Lazard Emerging Markets Total Return Debt Fund

ARSN 162 470 046

Financial Report
For the year ended 30 June 2022

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Directors' report

The directors of Lazard Asset Management Pacific Co. (the "Responsible Entity") submit herewith their report together with the annual financial statements of the Lazard Emerging Markets Total Return Debt Fund (the "Scheme") for the financial year ended 30 June 2022. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report is as follows:

Directors

The names of the directors of the Responsible Entity during or since the end of the year and up to the date of issuance of this financial report are:

Ashish Bhutani (resigned effective 1 June 2022)
Nicholas Bratt
Robert Osborn
John Reinsberg
Nathan Paul
Paul Cuddy

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The principal activity of the Scheme is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Constitution.

The Scheme implemented its investment strategy by substantially investing in the Australian dollar share class of the Lazard Emerging Markets Total Return Debt Fund (the "Underlying Fund"), a fund of the Lazard Global Investment Funds Public Limited Company, an open-ended investment company with variable capital incorporated with limited liability in Ireland and qualified as a UCITS ("Undertakings for Collective Investment in Transferable Securities"). Effective from 29 March 2022, the Scheme commenced the withdrawal process to implement the investment strategy by investing directly in a portfolio of assets consistent with its strategy rather than through buying shares in the Underlying Fund.

The Scheme is benchmark unaware and has the ability to invest across the emerging market debt universe. Lazard Asset Management LLC considers emerging markets to be countries not included in the MSCI World Index. Issuance by companies not domiciled in emerging markets, but that have a significant portion of their net assets in and/or derive a significant proportion of their sales from, emerging markets may be included. Investment in frontier markets may also be included.

During the reporting year, the Scheme commenced investing directly in emerging markets debt assets, rather than investing in the Underlying Fund. This resulted in an arms length redemption from the Underlying Fund, and new direct investments were established by a combination of market value in specie transfers and cash.

There have been no significant changes in the activities of the Scheme during the year.

The Scheme did not have any employees during the year.

Service Providers

Responsible Entity - Lazard Asset Management Pacific Co.

Custodian and Administrator - State Street Australia Limited

Auditor - Deloitte Touche Tohmatsu

Directors' report (continued)

Review of operations

Results

The results of operations of the Scheme are disclosed in the statement of profit or loss and other comprehensive income. The operating loss attributable to unitholders for the financial year ended 30 June 2022 was $16,165,681 (30 June 2021: profit of $1,985,105).

Distributions

The directors of the Responsible Entity report payment of distributions for the year ended 30 June 2022 and 30 June 2021 as follows:

	Year ended			
	30 June 2022	**30 June 2022**	30 June 2021	30 June 2021
	$	**cents per unit**	$	cents per unit
Interim distribution paid in January*	**1,210,120**	**1.62**	351,127	1.14
Final distribution paid in July*	**2,554,367**	**2.83**	406,210	1.03

*Effective from 29 March 2022, the Scheme has been changed the distribution frequency from semi-annually to annually.

Performance

Investment objective

The investment objective of the Scheme is to provide investors with a risk-adjusted total return from income and capital growth. It is benchmark unaware and has the ability to invest across the emerging market debt universe.

The Scheme seeks to achieve its investment objective and produce investment returns by pursuing a core debt strategy, with an emerging market focus, by gaining exposure to a diversified portfolio comprised primarily of bonds and other debt securities and/or derivatives.

	2022 %	2021 %	2020 %	2019 %	2018 %
Return to 30 June					
Total Return	**(19.64)**	9.68	7.62	4.60	(2.76)

Commentary

Over the financial year to 30 June 2022, the Scheme returned (19.64)%[2], compared to a (21.02)%[1] decline for the broader asset class (measured in Australian dollar terms). During the period, Sovereign credit exposure with a bias towards BB and B rated issuers was the main detractor from absolute returns. The hard currency index was down over 21% during the period and high yield was down over 23%. On a bottom-up basis, modest long sovereign credit positions in Russia and Ukraine were the most notable detractors. To a lesser extent, the portfolio's corporate credit exposure detracted from performance. The most notable detractor within this segment of the portfolio was a small exposure to the Chinese property sector.

As we have reduced risk in the portfolio, we have maintained a bias towards hard currency sovereign debt with a net exposure that is currently around 50%. We have re-underwritten our investment theses across the countries in this universe based on the change in our outlook. As a result, we are now focused on a number of fundamentally sound BB credits and a small number of investment grade issuers. We have reduced or eliminated exposure to more vulnerable B credits, such as Nigeria and Turkey, while also trimming the portfolio's distressed positions. We have maintained the portfolio's roughly 20%

Directors' report (continued)

allocation to corporate credit, which we expect to exhibit resilience given strong balance sheets and relatively higher spreads. We are focused on idiosyncratic stories with strong balance sheet fundamentals and attractive spread pick-up, emphasizing companies in the financials, utilities, and oil-and-gas sectors. Lastly, we have maintained very limited exposure to local currency as we believe valuations may need to further correct in the near-term. In the current environment, we believe being selective among both the different segments of the market and individual countries will be key to capturing opportunities and mitigating risk.

