

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

TE AHUMAIRANGI GLOBAL EQUITY FUND

TABLE OF CONTENTS

	Page
Directory	1
Statement by the Manager	2
Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Unitholders' Funds	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 21
Independent Auditor's Report	22 - 25

TE AHUMAIRANGI GLOBAL EQUITY FUND

DIRECTORY

THE MANAGER

FundRock NZ Limited
Level 2, 1 Woodward Street
Wellington

This is the address of the registered office

THE SUPERVISOR

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

DIRECTORS OF THE MANAGER

Anthony R J Edmonds
Ian H Russon
Jeremy B Valentine
Gareth Fleming

AUDITOR

PricewaterhouseCoopers
10 Waterloo Quay
PO Box 243
Wellington 6140, New Zealand

INVESTMENT MANAGER

Te Ahumairangi Investment Management Limited

FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

BANKERS

ANZ Bank New Zealand Limited (ANZ)
BNP Paribas

CORRESPONDENCE

All correspondence and enquiries about Te Ahumairangi Global Equity Fund should be addressed to the Manager, FundRock NZ Limited, at the above address.

TE AHUMAIRANGI GLOBAL EQUITY FUND

FundRock NZ Limited (the "Manager"), (prior to 6 April 2023 the Manager was named Implemented Investment Solutions Limited) and Public Trust (the "Supervisor") are parties to a deed dated 1 December 2016 (the "Trust Deed") which sets out the terms and conditions applicable to Te Ahumairangi Investment Funds (the "Scheme") and funds established by the Manager and the Supervisor within that Scheme.

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

The Manager resolved to establish a fund on 3 September 2021 to be known as the Te Ahumairangi Global Equity Fund (the "Fund").

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice in New Zealand and present fairly the financial position of the Fund as at 31 March 2023, and of the results of its financial performance and cash flows for the year ended on that date in accordance with the requirements of the Trust Deed dated 1 December 2016 and the Establishment Deed dated 3 September 2021.

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

For and on behalf of:
FundRock NZ Limited



.....
Director **Anthony Edmonds**



.....
Director **Jeremy Valentine**

This Statement was approved for signing at a meeting of the Directors on 25 July 2023.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

	Note	Year ended 2023 \$'000	Period ended 2022 \$'000
INCOME			
Dividends and distributions		1,425	97
Interest income		34	-
Net changes in fair value of financial instruments at fair value through profit or loss		5,679	76
Foreign exchange (losses)/gains		<u>(136)</u>	<u>26</u>
TOTAL INCOME		<u>7,002</u>	<u>199</u>
EXPENSES			
Management fees	11	376	32
Other expenses		<u>78</u>	<u>-</u>
TOTAL EXPENSES		<u>454</u>	<u>32</u>
NET PROFIT		6,548	167
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u><u>6,548</u></u>	<u><u>167</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

TE AHUMAIRANGI GLOBAL EQUITY FUND

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2023

	Note	Year ended 2023 \$'000	Period ended 2022 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR/PERIOD		13,133	-
Net profit and other comprehensive income for the year/period		<u>6,548</u>	<u>167</u>
Total comprehensive income		6,548	167
Subscriptions from Unitholders		73,466	12,984
Redemptions by Unitholders		<u>(9,236)</u>	<u>(18)</u>
		64,230	12,966
UNITHOLDERS' FUNDS AT THE END OF THE YEAR/PERIOD	8b	<u>83,911</u>	<u>13,133</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

TE AHUMAIRANGI GLOBAL EQUITY FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	As at 31 March 2023 \$'000	As at 31 March 2022 \$'000
ASSETS			
Cash at bank		2,467	490
Receivables	5	525	66
Financial assets at fair value through profit or loss			
Investments		81,400	12,722
Derivatives	4	<u>32</u>	<u>-</u>
TOTAL ASSETS		<u>84,424</u>	<u>13,278</u>
LIABILITIES			
Payables	6	457	145
Financial liabilities at fair value through profit or loss			
Derivatives	4	<u>56</u>	<u>-</u>
TOTAL LIABILITIES		513	145
UNITHOLDERS' FUNDS		<u>83,911</u>	<u>13,133</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>84,424</u>	<u>13,278</u>

For and on behalf of the Manager, FundRock NZ Limited, who authorised the issue of the Financial Statements on 25 July 2023.



