest payable	39	55
Payables from purchase of investments	5,320	4,262
Management fees payable	393	335
Distribution payable	15,148	13,337
PIE tax payable to Inland Revenue	4	-
	<b>20,904</b>	<b>17,989</b>

#### 9. AUDIT FEES

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the year ended 31 March 2020 amounted to \$19,500 excluding GST (31 March 2019: \$19,500).

#### 10. NON-CASH TRANSACTIONS

Differences in cash flows from financing activities as per the statement of cash flows and statement of changes in unitholders' funds is due to accruals.

The amount of distribution outstanding at year end refers is shown in note 8.

#### 11. UNITHOLDERS' FUNDS

##### 11a. Units on issue

	2020	2019
	'000	'000
Units on issue at beginning of the year	666,845	589,061
Subscriptions from Unitholders	139,165	107,969
Redemptions by Unitholders	(48,590)	(30,185)
<b>Units on issue at the end of the year</b>	<b>757,420</b>	<b>666,845</b>

##### 11b. Units in dollar value

	2020	2019
	\$'000	\$'000
<b>Unitholders' Funds at the end of the year</b>	<b>750,635</b>	<b>670,497</b>
<b>Unit price NAV at the end of the year</b>	<b>754,087</b>	<b>672,621</b>

The unit price Net Asset Value ("NAV") is calculated using mid or last sale price and the latest available prices as at the close of business on the last business day of the reporting period. The NAV per the Statement of Financial Position is based on bid prices as at the last business day of the reporting period. Therefore, the difference in the NAV between the unit price and the financial statements is due to price valuation and timing if any.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 11. Unitholders' Funds (Continued)

#### Redeemable Units and Capital Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Unitholders' Funds. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Fund's net asset value on the redemption date. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The relevant movements are shown on the Statement of Changes in Unitholders' Funds. In accordance with the objectives outlined in the Accounting Policies and the risk management policies in Note 16. The Fund invests predominantly in liquid securities and hence has daily application and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence, if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Each unit in the Fund ranks equally and provides Unitholders with a beneficial interest of the Fund. Unitholders have various rights under the Trust Deed of the Fund, including the rights to:

- Have their units redeemed;
- Receive the Unitholders' funds of the Fund upon termination of the Fund; and
- Receive distributions distributed by the Manager.

### 12. RECONCILIATION OF NET PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
	\$'000	\$'000
<b>Net Profit</b>	<b>16,545</b>	<b>25,740</b>
<i>Adjustments for:</i>		
Payments for the purchase investments	(1,557,762)	(1,441,068)
Proceeds from sales of investment securities	1,522,748	1,383,915
Net settlement of derivatives	4,195	(178)
Gain on investments and derivatives	(35,660)	(20,847)
Foreign exchange loss	38,348	7,787
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(168)	(1,264)
Increase/(decrease) in payables	42	(144)
Accrued interest movement on swaps	(566)	1,143
Increase in margin accounts	(41,225)	(6,828)
<b>Net cash outflow from operating activities</b>	<b>(53,503)</b>	<b>(51,744)</b>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

13. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2020				
	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	20,674	-	20,674
Receivables	-	-	16,074	-	16,074
Receivables from sale and repurchase agreements	-	-	33,567	-	33,567
Investment securities	-	759,537	-	-	759,537
Derivatives	-	47,464	-	-	47,464
Margin accounts	-	-	56,655	-	56,655
<b>Total Assets</b>	<b>-</b>	<b>807,001</b>	<b>126,970</b>	<b>-</b>	<b>933,971</b>
<b>LIABILITIES</b>					
Investment securities - sold short	4,759	-	-	-	4,759
Derivatives	98,149	-	-	-	98,149
Payables	-	-	-	20,904	20,904
Payables under sale and repurchase agreements	-	-	-	50,884	50,884
Due to financial institutions	-	-	-	8,640	8,640
<b>Total Liabilities</b>	<b>102,908</b>	<b>-</b>	<b>-</b>	<b>80,428</b>	<b>183,336</b>
	2019				
	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
Cash and cash equivalents	-	-	7,810	-	7,810
Receivables	-	-	11,429	-	11,429
Investment securities	-	669,161	-	-	669,161
Derivatives	23,935	-	-	-	23,935
Margin accounts	-	-	13,305	-	13,305
<b>Total Assets</b>	<b>23,935</b>	<b>669,161</b>	<b>32,544</b>	<b>-</b>	<b>725,640</b>
<b>LIABILITIES</b>					
Investment securities - sold short	7,177	-	-	-	7,177
Derivatives	23,462	-	-	-	23,462
Payables	-	-	-	17,989	17,989
Due to financial institutions	-	-	-	6,515	6,515
<b>Total Liabilities</b>	<b>30,639</b>	<b>-</b>	<b>-</b>	<b>24,504</b>	<b>55,143</b>

