

CC JCB Dynamic Alpha Fund

ARSN 637 628 918

Annual Report

For the year ended 30 June 2023

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Contents	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	29
Independent auditor's report to the unitholders of the CC JCB Dynamic Alpha Fund	30

These financial statements cover the CC JCB Dynamic Alpha Fund as an individual entity.

The Responsible Entity of the CC JCB Dynamic Alpha Fund is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

Directors' report

The Directors of Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007), the Responsible Entity of CC JCB Dynamic Alpha Fund ("the Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

JamiesonCooteBonds Pty Ltd is the Investment Manager of the Fund.

The Fund was constituted on 21 November 2019, registered as a managed investment scheme on 6 December 2019 and commenced operations on 30 December 2019.

The Responsible Entity of the Trust is Channel Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

The Fund seeks to invest in a carefully researched and actively managed portfolio using fundamental and technical analysis to make bond security selections and adjust duration exposures with a view to generating the optimal risk-adjusted portfolio. Security selections are set with hard limits on entry and exit with both floors and ceilings being pre-determined before investments are acquired. The Investment Manager aims to deliver the benefits of a defensive bond allocation with the overlay of active management.

The Fund aims to hold bond securities that are a minimum of investment grade, and backed by a government, Supranational or Public Finance Agency. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts. All futures will be exchange - traded. The use of futures may generate some gearing to the Fund which JCB will control using a risk adjusted framework. The Fund hedges to AUD and FX hedging will also add a modest portfolio stream.

The Fund aims to deliver investors with returns that outperform its benchmark, the Bloomberg AusBond Treasury 0+ Yr Index rolling 3 year periods.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as Directors of Channel Investment Management Limited during or since the end of the year and up to the date of this report:

Mr G Holding
Ms K Youhanna
Mr S Jordan
Mr J Yeo
Mr M Tibbett

The Responsible Entity has a Compliance Committee consisting of two independent persons and one non-independent person. This committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity.

Review and results of operations

On 20 August 2021 the Fund introduced a second class on units (Class B units) and on 25 March 2022 the Fund introduced a third class on units (Class C units).

There have been no significant changes to the operations of the Fund since the beginning of the financial year. The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund's performance for Class A was 3.02% (30 June 2022: -0.35%) (net of fees), Class B was 3.64% (30 June 2022: -0.58%) (net of fees) and Class C was 2.18% (30 June 2022: 0.29%) (net of fees) for the year ended 30 June 2023. The Fund's benchmarks, the Bloomberg AusBond Treasury 0+ Yr Index applicable for Class A was 2.93% (30 June 2022: 0.11%), the RBA Cash Rate Total Return index applicable for Class B was 2.93% (30 June 2022: 0.11%) and the RBA Cash Rate Total Return index applicable for Class C was 2.93% (30 June 2022: 0.09%) for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended 30 June 2023	Year ended 30 June 2022
Operating profit/(loss) for the year (\$'000)	10,333	(3,406)
Distributions		
Class A		
Distributions paid and payable (\$'000)	9,729	6,941
Distributions (cents per unit)	1.10	1.57
Class B		
Distributions paid and payable (\$'000)	417	1,209
Distributions (cents per unit)	1.16	1.23
Class C		
Distributions paid and payable (\$'000)	34	-
Distributions (cents per unit)	0.71	-

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

Insurance cover provided to either the officers of Channel Investment Management Limited or the auditors of the Fund is paid by Channel Capital Pty Ltd, the parent entity of Channel Investment Management Limited and not out of the assets of the Fund. So long as the officers of Channel Investment Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of Channel Capital Pty Ltd, the parent entity of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 of the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

There were no interests in the Fund held by the Responsible Entity or its associates as at the end of the year.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 13 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 5 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Directors' report (continued)

Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of Channel Investment Management Limited, the Responsible Entity.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
15 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of CC JCB Dynamic Alpha Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read "Paul Collins", written in a cursive style.