Director Anthony Edmonds



Director Jeremy Valentine

The accompanying notes form part of and should be read in conjunction with these financial statements.

TE AHUMAIRANGI GLOBAL EQUITY FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Note	Year ended 2023 \$'000	Period ended 2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions		1,140	48
Interest income		31	-
Realisation of investments		15,689	592
Operating expenses		(370)	(24)
Purchase of investments		(78,952)	(13,072)
Net settlement of derivatives		203	(19)
Net cash (outflow) from operating activities	9	(62,259)	(12,475)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		73,466	12,984
Redemptions by Unitholders		(9,236)	(18)
Net cash inflow from financing activities		64,230	12,966
Net increase in cash and cash equivalents		1,971	491
Cash and cash equivalents at beginning of the year/period		490	-
Effect of exchange rate fluctuations on cash and cash equivalents		6	(1)
Cash and cash equivalents at end of the year/period		2,467	490
Cash and cash equivalents comprise of:			
Cash and cash equivalents		2,467	490
Cash and cash equivalents at the end of the year/period		2,467	490

The accompanying notes form part of and should be read in conjunction with these financial statements.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

1. GENERAL INFORMATION

The Fund is a for-profit managed investment fund domiciled in New Zealand and established under the Financial Markets Conduct Act 2013 ("FMC Act"). The financial statements for the Fund have been prepared in accordance with the Trust Deed.

The Fund was established under an Establishment Deed dated 3 September 2021 and commenced operations on 5 November 2021.

The Fund invests in global equities across various listed equity markets.

The investment objective of the Fund is to outperform its benchmark index (50:50 combination of the MSCI World Index, and the MSCI Minimum Volatility Index optimised for NZ dollar based investors).

Over the long-term (7+ years) the fund also aims to deliver pre-tax post-fee returns of over 6.5% per annum, and to produce better returns than the broader global equity universe (as proxied by the MSCI World index), while at the same time achieving a significantly lower level of risk (which can be measured in terms of lower return volatility, and smaller drawdowns than the MSCI World Index).

2. BASIS OF PREPARATION

Reporting Period

These financial statements are for the year ended 31 March 2023. The comparative figures are for the period 5 November 2021 to 31 March 2022.

Statement of Compliance

The financial statements have been prepared in accordance with the Trust Deed and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for a for-profit entity.

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

Comparative/restated Information

The table below shows the before and after changes made to the 2022 foreign exchange contracts sensitivity analysis that were made to note 12b. This table now presents data in foreign currency/NZD, previously it was reported the other way round.

	2022 - Actually reported				2022 - Restated			
	Monetary assets and liabilities				Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund		Profit or loss		Unitholders' Fund	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
AUD	(8)	8	(8)	8	(8)	7	(8)	7
CAD	(53)	53	(53)	53	(48)	44	(48)	44
EUR	(135)	135	(135)	135	(123)	112	(123)	112
GBP	(73)	73	(73)	73	(67)	61	(67)	61
JPY	(243)	243	(243)	243	(221)	201	(221)	201
USD	(651)	651	(651)	651	(592)	537	(592)	537
Others	-	-	-	-	(134)	122	(134)	122

Further changes were made to the section on financial risk management disclosures; the credit risk note includes foreign forward exchange contracts by credit quality, the liquidity risk note shows inflows and outflows of foreign forward exchange contracts by maturity profile and a note on financial assets and liabilities subject to offsetting has also been added. The prior years currency risk disclosure on monetary assets and liabilities and associated sensitivity analysis has also been restated to report monetary assets and liabilities only.

Measurement Base

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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



TE AHUMAIRANGI GLOBAL EQUITY FUND

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

2. BASIS OF PREPARATION (Continued)

The financial statements are prepared in New Zealand dollars ("NZD") and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

New standards and amendments to existing standards effective 1 April 2022

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

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

Issued but not yet effective accounting standards

A number of new accounting standards and amendments to existing standards are issued or revised that are not yet effective as at 31 March 2023. They have been identified as not applicable or relevant to the Fund. Therefore they are not included in the financial statements.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amends the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013, and the Public Audit Act 2001 which requires impacted entities to start making climate-related disclosures. The Fund is expected to publish climate related statements for annual periods beginning on or after 1 January 2023 based upon climate standards issued by the External Reporting Board (XRB). The first climate statement will be required to be prepared for the year ending 31 March 2024.