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 14. MATURITY ANALYSIS

The Fund invests in a diversified portfolio of actively managed fixed interest securities, cash and derivatives.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Within 12 months \$'000	2020 Over 12 months \$'000	Total \$'000
<b>ASSETS</b>			
Cash at bank	20,674	-	20,674
Receivables	16,074	-	16,074
Receivables from sale and repurchase agreements	33,567	-	33,567
Investment securities	54,755	704,782	759,537
Derivatives	32,921	14,543	47,464
Margin accounts	56,655	-	56,655
<b>Total Assets</b>	<b>214,646</b>	<b>719,325</b>	<b>933,971</b>
<b>LIABILITIES</b>			
Payables	20,904	-	20,904
Payables under sale and repurchase agreements	50,884	-	50,884
Investment securities - sold short	-	4,759	4,759
Derivatives	80,236	17,913	98,149
Margin accounts	8,640	-	8,640
<b>Total Liabilities</b>	<b>160,664</b>	<b>22,672</b>	<b>183,336</b>
	Within 12 months \$'000	2019 Over 12 months \$'000	Total \$'000
<b>ASSETS</b>			
Cash at bank	7,810	-	7,810
Receivables	11,429	-	11,429
Investment securities	83,946	585,215	669,161
Derivatives	16,224	7,711	23,935
Margin accounts	13,305	-	13,305
<b>Total Assets</b>	<b>132,714</b>	<b>592,926</b>	<b>725,640</b>
<b>LIABILITIES</b>			
Payables	17,989	-	17,989
Investment securities - sold short	-	7,177	7,177
Derivatives	14,475	8,987	23,462
Margin accounts	6,515	-	6,515
<b>Total Liabilities</b>	<b>38,979</b>	<b>16,164</b>	<b>55,143</b>

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 15. RELATED PARTY TRANSACTIONS

#### Management Fees

As outlined in the Fund's Product Disclosure Statement, the Fund incurs management fees fixed at 0.52% of net asset value excluding GST. GST is currently charged at various rates driven by the nature of the service provided including exempt services such as custody, 10% of 15% for Investment Management services and 15% for other services. The management fees include fees paid to the Investment Manager, the Manager for hosting the Fund, the Supervisor, the Custodian and Administration Manager, bank charges and other various costs and expenses incurred.

The Supervisor of the Fund is Public Trust. For the year ended 31 March 2020 the Supervisor fee charged to the Fund amounted to \$114,038 (31 March 2019: \$87,120).

#### *Manager fee*

The Manager of the Fund is Implemented Investment Solutions Limited. For the year ended 31 March 2020, the Fund was charged management fees of \$4,180,525 (31 March 2019: \$4,032,360) with \$392,570 (31 March 2019: \$334,684) outstanding at the year end.

### 16. FINANCIAL RISK MANAGEMENT

#### Strategy in Using Financial Instruments

The objective of the Fund is to provide a total return, before costs and tax, 1% higher than Bloomberg Barclays Global Aggregate Index and 100% hedged back New Zealand dollar over 3 years plus period.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund uses derivative financial instruments to actively manage portfolio risk where this is more efficient than trading the underlying physical asset. Derivative exposures are generally collateralised and the total risk exposure, both physical and derivative, must fall under mandate risk constraints. Derivatives are not used to leverage the portfolio.

In light of COVID-19 and impacts of this on financial markets, Management have been actively monitoring Investment Managers and service providers with a view to ensuring each of these has the ability to provide continued investment services. In addition, Management has focused on liquidity management, rebalancing and minimising trading costs among other considerations. As always, Management is ensuring that all product disclosure documentation including the Product Disclosure Statement (PDS) remain accurate and that Statement of Investment Policy and Objectives (SIPO) mandates continue to be complied with. As part of this governance Management engages regularly with investment managers and wider service providers both in NZ and globally during these unprecedented times.

