

HUNTER GLOBAL FIXED INTEREST FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

HUNTER GLOBAL FIXED INTEREST FUND

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HUNTER GLOBAL FIXED INTEREST FUND

DIRECTORY

THE MANAGER

Implemented Investment Solutions Limited
Level 2, 1 Woodward Street
Wellington

This is also the address of the registered office.

THE SUPERVISOR

Public Trust
Level 8, 22 Willeston Street, Wellington Central
Private Bag 5902
Wellington, New Zealand 6140

DIRECTORS OF THE MANAGER

Anthony R J Edmonds
Ian H Russon
Jeremy B Valentine
Elizabeth C Maguire (appointed 10 June 2020)

BANKERS

ANZ Bank New Zealand Limited (ANZ) (effective 22 February 2021)
Westpac New Zealand Limited (Westpac) (terminated 21 February 2021)
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 2021, 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.

For and on behalf of:
Implemented Investment Solutions Limited



Director



Director

This Statement was approved for signing at a meeting of the Directors on 19 July 2021.

HUNTER GLOBAL FIXED INTEREST FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 \$'000	2020 \$'000
INCOME			
Interest income		19,775	23,726
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	(27,914)	35,660
Foreign exchange gains/(losses)		59,419	(38,348)
Other income		-	24
TOTAL INCOME		<u>51,280</u>	<u>21,062</u>
EXPENSES			
Interest expense		32	149
Management fees	15	4,711	4,181
Other expenses		113	187
TOTAL EXPENSES		<u>4,856</u>	<u>4,517</u>
NET PROFIT		46,424	16,545
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>46,424</u>	<u>16,545</u>

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 2021

	Note	2021 \$'000	2020 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR		750,635	670,497
Net profit and other comprehensive income for the year		<u>46,424</u>	<u>16,545</u>
Total comprehensive income		46,424	16,545
Subscriptions from Unitholders		303,783	143,289
Redemptions by Unitholders		(54,620)	(49,835)
Distributions to Unitholders		<u>(36,240)</u>	<u>(29,861)</u>
		212,923	63,593
UNITHOLDERS' FUNDS AT THE END OF THE YEAR	11b	<u>1,009,982</u>	<u>750,635</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 2021

	Note	As at 31 March 2021 \$'000	As at 31 March 2020 \$'000
ASSETS			
Cash at bank		10,950	20,674
Receivables	7	20,157	16,074
Receivables from sale and repurchase agreements		-	33,567
Financial assets at fair value through profit or loss			
Investment securities	4, 5	1,030,528	759,537
Derivatives	6	36,978	47,464
Margin accounts	5	<u>53,053</u>	<u>56,655</u>
TOTAL ASSETS		<u>1,151,666</u>	<u>933,971</u>
LIABILITIES			
Due to financial institutions		8,801	8,640
Payables	8	39,374	20,904
Payables under sale and repurchase agreements		14,427	50,884
Financial liabilities at fair value through profit or loss			
Investment securities - sold short		3,970	4,759
Derivatives	6	<u>75,112</u>	<u>98,149</u>
TOTAL LIABILITIES		<u>141,684</u>	<u>183,336</u>
UNITHOLDERS' FUNDS	11b	<u>1,009,982</u>	<u>750,635</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>1,151,666</u>	<u>933,971</u>

For and on behalf of the Manager, Implemented Investment Solutions Limited, who authorised the issue of the Financial Statements on 19 July 2021.