The Manager will continue to monitor developments associated with climate related disclosures.

Investment Entity

The Fund has multiple investors and holds multiple investments.

The Fund meets the definition of an investment entity per *NZ IFRS 10: Consolidated Financial Statements* as the following criteria are met:

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

The Fund is considered to meet the definition of an Investment Entity, hence, it qualifies as an Investment Entity.

Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Income Recognition

Interest

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends and distributions

Dividend and distribution income is recognised on the date that the Fund's right to receive payment is established. It is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be measured reliably.

Changes in fair value of investments

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

Financial Instruments

Classification

(a) Assets

The Fund classifies its financial instruments based on both the Fund's business model for managing those financial asset and contractual cash flow characteristic of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund does not hold any debt securities. Consequently, all investments are measured at fair value through profit or loss.

(b) Liabilities

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

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

Recognition, Derecognition and Measurement

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

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

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 changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Fair value estimation

During the year, the Fund changed its valuation inputs for listed equity securities to last sale price. The use of the last sale price is recognised as a standard pricing convention within the industry. In the prior year, the Fund utilised bid prices for their listed equity securities. The change in valuation inputs is considered to be a change in estimate in accordance with *NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors*. Where the last sale price falls outside of the bid-ask spread for a particular security, bid price will be used to value the investment. The change in estimate has not resulted in additional or amended disclosures and does not have a significant impact on the Fund's reported result or financial position.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

Financial Assets and Financial Liabilities at Amortised Cost

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

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

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

(iii) Payables

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

Impairment of Financial Assets Carried at Amortised cost

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

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

Expenses

All expenses are recognised on an accrual basis.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income taxation

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

Tax treatment applicable to a PIE:

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

The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR"), capped at a maximum of 28%, and pays the tax to the taxation authorities on behalf of the investor. PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the Inland Revenue on behalf of the investors based on the investors' current period's income and their PIR.

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

Goods and services tax (GST)

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

Redeemable Units and Unitholders' Interests

Ownership interests in the Fund are in the form of redeemable units in accordance with *NZ IAS 32: Financial Instruments: Presentation* and which are exposed to variable returns from changes in the fair value of the Fund's net assets. The Fund issues units that are redeemable at the Unitholders' option and do have identical features and are therefore classified as equity of the Fund. The units can be put back to the Fund at any time for cash equal to the value of the Unitholder's proportionate share in the Fund's net asset value on the redemption date. The redemption unit price is based on different valuation principles to that applied in financial reporting.

The redeemable units are carried at the redemption amount that is payable at the reporting date if the Unitholders exercise their right to put the units back to the Fund. The redemption unit price is based on different valuation principles to that applied in financial reporting.

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

Presentation of Cash Flows

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

Critical Accounting Estimates and Assumptions

Fair value of investments

The investments of the Fund in listed equity and unit trust securities have been valued at closing last sale price, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets.

Fair value of derivative financial instruments

The Fund may, from time to time, hold financial instruments that are not quoted in an active market, such as over-the-counter derivatives. All of the Fund's derivative financial instruments are classified as held for trading. Fair values of such instruments are determined by using valuation techniques that are primarily based on inputs derived or corroborated by observable market data. Forward foreign exchange contracts are marked to market at the currency forward exchange rate at the valuation date for contracts with similar maturity and risk profiles.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

4. DERIVATIVES

The Fund holds the following derivative financial instruments:

Forward foreign exchange contracts (FFX)

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

	2023 \$'000	2022 \$'000
Financial assets at fair value through profit or loss		
<i>Derivatives:</i>		
Foreign exchange contracts	32	-
	<u>32</u>	<u>-</u>

Financial liabilities at fair value through profit or loss

Derivatives:

Foreign exchange contracts	56	-
	<u>56</u>	<u>-</u>

5. RECEIVABLES

	2023 \$'000	2022 \$'000
Dividends and distributions receivable	315	49
Interest receivable	3	-
Receivables from sale of investments	63	-
PIE tax receivable from Unitholders	144	17
	<u>525</u>	<u>66</u>

6. PAYABLES

	2023 \$'000	2022 \$'000
Payables from purchase of investments	221	120
Investment management fees payable	39	4
PIE tax payable to Inland Revenue	144	17
Management fees payable	53	4
	<u>457</u>	<u>145</u>

7. AUDIT FEES

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the year ended 31 March 2023 amount to \$25,650 (31 March 2022: \$24,000) excluding GST.