#### 16a. Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager. The Fund's derivative financial instruments (excluding interest rate swaps) are susceptible to market price risk arising from uncertainties about future values of the investment.

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16. FINANCIAL RISK MANAGEMENT (Continued)

At 31 March 2020 the overall market exposure were as follows:

	2020 Fair value \$'000	2019 Fair value \$'000
<b>Assets</b>		
Futures	2,570	3,244
Options	201	246
Swaps excluding IRS	569	6
To-Be-Announced forwards	8,701	2,311
<b>Liabilities</b>		
Futures	4,325	2,620
Options	1,568	453
Swaps excluding IRS	3,630	3,472
To-Be-Announced forwards	61	-

The table below shows the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2020 the analysis is based on the assumptions that the market price movement increased or decreased by 10%. The Manager believes the 10% market price movement assumption to be management's best estimate of reasonable possible change in current market condition.

	2020		2019	
	Profit or loss or Net Assets Attributable to Unitholders		Profit or loss or Net Assets Attributable to Unitholders	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Futures	8,900	(8,900)	66,208	(66,208)
Options	(137)	137	(21)	21
Swaps excluding IRS	(306)	306	(347)	347
To-Be-Announced forwards	864	(864)	231	(231)

### 16b. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund predominantly invests in international fixed interest securities and therefore is subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market value of the Fund's underlying investments.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. It is therefore exposed to currency risk. The foreign currencies in which the Fund primarily transacts are Australian dollar ("AUD"), US dollar ("USD"), Canadian dollar ("CAD"), British Pound ("GBP"), Euro ("EUR"), Japanese Yen ("JPY") and other various currencies.

The Fund enters into forward exchange contracts designed to economically hedge the currency exposure of the underlying investments. The foreign exchange contracts are held to mitigate the currency exposure by aiming to be fully hedged to the New Zealand dollars. The Investment Manager has a limited discretion to take some currency risk within the overall risk constraint of the portfolio. Accordingly at any point in time currency risk is limited to the currency market movement on the unhedged portion of the portfolio, typically recent gains and losses that have not been hedged.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investments and not on a full look through basis for investments held indirectly through other funds.

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the Fund's exposure to foreign currency risk in New Zealand dollar value of the monetary and non-monetary assets and liabilities.

	AUD \$'000	CAD \$'000	EUR \$'000	2020 GBP \$'000	JPY \$'000	USD \$'000	Others \$'000
<b>Monetary assets and liabilities</b>							
Foreign cash and cash equivalents	229	2,186	(319)	1,030	81	17,189	185
Margin accounts	(118)	(3,384)	1,947	(2)	456	49,676	(208)
Receivables/(Payables)	(7,288)	7,632	880	(3,266)	35	10,926	200
Interest bearing securities	12,147	361	102,938	63,675	43,979	470,069	44,292
Derivatives excluding FFX	82	3,355	(3,106)	158	(414)	421	2,674
	<u>5,052</u>	<u>10,150</u>	<u>102,340</u>	<u>61,595</u>	<u>44,137</u>	<u>548,281</u>	<u>47,143</u>
<b>Forward foreign exchange contracts</b>							
Notional value	<u>(12,548)</u>	<u>(10,477)</u>	<u>(137,915)</u>	<u>(56,550)</u>	<u>(20,757)</u>	<u>(557,550)</u>	<u>(21,700)</u>

	AUD \$'000	CAD \$'000	EUR \$'000	2019 GBP \$'000	JPY \$'000	USD \$'000	Others \$'000
<b>Monetary assets and liabilities</b>							
Foreign cash and cash equivalents	199	621	(2,840)	180	77	9,331	141
Margin accounts	(257)	(1,541)	(2,299)	332	746	9,805	2
Receivables/(Payables)	11	6,974	(496)	(2,323)	24	3,094	(174)
Interest bearing securities	3,605	1,719	92,333	54,624	72,866	386,061	50,777
Derivatives excluding FFX	259	1,287	961	(488)	(754)	728	237
	<u>3,817</u>	<u>9,060</u>	<u>87,659</u>	<u>52,325</u>	<u>72,959</u>	<u>409,019</u>	<u>50,983</u>
<b>Forward foreign exchange contracts</b>							
Notional value	<u>(6,273)</u>	<u>(9,842)</u>	<u>(244,277)</u>	<u>(45,423)</u>	<u>(55,938)</u>	<u>(287,619)</u>	<u>(34,548)</u>