Paul Collins
Partner
PricewaterhouseCoopers

Brisbane
15 September 2023

Statement of comprehensive income

	Notes	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Investment income			
Interest income from financial assets at amortised cost		284	-
Interest income from financial assets at fair value through profit or loss		8,807	8,367
Other operating income		2	16
Net foreign exchange gain/(loss)		1,432	(7,267)
Net gains on financial instruments at fair value through profit or loss	6	2,349	(1,096)
Total net investment income/(loss)		12,874	20
Expenses			
Management fees	15	1,932	2,670
Administration fees	15	330	453
Interest expense		203	92
Other expenses		76	211
Total operating expenses		2,541	3,426
Operating profit/(loss) for the year		10,333	(3,406)
Finance costs attributable to unit holders			
Distributions to unitholders	8	(10,180)	(8,150)
(Increase)/decrease in net assets attributable to unit holders		(153)	12,339
Profit/(loss) for the year		-	783
Other comprehensive income		-	-
Total comprehensive income for the year		-	783

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

Statement of financial position

	Notes	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Assets			
Cash and cash equivalents	9	8,379	3,251
Receivables	11	1,685	4,963
Due from brokers - receivable for securities sold		5,078	1,034
Financial assets at fair value through profit or loss	10	193,782	425,061
Total assets		208,924	434,309
Liabilities			
Distributions payable	8	6,080	-
Payables	12	122	779
Financial liabilities at fair value through profit or loss	10	76	2,034
Total liabilities		6,278	2,813
Net assets attributable to unitholders - liability	13	202,646	431,496

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

Statement of changes in equity

	Notes	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Total equity at the beginning of the year		-	296,878
Comprehensive income for the year			
Profit/(loss) for the year		-	783
Other comprehensive income		-	-
Total comprehensive income for the year		-	783
Transactions with unit holders			
Applications	13	-	84,401
Redemptions	13	-	(12,194)
Reinvestments	13	-	12
Total transactions with unit holders		-	72,219
Reclassification due to the issuance of second class of units*		-	(369,880)
Total equity at the end of the year		-	-

*Effective from 20 August 2021, the Fund's units have been reclassified from equity to financial liability. Refer to Note 1 and Note 13 for further details.

Changes in net assets attributable to unitholders are disclosed in Note 13.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

		Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Cash flows from operating activities	Notes		
Proceeds from maturity/sales of financial instruments at fair value through profit or loss		897,848	1,310,497
Purchase of financial instruments at fair value through profit or loss		(670,222)	(1,443,995)
Net gains/(losses) on foreign exchange		728	(7,814)
Interest income from financial assets at fair value through profit or loss		11,260	5,120
Interest income received from financial assets at amortised cost		284	-
Other operating income received		2	16
Management fees paid		(2,029)	(2,604)
Administration fees paid		(346)	(442)
Interest paid		(203)	(92)
Other expenses paid		(47)	(248)
Net cash inflow/(outflow) from operating activities	16(a)	237,275	(139,562)
Cash flows from financing activities			
Proceeds from applications by unitholders		59,247	475,346
Payments for redemptions by unitholders		(288,232)	(330,157)
Distributions paid		(3,866)	(7,828)
Net cash inflow/(outflow) from financing activities		(232,851)	137,361
Net increase/(decrease) in cash and cash equivalents		4,424	(2,201)
Cash and cash equivalents at the beginning of the year		3,251	4,905
Effect of foreign currency exchange rate changes on cash and cash equivalents		704	547
Cash and cash equivalents at the end of the year	9	8,379	3,251
Non-cash financing activities	16(b)	234	733