[1] Emerging markets debt performance is represented by the 50% JP Morgan EMBI Global Diversified/ 50% JP Morgan GBI-EM Global Diversified blended index.

[2] Performance is calculated gross of fees and taxes. Past performance may not be indicative of future results. The performance assumes reinvestment of all distributions if applicable.

Changes in state of affairs

During the financial year there were no significant changes in the state of affairs of the Scheme other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial years.

Future developments

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnity of officers of the Responsible Entity and auditors

During the financial year, a related party of the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity and all executive officers of the Responsible Entity against a liability incurred by such a director or executive officer to the extent permitted by the *Corporations Act 2001*.

The Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity against a liability incurred as such an officer or auditor.

Scheme information in the Directors' report

Fees paid to the Responsible Entity and its associates[1] out of Scheme property during the year are disclosed in Note 15 to the financial statements. Note 16 to the financial statements discloses details of the indirect cost ratio.

The number of units in the Scheme held by the Responsible Entity or its associates[1] as at the end of the year are disclosed in Note 20 to the financial statements.

The number of interests in the Scheme issued during the year, withdrawals from the Scheme during the year and the number of interests in the Scheme at the end of the year are disclosed in Note 10 to the financial statements.

Directors' report (continued)

The value of the Scheme's assets as at the end of the year is disclosed in the statement of financial position as "Total Assets" and the basis of valuation is included in Note 2 to the financial statements.

[1]Associates include directors and secretaries of the Responsible Entity, related body corporates and directors and secretaries of related body corporates.

Environmental regulation

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

Rounding of amounts to the nearest dollar

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 6.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Robert Osborn
Director

Sydney
27 September 2022

Deloitte.

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The Board of Directors
Lazard Asset Management Pacific Co.
Level 39, Gateway
1 Macquarie Place
Sydney NSW 2000

27 September 2022

Dear Directors,

Auditor's Independence Declaration to Lazard Emerging Market Total Return Debt Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Lazard Asset Management Pacific Co., as Responsible Entity for the Lazard Emerging Markets Total Return Debt Fund.

As lead audit partner for the audit of the financial statements of the Lazard Defensive Australian Equity Fund for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Unitholders of Lazard Emerging Markets Total Return Debt Fund

Opinion

We have audited the financial report of Lazard Emerging Markets Total Return Debt Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Fund's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors of the Responsible Entity as at the time of this auditor's report.

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

Other Information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Director's report 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 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, 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- Conclude on the appropriateness of the directors of the Responsible Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 27 September 2022

Directors' declaration

The financial statements and notes thereto of the Lazard Emerging Markets Total Return Debt Fund (the "Scheme") for the year ended 30 June 2022 have been prepared by Lazard Asset Management Pacific Co. (the "Responsible Entity") in accordance with the *Corporations Act 2001*.

The directors of the Responsible Entity declare that, in the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 38 are in accordance with the *Corporations Act 2001* including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001*;

  (ii) complying with International Financial Reporting Standards as stated in Note 2 to the financial statements; and

  (iii) giving a true and fair view of the Scheme's financial position as at 30 June 2022 and of its performance for the year ended on that date.

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Robert Osborn
Director

Sydney
27 September 2022

Statement of profit or loss and other comprehensive income

	Notes	Year ended 30 June 2022 $	30 June 2021 $
Investment income			
Interest income		**626,135**	6
Distribution income		**2,663,186**	941,385
Net (losses)/gains on financial instruments at fair value through profit or loss	6	**(19,634,408)**	1,227,771
Net foreign exchange gains on non-financial instruments at fair value through profit or loss		**567,343**	-
Other operating income		**85,259**	-
Total investment (loss)/income		**(15,692,485)**	2,169,162
Expenses			
Management costs	15	**459,640**	183,729
Transaction costs		**300**	-
Withholding taxes		**1,031**	-
Other operating expenses		**12,225**	328
Total expenses		**473,196**	184,057
Operating (loss)/profit before finance costs attributable to unitholders		**(16,165,681)**	1,985,105
(Loss)/profit for the year		**(16,165,681)**	1,985,105
Other comprehensive income for the year		**-**	-
Total comprehensive (loss)/income for the year		**(16,165,681)**	1,985,105

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2022 $	30 June 2021 $
Assets			
Cash and cash equivalents		**12,706,242**	266,596
Margin accounts		**6,245,640**	-
Due from brokers - receivable for securities sold		**3,006,934**	-
Financial assets at fair value through profit or loss	7	**51,972,615**	38,312,418
Receivables	18	**876,118**	5,889
Total assets		**74,807,549**	38,584,903
Liabilities			
Distributions payable	11	**2,554,367**	406,210
Due to brokers - payable for securities purchased		**1,192,467**	149,866
Payables for margin accounts		**180**	-
Payables	19	**112,552**	78,579
Financial liabilities at fair value through profit or loss	8	**5,135,943**	-
Total liabilities		**8,995,509**	634,655
Net assets attributable to unitholders - equity		**65,812,040**	37,950,248

