

HUNTER GLOBAL FIXED INTEREST FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

HUNTER GLOBAL FIXED INTEREST FUND

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HUNTER GLOBAL FIXED INTEREST FUND

DIRECTORY

THE MANAGER

Harbour Asset Management Limited
Level 16, 171 Featherston Street
Wellington

This is also the address of the registered office.

THE SUPERVISOR

The New Zealand Guardian Trust Company Limited
Level 6, 191 Queen Street
Auckland 1140

DIRECTORS OF THE MANAGER

Andrew Bascand
Graeme Wong
Bill Trotter
Linda Jenkinson
Richard Young
Murray Brown

BANKERS

ANZ Bank New Zealand Limited (ANZ)
BNP Paribas

INVESTMENT MANAGER

PIMCO Australia Pty Ltd

FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996
Wellington 6140

CORRESPONDENCE

All correspondence and enquiries about the Hunter Global Fixed Interest Fund should be addressed to the Manager, Harbour Asset Management Limited, at the above address.

HUNTER GLOBAL FIXED INTEREST FUND

Harbour Asset Management Limited (the "Manager") and The New Zealand Guardian Trust Company Limited (the "Supervisor") 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 respect to each scheme. The supervisor of the Fund until 30 September 2022 was Public Trust. The New Zealand Guardian Trust Company Limited has been appointed as the supervisor effective from 1 October 2022.

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. A Deed of Retirement and Appointment dated 30 September 2021, retired Implemented Investment Solutions Limited as Manager and appointed Harbour Asset Management Limited as the new Manager.

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 2023, and of the results of its financial performance and cash flows for the year ended on that date in accordance with the requirements of the Trust Deed and Establishment Deed each dated 1 December 2016.

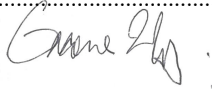
It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders.

For and on behalf of:
Harbour Asset Management Limited

Graeme Wong

Murray Brown

Director



Director



This Statement was approved for signing at a meeting of the Directors on 5 July 2023.

HUNTER GLOBAL FIXED INTEREST FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 \$'000	2022 \$'000
INCOME			
Interest income		28,763	21,523
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	(91,421)	(55,663)
Foreign exchange gains/(losses)		5,347	(2,507)
Other income		<u>2</u>	<u>14</u>
TOTAL INCOME		<u>(57,309)</u>	<u>(36,633)</u>
EXPENSES			
Interest expense		1,012	1,000
Management fees	14	5,819	5,890
Other expenses		<u>152</u>	<u>157</u>
TOTAL EXPENSES		<u>6,983</u>	<u>7,047</u>
NET LOSS		(64,292)	(43,680)
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS		<u>(64,292)</u>	<u>(43,680)</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 2023

	Note	2023 \$'000	2022 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR		1,119,045	1,009,982
Net loss and other comprehensive income for the year		<u>(64,292)</u>	<u>(43,680)</u>
Total comprehensive loss		(64,292)	(43,680)
Subscriptions from Unitholders		278,114	461,535
Redemptions by Unitholders		(161,357)	(263,197)
Distributions to Unitholders		<u>(51,559)</u>	<u>(45,595)</u>
		65,198	152,743
UNITHOLDERS' FUNDS AT THE END OF THE YEAR	10b	<u>1,119,951</u>	<u>1,119,045</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 2023

	Note	As at 31 March 2023 \$'000	As at 31 March 2022 \$'000
ASSETS			
Cash at bank		23,025	30,796
Receivables	7	26,167	6,232
Receivables from sale and repurchase agreements		46,032	37,997
Financial assets at fair value through profit or loss			
Investment securities	4, 5	1,019,171	1,040,481
Derivatives	6	62,770	87,974
Margin accounts	5	<u>30,842</u>	<u>21,139</u>
TOTAL ASSETS		<u>1,208,007</u>	<u>1,224,619</u>
LIABILITIES			
Due to financial institutions		12,587	38,813
Payables	8	23,231	5,598
Financial liabilities at fair value through profit or loss			
Derivatives	6	<u>52,238</u>	<u>61,163</u>
TOTAL LIABILITIES		<u>88,056</u>	<u>105,574</u>
UNITHOLDERS' FUNDS	10b	<u>1,119,951</u>	<u>1,119,045</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>1,208,007</u>	<u>1,224,619</u>

For and on behalf of the Manager, Harbour Asset Management Limited, who authorised the issue of the Financial Statements on 5 July 2023.