	2020			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
AUD	(750)	750	(750)	750
CAD	(33)	33	(33)	33
EUR	(3,580)	3,580	(3,580)	3,580
GBP	499	(499)	499	(499)
JPY	2,333	(2,333)	2,333	(2,333)
USD	(1,099)	1,099	(1,099)	1,099
Other	2,526	(2,526)	2,526	(2,526)



# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16. FINANCIAL RISK MANAGEMENT (Continued)

	2019			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
AUD	(246)	246	(246)	246
CAD	(78)	78	(78)	78
EUR	(15,695)	15,695	(15,695)	15,695
GBP	686	(686)	686	(686)
JPY	1,684	(1,684)	1,684	(1,684)
USD	12,003	(12,003)	12,003	(12,003)
Other	1,624	(1,624)	1,624	(1,624)

#### 16c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund invests in fixed interest securities and so is exposed to risks arising from the fluctuation in the market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidance for the Fund as agreed with the Manager.

In accordance with the Fund's policy, the Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2020					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	
<b>ASSETS</b>						
Cash and cash equivalents	20,674	-	-	-	-	20,674
Interest-bearing securities	25,931	28,823	103,953	168,864	427,207	754,778
Interest rate swaps	-	-	213	2,581	11,005	13,799
Other derivatives excluding interest rate swaps	35	-	-	-	-	35
<b>Total Financial Assets subject to Interest Rate Risk</b>	<b>46,640</b>	<b>28,823</b>	<b>104,166</b>	<b>171,445</b>	<b>438,212</b>	<b>789,286</b>
<b>LIABILITIES</b>						
Interest rate swaps	286	-	5,068	3,467	5,852	14,673
<b>Total Financial Liabilities subject to Interest Rate Risk</b>	<b>286</b>	<b>-</b>	<b>5,068</b>	<b>3,467</b>	<b>5,852</b>	<b>14,673</b>

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16. FINANCIAL RISK MANAGEMENT (Continued)

	2019					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	
	<b>ASSETS</b>					
Cash and cash equivalents	7,810	-	-	-	-	7,810
Interest-bearing securities	62,599	21,347	64,600	199,167	314,271	661,984
Interest rate swaps	-	185	623	466	6,286	7,560
Other derivatives excluding interest rate swaps	259	-	-	-	-	259
<b>Total Financial Assets subject to Interest Rate Risk</b>	<b>70,668</b>	<b>21,532</b>	<b>65,223</b>	<b>199,633</b>	<b>320,557</b>	<b>677,613</b>
<b>LIABILITIES</b>						
Interest rate swaps	-	21	-	2,193	4,442	6,656
<b>Total Financial Liabilities subject to Interest Rate Risk</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>2,193</b>	<b>4,442</b>	<b>6,656</b>

The table below shows the sensitivity of the Fund's profit or loss and equity to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held as at 31 March 2020.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets as at 31 March 2020.

The analysis is performed on the same basis for 31 March 2019.

	2020			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	207	(207)	-	-
Interest bearing securities	737	(737)	(56,271)	58,368
Interest rate swaps	-	-	(4,351)	7,936
Futures	-	-	482	(531)

	2019			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	78	(78)	-	-
Interest bearing securities	651	(651)	(39,078)	39,531
Interest rate swaps	-	-	(8,454)	8,828
Futures	-	-	(1,059)	1,136

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16. FINANCIAL RISK MANAGEMENT (Continued)

#### 16d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss. The Investment Manager has a counterparty assessment process. All credit assets are individually assessed, rated and monitored by the Investment Manager, the Investment Manager does not rely on external rating agency credit assessment.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss.

The Fund's cash and cash equivalents balances are held with Westpac New Zealand Limited (AA- Standard & Poor's ("S&P") credit rating) (31 March 2019: AA-) and BNP Paribas Securities Services (A+S&P credit rating) (31 March 2019: A+).