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 2022 $	30 June 2021 $
Total equity at the beginning of the year		**37,950,248**	-
Reclassification due to AMIT tax regime implementation*		**-**	19,083,335
Comprehensive income for the year			
(Loss)/profit for the year		**(16,165,681)**	1,985,105
Total comprehensive (loss)/income for the year		**(16,165,681)**	1,985,105
Transactions with unitholders			
Applications		**60,076,886**	23,555,451
Redemptions		**(12,702,949)**	(6,023,864)
Units issued upon reinvestment of distributions		**418,023**	107,558
Distributions paid and payable		**(3,764,487)**	(757,337)
Total transactions with unitholders		**44,027,473**	16,881,808
Total equity at the end of the year		**65,812,040**	37,950,248

*Effective from 1 July 2020, the Scheme's units were reclassified from financial liability to equity.

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

Statement of cash flows

	Notes	Year ended 30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Interest received		**357,659**	7
Amount paid to brokers for margin		**(6,245,460)**	-
Other income received		**380,659**	-
Management costs paid		**(434,470)**	(181,835)
Payment of other expenses		**(10,722)**	(3,555)
Net cash outflow from operating activities	14(a)	**(5,952,334)**	(185,383)
Cash flows from investing activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**41,601,865**	2,015,988
Purchase of financial instruments at fair value through profit or loss		**(69,655,718)**	(18,698,395)
Net cash outflow from investing activities		**(28,053,853)**	(16,682,407)
Cash flows from financing activities			
Proceeds from applications by unitholders		**60,076,886**	23,555,451
Payments for redemptions by unitholders		**(12,696,680)**	(6,027,559)
Distributions paid		**(1,198,307)**	(564,205)
Net cash inflow from financing activities		**46,181,899**	16,963,687
Net increase in cash and cash equivalents		**12,175,712**	95,897
Cash and cash equivalents at the beginning of the year		**266,596**	170,699
Effects of foreign currency exchange rate changes on cash and cash equivalents		**263,934**	-
Cash and cash equivalents at the end of the year	14(b)	**12,706,242**	266,596
Non-cash operating, investing and financing activities	14(c)	**(2,245,163)**	(833,827)

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

Contents of the notes to the financial statements

1 General Information

These financial statements cover the Lazard Emerging Markets Total Return Debt Fund (the “Scheme”) as an individual entity.

The Responsible Entity of the Scheme is Lazard Asset Management Pacific Co. (ABN 13 064 523 619) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 12, Gateway, 1 Macquarie Place, Sydney, NSW 2000.

The principal activity of the Scheme is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Constitution.

The annual financial statements were authorised for issue by the directors on the date the Directors’ declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the annual 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 to all years presented, unless otherwise stated in the following text.

(a) Statement of compliance and basis of preparation

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations and complies with other requirements of the law. For the purposes of preparing financial statements the Scheme is a for-profit entity.

The financial statements were authorised for issue by the directors on 27 September 2022.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise noted.

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the result of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder’s option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

2 Summary of significant accounting policies (continued)

(a) Statement of compliance and basis of preparation (continued)

Compliance with International Financial Reporting Standards ("IFRS")

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

(b) New accounting standards and interpretations adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the Scheme.

(c) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

(d) Financial Instruments

(i) Classification

Financial Assets at Fair Value Through Profit or Loss

The Scheme classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Scheme's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information. The portfolio is neither held to collect contractual cash flows nor held to both collect contractual cash flows and to sell the financial assets. The collection of contractual cash flows is incidental to achieving the business model's objective. Consequently, the portfolio of financial assets must be measured at fair value through profit or loss.

The Scheme's portfolio consists of units invested in the Australian dollar share class of Underlying Fund and derivative financial instruments such as futures, options, foreign currency contracts and swaps. 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 other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest.

Financial Liabilities at Fair Value Through Profit or Loss

All financial liabilities are classified at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

2 Summary of significant accounting policies (continued)

(d) Financial Instruments (continued)

(i) Classification (continued)

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Scheme manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(ii) Recognition / derecognition

The Scheme recognises financial assets and financial liabilities in the statement of financial position on the date it becomes party to the contractual agreement (trade date) of the instrument.

Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Scheme has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the Scheme's obligations are discharged, cancelled or expired.

(iii) Measurement

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

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 Profit or Loss and Other Comprehensive Income within 'Net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

Further details on how the fair values of financial assets and liabilities are determined are disclosed in Note 5.

Subsequent to initial recognition, financial assets and liabilities measured at amortised cost are recorded at amortised cost using the effective interest rate method and are presented net of provisions for impairment.