Director



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 2021

	Note	2021 \$'000	2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income		17,101	22,992
Maturity/Realisation of investments		7,511,379	1,522,748
Movement in margin accounts		3,763	(41,225)
Other income		-	24
Operating expenses		(4,591)	(4,123)
Interest expense		(40)	(165)
Purchase of investments		(7,792,893)	(1,557,762)
Net settlement of derivatives		58,758	4,195
Other expenses		<u>(113)</u>	<u>(187)</u>
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	12	<u>(206,636)</u>	<u>(53,503)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		303,783	143,289
Redemptions by Unitholders		(54,620)	(49,835)
Distributions to Unitholders		<u>(51,388)</u>	<u>(28,050)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>197,775</u>	<u>65,404</u>
Net (decrease)/increase in cash and cash equivalents		(8,861)	11,901
Cash and cash equivalents at beginning of the year		20,674	7,810
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(863)</u>	<u>963</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>10,950</u></u>	<u><u>20,674</u></u>
CASH BALANCE COMPRISES OF			
Cash and cash equivalents		<u>10,950</u>	<u>20,674</u>
CASH BALANCE AT THE END OF THE YEAR		<u><u>10,950</u></u>	<u><u>20,674</u></u>

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 2021

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 a rolling three period.

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 2021, with the comparatives for the year ended 31 March 2020.

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 April 2020

There are no new standards, amendments to standards or interpretations that are effective for the annual reporting period commencing beginning on 1 April 2020 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 2021

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 that are not yet effective as at 31 March 2021, 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 had no subsidiaries at 31 March 2021 (31 March 2020: none).

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 2021

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 Investment 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 2021

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 2021

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%. 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.

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.

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.

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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

The Manager continues to closely monitor the impacts of the COVID-19 Pandemic on the Fund. The Manager has evaluated the impact of COVID-19 on the valuation of financial instruments as at 31 March 2021 and has concluded that an adjustment was not required on the basis that the markets were functioning and the redemption price for the financial assets at fair value through profit or loss represented fair value.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	2021 \$'000	2020 \$'000
Financial assets and financial liabilities at fair value through profit or loss	(95,056)	81,511
Derivatives	<u>67,142</u>	<u>(45,851)</u>
	<u>(27,914)</u>	<u>35,660</u>

4. INVESTMENT SECURITIES

	2021 \$'000	2020 \$'000
<i>Financial assets at fair value through profit or loss</i>		
International fixed interest securities	1,029,301	759,537
NZ fixed interest securities	<u>1,227</u>	<u>-</u>
	<u>1,030,528</u>	<u>759,537</u>

5. MARGIN ACCOUNTS AND ASSETS PLEDGED AS COLLATERAL

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

As at 31 March 2021, the margin accounts for the Fund included restricted balances included amounted to \$2,995,701 (31 March 2020: \$2,287,669).

At the year ended 31 March 2021, pledged securities amounted to \$7,420,803 (31 March 2020: \$9,040,547) were identified as collateral for the Fund's derivatives facilities.

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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. DERIVATIVES (Continued)

(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.

(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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. DERIVATIVES (Continued)

	2021 \$'000	2020 \$'000
Assets		
<i>Derivatives:</i>		
Forward foreign exchange contracts	17,652	21,624
To-Be-Announced forwards	1,670	8,701
Interest rate swaps	14,989	13,799
Currency swaps	38	47
Inflation indexed swaps	1,314	-
Overnight interest rate swaps	335	-
Credit default swaps	87	522
Currency options	-	16
Options	629	185
Futures	264	2,570
	<u>36,978</u>	<u>47,464</u>

Liabilities

<i>Derivatives</i>		
Forward foreign exchange contracts	54,372	73,891
To-Be-Announced forwards	3,561	61
Interest rate swaps	11,002	14,674
Currency swaps	32	97
Inflation indexed swaps	808	153
Overnight interest rate swaps	864	1,213
Credit default swaps	1,290	2,167
Currency options	104	666
Options	1,348	902
Futures	1,731	4,325
	<u>75,112</u>	<u>98,149</u>

7. RECEIVABLES

	2021 \$'000	2020 \$'000
Interest receivable	5,986	4,623
Receivables from sale of investments	14,125	11,447
PIE tax receivable from Unitholders	46	4
	<u>20,157</u>	<u>16,074</u>

8. PAYABLES

	2021 \$'000	2020 \$'000
Interest payable	31	39
Payables from purchase of investments	38,784	5,320
Management fees payable	508	393
Distribution payable	-	15,148
PIE tax payable to Inland Revenue	46	4
Other expenses payable	5	-
	<u>39,374</u>	<u>20,904</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9. AUDIT FEES

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the year ended 31 March 2021 amounted to \$30,000 (31 March 2020: \$19,500) excluding GST.