Graeme Wong

Director



Murray Brown

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 2023

	Note	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income		28,162	23,844
Maturity/sale of investments		13,523,450	9,470,256
Movement in margin accounts		(35,929)	61,926
Other income		2	14
Operating expenses		(5,827)	(5,837)
Interest expense		(806)	(1,024)
Purchase of investments		(13,467,033)	(9,613,471)
Net settlement of derivatives		(114,770)	(68,445)
Other expenses		<u>(152)</u>	<u>(157)</u>
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	11	(72,903)	(132,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		278,114	461,535
Redemptions by Unitholders		(161,357)	(263,197)
Distributions to Unitholders		<u>(51,559)</u>	<u>(45,595)</u>
NET CASH INFLOW FROM FINANCING ACTIVITIES		65,198	152,743
Net (decrease)/increase in cash and cash equivalents		(7,705)	19,849
Cash and cash equivalents at beginning of the year		30,796	10,950
Effect of exchange rate fluctuations on cash and cash equivalents		<u>(66)</u>	<u>(3)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>23,025</u>	<u>30,796</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 2023

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 Scheme's registration number is SCH 11176.

The Fund was established under a Trust Deed and Establishment Deed dated 1 December 2016 and commenced operations on 15 March 2017. This deed was further amended 11 January 2021. Hunter Investment Management Limited sold the management rights of this Fund to Harbour Asset Management Limited under a sale and purchase agreement dated 30 September 2021. A Deed of Retirement and Appointment also dated 30 September 2021, retired Implemented Investment Solutions Limited ("IIS") as Manager and appointed Harbour Asset Management Limited ("Manager") as the new Manager.

The Fund's investment activities are managed by the Manager. BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the administrator and custodian of the Fund. The supervisor of the Fund until 30 September 2022 was Public Trust. The New Zealand Guardian Trust Company Limited (the "Supervisor") has been appointed as the supervisor effective from 1 October 2022. The auditor is KPMG.

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 year 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. The Fund can borrow up to 20% of the aggregate value of its investments but only for the purposes of providing short-term liquidity.

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 2023, with the comparatives for the year ended 31 March 2022.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 years 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.

(i) New Standards and amendments to existing standards effective 1 April 2022

There are no new standards, amendments to standards or interpretations that are effective for the annual reporting period commencing beginning on 1 April 2022 that have a material effect on the financial statements of the Fund.

(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 2023, they have been identified as not applicable or relevant to the Fund. Therefore they are not included in the financial statements.

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 other 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 2023

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 financial liabilities as fair value through profit or loss.

The Fund's policy is for the Investment Manager and the Board of Directors of the Manager, 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 the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The 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 2023

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 financial liability so as to achieve a constant yield on the financial asset or financial 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. As at 31 March 2023 there exists an overdraft with the following USD collateral accounts; BNP Paribas, ANZ and USB.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the 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 the short time period and nature of the financial assets, accrued interest, dividends and receivables from the sale of investments are 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.

Taxation

Income taxation

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

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 PIE tax liabilities, at the end of the year, are due for payment on the last day of the following month.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10th business day in March and September. Distributions are paid within 10 business days of 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 10.

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 Statement of Financial Position 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 2023

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. There are accounting estimates and 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 marked 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 16.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

	2023	2022
	\$'000	\$'000
Financial assets and financial liabilities at fair value through profit or loss	39,832	(52,649)
Derivatives	<u>(131,253)</u>	<u>(3,014)</u>
	<u>(91,421)</u>	<u>(55,663)</u>

4. INVESTMENT SECURITIES

	2023	2022
	\$'000	\$'000
<i>Financial assets at fair value through profit or loss</i>		
International fixed interest securities	1,018,602	1,039,877
NZ fixed interest securities	<u>569</u>	<u>604</u>
	<u>1,019,171</u>	<u>1,040,481</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 2023, the margin accounts for the Fund included restricted balances of \$7,749,124 (31 March 2022: \$5,272,225).