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

Notes to the financial statements

Contents

Page

1 General information	11
2 Summary of significant accounting policies	11
3 Financial risk management	15
4 Offsetting financial assets and financial liabilities	20
5 Fair value measurement	20
6 Net gains/(losses) on financial instruments at fair value through profit or loss	22
7 Auditor's remuneration	22
8 Distribution to unitholders	22
9 Cash and cash equivalents	23
10 Financial instruments at fair value through profit or loss	23
11 Receivables	23
12 Payables	23
13 Net assets attributable to unitholders	23
14 Derivative financial instruments	25
15 Related party transactions	26
16 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	27
17 Events occurring after the reporting period	28
18 Contingent assets and liabilities	28

1 General information

These financial statements cover CC JCB Dynamic Alpha Fund (the "Fund") as an individual entity. The Fund was constituted on 21 November 2019, registered as a managed investment scheme on 6 December 2019 and commenced operations on 30 December 2019, and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Channel Investment Management Limited (ABN 22 163 234 240) (AFSL 439007) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

JamiesonCooteBonds Pty Ltd is the Investment Manager of the Fund.

The Fund seeks to invest in a carefully researched and actively managed portfolio using fundamental and technical analysis to make bond security selections and adjust duration exposures with a view to generating the optimal risk-adjusted portfolio. Security selections are set with hard limits on entry and exit with both floors and ceilings being pre-determined before investments are acquired. The Investment Manager aims to deliver the benefits of a defensive bond allocation with the overlay of active management.

The Fund aims to hold bond securities that are a minimum of investment grade, and backed by a government, Supranational or Public Finance Agency. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts. All futures will be exchange - traded. The use of futures may generate some gearing to the Fund which JCB will control using a risk adjusted framework. The Fund hedges to AUD and FX hedging will also add a modest portfolio stream.

On 20 August 2021 the Fund introduced a second class of units (Class B units) and on 25 March 2022 the Fund introduced a third class of units (Class C units). The Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity. As at 30 June 2021, net assets attributable to unit holders are classified as equity. Effective from 20 August 2021, the Fund's net assets attributable to unit holders have been reclassified from equity to liability.

The financial statements were authorised for issue by the directors of the Responsible Entity on 15 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

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 throughout the year presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit fund for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The Fund manages investments in financial assets based on the economic circumstances at any given point in time, as well as to meet liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, but this amount cannot be reliably determined as at balance date.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New standards and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

(iii) New amended standards adopted by the Fund

There are no new standards or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Financial assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For fixed interest securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

- Financial Liabilities

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

For financial liabilities that are not classified and measured at fair value through profit and loss, these are classified as financial liabilities at amortised cost (due to brokers, distribution payable, management fees payable, audit and tax fees payable, administration fees payables and custodian fees payable).

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expires.

(iii) Measurement

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

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 the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

(iv) 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.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders in accordance with the Fund's constitution. The units are classified as financial liabilities if the Fund is required to distribute its distributable income.

The units can be put back to the Fund at any time for cash based on the redemption price which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation* :

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As this is a multi-class fund, units are classified as financial liabilities as they do not meet the requirements of equity in accordance with AASB 132 *Financial Instruments: Presentation*.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase, if any, and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

(i) Interest income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

(f) Expenses

Any expenses which are paid by the unitholder from Fund assets are included in the Fund's financial statements and recognised in the profit or loss on an accruals basis. Any expenses that are paid directly to the Responsible Entity and/or investment manager by the unitholder as per the terms of individual agreements are not recognised in the Fund's financial statements.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders. The benefits of any imputation credits and foreign tax paid are passed on to unitholders.

(h) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(j) Foreign currency transactions

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

2 Summary of significant accounting policies (continued)

(j) Foreign currency transactions (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of within net gains/(losses) on financial instruments held at fair value through profit or loss in the statement of comprehensive income on a net basis.

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Receivables

Receivables may include amounts due for interest and trust distributions payments. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and interest receivable.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

(m) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(n) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Valuation techniques use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(q) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

(r) Comparative revisions

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

3 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ratings analysis for credit risk.

As part of its risk management strategy, the Fund uses derivatives and other investments, including interest rate futures, to manage exposures resulting from changes in interest rates, and exposures arising from forecast transactions. These methods are explained below.