(iv) Impairment

All financial assets which are not measured at FVTPL are assessed for impairment at each reporting date using a forward looking approach by identifying expected credit losses (ECL). Expected credit losses are defined as the difference between the contractual cash flows that are due in accordance with the contract and the cash flows that the Scheme expects to receive, discounted at the original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, impairment provisions are recognised based on the simplified approach within AASB 9 using the lifetime expected credit losses. The Scheme has established a provision matrix that is based on the Scheme's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. There was no provision raised as at 30 June 2022.

(e) 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. Refer to Note 4 to the financial statements for further information.

2 Summary of significant accounting policies (continued)

(f) 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. The units can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Scheme. This amount represents the expected cash flows on redemption of these units.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Scheme classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme'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.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

(h) Investment 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.

Distribution and dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss and other comprehensive income within distribution and dividend income when the Scheme's right to receive payments is established. Any related foreign withholding tax is recorded as an expense.

(i) Expenses

All expenses, including management costs, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

(j) Income tax

The Scheme was a "flow-through" entity for Australian income tax purposes and elected into the Attribution Managed Investment Trusts rules from the 2021 income year, such that the determined trust components of the Scheme will be taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to unitholders but instead are retained within the Scheme to be offset against realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above.

2 Summary of significant accounting policies (continued)

(k) Distributions

In accordance with the Scheme's Constitution, the Scheme attributes its taxable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Distributions are recognised in the statement of changes in equity as distributions paid and payable.

(l) Increase/decrease in net assets attributable to unitholders

Non-distributable income is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of changes in equity for the current year ended 30 June 2022.

Non-distributable income may consist of unrealised changes in the fair value of financial instruments at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to liabilities attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(m) Foreign currency translation

(i) Functional and presentation currency

Items included in the Scheme'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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(ii) Transactions and balances

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

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

(n) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. The amounts 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 Scheme shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme 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.

2 Summary of significant accounting policies (continued)

(o) Receivables

Receivables may include amounts for dividends, trust distributions and interest. Dividends and 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. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme 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 Scheme 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.

(p) Payables

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

Trades are recorded on trade date, and normally settled within three business days. Purchases of securities and investments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the end of each reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2022 under the Scheme's Constitution.

(q) Applications and redemptions

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

Unit application and redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue adjusted for the buy/sell spread.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the acquisition of an asset or as part of an item of expenses; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2 Summary of significant accounting policies (continued)

(s) Deposits held with broker for margin

Deposits held with brokers for margin comprises of cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

(t) Rounding of amounts

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

(u) Comparative revisions

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

3 Financial risk management

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

The Scheme's overall risk management programme focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed.

Financial risk management is carried out by the investment management department under policies approved by the Board of Directors of the Responsible Entity (the Board). The Scheme 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, foreign exchange and price risks and ratings analysis for credit risk.

(a) Market risk

(i) Price risk

The Scheme is exposed to price risk in relation to its holdings in an unlisted unit trust as prices in the future are uncertain. The units in the Underlying Fund are classified on the statement of financial position as at fair value through profit or loss for the financial period.

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The investment manager monitors the performance of the Underlying Fund and reviews audited annual financial statements of the Underlying Fund in order to assess the Scheme's compliance with its Product Disclosure Statement.

The price risk disclosures have been prepared on the basis of the Scheme's direct investment and not on look-through basis for investments held indirectly through the Underlying Fund.

The table on page 25 summarise the sensitivities of the Scheme's assets and liabilities to price risk. The analysis is based on the assumption that the fair value of the unlisted unit trusts in which the Scheme invests moved by +/-10% (2021: +/-10%).

(ii) Foreign exchange risk

The Scheme does not have any direct exposure to foreign exchange risk based on the Scheme's direct investment in the Underlying Fund, which issues units denominated in Australian dollars. However, the Underlying Fund may hold investments denominated in foreign currencies.

The Scheme has no material foreign exchange risk. As a result, there is no sensitivity to foreign exchange risk.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	30 June 2022		30 June 2021	
	USD	**BRL**	USD	BRL
	A$	**A$**	A$	A$
Gross investments amounts denominated in foreign currency	**61,467,351**	**1,599,916**	-	-
Amount hedged	**(1,899,225)**	**25,098**	-	-
Net exposure to foreign currency	**59,568,126**	**1,625,014**	-	-

The table on page 25 summarises the sensitivities of the Scheme's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the foreign currency weakened/strengthened by 10% (2021: 10%) against the Australian Dollar.

(iii) Interest rate risk

The Scheme'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. This risk is usually measured by way of sensitivity analysis.