At 31 March 2023, pledged securities amounted to \$9,659,404 (31 March 2022: \$14,692,975) 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 2023

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 2023

6. DERIVATIVES (Continued)

	2023 \$'000	2022 \$'000
Assets		
<i>Derivatives:</i>		
Forward foreign exchange contracts	31,275	54,495
To-Be-Announced forwards	2,933	3,444
Interest rate swaps	21,665	16,087
Currency swaps	14	13
Inflation indexed swaps	-	1,231
Overnight interest rate swaps	1,871	1,957
Credit default swaps	1,903	2,784
Currency options	-	40
Options	521	213
Futures	2,588	7,710
	62,770	87,974
Liabilities		
<i>Derivatives</i>		
Forward foreign exchange contracts	12,677	6,641
To-Be-Announced forwards	1,153	3,558
Interest rate swaps	30,527	33,304
Currency swaps	59	59
Overnight interest rate swaps	2,105	7,677
Credit default swaps	107	669
Currency options	-	11
Options	2,593	3,657
Futures	3,017	5,587
	52,238	61,163

7. RECEIVABLES

	2023 \$'000	2022 \$'000
Interest receivable	4,549	4,152
Receivables from sale of investments	20,792	1,346
PIE tax recoverable from Inland Revenue	826	734
	26,167	6,232

8. PAYABLES

	2023 \$'000	2022 \$'000
Interest payable	213	7
Payables from purchase of investments	21,634	4,291
Management fees payable	537	547
PIE tax payable to Unitholders	826	734
Other expenses payable	21	19
	23,231	5,598

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

9. AUDIT FEES

KPMG fees for the audit of the financial statements are paid by the Manager. Fees for the year ended 31 March 2023 amounted to \$40,000 (31 March 2022: \$30,000) excluding GST.

10. UNITHOLDERS' FUNDS

10a. Units on issue

	2023 '000	2022 '000
Units on issue at beginning of the year	1,191,189	996,362
Subscriptions from Unitholders	316,474	456,559
Redemptions by Unitholders	<u>(186,254)</u>	<u>(261,732)</u>
Units on issue at the end of the year	<u>1,321,409</u>	<u>1,191,189</u>

10b. Units in dollar value

	2023 \$'000	2022 \$'000
Unitholders' Funds at the end of the year	1,119,951	1,119,045
Unit price NAV at the end of the year	1,120,291	1,116,501

The unit price Net Asset Value ("NAV") is calculated using 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 a 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 15. 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.

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 2023

11. RECONCILIATION OF NET LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2023 \$'000	2022 \$'000
Net loss	(64,292)	(43,680)
<i>Adjustments for:</i>		
Payments for the purchase investments	(13,467,033)	(9,613,471)
Proceeds from sales of investment securities	13,523,450	9,470,256
Net settlement of derivatives	(114,770)	(68,445)
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	91,421	55,663
Foreign exchange (gain)/loss	(5,347)	2,507
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(397)	1,834
Increase in payables	198	29
Accrued interest movement on swaps	(204)	487
(Decrease)/increase in margin accounts	(35,929)	61,926
Net cash outflow from operating activities	<u>(72,903)</u>	<u>(132,894)</u>

12. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Financial liabilities at fair value through profit or loss \$'000	Financial assets at fair value through profit or loss \$'000	2023 Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
ASSETS					
Cash and cash equivalents	-	-	23,025	-	23,025
Receivables	-	-	26,167	-	26,167
Receivables from sale and repurchase agreements	-	-	46,032	-	46,032
Investment securities	-	1,019,171	-	-	1,019,171
Derivatives	-	62,770	-	-	62,770
Margin accounts	-	-	<u>30,842</u>	-	<u>30,842</u>
Total Assets	<u>-</u>	<u>1,081,941</u>	<u>126,066</u>	<u>-</u>	<u>1,208,007</u>
LIABILITIES					
Derivatives	52,238	-	-	-	52,238
Payables	-	-	-	23,231	23,231
Due to financial institutions	-	-	-	<u>12,587</u>	<u>12,587</u>
Total Liabilities	<u>52,238</u>	<u>-</u>	<u>-</u>	<u>35,818</u>	<u>88,056</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

12. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	2022 Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	-	-	30,796	-	30,796
Receivables	-	-	6,232	-	6,232
Receivables from sale and repurchase agreements	-	-	37,997	-	37,997
Investment securities	-	1,040,481	-	-	1,040,481
Derivatives	-	87,974	-	-	87,974
Margin accounts	-	-	21,139	-	21,139
Total Assets	-	1,128,455	96,164	-	1,224,619
LIABILITIES					
Derivatives	61,163	-	-	-	61,163
Payables	-	-	-	5,598	5,598
Payables under sale and repurchase agreements	-	-	-	-	-
Due to financial institutions	-	-	-	38,813	38,813
Total Liabilities	61,163	-	-	44,411	105,574