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

	2021 '000	2020 '000
Units on issue at beginning of the year	757,420	666,845
Subscriptions from Unitholders	291,360	139,165
Redemptions by Unitholders	<u>(52,418)</u>	<u>(48,590)</u>
Units on issue at the end of the year	<u>996,362</u>	<u>757,420</u>

11b. Units in dollar value

	2021 \$'000	2020 \$'000
Unitholders' Funds at the end of the year	1,009,982	750,635
Unit price NAV at the end of the year	1,019,840	754,087

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.

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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	2021 \$'000	2020 \$'000
Net Profit	46,424	16,545
<i>Adjustments for:</i>		
Payments for the purchase investments	(7,792,893)	(1,557,762)
Proceeds from sales of investment securities	7,511,379	1,522,748
Net settlement of derivatives	58,758	4,195
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	27,914	(35,660)
Foreign exchange (gain)/loss	(59,419)	38,348
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(1,363)	(168)
Increase in payables	112	42
Accrued interest movement on swaps	(1,311)	(566)
(Decrease)/increase in margin accounts	3,763	(41,225)
Net cash outflow from operating activities	<u>(206,636)</u>	<u>(53,503)</u>

13. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Financial liabilities at fair value through profit or loss \$'000	Financial assets at fair value through profit or loss \$'000	2021 Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
ASSETS					
Cash and cash equivalents	-	-	10,950	-	10,950
Receivables	-	-	20,111	-	20,111
Receivables from sale and repurchase agreements	-	-	-	-	-
Investment securities	-	1,030,528	-	-	1,030,528
Derivatives	-	36,978	-	-	36,978
Margin accounts	-	-	53,053	-	53,053
Total Assets	<u>-</u>	<u>1,067,506</u>	<u>84,114</u>	<u>-</u>	<u>1,151,620</u>
LIABILITIES					
Investment securities - sold short	3,970	-	-	-	3,970
Derivatives	75,112	-	-	-	75,112
Payables	-	-	-	39,328	39,328
Payables under sale and repurchase agreements	-	-	-	14,427	14,427
Due to financial institutions	-	-	-	8,801	8,801
Total Liabilities	<u>79,082</u>	<u>-</u>	<u>-</u>	<u>62,556</u>	<u>141,638</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

	Financial liabilities at fair value through profit or loss \$'000	Financial assets at fair value through profit or loss \$'000	2020 Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
ASSETS					
Cash and cash equivalents	-	-	20,674	-	20,674
Receivables	-	-	16,070	-	16,070
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
Total Assets	-	807,001	126,966	-	933,967
LIABILITIES					
Investment securities - sold short	4,759	-	-	-	4,759
Derivatives	98,149	-	-	-	98,149
Payables	-	-	-	20,900	20,900
Payables under sale and repurchase agreements	-	-	-	50,884	50,884
Due to financial institutions	-	-	-	8,640	8,640
Total Liabilities	102,908	-	-	80,424	183,332

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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	2021 Over 12 months \$'000	Total \$'000
ASSETS			
Cash at bank	10,950	-	10,950
Receivables	20,157	-	20,157
Receivables from sale and repurchase agreements	-	-	-
Investment securities	165,439	865,089	1,030,528
Derivatives	20,119	16,859	36,978
Margin accounts	53,053	-	53,053
Total Assets	269,718	881,948	1,151,666
LIABILITIES			
Payables	39,374	-	39,374
Payables under sale and repurchase agreements	14,427	-	14,427
Investment securities - sold short	-	3,970	3,970
Derivatives	57,597	17,515	75,112
Margin accounts	8,801	-	8,801
Total Liabilities	120,199	21,485	141,684
	Within 12 months \$'000	2020 Over 12 months \$'000	Total \$'000
ASSETS			
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
Total Assets	214,646	719,325	933,971
LIABILITIES			
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
Total Liabilities	160,664	22,672	183,336

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15. RELATED PARTY TRANSACTIONS

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity. This includes the Board and members of senior leadership team.