8. UNITHOLDERS' FUNDS

8a. Units on issue

	2023 '000	2022 '000
Units on issue at the beginning of the year/period	12,645	-
Subscriptions from Unitholders	69,435	12,662
Redemptions by Unitholders	<u>(8,670)</u>	<u>(17)</u>
Units on issue at the end of the year/period	<u>73,410</u>	<u>12,645</u>

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

8. UNITHOLDERS' FUNDS (Continued)

8b. Units in dollar value

	2023	2022
	\$'000	\$'000
Unitholders' Funds at the beginning of the year/period	13,133	-
Subscriptions from Unitholders	73,466	12,984
Redemptions by Unitholders	(9,236)	(18)
Net profit	6,548	167
Unitholders Funds at the end of the year/period	83,911	13,133
Unit price NAV at the end of the year/period	83,914	13,203

The unit price Net Asset Value ("NAV") is calculated using last sale price and the latest available prices at the close of business on the last business day of the reporting period. The NAV or the Funds attributable to Unitholders as per the Statement of Financial Position is also based on the last sale price as at the last business day of the reporting period. Any differences in the NAV between the unit price and the financial statements is due to timing differences.

Redeemable Units and Capital Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Unitholders' Funds. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Fund's net asset value on the redemption date.

The relevant movements are shown on the Statement of Changes in Unitholders' Funds. The Fund endeavours to invest the contributions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

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

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

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

	2023	2022
	\$'000	\$'000
Net Profit	6,548	167
<i>Adjustments for:</i>		
Payments for the purchase of investments	(78,952)	(13,072)
Proceeds from the sale of investments	15,689	592
Net changes in fair value of financial assets at fair value through profit or loss	(5,679)	(76)
Net settlement of derivatives	203	(19)
Foreign exchange gain	136	(26)
Dividends reinvested	(19)	-
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(396)	(66)
Increase in payables	211	25
Net cash outflow from operating activities	(62,259)	(12,475)

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

10. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2023				Total
	Financial liabilities at fair value though profit or loss	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	-	-	2,467	-	2,467
Receivables	-	-	381	-	381
Investments	-	81,400	-	-	81,400
Derivatives held for trading	-	32	-	-	32
Total Assets	-	81,432	2,848	-	84,280
LIABILITIES					
Derivatives held for trading	56	-	-	-	56
Payables	-	-	-	313	313
Total Liabilities	56	-	-	313	369

	2022				Total
	Financial liabilities at fair value though profit or loss	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	-	-	490	-	490
Receivables	-	-	49	-	49
Investments	-	12,722	-	-	12,722
Derivatives held for trading	-	-	-	-	-
Total Assets	-	12,722	539	-	13,261
LIABILITIES					
Derivatives held for trading	-	-	-	-	-
Payables	-	-	-	128	128
Total Liabilities	-	-	-	128	128

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

11. RELATED PARTY TRANSACTIONS

A party is related to the Fund if:

- (i) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with the Fund;
- (ii) it has an interest in or relationship with the Funds that gives it significant influence over the Fund;
- (iii) the Fund has an interest in or relationship with the party that gives significant influence over the party; or
- (iv) they are a member of the key management personnel.

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

The following are considered to be related parties of the Fund: FundRock NZ Limited (Manager of the Fund), Te Ahumairangi Investment Management Limited (Investment Manager of the Fund), Public Trust (supervisor of the Funds), Apex Investment Administration (NZ) Limited (registry provider for the Fund and shares the same parent company as the Manager. Apex only became a related party this year and hence there are no comparatives).

Management Fees

As outlined in the Fund's Product Disclosure Statement ("PDS"), the Fund incurs management fees fixed at 0.64% of the net asset value including GST. The management fees include fees paid to the Investment Manager, the Manager for hosting the Fund, the Supervisor, the Custodian and Administration Manager, bank charges and other various costs and expenses incurred.