The impact of changes in interest rates will not have a material effect on the financial position or cash flows of the Scheme due to the cash balance being on average a small percentage of the Scheme's assets. Accordingly no sensitivity analysis has been prepared for interest rate risk.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

30 June 2022	**Floating interest rate $**	**Fixed interest rate $**	**Non interest bearing $**	**Total $**
Assets				
Cash and cash equivalents	**12,706,242**	**-**	**-**	**12,706,242**
Margin Accounts	**6,245,640**	**-**	**-**	**6,245,640**
Due from brokers - receivable for securities sold	**-**	**-**	**3,006,934**	**3,006,934**
Financial assets at fair value through profit or loss	**5,410,729**	**46,431,522**	**130,364**	**51,972,615**
Receivables	**-**	**-**	**876,118**	**876,118**
Total assets	**24,362,611**	**46,431,522**	**4,013,416**	**74,807,549**
Liabilities				
Distributions payable	**-**	**-**	**2,554,367**	**2,554,367**
Payables for margin accounts	**180**	**-**	**-**	**180**
Due to brokers - payable for securities purchased	**-**	**-**	**1,192,467**	**1,192,467**
Financial liabilities at fair value through profit or loss	**-**	**-**	**5,135,943**	**5,135,943**
Payables	**-**	**-**	**112,552**	**112,552**
Total liabilities	**180**	**-**	**8,995,329**	**8,995,509**
Net assets attributable to unitholders	**24,362,431**	**46,431,522**	**(4,981,913)**	**65,812,040**

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

30 June 2021	Floating interest rate $	Fixed interest rate $	Non interest bearing $	Total $
Assets				
Cash and cash equivalents	266,596	-	-	266,596
Financial assets at fair value through profit or loss	-	-	38,312,418	38,312,418
Receivables	-	-	5,889	5,889
Total assets	266,596	-	38,318,307	38,584,903
Liabilities				
Distributions payable	-	-	406,210	406,210
Due to brokers - payable for securities purchased	-	-	149,866	149,866
Payables	-	-	78,579	78,579
Total liabilities	-	-	634,655	634,655
Net assets attributable to unitholders	266,596	-	37,683,652	37,950,248

An analysis of financial liabilities by maturity is provided in paragraph 3(d).

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Scheme's operating profit and net assets attributable to unitholders to price risk. 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 correlation of the Scheme'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 shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests through the unlisted unit trusts. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. A 10% change in price risk is the sensitivity rate when reporting price risk to the Board of Directors.

	Price risk **Impact on operating profit/Net assets attributable to unitholders**	
	-10%	**+10%**
	$	**$**
30 June 2022	**(6,552,379)**	**6,552,379**
30 June 2021	(3,795,025)	3,795,025

3 Financial risk management (continued)

	Foreign exchange risk Impact on operating profit/Net assets attributable to unitholders					
	Year ended					
	30 June 2022	**Sensitivity factor**	**30 June 2022**	30 June 2021	Sensitivity factor	30 June 2021
Currency	**$**	**+/-**	**Percentage of total foreign exposure**	$	+/-	Percentage of total foreign exposure
USD	**6,158,188**	**10%**	**93.42%**	-	-	-
BRL	**160,714**	**10%**	**2.44%**	-	-	-
EUR	**106,853**	**10%**	**1.62%**	-	-	-
ZAR	**90,161**	**10%**	**1.37%**	-	-	-
PEN	**53,389**	**10%**	**0.81%**	-	-	-
MYR	**22,780**	**10%**	**0.34%**	-	-	-
Total	**6,592,085**		**100.00%**	-	-	-

The above sensitivity analysis was calculated based off the gross investment amounts and do not include any derivatives used for hedging purposes.

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

(c) Credit risk

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due.

Credit risk is the risk that counterparty will fail to meet its obligations resulting in a financial loss to the Scheme. The Scheme’s maximum exposure to credit risk is equal to the fair value of its financial assets. The Scheme implements its investment strategy by substantially investing in the Underlying Fund and is impacted indirectly by the credit risk to which the Underlying Fund is exposed on its portfolio of investments.

Concentration of the Underlying Fund’s credit risk is monitored by counterparty and by geographical region.

In the opinion of the Responsible Entity, the carrying amount of these financial assets represents the maximum credit risk exposure at the end of the reporting period.

(d) Liquidity risk

Liquidity risk is the risk that the Scheme 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. Exposure to liquidity risk for the Scheme may arise from the requirement to meet daily cash redemptions of redeemable units.

The Scheme’s policy is to hold 100% of the net assets attributable to unitholders in liquid investments.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

At 30 June 2022	**At call**	**Less than 1 month**	**1-6 months**	**6-12 months**	**Total**
	$	**$**	**$**	**$**	**$**
Payable for margin accounts	**-**	**180**	**-**	**-**	**180**
Payables	**-**	**112,552**	**-**	**-**	**112,552**
Distributions payable	**-**	**2,554,367**	**-**	**-**	**2,554,367**
Due to brokers - payable for securities purchased	**-**	**1,192,467**	**-**	**-**	**1,192,467**
Total liabilities	**-**	**3,859,566**	**-**	**-**	**3,859,566**

At 30 June 2021	At call	Less than 1 month	1-6 months	6-12 months	Total
	$	$	$	$	$
Payables	-	78,579	-	-	78,579
Distributions payable	-	406,210	-	-	406,210
Due to brokers - payable for securities purchased	-	149,866	-	-	149,866
Total liabilities	-	634,655	-	-	634,655

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Scheme's net settled derivative financial instruments based on their contractual maturity. The Scheme 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	**1-6 months**	**6-12 months**	**Over 12 months**	**No stated maturity**	**Total**
At 30 June 2022	**$**	**$**	**$**	**$**	**$**	**$**
Net settled derivatives						
Foreign currency contracts	**(3,508,168)**	**(58,892)**	**-**	**-**	**-**	**(3,567,060)**
Swaps	**-**	**-**	**-**	**(1,438,519)**	**-**	**(1,438,519)**
	(3,508,168)	**(58,892)**	**-**	**(1,438,519)**	**-**	**(5,005,579)**

The Scheme did not hold derivative financial instruments at 30 June 2021.