As at 31 March 2021, key management personnel fund balances in the Fund were at \$454,111 (31 March 2020: \$428,082).

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 2021 the Supervisor fee charged to the Fund amounted to \$130,896 (31 March 2020: \$114,038).

Manager fee

The Manager of the Fund is Implemented Investment Solutions Limited. For the year ended 31 March 2021, the Fund was charged management fees of \$4,179,353 (31 March 2020: \$4,180,525) with \$421,051 (31 March 2020: \$392,570) outstanding at the year end.

Investment by and in related parties

Investments by related parties

During the year, other funds managed by the Manager held units in the Fund.

The table below shows the units held in the Fund

	2021 Units	2020 Units
Hunter Growth Fund	472,754	-
Hunter Balanced Fund	458,733	-
InvestNow Kiwisaver Scheme	31,585	-

Investments in related parties

As at 31 March 2021, the Fund holds no units in other funds managed by the Manager (31 March 2020: none).

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 a rolling three year 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.

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.

At 31 March 2021 the overall market exposure were as follows:

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2021	2020
	Fair value	Fair value
	\$'000	\$'000
Assets		
Futures	264	2,570
Options	629	201
Swaps excluding IRS	1,774	569
To-Be-Announced forwards	1,670	8,701
Liabilities		
Futures	1,731	4,325
Options	1,452	1,568
Swaps excluding IRS	2,994	3,630
To-Be-Announced forwards	3,561	61
	2021	2020
	Notional value	Notional value
	\$'000	\$'000
Futures	54,769	80,923
Options	464,835	186,422
Swaps excluding IRS	37,386	53,165
To-Be-Announced forwards	138,583	350,716

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 2021 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.

	2021		2020	
	Profit or loss or Net Assets		Profit or loss or Net Assets	
	Attributable to Unitholders		Attributable to Unitholders	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
Futures	5,435	(5,435)	8,900	(8,900)
Options	(82)	82	(137)	137
Swaps excluding IRS	(122)	122	(306)	306
To-Be-Announced forwards	(189)	189	864	(864)

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

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.

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	2021 GBP \$'000	JPY \$'000	USD \$'000	Others \$'000
Monetary assets and liabilities							
Foreign cash and cash equivalents	280	226	2,032	231	1,330	5,715	461
Margin accounts	(18)	375	1,241	926	511	41,454	(12)
Receivables/(payables)	(10,449)	4,267	(309)	152	297	(11,742)	(898)
Interest bearing securities	9,989	1,646	190,399	73,312	105,168	486,921	143,469
Derivatives excluding FFX	210	(544)	(1,052)	(250)	(967)	1,872	(489)
	<u>12</u>	<u>5,970</u>	<u>192,311</u>	<u>74,371</u>	<u>106,339</u>	<u>524,220</u>	<u>142,531</u>
Forward foreign exchange contracts							
Notional value	<u>(283)</u>	<u>(5,560)</u>	<u>(194,615)</u>	<u>(63,641)</u>	<u>(106,979)</u>	<u>(566,800)</u>	<u>(113,968)</u>

	AUD \$'000	CAD \$'000	EUR \$'000	2020 GBP \$'000	JPY \$'000	USD \$'000	Others \$'000
Monetary assets and liabilities							
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>
Forward foreign exchange contracts							
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>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2021			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
AUD	27	(27)	27	(27)
CAD	(41)	41	(41)	41
EUR	230	(230)	230	(230)
GBP	(1,073)	1,073	(1,073)	1,073
JPY	58	(58)	58	(58)
USD	4,258	(4,258)	4,258	(4,258)
Other	(2,856)	2,856	(2,856)	2,856

	2020			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'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

* The comparative figures have been adjusted to conform with the changes in presentations in the financial statements.