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

13. 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	2023 Over 12 months \$'000	Total \$'000
ASSETS			
Cash at bank	23,025	-	23,025
Receivables	26,167	-	26,167
Receivables from sale and repurchase agreements	46,032	-	46,032
Investment securities	328,782	690,389	1,019,171
Derivatives	34,595	28,175	62,770
Margin accounts	30,842	-	30,842
Total Assets	489,443	718,564	1,208,007
LIABILITIES			
Payables	23,231	-	23,231
Derivatives	22,237	30,001	52,238
Margin accounts	12,587	-	12,587
Total Liabilities	58,055	30,001	88,056
	Within 12 months \$'000	2022 Over 12 months \$'000	Total \$'000
ASSETS			
Cash at bank	30,796	-	30,796
Receivables	6,232	-	6,232
Receivables from sale and repurchase agreements	37,997	-	37,997
Investment securities	187,344	853,137	1,040,481
Derivatives	63,645	24,329	87,974
Margin accounts	21,139	-	21,139
Total Assets	347,153	877,466	1,224,619
LIABILITIES			
Payables	5,598	-	5,598
Derivatives	18,337	42,826	61,163
Margin accounts	38,813	-	38,813
Total Liabilities	62,748	42,826	105,574

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. 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 of Harbour Asset Management.

Management Fees

As outlined in the Fund's Product Disclosure Statement, the Fund incurs management fees fixed at 0.52% of the 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 The New Zealand Guardian Trust Company Limited. For the year ended 31 March 2023 the Supervisor fee charged to the Fund amounted to \$152,462 (31 March 2022: \$156,132).

Manager fee

The Manager of the Fund is Harbour Asset Management Limited. For the year ended 31 March 2023, the Fund was charged manager fees of \$5,077,693, (31 March 2022: \$5,132,332 (\$2,904,633 by IIS and \$2,227,699 by Harbour Asset Management)) with \$434,372 (31 March 2022: \$442,402) outstanding at the year end.

Investments by and in related parties

Investments by related parties

The Harbour Active Growth Fund invests in the Hunter Global Fixed Interest Fund. Amount was \$2,554,886 as at March 2023 (31 March 2022: nil).

Investments in related parties

As at 31 March 2023, the Fund holds no units in other funds managed by the Manager (31 March 2022: none).

15. 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.

15a. 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 and foreign exchange contracts) are susceptible to market price risk arising from uncertainties about future values of the investment.

At 31 March 2023 the overall market exposure were as follows:

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	2023	2022
	Fair value	Fair value
	\$'000	\$'000
Assets		
Futures	2,588	7,710
Options	521	253
Swaps excluding IRS	3,788	5,985
To-Be-Announced forwards	2,933	3,444
Liabilities		
Futures	3,017	5,587
Options	2,593	3,668
Swaps excluding IRS	2,271	8,405
To-Be-Announced forwards	1,153	3,558
	2023	2022
	Notional value	Notional value
	\$'000	\$'000
Futures	227,326	158,929
Options	137,555	461,650
Swaps excluding IRS	237,708	9,001
To-Be-Announced forwards	302,798	21,629

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 2023 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 conditions.

	2023		2022	
	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	(24,138)	24,138	(17,362)	17,362
Options	(207)	207	(342)	342
Swaps excluding IRS	152	(152)	(242)	242
To-Be-Announced forwards	178	(178)	(11)	11

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

15b. 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") and Japanese Yen ("JPY").

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 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.