(b) Market risk

(i) Price Risk

The Fund is exposed to price risk through its holding of securities and derivatives. This arises from investments held by the Fund for which prices in the future are uncertain. Fixed interest securities and derivatives are classified in the statements of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Funds' overall market positions are reported to the Board on a regular basis.

Net assets attributable to unitholders include investments in fixed interest securities and derivatives.

The table at Note 3(c) summaries the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moves by +/- 10%.

(ii) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investments in fixed interest securities.

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate risk is managed by using model-based, risk adjusted systems which allocate bond and futures investments and risk using a strict and disciplined approach honed over years of global market experience. Systems used in this process include Bloomberg AIM (ranked no 1 in global Greenwich survey for OMS providers) and Bloomberg PORT.

The table below summarises the Fund's exposure to interest rate risk.

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-interest Bearing \$'000	Total \$'000
30 June 2023					
Financial Assets					
Cash and cash equivalents	1.27%	8,379	-	-	8,379
Receivables		-	-	1,685	1,685
Due from brokers - receivable for securities sold		-	-	5,078	5,078
Financial assets at fair value through profit or loss	1.43%	-	193,782	-	193,782
Total Financial Assets		8,379	193,782	6,763	208,924
Financial Liabilities					
Distributions payable		-	-	6,080	6,080
Payables		-	-	122	122
Financial liabilities at fair value through profit or loss		-	-	76	76
Total Financial Liabilities		-	-	6,278	6,278

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non-interest Bearing \$'000	Total \$'000
30 June 2022					
Financial Assets					
Cash and cash equivalents	(0.28%)	3,251	-	-	3,251
Receivables		-	-	4,963	4,963
Due from brokers - receivable for securities sold		-	-	1,034	1,034
Financial assets at fair value through profit or loss	2.20%	-	425,061	-	425,061
Total Financial Assets		3,251	425,061	5,997	434,309
Financial Liabilities					
Payables		-	-	779	779
Financial liabilities at fair value through profit or loss		-	-	2,034	2,034
Total Financial Liabilities		-	-	2,813	2,813

The table at Note 3(c) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant.

(iii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets dominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Foreign exchange risk (continued)

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

As at 30 June 2023	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	NZD \$'000
Cash and cash equivalents	6	6,057	(504)	(93)	578	848
Receivables	-	-	-	4	-	19
Financial assets at fair value through profit or loss	-	-	-	2,487	-	29,636
Financial liabilities at fair value through profit or loss	-	30	18	(33)	-	-
Gross exposure	6	6,087	(486)	2,365	578	30,503
Net increase/(decrease) in exposure from forward currency contracts	-	(7,376)	-	(2,495)	-	(29,679)
Net exposure	6	(1,289)	(486)	(130)	578	824

As at 30 June 2022	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000
Cash and cash equivalents	29	4,709	(26)	84	1,843
Receivables	194	-	-	4	431
Financial assets at fair value through profit or loss	33,580	10,333	-	2,561	85,103
Financial liabilities at fair value through profit or loss	-	(33)	-	62	(267)
Gross exposure	33,803	15,009	(26)	2,711	87,110
Net increase/(decrease) in exposure from forward currency contracts	(33,819)	(14,834)	-	(2,785)	(86,520)
Net exposure	(16)	175	(26)	(74)	590

The table at Note 3(c) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the material foreign currencies to which the Fund is exposed.

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

3 Financial risk management (continued)

(c) Summarised sensitivity analysis (continued)

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	-10% \$'000	+10% \$'000	-10% \$'000	+10% \$'000	-100bps \$'000	+100bps \$'000
As at 30 June 2023	(19,371)	19,371	(50)	50	(418)	418
As at 30 June 2022	(42,303)	42,303	(65)	65	(1,403)	1,403

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund holds no collateral as security or any other credit enhancement. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past their due date.