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.

Financial assets	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts of financial assets	Gross amounts set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral Pledged/ Received	Net Amount
	$	$	$	$	$	$
2022						
Derivative financial instruments (i)	**137,757**	**(7,394)**	**130,364**	**(127,783)**	**-**	**2,581**
Total	**137,757**	**(7,394)**	**130,364**	**(127,783)**	**-**	**2,581**

Financial liabilities	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral Pledged/ Received	Net Amount
	$	$	$	$	$	$
2022						
Derivative financial instruments (i)	**5,143,337**	**(7,394)**	**5,135,943**	**(127,783)**	**(1,438,519)**	**3,569,641**
Total	**5,143,337**	**(7,394)**	**5,135,943**	**(127,783)**	**(1,438,519)**	**3,569,641**

(i) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Scheme does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the above table.

5 Fair value measurement

The Scheme measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL) (see Note 7)

5 Fair value measurement (continued)

- Derivative financial instruments (see Note 9)

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

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

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and equity securities) 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. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The Scheme utilises last traded prices for its financial assets and liabilities.

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 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 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 flows 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 date. 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 Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account the 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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. 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 Scheme holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

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

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

Recognised fair value measurements

The following table presents the Scheme's assets and liabilities measured and recognised at fair value as at 30 June 2022 and 30 June 2021.

As at 30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets at fair value through profit or loss				
Debt securities	**-**	**51,842,251**	**-**	**51,842,251**
Foreign currency contracts	**-**	**130,364**	**-**	**130,364**
Total	**-**	**51,972,615**	**-**	**51,972,615**
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	**-**	**3,697,424**	**-**	**3,697,424**
Swaps	**-**	**1,438,519**	**-**	**1,438,519**
Total	**-**	**5,135,943**	**-**	**5,135,943**

As at 30 June 2021	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	38,312,418	-	38,312,418
Total	-	38,312,418	-	38,312,418

(i) Transfers between levels

The Scheme's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There have been no transfer between levels for the year ended 30 June 2022 and year ended 30 June 2021.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2022 or year ended 30 June 2021.

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

	Year ended 30 June 2022 $	30 June 2021 $
Financial assets		
Net realised (losses)/gains on financial assets at fair value through profit or loss	**(11,429,476)**	14,781
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	**(3,708,659)**	1,212,990
Net (losses)/gains on financial assets at fair value through profit or loss	**(15,138,135)**	1,227,771
Financial liabilities		
Net realised losses on financial liabilities at fair value through profit or loss	**(432,791)**	-
Net unrealised losses on financial liabilities at fair value through profit or loss	**(4,063,482)**	-
Net losses on financial liabilities at fair value through profit or loss	**(4,496,273)**	-
Total net (losses)/gains on financial instruments at fair value through profit or loss	**(19,634,408)**	1,227,771

7 Financial assets at fair value through profit or loss

	As at 30 June 2022 $	30 June 2021 $
Financial assets at fair value through profit or loss		
Unlisted unit trusts	**-**	38,312,418
Fixed interest securities	**51,842,251**	-
Foreign currency contracts	**130,364**	-
Total financial assets at fair value through profit or loss	**51,972,615**	38,312,418

Investments that individually represent more than 5% of the total value of the investments of the Scheme as at 30 June 2022 are disclosed below:

Security description	Principal activity	Fair value $	Interest Ownership %	% of Total Value %
30 June 2022				
Cash Mgmt Bill 8/23/22 0.00%	Government	2,902,179	<1	6.20
Petroleos Mexicanos	Energy	2,454,330.57	<1	5.24

8 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2022	30 June 2021
	$	$
Financial liabilities at fair value through profit or loss		
Foreign currency contracts	**3,697,424**	-
Swaps	**1,438,519**	-
Total financial liabilities at fair value through profit or loss	**5,135,943**	-

9 Derivative financial instruments

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 a wide assortment of instruments, such as forwards, futures and options. From time to time the Scheme may take out short term forward currency contracts as part of the equity settlement process. Currency hedging is generally not part of the investment process. Derivatives are not managed in isolation.

The Scheme holds the following derivative instruments:

(a) Forward currency contracts

The Scheme agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing last traded price at the end of each reporting period. The Scheme recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Swaps

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

An inflation swap is an agreement between two parties to exchange their inflation risk (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The fair value of inflation swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

A cross currency swap is an agreement between two parties to exchange interest payments denominated in two different currencies for an agreed period.