	2023						
	AUD	CAD	EUR	GBP	JPY	USD	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Monetary assets and liabilities							
Foreign cash and cash equivalents	606	113	541	682	124	19,776	1,104
Margin accounts	(1,758)	2,650	3,551	(9)	779	10,952	1,085
Receivables/(payables)	(17,589)	3	1,664	608	11	18,610	387
Interest bearing securities	7,946	35,063	105,244	49,194	292,040	510,619	64,529
Derivatives excluding FFX	<u>1,811</u>	<u>(2,429)</u>	<u>(4,559)</u>	<u>259</u>	<u>(414)</u>	<u>(1,524)</u>	<u>(790)</u>
	<u>(8,984)</u>	<u>35,400</u>	<u>106,441</u>	<u>50,734</u>	<u>292,540</u>	<u>558,433</u>	<u>66,315</u>
Forward foreign exchange contracts							
Notional value	<u>3,187</u>	<u>(35,339)</u>	<u>(109,158)</u>	<u>(53,551)</u>	<u>(270,202)</u>	<u>(577,703)</u>	<u>(57,650)</u>
	2022						
	AUD	CAD	EUR	GBP	JPY	USD	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Monetary assets and liabilities							
Foreign cash and cash equivalents	108	1,168	612	1,753	544	25,288	1,148
Margin accounts	380	2,629	10,970	6,849	146	(40,138)	1,201
Receivables/(payables)	(17,758)	238	189	866	71	18,873	(1,285)
Interest bearing securities	10,332	3,676	136,632	72,472	193,357	549,232	112,173
Derivatives excluding FFX	<u>(263)</u>	<u>(2,715)</u>	<u>(11,754)</u>	<u>(4,401)</u>	<u>98</u>	<u>(1,310)</u>	<u>(391)</u>
	<u>(7,201)</u>	<u>4,996</u>	<u>136,649</u>	<u>77,539</u>	<u>194,216</u>	<u>551,945</u>	<u>112,846</u>
Forward foreign exchange contracts							
Notional value	<u>154</u>	<u>(4,914)</u>	<u>(145,393)</u>	<u>(75,003)</u>	<u>(194,041)</u>	<u>(553,483)</u>	<u>(94,081)</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	2023			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10%	10%	10%	10%
	increase	decrease	increase	decrease
\$'000	\$'000	\$'000	\$'000	
AUD	579	(579)	579	(579)
CAD	(5)	5	(5)	5
EUR	289	(289)	289	(289)
GBP	285	(285)	285	(285)
JPY	(1,975)	1,975	(1,975)	1,975
USD	2,083	(2,083)	2,083	(2,083)
Other	(776)	776	(776)	776

	2022			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10%	10%	10%	10%
	increase	decrease	increase	decrease
\$'000	\$'000	\$'000	\$'000	
AUD	705	(705)	705	(705)
CAD	(8)	8	(8)	8
EUR	896	(896)	896	(896)
GBP	(251)	251	(251)	251
JPY	33	(33)	33	(33)
USD	139	(139)	139	(139)
Other	(1,840)	1,840	(1,840)	1,840

15c. 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 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	2023					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	23,025	-	-	-	-	23,025
Interest-bearing securities	302,778	26,003	75,736	139,681	474,973	1,019,171
Interest rate swaps	5	248	895	-	20,517	21,665
Other derivatives excluding interest rate swaps	507	-	-	-	-	507
Total financial assets subject to interest rate risk	<u>326,315</u>	<u>26,251</u>	<u>76,631</u>	<u>139,681</u>	<u>495,490</u>	<u>1,064,368</u>
Financial liabilities						
Interest rate swaps	1	2,239	4,093	-	24,194	30,527
Total financial liabilities subject to interest rate risk	<u>1</u>	<u>2,239</u>	<u>4,093</u>	<u>-</u>	<u>24,194</u>	<u>30,527</u>
	2022					
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	30,796	-	-	-	-	30,796
Interest-bearing securities	159,941	27,403	36,567	138,632	677,938	1,040,481
Interest rate swaps	8	-	5,655	363	10,061	16,087
Total financial assets subject to interest rate risk	<u>190,745</u>	<u>27,403</u>	<u>42,222</u>	<u>138,995</u>	<u>687,999</u>	<u>1,087,364</u>
Financial liabilities						
Interest rate swaps	1	25	1,359	2,493	30,172	34,050
Other derivatives excluding interest rate swaps	704	-	-	-	-	704
Total financial liabilities subject to interest rate risk	<u>705</u>	<u>25</u>	<u>1,359</u>	<u>2,493</u>	<u>30,172</u>	<u>34,754</u>

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 2023.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets as at 31 March 2023.

The analysis is performed on the same basis for 31 March 2022.

	2023			
	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	230	(230)	-	-
Interest bearing securities	2,607	(2,607)	(60,782)	72,396
Futures	-	-	(1,184)	1,306

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	2022			
	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	308	(308)	-	-
Interest bearing securities	1,269	(1,269)	(93,738)	103,679
Futures	-	-	(1,241)	1,370

15d. 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- credit rating) (31 March 2022: AA-) and BNP Paribas (A+) (31 March 2022: A+).