(i) Debt securities

The Fund invests in debt securities which have an investment grade categorisation as rated by Standard and Poor's/Moody's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. All debt securities must have a minimum investment grade as outlined in the Fund's Product Disclosure Statement.

An analysis of debt by rating is set out in the table below.

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Australian debt security rating		
AAA	151,996	358,546
AA+	38,991	63,954
A+	2,487	-
A1	-	2,561
Total	193,474	425,061

(ii) Derivative financial instruments

For derivative financial instruments, the Investment Manager has the ability to use gearing in the form of interest rate futures. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Sydney Stock Exchange. Futures can have the ability to magnify both profits and losses. There is also a liquidity risk associated with futures in that it may be difficult in times of volatility to trade in reasonable size.

(iii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA+ (as determined by Standard and Poor's/Moody's) or higher.

(v) Other

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

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets.

3 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a daily basis. The Fund's policy is reviewed annually. In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the year ended 30 June 2023.

The Fund's Constitution provides for daily application and redemption of units and it is therefore exposed to liquidity risk of meeting unitholder redemptions at any time. Units are redeemed on demand at the unitholder's option. At 30 June 2023, net assets attributable to unitholders was \$202,646,000 (2022: \$431,496,000). See Note 13.

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Net assets attributable to unitholders is not considered a financial liability but has been included below as units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the term to long term.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2023					
Distributions payable	6,080	-	-	-	6,080
Payables	122	-	-	-	122
Net assets attributable to unitholders - liability	202,646	-	-	-	202,646
Contractual cashflows (excluding derivatives)	208,848	-	-	-	208,848
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2022					
Payables	779	-	-	-	779
Net assets attributable to unitholders - liability	431,496	-	-	-	431,496
Contractual cashflows (excluding derivatives)	432,275	-	-	-	432,275

(ii) Maturities of netted settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2023					
Net settled derivatives					
Forward currency contracts assets/(liabilities)	308	-	-	-	308
Futures	-	(76)	-	-	(76)
Total net settled derivatives	308	(76)	-	-	232
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2022					
Net settled derivatives					
Forward currency contracts assets/(liabilities)	(1,526)	-	-	-	(1,526)
Futures	-	(508)	-	-	(508)
Total net settled derivatives	(1,526)	(508)	-	-	(2,034)

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangement	Collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2023						
Financial assets						
Foreign currency contracts	47,947	(47,639)	308	-	-	-
Futures	94	(94)	-	-	-	-
Total	48,041	(47,733)	308	-	-	-
Financial liabilities						
Foreign currency contracts	47,639	(47,639)	-	-	-	-
Futures	170	(94)	76	-	-	-
Total	47,809	(47,733)	76	-	-	-
As at 30 June 2022						
Financial assets						
Foreign currency contracts	136,433	(136,433)	-	-	-	-
Futures	282	(282)	-	-	-	-
Total	136,715	(136,715)	-	-	-	-
Financial liabilities						
Foreign currency contracts	137,959	(136,433)	1,526	-	-	-
Futures	790	(282)	508	-	-	-
Total	138,749	(136,715)	2,034	-	-	-

5 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

Classification of financial assets and financial liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as futures) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

5 Fair value measurement (continued)

(a) Fair value in an active market (level 1) (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

(c) Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2023				
Financial assets				
Fixed interest securities	-	193,474	-	193,474
Foreign currency contracts	-	308	-	308
Total financial assets	-	193,782	-	193,782
Financial liabilities				
Futures	76	-	-	76
Total financial liabilities	76	-	-	76
At 30 June 2022				
Financial assets				
Fixed interest securities	-	425,061	-	425,061
Total financial assets	-	425,061	-	425,061
Financial liabilities				
Foreign currency contracts	-	1,526	-	1,526
Futures	508	-	-	508
Total financial liabilities	508	1,526	-	2,034

(d) Transfer between levels

There were no transfers between levels in the fair value hierarchy during the year ended 30 June 2023 (2022: nil).