As at 31 March 2020 and 31 March 2019, all amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A or higher and are due to be settled within 1 week. The Manager 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.

At 31 March 2020 substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of A+ (31 March 2019: A+).

The table below shows the S&P credit rating grade or the S&P credit rating equivalents grade of each class of the Fund's debt securities that are subject to credit risk as at 31 March 2020 and 31 March 2019.

	2020					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	Total \$'000
Overseas and local government securities	161,308	61,705	55,089	23,897	-	301,999
Other overseas fixed interest securities	163,028	105,824	161,927	22,000	-	452,779
Interest rate swaps	87	13,712	-	-	-	13,799
Swaps (excluding interest rate swaps)	-	522	-	-	-	522
Forward foreign exchange contracts	3,895	17,686	43	-	-	21,624
	<b>328,318</b>	<b>199,449</b>	<b>217,059</b>	<b>45,897</b>	-	<b>790,723</b>
	2019					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	Total \$'000
Overseas and local government securities	131,536	82,240	30,793	21,912	190	266,671
Other overseas fixed interest securities	131,245	99,391	140,175	18,418	6,084	395,313
Interest rate swaps	-	7,560	-	-	-	7,560
Swaps (excluding interest rate swaps)	-	6	-	-	-	6
Forward foreign exchange contracts	202	10,360	6	-	-	10,568
	<b>262,983</b>	<b>199,557</b>	<b>170,974</b>	<b>40,330</b>	<b>6,274</b>	<b>680,118</b>

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

As outlined in the Statement of Investment Policy and Objectives of the Hunter Investment Funds, PIMCO is the Investment Manager. PIMCO's fixed income philosophy revolves around the principle of diversification that no single risk should dominate returns.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, counterparties to any over the counter derivatives contracts or other sources of credit risk. The minimum average credit rating of the portfolio is A-.

Credit ratings refer to Standard & Poor's, Moody's, Fitch or equivalent by other independent rating agencies.

At 31 March 2020, none of these financial assets, which are with no credit rating are past due or impaired (31 March 2019: none).

#### 16e. Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that can be readily converted to cash.

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

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	2020			
				Between 6- 12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000
<b>ASSETS</b>							
Cash and cash equivalents	20,674	20,674	20,674	-	-	-	-
Receivables	16,074	16,074	16,074	-	-	-	-
Receivables from sale and repurchase agreements	33,567	33,567	33,567	-	-	-	-
Margin accounts	56,655	56,655	56,655	-	-	-	-
<b>Total</b>	<b>126,970</b>	<b>126,970</b>	<b>126,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>							
Payables	20,904	20,904	20,904	-	-	-	-
Payables under sale and repurchase agreements	50,884	50,884	50,884	-	-	-	-
Due to financial institutions	8,640	8,640	8,640	-	-	-	-
<b>Total</b>	<b>80,428</b>	<b>80,428</b>	<b>80,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020

16. FINANCIAL RISK MANAGEMENT (Continued)

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	2019			
				Between 6- 12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000
<b>ASSETS</b>							
Cash and cash equivalents	7,810	7,810	7,810	-	-	-	-
Receivables	11,429	11,429	11,429	-	-	-	-
Margin accounts	13,305	13,305	13,305	-	-	-	-
<b>Total</b>	<b>32,544</b>	<b>32,544</b>	<b>32,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>							
Payables	17,989	17,989	17,989	-	-	-	-
Due to financial institutions	6,515	6,515	6,515	-	-	-	-
<b>Total</b>	<b>24,504</b>	<b>24,504</b>	<b>24,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses the net settled derivative financial instruments 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.

The contractual cash flows are based on the spot rate as at 31 March 2020 and 31 March 2019.