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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2021					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	
Financial assets						
Cash and cash equivalents	10,950	-	-	-	-	10,950
Interest-bearing securities	100,961	64,478	71,847	156,952	632,320	1,026,558
Interest rate swaps	-	-	64	121	14,804	14,989
Total financial assets subject to interest rate risk	111,911	64,478	71,911	157,073	647,124	1,052,497
Financial liabilities						
Interest rate swaps	-	474	715	583	9,231	11,003
Other derivatives excluding interest rate swaps	12	-	-	-	-	12
Total financial liabilities subject to interest rate risk	12	474	715	583	9,231	11,015
	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	
Financial assets						
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
Total financial assets subject to interest rate risk	46,640	28,823	104,166	171,445	438,212	789,286
Financial liabilities						
Interest rate swaps	286	-	5,068	3,467	5,852	14,673
Total financial liabilities subject to interest rate risk	286	-	5,068	3,467	5,852	14,673

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 2021.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets as at 31 March 2021.

The analysis is performed on the same basis for 31 March 2020.

	2021			
	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	110	(110)	-	-
Interest bearing securities	547	(547)	(82,703)	88,543
Interest rate swaps	-	-	(4,850)	4,822
Futures	-	-	(187)	212

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2020			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'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)

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 ANZ (AA- Standard & Poor's ("S&P") credit rating) (31 March 2020: Westpac (AA- ("S&P") credit rating)) and BNP Paribas Securities Services (A+S&P credit rating) (31 March 2020: A+).

As at 31 March 2021 and 31 March 2020, 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 2021 substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of A+ (31 March 2020: 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 2021 and 31 March 2020.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2021					Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	
Overseas and local government securities	187,092	228,442	45,268	17,215	28,221	506,238
Other overseas fixed interest securities	164,274	91,732	192,600	20,388	36,899	505,893
Interest rate swaps	-	108	14,881	-	-	14,989
Swaps (excluding interest rate swaps)	-	35	52	-	-	87
Forward foreign exchange contracts	2,552	13,739	1,361	-	-	17,652
	353,918	334,056	254,162	37,603	65,120	1,044,859

	2020					Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'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
	328,318	199,449	217,059	45,897	-	790,723

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 2021, none of these financial assets, which are with no credit rating are past due or impaired (31 March 2020: 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 liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests predominantly in liquid securities and hence has daily applications 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.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

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 30 days \$'000	2021			Over 1 year \$'000
				Between 1-3 months \$'000	Between 4 - 6 months \$'000	Between 7 to 12 months \$'000	
Assets							
Cash and cash equivalents	10,950	10,950	10,950	-	-	-	-
Receivables	20,157	20,157	20,157	-	-	-	-
Margin accounts	53,053	53,053	53,053	-	-	-	-
	84,160	84,160	84,160	-	-	-	-
Liabilities							
Payables	39,374	39,374	39,374	-	-	-	-
Payables under sale and repurchase agreements	14,427	14,427	14,427	-	-	-	-
Due to financial institutions	8,801	8,801	8,801	-	-	-	-
	62,602	62,602	62,602	-	-	-	-
2020							
	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 30 days \$'000	Between 1 to	Between 4 to	Between 7 to	Over 1 year
				3 months	6 months	12 months	\$'000
				\$'000	\$'000	\$'000	\$'000
Assets							
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	-	-	-	-
	126,970	126,970	126,970	-	-	-	-
Liabilities							
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	-	-	-	-
	80,428	80,428	29,544	-	50,884	-	-

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 and 31 March 2020.