6 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
Financial assets		
Net realised gains on financial assets at fair value through profit or loss	6,198	23,960
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	5,228	(8,128)
Net gains on financial assets at fair value through profit or loss	11,426	15,832
Financial liabilities		
Net realised losses on financial liabilities at fair value through profit or loss	(9,077)	(16,928)
Net losses on financial liabilities at fair value through profit or loss	(9,077)	(16,928)
Total net gains/(losses) on financial instruments at fair value through profit or loss	2,349	(1,096)

7 Auditor's remuneration

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

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
PricewaterhouseCoopers Australia Firm		
Audit and other assurance services		
Audit of financial statements	13,700	20,800
Audit of compliance plan	6,000	8,000
Total remuneration for audit and other assurance services	19,700	28,800
Other non-audit services		
Tax compliance services	4,500	4,200
Total other non-audit services	4,500	4,200
Total remuneration of PricewaterhouseCoopers Australia firm	24,200	33,000

The fees for audit, other assurance services and non-audit services are paid by the Responsible Entity out of the administration fees it receives.

8 Distribution to unitholders

The distributions declared during the year were as follows:

	Year ended 30 June 2023 \$'000	CPU	Year ended 30 June 2022 \$'000	CPU
Distributions - Class A				
September	2,063	0.56	2,094	0.49
December	1,600	0.51	2,086	0.44
March	-	-	2,761	0.64
June (payable)	6,066	0.03	-	-
Total distributions	9,729	1.10	6,941	1.57
Distributions - Class B				
September	246	0.63	156	0.46
December	168	0.50	314	0.25
March	-	-	739	0.52
June (payable)	3	0.03	-	-
Total distributions	417	1.16	1,209	1.23
Distributions - Class C				
September	11	0.32	-	-
December	12	0.36	-	-
June (payable)	11	0.03	-	-
Total distributions	34	0.71	-	-
Total distributions	10,180		8,150	

During the year, some distributions were satisfied by the issue of units (reinvestment). See Note 13.

9 Cash and cash equivalents

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Cash at bank	8,379	3,251
Total cash and cash equivalents	8,379	3,251

10 Financial instruments at fair value through profit or loss

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Financial assets		
Fixed interest securities	193,474	425,061
Foreign currency contracts	308	-
Total financial assets at fair value through profit or loss	193,782	425,061
Financial liabilities		
Foreign currency contracts	-	1,526
Futures	76	508
Total financial liabilities at fair value through profit or loss	76	2,034
Total financial instruments at fair value through profit or loss	193,706	423,027

11 Receivables

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Applications receivable	-	796
Interest receivable	1,651	4,104
GST receivable	34	63
Total receivables	1,685	4,963

12 Payables

	As at 30 June 2023 \$'000	As at 30 June 2022 \$'000
Management fees payable	104	201
Administration fees payable	18	34
Redemptions payable	-	544
Total payables	122	779

13 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

On 20 August 2021, the Fund introduced a second class of units (Class B units) and on 25 March 2022, the Fund introduced a third class of units (Class C units). The Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity. Effective from 20 August 2021, the Fund's net assets attributable to unit holders have been reclassified from equity to liability.

As a result of the reclassification of net assets attributable to unit holders from equity to financial liabilities, the Fund's distributions are no longer classified as distributions paid in the statement of changes in equity, but rather as finance costs in the statement of comprehensive income.