As at 31 March 2023 and 31 March 2022, 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 2023 substantially all interest bearing security assets are placed in custody with BNP Paribas, which has a credit rating of A+ (31 March 2022: A+), and margin accounts, derivatives and collateral accounts are held with other counterparties.

The table below shows the credit rating grade of each class of the Fund's debt securities that are subject to credit risk as at 31 March 2023 and 31 March 2022.

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	2023					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	209,357	225,870	23,732	14,841	3,144	476,944
Other overseas fixed interest securities	230,957	146,912	130,859	19,622	59,340	587,690
NZ fixed interest securities	569	-	-	-	-	569
Interest rate swaps	-	21,406	259	-	-	21,665
Swaps (excluding interest rate swaps)	-	3,532	256	-	-	3,788
Forward foreign exchange contracts	3,217	22,039	6,019	-	-	31,275
	<u>444,100</u>	<u>419,759</u>	<u>161,125</u>	<u>34,463</u>	<u>62,484</u>	<u>1,121,931</u>

	2022					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	260,963	217,054	41,026	17,938	1,171	538,152
Other overseas fixed interest securities	252,230	82,769	177,684	27,039	-	539,722
NZ fixed interest securities	604	-	-	-	-	604
Interest rate swaps	-	2	16,085	-	-	16,087
Swaps (excluding interest rate swaps)	-	30	2,754	-	-	2,784
Forward foreign exchange contracts	3,667	33,389	17,439	-	-	54,495
	<u>517,464</u>	<u>333,244</u>	<u>254,988</u>	<u>44,977</u>	<u>1,171</u>	<u>1,151,844</u>

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-.

At 31 March 2023, none of these financial assets, which have no credit rating are past due or impaired (31 March 2022: none).

15e. 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 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses the Fund's financial instruments excluding investment securities and derivatives, 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	Contractual cash flows	Within 30 days	2023			
				Between 1-3 months	Between 4 - 6 months	Between 7 to 12 months	Over 1 year
				\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents	23,025	23,025	23,025	-	-	-	-
Receivables	26,167	26,167	26,167	-	-	-	-
Receivables from sale and repurchase agreements	46,032	46,032	46,032	-	-	-	-
Margin accounts	<u>30,842</u>	<u>30,842</u>	<u>30,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>126,066</u>	<u>126,066</u>	<u>126,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities							
Payables	23,231	23,231	23,231	-	-	-	-
Due to financial institutions	<u>12,587</u>	<u>12,587</u>	<u>12,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>35,818</u>	<u>35,818</u>	<u>35,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				2022			
	Statement of Financial Position	Contractual cash flows	Within 30 days	Between 1 to	Between 4 to	Between 7 to	Over 1 year
				3 months	6 months	12 months	
				\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents	30,796	30,796	30,796	-	-	-	-
Receivables	6,232	6,232	6,232	-	-	-	-
Receivables from sale and repurchase agreements	37,997	71,918	71,918	-	-	-	-
Margin accounts	<u>21,139</u>	<u>21,139</u>	<u>21,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>96,164</u>	<u>130,085</u>	<u>130,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities							
Payables	5,598	5,598	5,598	-	-	-	-
Due to financial institutions	<u>38,813</u>	<u>38,813</u>	<u>38,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>44,411</u>	<u>44,411</u>	<u>44,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

15. 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 2023 and 31 March 2022.