	Statement of Financial Position	Contractual cash flows	Within 6 months	2021			
				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
Assets							
<i>Forward foreign exchange contracts</i>	17,652						
Inflow		2,102,054	2,075,822	22,695	3,537	-	-
Outflow		(2,083,875)	(2,058,217)	(22,226)	(3,432)	-	-
<i>To-Be-Announced forwards</i>	1,670						
Inflow		1,670	1,670	-	-	-	-
<i>Interest rate swaps</i>	14,989						
Inflow		19,917	794	2,763	3,781	5,283	7,296
Outflow		(4,193)	(129)	(284)	(568)	(1,505)	(1,707)
<i>Currency swaps</i>	38						
Inflow		38	-	-	-	-	38
<i>Inflation indexed swaps</i>	1,314						
Inflow		1,314	-	-	-	130	1,184
<i>Overnight interest swaps</i>	335	-	-	-	-	-	-
<i>Credit default swaps</i>	87						
Inflow		201	26	25	44	105	1
<i>Options</i>	629						
Inflow		629	-	613	-	16	-
<i>Futures</i>	264						
Inflow		264	264	-	-	-	-
Liabilities							
<i>Forward foreign exchange contracts</i>	54,372						
Inflow		2,376,745	2,376,282	463	-	-	-
Outflow		(2,431,315)	(2,430,844)	(471)	-	-	-
<i>To-Be-Announced forwards</i>	3,561						
Outflow		(3,666)	(3,666)	-	-	-	-
<i>Interest rate swaps</i>	11,002						
Inflow		2,058	115	158	186	728	871
Outflow		(5,468)	(758)	(1,557)	(1,444)	2,897	(4,606)
<i>Currency swaps</i>	32						
Outflow		(32)	-	-	-	-	(32)
<i>Inflation indexed swaps</i>	808						
Outflow		(808)	-	-	-	(108)	(700)
<i>Overnight interest rate swaps</i>	864						
<i>Credit default swaps</i>	1,290						
Outflow		(4,335)	(384)	(404)	(761)	(1,880)	(906)
<i>Options</i>	1,452						
Outflow		(1,452)	(300)	(886)	-	(266)	-
<i>Futures</i>	1,731						
Outflow		(1,731)	(1,721)	(10)	-	-	-

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	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
Derivatives Held for Trading							
Assets							
<i>Forward foreign exchange contracts</i>	21,624						
Inflow		1,587,031	1,587,031	-	-	-	-
Outflow		(1,566,217)	(1,566,217)	-	-	-	-
<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>Currency swaps</i>	47						
Inflow		47	-	-	-	-	47
<i>Credit default swaps</i>	522						
Inflow		3,583	358	366	729	2,063	67
<i>Options</i>	201						
Inflow		201	16	22	163	-	-
<i>Futures</i>	2,570						
Inflow		2,570	2,305	129	136	-	-
Liabilities							
<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>Currency swaps</i>	97						
inflow		97	-	-	-	-	97
<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>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 2021

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 2021 and 31 March 2020.

	2021			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
International fixed interest securities	-	1,030,528	-	1,030,528
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	17,652	-	17,652
To-Be-Announced forwards	-	1,670	-	1,670
Interest rate swaps	-	14,989	-	14,989
Total return swaps	-	38	-	38
Inflation indexed swaps	-	1,314	-	1,314
Overnight interest swaps	-	335	-	335
Credit default swaps	-	87	-	87
Options	-	629	-	629
Futures	264	-	-	264
	<u>264</u>	<u>1,067,242</u>	<u>-</u>	<u>1,067,506</u>
Financial liabilities at fair value through profit or loss				
<i>Investment securities</i>				
Investment securities - sold short	-	3,970	-	3,970
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	54,372	-	54,372
To-Be-Announced forwards	-	3,561	-	3,561
Interest rate swaps	-	11,002	-	11,002
Currency swaps	-	32	-	32
Inflation indexed swaps	-	808	-	808
Overnight interest swaps	-	864	-	864
Credit default swaps	-	1,290	-	1,290
Currency options	-	104	-	104
Options	-	1,348	-	1,348
Futures	1,731	-	-	1,731
	<u>1,731</u>	<u>77,351</u>	<u>-</u>	<u>79,082</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. FINANCIAL RISK MANAGEMENT (Continued)

	2020			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
Overseas 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
Currency 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>2,570</u>	<u>804,431</u>	<u>-</u>	<u>807,001</u>
Financial liabilities at fair value through profit or loss				
<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
Inflation indexed swaps	-	153	-	153
Currency swaps	-	97	-	97
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>4,325</u>	<u>93,824</u>	<u>-</u>	<u>98,149</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 2021 (31 March 2020: nil).