13 Net assets attributable to unitholders (continued)

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

	Year ended 30 June 2023		Year ended 30 June 2022	
	Units	\$'000	Units	\$'000
Increase/(Decrease) in net assets Class A				
Opening balance	389,226,137	385,650	293,995,950	296,878
Applications	53,893,167	53,797	329,202,731	331,705
Units issued upon reinvestment of distributions	235,481	234	400,677	401
Redemptions	(237,153,549)	(237,177)	(234,373,221)	(234,106)
Distributions paid and payable	-	(9,729)	-	(6,941)
Profit/(loss) for the year	-	-	-	783
Increase/(decrease) in net assets attributable to unitholders	-	9,401	-	(3,070)
Closing balance - net assets attributable to unitholders	206,201,236	202,176	389,226,137	385,650
Increase/(Decrease) in net assets Class B				
Opening balance	45,997,007	45,161	-	-
Applications	203,420	200	144,335,247	143,752
Units issued upon reinvestment of distributions	-	-	336,355	332
Redemptions	(46,110,020)	(45,743)	(98,674,595)	(96,594)
Distributions paid and payable	-	(417)	-	(1,209)
Increase/(decrease) in net assets attributable to unitholders	-	887	-	(1,120)
Closing balance - net assets attributable to unitholders	90,407	88	45,997,007	45,161
Increase/(Decrease) in net assets Class C				
Opening balance	693,639	685	-	-
Applications	4,484,120	4,454	694,283	685
Redemptions	(4,785,356)	(4,768)	(644)	(1)
Distributions paid and payable	-	(34)	-	-
Increase/(decrease) in net assets attributable to unitholders	-	45	-	1
Closing balance - net assets attributable to unitholders	392,403	382	693,639	685
Total				
Opening balance	435,916,783	431,496	293,995,950	296,878
Applications	58,580,707	58,451	474,232,261	476,142
Units issued upon reinvestment of distributions	235,481	234	737,032	733
Redemptions	(288,048,925)	(287,688)	(333,048,460)	(330,701)
Distributions paid and payable	-	(10,180)	-	(8,150)
Profit/(loss) for the year	-	-	-	783
Increase/(decrease) in net assets attributable to unitholders	-	10,333	-	(4,189)
Closing balance	206,684,046	202,646	435,916,783	431,496
Total Closing balance - net assets attributable to unitholders		202,646		431,496

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are three separate classes of units and each unit within the same class has the same rights attracting to it as all other units within that class.

Capital risk management

The Fund manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

14 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.
- While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Foreign currency contracts

Foreign currency contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Foreign currency contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

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

	Contractual/ notional \$'000	Fair value assets \$'000	Fair value liabilities \$'000
As at 30 June 2023			
Foreign currency contracts	47,839	308	-
Futures	16,527	-	76
Total	64,366	308	76
	Contractual/ notional \$'000	Fair value assets \$'000	Fair value liabilities \$'000
As at 30 June 2022			
Foreign currency contracts	136,433	-	1,526
Futures	(137,457)	-	508
Total	(1,024)	-	2,034

(c) Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

15 Related party transactions

The Responsible Entity of CC JCB Dynamic Alpha Fund is Channel Investment Management Limited.

Channel Investment Management Limited has appointed JANA Investment Advisers Pty Ltd as the Adviser of the Fund and Apex Fund Services Pty Ltd (an Apex Group Company) to act as Administrator for the Fund and Citibank N.A. (Citibank) as custodian of the Fund.

The following fees are charged by the Responsible Entity:

(i) Management fee

The Fund's constitution permits the Responsible Entity to charge a management fee of up to 0.58% per annum (including GST less RITC) of the net asset value of the Class A units. On 20 August 2021 the Fund introduced a second class of units (Class B units) with management fees charged as 0.35% per annum (including the net effect of GST less RITC) of the net asset value of the Class B units. On 25 March 2022 the Fund introduced a third class of units (Class C units) with management fees charged as 0.45% per annum (including the net effect of GST less RITC) of the net asset value of the Class C units. From this, the Responsible Entity pays JamiesonCooteBonds Pty Ltd a fee for acting as the Investment Manager.

The management fee is calculated and accrued daily and is paid monthly in arrears.

(ii) Administration fee

Administration fee is charged by the Responsible Entity for administering the Fund. The maximum Administration Fee is 0.10% per annum (including GST less RITC) of the net asset value of the Class A units plus an administration fee of 0.05% per annum (including the net effect of GST and RITC) of the net asset value of the Class B units and Class C units and is calculated and accrued daily and paid monthly in arrears.