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	2023			
				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>	31,275						
Inflow		3,017,507	2,965,178	18,134	34,195	-	-
Outflow		(2,983,365)	(2,933,339)	(17,321)	(32,705)	-	-
<i>To-Be-Announced forwards</i>	2,933						
Inflow		2,932	2,932	-	-	-	-
<i>Interest rate swaps</i>	21,665						
Inflow		68,898	6,738	8,395	15,711	36,213	1,841
Outflow		(29,281)	(3,078)	(13,609)	(3,959)	(8,190)	(445)
<i>Currency swaps</i>	14						
<i>Overnight interest swaps</i>	1,871	-	-	-	-	-	-
Inflow		11,559	1,871	1,073	2,164	6,416	35
Outflow		(4,988)	(555)	(468)	(996)	(2,950)	(19)
<i>Credit default swaps</i>	1,903						
Inflow		5,933	571	596	1,189	3,299	278
<i>Options</i>	521						
Inflow		15	-	-	-	15	-
<i>Futures</i>	2,588						
Inflow		2,588	2,588	-	-	-	-
Liabilities							
<i>Forward foreign exchange contracts</i>	12,677						
Inflow		1,530,689	1,530,689	-	-	-	-
Outflow		(1,542,756)	(1,542,756)	-	-	-	-
<i>To-Be-Announced forwards</i>	1,153						
Outflow		(1,153)	(1,153)	-	-	-	-
<i>Interest rate swaps</i>	30,527						
Inflow		41,197	3,930	5,634	7,493	16,308	7,832
Outflow		(88,045)	(5,589)	(27,521)	(12,326)	(26,462)	(16,147)
<i>Currency swaps</i>	59						
<i>Overnight interest rate swaps</i>	2,105						
Inflow		134	25	-	9	5	95
Outflow		(1,274)	(38)	(871)	(69)	(175)	(121)
<i>Credit default swaps</i>	107						
Outflow		(5,374)	(445)	(413)	(804)	(2,475)	(1,237)
<i>Options</i>	2,593						
Outflow		(2,592)	(745)	(1,045)	(66)	(736)	-
<i>Futures</i>	3,017						
Outflow		(3,017)	(2,728)	(289)	-	-	-

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

	Statement of Financial Position \$'000	Contractual cash flows \$'000	Within 6 months \$'000	2022			
				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>	54,495						
Inflow		3,278,104	3,268,583	9,521	-	-	-
Outflow		(3,222,607)	(3,213,451)	(9,156)	-	-	-
<i>To-Be-Announced forwards</i>	3,444						
Inflow		3,444	3,444	-	-	-	-
<i>Interest rate swaps</i>	16,087						
Inflow		26,752	1,263	1,661	3,235	10,271	10,322
Outflow		(9,800)	-	(9,800)	-	-	-
<i>Currency swaps</i>	13						
Inflow		13	13	-	-	-	-
<i>Inflation indexed swaps</i>	1,231						
Inflow		1,231	1,231	-	-	-	-
<i>Overnight interest swaps</i>	1,957						
Inflow		2,339	1,958	-	71	214	96
Outflow		(38)	-	(36)	-	(1)	(1)
<i>Credit default swaps</i>	2,784						
Inflow		8,463	821	856	1,695	4,808	283
<i>Options</i>	253						
<i>Futures</i>	7,710						
Inflow		7,710	7,656	-	54	-	-
Liabilities							
<i>Forward foreign exchange contracts</i>	6,641						
Inflow		1,736,992	1,723,420	6,107	7,465	-	-
Outflow		(1,743,564)	(1,729,534)	(6,418)	(7,612)	-	-
<i>To-Be-Announced forwards</i>	3,558						
Outflow		(3,558)	(3,558)	-	-	-	-
<i>Interest rate swaps</i>	33,304						
Inflow		3,731	159	339	657	1,822	754
Outflow		(8,588)	-	(8,588)	-	-	-
<i>Currency swaps</i>	59						
Outflow		(59)	(59)	-	-	-	-
<i>Overnight interest rate swaps</i>	7,677						
Inflow		898	126	83	177	190	322
Outflow		(9,852)	(987)	(1,770)	(1,948)	(4,407)	(740)
<i>Credit default swaps</i>	669						
<i>Options</i>	3,668						
Outflow		(3,262)	(732)	(1,814)	(346)	(370)	-
<i>Futures</i>	5,587						
Outflow		(5,587)	(5,587)	-	-	-	-

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. FINANCIAL RISK MANAGEMENT (Continued)

15f. 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 2023.

2023

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	59,837	-	59,837	(43,731)	(6,764)	9,342
Repo receivables	46,032	-	46,032	-	-	46,032
FINANCIAL LIABILITIES						
Derivatives	51,085	-	51,085	(43,731)	(5,717)	1,637

2022

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	84,531	-	84,531	(48,236)	(19,686)	16,609
Repo receivables	37,997	-	37,997	-	-	37,997
FINANCIAL LIABILITIES						
Derivatives	58,350	-	58,350	(48,236)	(5,540)	4,574

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

16. 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 2023 and 31 March 2022.