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021.

2021

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
FINANCIAL ASSETS						
Derivatives	35,307	-	35,307	(19,284)	(8,362)	7,661
Repo receivables	-	-	-	-	-	-
FINANCIAL LIABILITIES						
Derivatives	71,551	-	71,551	(19,284)	(42,118)	10,149
Repo payables	14,427	-	14,427	-	-	14,427

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
FINANCIAL ASSETS						
Derivatives	38,763	-	38,763	(31,928)	(3,402)	3,433
Repo receivables	33,567	-	33,567	(33,567)	-	-
FINANCIAL LIABILITIES						
Derivatives	98,089	-	98,089	(31,928)	(52,736)	13,425
Repo payables	50,884	-	50,884	(50,884)	-	-

17. CONTINGENT LIABILITIES AND COMMITMENTS

Other than derivatives, the Fund had no material commitments or contingencies at 31 March 2021 (31 March 2020: nil).

18. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after balance date.



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements of the Fund present fairly, in all material respects, the financial position of the Fund as at 31 March 2021, 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).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2021;
- 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 significant accounting policies and other explanatory information.

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.

Independence

We are independent of the Fund in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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, controls assurance reporting, registry compliance assurance, 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. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Fund.

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. We have one key audit matter: Valuation and existence of financial assets and financial liabilities at fair value through profit or loss. 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.



Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets and financial liabilities at fair value through profit or loss</p> <p>Refer to notes 4 and 6 in the financial statements for disclosures of financial assets and financial liabilities at fair value through profit or loss (financial instruments).</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Fund.</p> <p>The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2021 and are categorised as level 1 in the fair value hierarchy.</p> <p>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 2021. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.</p> <p>The Fund’s level 2 financial instruments include fixed interest securities, forward foreign exchange contracts, To-Be-Announced forwards, swaps, and options.</p> <p>For financial instruments quoted in foreign currencies, these are then translated to New Zealand dollars using the exchange rates at 31 March 2021.</p> <p>Holdings of all financial instruments are either held by the Custodian on behalf of the Fund or entered into with counterparties.</p>	<p>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 the third-party service organisations. The third-party service organisations include the Administrator and the Custodian.</p> <p>Our assessment of the business processes included obtaining the internal control reports over custody and investment accounting provided by the 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.</p> <p>Valuation</p> <p>For all financial instruments where quoted market prices in an active market were available, we agreed the last market price at 31 March 2021 and the exchange rates at which they have been converted from their underlying local currency to New Zealand dollars to independent third party sources.</p> <p>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.</p> <p>For investments in forward foreign exchange contracts, To-Be-Announced forwards, 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.</p> <p>Existence</p> <p>We obtained confirmation from the Custodian and counterparties of the holdings of the financial instruments held by the Fund as at 31 March 2021.</p>



Our audit approach

Overview

Materiality	<p>Our materiality for the Fund is calculated based on approximately 1% of the unitholders' funds.</p> <p>We chose unitholders' funds as the benchmark because, in our view, the objective of the Fund is to provide members with a total return on the Fund's net assets, taking into account both capital and income returns.</p>
Key audit matters	<p>As reported above, because of the significance of the financial instruments to the financial statements, we have determined that there is one key audit matter: valuation and existence of financial assets and liabilities at fair value through profit or loss.</p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the Fund 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 of the Fund as a whole.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Fund as a whole, taking into account the structure of the Fund, the Fund's investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Fund. The Fund's investments are held by a Custodian. The Manager has outsourced investment accounting (Administrator) and registry services (Registrar) to a third party service organisation.

In completing our audit, we performed relevant audit procedures over the control environment of the Manager, the Custodian, the Administrator and the Registrar to support our audit conclusions.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.



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.

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 intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial 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.

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.

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

For and on behalf of:

Chartered Accountants
21 July 2021

Wellington