The administration fees for Channel Investment Management Limited are payable by the Fund.

This fee covers the costs and expenses of providing administration services to the Fund. These costs and expenses include: registry, administration, custodial, compliance and operational costs, excluding extraordinary expenses.

The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Management fees for the year paid by the Fund to the Responsible Entity	1,931,557	2,670,174
Administration fees for the year paid by the Fund to Responsible Entity	329,794	453,504
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	121,362	234,822

(a) Key management personnel

(i) Responsible Entity

The key management personnel of Channel Investment Management Limited at any time during the financial year are as follows:

Name

Mr G Holding
Ms K Youhanna
Mr S Jordan
Mr J Yeo
Mr M Tibbett

(ii) Investment Manager

The key management personnel of JamiesonCooteBonds Pty Ltd are:

Name

Mr C Jamieson
Mr A Coote

15 Related party transactions (continued)

Parties related to the Fund (including Channel Investment Management Limited, its related parties and other schemes managed by Channel Investment Management Limited and the Investment Manager) held units in the Fund as follows:

	Number of units held opening	Number of units held closing	Fair value of investment (\$)	Interest held (%)	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund (\$)
As at 30 June 2023							
Bellehunter Trust*	16,838	-	-	-	-	16,838	-
Poolman House Investment Trust~	1,004,621	-	-	-	2,833	1,007,454	2,806
	Number of units held opening	Number of units held closing	Fair value of investment (\$)	Interest held (%)	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund (\$)
As at 30 June 2022							
Jamieson Coote Asset Management Pty Ltd	274,883	-	-	-	2,947	277,830	1,226
Bellehunter Trust*	1,300,021	16,838	16,678	0.00	3,025	1,286,208	181
Poolman House Investment Trust~	12,110	1,004,621	995,077	0.23	1,004,638	12,127	10,813

*C Jamieson entity

~A Coote entity

(c) Key management personnel compensation

Key management personnel of Channel Investment Management Limited are paid by Channel Capital Pty Ltd, the parent entity of Channel Investment Management Limited whilst the key management personnel of JamiesonCoote Bonds Pty Ltd are paid by Jamieson Coote Asset Management Pty Ltd, the parent entity of JamiesonCooteBonds Pty Ltd. Payments made from the Fund to Channel Investment Management Limited do not include any amounts directly attributable to key management personnel remuneration.

(d) Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(e) Other transactions within the Fund

From time to time directors of Channel Investment Management Limited or their director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel of the Responsible Entity have entered into a material contract with the Fund during the year and there were no material contracts involving directors' interests existing at year end.

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

	Year ended 30 June 2023 \$'000	Year ended 30 June 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	-	783
Increase/(decrease) in assets attributable to unitholders	153	(12,339)
Distributions to unitholders	10,180	8,150
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	897,848	1,310,497
Purchase of financial instruments at fair value through profit or loss	(670,222)	(1,443,995)
Net gains on financial instruments at fair value through profit or loss	(2,349)	1,096
Net loss on foreign exchange	(704)	(547)
(Increase)/decrease in receivables	2,482	(3,284)
Increase/(decrease) in payables	(113)	77
Net cash inflow/(outflow) from operating activities	237,275	(139,562)

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

(b) Non-cash financing activities

The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan

	234	733
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As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount for the year, as reported above, represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
15 September 2023



Independent auditor's report

To the unitholders of CC JCB Dynamic Alpha Fund

Our opinion

In our opinion:

The accompanying financial report of CC JCB Dynamic Alpha Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.



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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: . This description forms part of our auditor's report.

A stylized, handwritten signature of PricewaterhouseCoopers in a dark grey or black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of Paul Collins in a dark grey or black ink.

Paul Collins
Partner

Brisbane
15 September 2023