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	2020			
				Between 6- 12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000
<b>Derivatives Held for Trading</b>							
<b>Assets</b>							
<i>Forward foreign exchange contracts</i>	21,624						
Inflow		1,587,031	1,587,031				
Outflow		(1,565,217)	(1,565,217)	-	-	-	-
<i>To-Be-Announced forwards</i>	8,701						
Inflow		8,701	8,701	-	-	-	-
<i>Interest rate swaps</i>	13,799						
Inflow		25,632	1,142	1,790	3,636	7,827	11,237
Outflow		(17,792)	(833)	(1,972)	(2,673)	(5,275)	(7,039)
<i>Credit default swaps</i>	522						
Inflow		3,583	358	366	729	2,063	67
<i>Currency swaps</i>	47						
Inflow		47	-	-	-	-	47
<i>Options</i>	201						
Inflow		201	16	22	163	-	-
<i>Futures</i>	2,570						
Inflow		2,570	2,305	129	136	-	-
<b>Liabilities</b>							
<i>Forward foreign exchange contracts</i>	73,891						
Inflow		2,250,253	2,250,164	-	89	-	-
Outflow		(2,323,684)	(2,323,580)	-	(104)	-	-
<i>To-Be-Announced forwards</i>	61						
Outflow		(61)	(61)	-	-	-	-
<i>Interest rate swaps</i>	14,674						
Inflow		5,704	928	1,059	1,844	1,300	573
Outflow		(21,060)	(3,201)	(2,903)	(4,734)	(5,436)	(4,786)
<i>Inflation indexed swaps</i>	153						
Inflow		153	-	-	-	-	153
<i>Overnight interest rate swaps</i>	1,213						
Inflow		1,181	197	115	229	640	-
<i>Credit default swaps</i>	2,167						
Outflow		(2,115)	(167)	(977)	(345)	(626)	-
<i>Currency swaps</i>	97						
Inflow		97	-	-	-	-	97
<i>Options</i>	1,568						
Outflow		(1,569)	(1,544)	(4)	(21)	-	-
<i>Futures</i>	4,325						
Outflow		(4,325)	(4,325)	-	-	-	-

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

	Statement of Financial Position	Contractual cash flows	Within 6 months	2019			
				Between 6- 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Derivatives Held for Trading	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
<i>Forward foreign exchange contracts</i>	10,568						
Inflow		1,925,407	1,922,708	2,699	-	-	-
Outflow		(1,913,948)	(1,911,407)	(2,541)	-	-	-
<i>To-Be-Announced forwards</i>	2,311						
Inflow		2,311	2,311	-	-	-	-
<i>Interest rate swaps</i>	7,560						
Inflow		23,552	926	1,740	2,698	5,014	13,174
Outflow		(19,905)	(1,255)	(1,496)	(2,227)	(4,172)	(10,755)
<i>Credit default swaps</i>	6						
Inflow		675	63	65	127	368	52
<i>Options</i>	246						
Inflow		246	81	14	-	151	-
<i>Futures</i>	3,244						
Inflow		3,244	2,895	167	182	-	-
<b>Liabilities</b>							
<i>Forward foreign exchange contracts</i>	10,798						
Inflow		1,697,272	1,693,198	3,995	-	79	-
Outflow		(1,708,368)	(1,704,083)	(4,195)	-	(90)	-
<i>Interest rate swaps</i>	6,119						
Inflow		15,383	283	570	1,188	3,580	9,762
Outflow		(23,512)	(645)	(5,345)	(1,474)	(4,322)	(11,726)
<i>Overnight interest rate swaps</i>	537						
Inflow		1,511	206	123	246	737	199
Outflow		(2,385)	(326)	(194)	(388)	(1,164)	(313)
<i>Credit default swaps</i>	1,795						
Outflow		(3,045)	(316)	(334)	(667)	(1,728)	-
<i>Currency swaps</i>	1,140						
Inflow		3,134	290	247	1,113	1,484	-
Outflow		(3,970)	(1,563)	-	-	-	(2,407)
<i>Options</i>	453						
Outflow		(453)	(349)	(104)	-	-	-
<i>Futures</i>	2,620						
Outflow		(2,620)	(1,939)	(130)	(546)	(5)	-

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 16. FINANCIAL RISK MANAGEMENT (Continued)

#### 16f. Fair Value of Financial Instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities measured at fair value at 31 March 2020 and 31 March 2019.