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principle, to another counterparty in return for security against default by underlying loan or asset.

9 Derivative financial instruments (continued)

(b) Swaps (continued)

Total return swap contracts involve a commitment by one party to pay interest to the other party in exchange for a payment to it from the other party based on the return of a reference asset (e.g., a security, basket of securities, or future contract), both based on notional amounts. To the extent the return of the reference asset exceeds or falls short of the interest payments, one party is entitled to receive a payment from or obligated to make a payment to the other party.

The Scheme's derivative financial instruments at 30 June 2022 are detailed below:

		Fair Values	
	Notional	**Assets**	**Liabilities**
30 June 2022	**$**	**$**	**$**
Forward currency contracts	**9,521,118**	**130,364**	**3,697,424**
Swaps	**25,099,975**	**-**	**1,438,519**
	34,621,093	**130,364**	**5,135,943**

The Scheme did not hold derivative financial instruments at 30 June 2021.

As at the reporting date, the Scheme hedged transactions or positions by holding foreign currency contracts with a gross notional value of $9,521,118 (2021: $0) comprising of buy $5,653,527 (2021: $0) and sell $3,867,591 (2021: $0) resulting in net exposure of $1,785,936. At 30 June 2021 the net exposure was $0.

10 Net Assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Scheme classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme'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.

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

10 Net Assets attributable to unitholders (continued)

	Year ended			
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
	No.	No.	**$**	$
Opening balance	**39,334,779**	21,026,676	**37,950,248**	19,083,335
Applications	**64,455,523**	24,491,329	**60,076,886**	23,555,451
Redemptions	**(14,063,835)**	(6,298,709)	**(12,702,949)**	(6,023,864)
Units issued upon reinvestment of distributions	**451,003**	115,483	**418,023**	107,558
Distributions paid and payable	**-**	-	**(3,764,487)**	(757,337)
Profit/(loss) for the year	**-**	-	**(16,165,681)**	1,985,105
Closing balance	**90,177,470**	39,334,779	**65,812,040**	37,950,248

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

Capital risk management

The Scheme 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 Scheme is subject to daily applications and redemptions at the discretion of unitholders.

11 Distribution to unitholders

Provision for distribution payable

	Year ended			
	30 June 2022	**30 June 2022**	30 June 2021	30 June 2021
	$	**cents per unit**	$	cents per unit
Opening balance	**406,210**	**1.03**	320,636	1.52
Additional provisions for distributions recognised	**3,764,487**	**4.46**	757,337	2.17
Distribution paid during the period	**(1,616,330)**	**(2.66)**	(671,763)	(2.66)
Closing balance	**2,554,367**	**2.83**	406,210	1.03

11 Distribution to unitholders (continued)

Distributions paid and payable

	Year ended			
	30 June 2022	**30 June 2022**	30 June 2021	30 June 2021
	$	**cents per unit**	$	cents per unit
Foreign income	**3,765,479**	**4.46**	757,337	2.17
Foreign tax credits	**(992)**	**-**	-	-
Total distributions paid and payable	**3,764,487**	**4.46**	757,337	2.17

The final distribution in respect of units for the year ended 30 June 2022 has been recognised in this financial report, notwithstanding the fact that the amount of the final distribution was quantified subsequent to 30 June 2022.

12 Realised capital gains/losses

At the end of the reporting period, the Scheme had realised capital losses of $13,329,784 (2021: $1,608,771) available to be offset against future assessable capital gains.

13 Unrealised taxable capital gains/losses

Net unrealised taxable capital gains were $0 (2021: $805,403).

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

	Year ended 30 June 2022 $	 30 June 2021 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Net (loss)/profit for the year	**(16,165,681)**	1,985,105
Net losses/(gains) on financial instruments at fair value through profit or loss	**19,634,408**	(1,227,771)
Transaction costs on purchases	**300**	-
Amount paid to brokers for margin accounts	**(6,245,460)**	-
Net interest bought	**593,744**	-
Dividend income reinvested	**(2,663,186)**	(941,385)
Net change in receivables	**(870,229)**	(3,219)
Net change in payables	**27,704**	1,887
Effects of foreign currency exchange rate changes on cash and cash equivalents	**(263,934)**	-
Net cash outflow from operating activities	**(5,952,334)**	(185,383)
(b) Cash and cash equivalents		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	**12,706,242**	266,596
(c) Non-cash operating, investing and financing activities		
Dividend income reinvested	**(2,663,186)**	(941,385)
Income distributions reinvested by unitholders for additional units in the Scheme	**418,023**	107,558
Total Non-cash financing activities	**(2,245,163)**	(833,827)

15 Management costs

The Management costs disclosed in the statement of profit or loss and other comprehensive income are outlined below.

	Year ended 30 June 2022 $	 30 June 2021 $
I Class Units	**459,640**	183,729
Total	**459,640**	183,729

In the event that the scheme outperforms the Hurdle Rate of 5% per annum, the unitholder must pay the Responsible Entity a performance fee equal to 20% (excluding GST) per annum of the outperformance above the Hurdle Rate. The performance ceased to apply from 29 March 2022.