	2023			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	-	1,019,171	-	1,019,171
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	31,275	-	31,275
To-Be-Announced forwards	-	2,933	-	2,933
Interest rate swaps	-	21,665	-	21,665
Currency swaps	-	14	-	14
Overnight interest swaps	-	1,871	-	1,871
Credit default swaps	-	1,903	-	1,903
Options	-	521	-	521
Futures	2,588	-	-	2,588
	<u>2,588</u>	<u>1,079,353</u>	<u>-</u>	<u>1,081,941</u>
Financial liabilities at fair value through profit or loss				
<i>Investment securities</i>				
Investment securities - sold short	-	-	-	-
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	12,677	-	12,677
To-Be-Announced forwards	-	1,153	-	1,153
Interest rate swaps	-	30,527	-	30,527
Currency swaps	-	59	-	59
Overnight interest swaps	-	2,105	-	2,105
Credit default swaps	-	107	-	107
Options	-	2,593	-	2,593
Futures	3,017	-	-	3,017
	<u>3,017</u>	<u>49,221</u>	<u>-</u>	<u>52,238</u>

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2022			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	-	1,040,481	-	1,040,481
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	54,495	-	54,495
To-Be-Announced forwards	-	3,444	-	3,444
Interest rate swaps	-	16,087	-	16,087
Currency swaps	-	13	-	13
Inflation indexed swaps	-	1,231	-	1,231
Overnight interest swaps	-	1,957	-	1,957
Credit default swaps	-	2,784	-	2,784
Currency options	-	40	-	40
Options	-	213	-	213
Futures	7,710	-	-	7,710
	<u>7,710</u>	<u>1,120,745</u>	<u>-</u>	<u>1,128,455</u>
Financial liabilities at fair value through profit or loss				
<i>Investment securities</i>				
Investment securities - sold short	-	-	-	-
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	6,641	-	6,641
To-Be-Announced forwards	-	3,558	-	3,558
Interest rate swaps	-	33,304	-	33,304
Currency swaps	-	59	-	59
Overnight interest swaps	-	7,677	-	7,677
Credit default swaps	-	669	-	669
Currency options	-	11	-	11
Options	-	3,657	-	3,657
Futures	5,587	-	-	5,587
	<u>5,587</u>	<u>55,576</u>	<u>-</u>	<u>61,163</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 2023 (31 March 2022: nil).

HUNTER GLOBAL FIXED INTEREST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

17. CONTINGENT LIABILITIES AND COMMITMENTS

Other than derivatives, the Fund had no material commitments or contingencies at 31 March 2023 (31 March 2022: 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

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of the Hunter Global Fixed Interest Fund (the 'fund') on pages 3 to 33 present fairly, in all material respects:

- i. the fund's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2023;
- the statements of profit loss and other comprehensive income, changes in unitholders' funds and cash flows for the year then ended;
- and notes, including a summary of significant accounting policies.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 Funds in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the fund. Subject to certain restrictions, partners and employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing, and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements, as a whole, was set at 1% of total assets for the fund. We chose the benchmark because, in our view, this is a key measure of fund performance.

 **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 in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter	How the matter was addressed in our audit
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Valuation and existence of financial instruments at fair value through profit and loss	
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<p>The fund's financial instruments, as disclosed in Notes 4 and 6 of the financial statements, are the most significant assets and liabilities of the fund's investment portfolio. The financial instruments comprise custodian accounts, margin balances, debt securities, and a range of derivatives.</p>	
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<p>This investment portfolio in total, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.</p>	
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	<p>Our audit procedures included:</p>
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| | <ul style="list-style-type: none">- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the custodian by obtaining and reading a report issued by an independent auditor on the design and operation of those controls throughout the period;- for financial instruments at fair value, engaging our valuation specialists to perform an independent valuation, using third-party pricing sources;- agreeing securities holdings to confirmations received from the custodian;- for derivatives, agreeing the trade details to counterparty confirmations;- for bank or broker accounts, agreeing the closing book value to bank confirmations or broker statements; and- consideration of the fair value hierarchy level assigned to each investment. |
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 **Other information**

The Manager, on behalf of the fund, is responsible for the other information included in the fund's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.

 **Use of this independent auditor's report**

This independent auditor's report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the independent



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 unitholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

Harbour Asset Management Limited ('The Manager'), on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Manning

For and on behalf of

KPMG
Wellington

5 July 2023