	2020			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
<i>Investment securities</i>				
International fixed interest securities	-	759,537	-	759,537
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	21,624	-	21,624
To-Be-Announced forwards	-	8,701	-	8,701
Interest rate swaps	-	13,799	-	13,799
Total return swaps	-	47	-	47
Credit default swaps	-	522	-	522
Currency options	-	16	-	16
Options	-	185	-	185
Futures	<u>2,570</u>	<u>-</u>	<u>-</u>	<u>2,570</u>
	<u><b>2,570</b></u>	<u><b>804,431</b></u>	<u><b>-</b></u>	<u><b>807,001</b></u>
<b>Financial liabilities at fair value through profit or loss</b>				
<i>Investment securities</i>				
Investment securities - sold short	-	4,759	-	4,759
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	73,891	-	73,891
To-Be-Announced forwards	-	61	-	61
Interest rate swaps	-	14,674	-	14,674
Currency swaps	-	97	-	97
Inflation indexed swaps	-	153	-	153
Overnight interest swaps	-	1,213	-	1,213
Credit default swaps	-	2,167	-	2,167
Currency options	-	666	-	666
Options	-	902	-	902
Futures	<u>4,325</u>	<u>-</u>	<u>-</u>	<u>4,325</u>
	<u><b>4,325</b></u>	<u><b>93,824</b></u>	<u><b>-</b></u>	<u><b>98,149</b></u>



## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

	2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets at fair value through profit or loss</b>				
<i>Investment securities</i>				
Overseas fixed interest securities	-	669,161	-	669,161
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	10,568	-	10,568
To-Be-Announced forwards	-	2,311	-	2,311
Interest rate swaps	-	7,560	-	7,560
Credit default swaps	-	6	-	6
Currency options	-	246	-	246
Futures	3,244	-	-	3,244
	<u>3,244</u>	<u>689,852</u>	<u>-</u>	<u>693,096</u>
<b>Financial liabilities at fair value through profit or loss</b>				
<i>Investment securities</i>				
Investment securities - sold short	-	7,177	-	7,177
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	10,798	-	10,798
Interest rate swaps	-	6,119	-	6,119
Currency swaps	-	1,140	-	1,140
Overnight interest swaps	-	537	-	537
Credit default swaps	-	1,795	-	1,795
Currency options	-	387	-	387
Options	-	66	-	66
Futures	2,620	-	-	2,620
	<u>2,620</u>	<u>20,842</u>	<u>-</u>	<u>23,462</u>

The fair value of fixed interest securities at the reporting date are based on quoted market prices or binding dealer price quotations. The government fixed interest securities and corporate fixed interest bonds are included within level 2.

The fair value of exchange-traded futures is based on quoted market prices and is included within level 1.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles. The fair values of To-Be-Announced forwards are calculated by reference to underlying bond prices. The fair value of credit default swaps and options are based on the quoted market prices and included in within level 2. The fair value of the interest rate swaps is calculated by the yield curve of underlying interest securities interest rates and is included in the within level 2.

Due to their short term nature, carrying amounts of cash and cash equivalents, margin accounts, receivables and payables stated in the Statement of Financial Position approximate their fair value.

#### *Transfers between levels of the fair value hierarchy*

There were no transfers between levels in the year ended 31 March 2020 (31 March 2019: nil).

## HUNTER GLOBAL FIXED INTEREST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 16. FINANCIAL RISK MANAGEMENT (Continued)

##### 16g. Financial Assets and Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

The Fund holds derivative financial instruments:

The following table presents the recognised financial assets and liabilities that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2020.

2020

Related amounts not set-off in the statement of financial position

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>						
Derivatives	38,763	-	38,763	(31,928)	3,402	3,433
Repo receivables	33,567	-	33,567	(33,567)	-	-
<b>FINANCIAL LIABILITIES</b>						
Derivatives	98,089	-	98,089	(31,928)	(52,736)	13,425
Repo payables	50,884	-	50,884	(50,884)	-	-

2019

Related amounts not set-off in the statement of financial position

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>						
Derivatives	21,624	-	21,624	(16,918)	4,043	663
Repo receivables	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES</b>						
Derivatives	23,462	-	23,462	(16,918)	(6,303)	241
Repo payables	-	-	-	-	-	-

#### 17. CONTINGENT LIABILITIES AND COMMITMENTS

Other than derivatives, the Fund had no material commitments or contingencies at 31 March 2020 (31 March 2019: nil).

# HUNTER GLOBAL FIXED INTEREST FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 18. EVENTS SUBSEQUENT TO BALANCE DATE

The financial statements have been prepared based upon conditions existing at 31 March 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. The COVID-19 pandemic outbreak continued its widespread economic and financial impact at the time of preparing these financial statements.