The performance fee is calculated and accrued daily, and is paid quarterly or on redemption.

At the end of each quarter, if the accrued performance fee is positive it will be paid. However, if the accrued performance fee is negative, no performance fee is paid and the negative accrual is rolled forward to subsequent quarters.

15 Management costs (continued)

During the financial year no performance fees were paid to the Responsible Entity (30 June 2021: Nil).

16 Indirect Cost Ratio (ICR)

The indirect cost ratio for the Scheme is the ratio of the Scheme's management costs to the Scheme's average net asset value.

The ICR of the Scheme is shown in the following table.

	Year ended	
	30 June 2022	30 June 2021
	%	%
I Class Units	**0.80**	0.68

For the year ended 30 June 2022, the management costs of the Scheme were 80 bps (2021: 68 bps).

Effective from 4 May 2022, the Scheme commenced investing directly in emerging markets debt assets, rather than investing in the Underlying Fund. This being the case, from that date any administration fees from the Underlying Fund will no longer apply. The Management fee consequently costs reduced by 10 basis points. However, the Scheme will still incur costs for holding these assets directly.

17 Auditor's remuneration

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

	Year ended	
	30 June 2022	30 June 2021
	$	$
Auditing the financial report	**30,804**	30,200
Other non-audit services	**14,900**	14,500
	45,704	44,700

The auditor of the Lazard Emerging Markets Total Return Debt Fund is Deloitte Touche Tohmatsu.

18 Receivables

	As at 30 June 2022 $	30 June 2021 $
Interest receivable	**862,220**	-
Goods and services tax receivable	**8,452**	5,889
Swap income receivable	**5,446**	-
	876,118	5,889

19 Payables

	As at 30 June 2022 $	30 June 2021 $
Management costs payable	**46,303**	21,133
Redemption payable	**63,711**	57,442
Withholding tax payable	**1,031**	-
Swap income payable	**1,503**	-
Other payables	**4**	4
	112,552	78,579

20 Related party disclosure

(a) Responsible Entity, Manager and Custodian

The Responsible Entity of the Scheme is Lazard Asset Management Pacific Co. (ABN 13 064 523 619), a company incorporated in and operating in Australia. Its principal registered office and principal place of business is as follows:

Level 12, Gateway
1 Macquarie Place
Sydney NSW 2000

Lazard Asset Management Pacific Co. is a wholly owned subsidiary of Lazard Asset Management LLC, a Delaware Limited Liability company. On 5 May 2005, Lazard LLC, the ultimate holding company of Lazard Asset Management LLC announced certain changes to its ownership structure. On that date, shares of Lazard Ltd, a newly formed Bermuda corporation, began trading publicly on the New York Stock Exchange. Interests in Lazard Ltd are held by public stockholders, as well as by current and former managing directors of Lazard LLC, which changed its name to Lazard Group LLC. As before the initial public offering of shares, Lazard Group LLC continues to be the sole member of Lazard Freres & Co. LLC, a New York limited liability company, which continues to be the holding company of Lazard Asset Management LLC. However, the day-to-day management and operations of Lazard Asset Management LLC and Lazard Asset Management Pacific Co. have not changed as a result. Transactions with entities related to Lazard Asset Management Pacific Co. are disclosed below.

Lazard Asset Management LLC acts as the Manager of the Scheme. State Street Australia Limited is the Custodian.

20 Related party disclosure (continued)

(a) Responsible Entity, Manager and Custodian (continued)

Key management personnel

The names of the key management personnel of the Scheme during the year were:

Ashish Bhutani (Director) (resigned effective 1 June 2022)
Nicholas Bratt (Director)
Robert Osborn (Director)
John Reinsberg (Director)
Nathan Paul (Director)
Paul Cuddy (Director)

The positions noted above for the Scheme's key management personnel are the positions held within the Responsible Entity and not the Scheme itself.

No amounts of remuneration were paid directly by the Scheme to the key management personnel of the Responsible Entity (2021: Nil).

(b) Holdings of units by related parties

As at 30 June 2022, the Responsible Entity or its associates in the Scheme held units either directly, indirectly or beneficially 73,358 units (30 June 2021: 42,046 units).

No key management personnel or any of their related entities held units or had options granted in the Scheme, either directly, indirectly or beneficially as at 30 June 2022 and 30 June 2021.

(c) Key management personnel's loans

No loans were made by the Scheme to the key management personnel and/or their related parties.

(d) Transactions with related parties

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

Management costs of $459,640 (2021: $183,729), were paid or payable to the Responsible Entity directly by the Scheme.

No amounts were paid or payable by the Scheme directly to the directors of the Responsible Entity.

As at 30 June 2022, no investments in related parties were held (2021: $38,312,418).

21 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 Scheme as disclosed in the statement of financial position as at 30 June 2022 or on the results and cash flows of the Scheme for the year ended on that date.

22 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2022 and 30 June 2021.