## *Independent auditor's report*

To the unitholders of Hunter Global Fixed Interest Fund (the Fund)

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in unitholders' funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion, the Fund's financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 March 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to Implemented Investment Solutions Limited (the Manager): agreed upon procedures on the net tangible assets calculation, taxation compliance and advisory services, controls assurance reporting, and the audit of the financial statements of the Manager and other funds managed by the Manager. Subject to certain restrictions, employees of the firm may invest in the Fund on normal market terms. These services and relationships have not impaired our independence as auditor of the Fund.

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### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



### Key audit matter

#### *Valuation and existence of financial assets and liabilities at fair value through profit or loss*

Refer to notes 4 and 6 to the financial statements for disclosures of financial assets and financial liabilities at fair value through profit or loss (financial instruments).

This was an area of focus for our audit as it represents the majority of the net assets of the Fund.

The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2020 and are categorised as level 1 in the fair value hierarchy.

The fair value of the financial instruments that are not traded in an active market are determined using valuation techniques. The valuation technique depends on the underlying asset or liability and includes assumptions that are based on market conditions existing at 31 March 2020. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.

The Fund's level 2 financial instruments include fixed interest securities, forward foreign exchange contracts, To-Be-Announced forwards, interest rate swaps, total return swaps, currency swaps, credit default swaps, inflation indexed swaps, overnight interest swaps and options.

For financial instruments quoted in foreign currencies, these are then translated to New Zealand dollars using the exchange rates at 31 March 2020.

The Manager assessed the impact of Covid-19 on the Fund's financial statements including financial instruments and included additional disclosures in Notes 2, 16 and 18 to the financial statements.

### How our audit addressed the key audit matter

We assessed the processes employed by the Manager and Administrator, for recording and valuing the financial instruments at fair value through profit or loss including the relevant controls operated by third party service organisations. The third-party service organisations include the Administrator and the Custodian. Our assessment of the business processes included obtaining the internal control reports over custody and investment accounting provided by third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the third-party service organisations for the year.

#### *Valuation*

For all financial instruments where quoted market prices in an active market were available, we agreed the last market price at 31 March 2020 and the exchange rates at which they have been converted from their underlying local currency to New Zealand dollars to independent third-party pricing sources.

We used our own valuation experts to test the fair value of fixed interest securities using independent valuation models and reconciled inputs used to independent sources and available market data.

For investments in forward foreign exchange contracts, To-Be-Announced forwards, interest rate swaps, total return swaps, currency swaps, credit default swaps, inflation indexed swaps, overnight interest swaps and options we agreed the observable inputs to third party pricing sources and used our own valuation experts to test the fair value using independent valuation models.

We have assessed the reasonableness of the exchange rates used to translate financial instruments quoted in foreign currencies.

We have considered the impact of Covid-19 on the valuation of financial instruments, including the disclosures in the financial statements.

#### *Existence*

We obtained confirmations from the Custodian, financial institutions and counterparties of the holdings of the financial instruments held by the Fund as at 31 March 2020.

Key audit matter	How our audit addressed the key audit matter
Holdings of financial instruments are held with the Custodian, financial institutions or counterparties on behalf of the Fund.	From the procedures performed, we have no matters to report.

### Our audit approach

#### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: \$7,506,000 which represents approximately 1% of net assets.

We chose net assets as the benchmark because, in our view, this is an appropriate benchmark for a Fund.

Because of the significance of the financial instruments, there is one key audit matter: valuation and existence of financial instruments.

#### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, the use of third party service providers and the industry in which the Fund operates.



The Manager is responsible for the governance and control activities of the Fund. The Supervisor has appointed BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch (the Custodian) to act as Custodian of the Fund's investments. The Manager has outsourced investment accounting to BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch (the Administrator) and registry services to MMC Limited (the Registrar). The Registrar changed from BNP Paribas Fund Services Australasia Pty Ltd to MMC Limited during the year.

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager, the Administrator, the Registrar and the Custodian.

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### *Information other than the financial statements and auditor's report*

The Manager is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

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### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are 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 ISAs (NZ) and ISAs 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.



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*Who we report to*

This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Christopher Barber.

For and on behalf of:

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

Chartered Accountants  
29 September 2020

Wellington