The Supervisor of the Fund is Public Trust. For the year ended 31 March 2023 total fee charged to the Fund amounted to \$24,213 (31 March 2022: \$8,333).

The registry provider for the Fund is Apex Investment Administration (NZ) Ltd. For the period ended 31 March 2023 total fee charged to the Fund amounted to \$10,499.

During the year, no other funds managed by the Manager invested in the Fund (31 March 2022: nil), the Fund did not hold investments in any funds that were managed by the Manager (31 March 2022: nil).

Related Party Holdings in the Fund

The details of units held by related parties as at 31 March 2023 and movements during the year/period are as follows:

	Units '000	Value \$'000	2023	
			Units acquired during the year '000	Units disposed of during the year '000
<i>Related party holdings in the Fund</i>				
Directors and key management personnel of Manager	11	12	9	-
Directors and key management personnel of Investment Manager	5,928	6,770	226	1
	Units '000	Value \$'000	2022	
			Units acquired during the period '000	Units disposed of during the period '000
<i>Related party holdings in the Fund</i>				
Directors and key management personnel of Manager	2	2	2	-
Directors and key management personnel of Investment Manager	5,704	5,955	5,716	12

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

12. FINANCIAL RISK MANAGEMENT

Strategy in Using Financial Instruments

The Fund's primary objective is to outperform its benchmark index, and deliver pre-tax post-fee returns of over 6.5% per annum over the long-term (7+ years), while achieving a significantly lower level of risk than the broader global equity universe.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

12a. Market Price Risk

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

The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

The overall market exposure was as follows:

	2023 Fair value \$'000	2022 Fair value \$'000
Equity and unit trust investments	81,400	12,722

The table below shows the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2023 the analysis is based on the assumptions that the market price movement increased or decreased by 10%. The Manager believes the 10% market price movement assumption to be management's best estimate of reasonable possible change in current market condition.

	2023		2022	
	Profit or loss or Changes in Unitholders' Funds		Profit or loss or Changes in Unitholders' Funds	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Equity and unit trust investments	8,140	(8,140)	1,272	(1,272)

12b. Currency Risk

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

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises the Fund's exposure to foreign currency risk in New Zealand dollar value of the monetary assets and liabilities. NZ IFRS 7, 'Financial Instruments: Disclosures', considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk and not foreign currency risk.

	2023						
	AUD \$000	CAD \$000	EUR \$000	GBP \$000	JPY \$000	USD \$000	Others \$000
Monetary assets and liabilities							
Foreign cash and cash equivalents	18	292	248	58	359	743	336
Receivables/(payables)	24	7	(13)	(3)	78	(41)	60
	<u>42</u>	<u>299</u>	<u>235</u>	<u>55</u>	<u>437</u>	<u>702</u>	<u>396</u>
Foreign exchange contracts							
Notional value	<u>-</u>	<u>-</u>	<u>(511)</u>	<u>-</u>	<u>(1,374)</u>	<u>(1,158)</u>	<u>(1,024)</u>

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

12. FINANCIAL RISK MANAGEMENT (Continued)

	AUD \$000	CAD \$000	EUR \$000	2022 *				Others \$000
				GBP \$000	JPY \$000	USD \$000		
Monetary assets and liabilities								
Foreign cash and cash equivalents	5	17	24	28	21	41	353	
Receivables/(payables)	-	(16)	1	4	(23)	(31)	(15)	
Spot foreign exchange contracts	-	29	-	-	36	187	(251)	
	<u>5</u>	<u>30</u>	<u>25</u>	<u>32</u>	<u>34</u>	<u>197</u>	<u>87</u>	
Foreign exchange contracts								
Notional value	-	-	-	-	-	-	-	

The table below shows the sensitivity analysis in NZD currency with all other variables remaining constant, where the Fund has significant exposure. The analysis is based on the assumption that the relevant foreign exchange rate increase/decrease by the percentage disclosed in the table below. The analysis shows the impact of a reasonably possible change in the New Zealand dollar to foreign currency exchange rates.

	2023				2022 *			
	Monetary assets and liabilities				Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund		Profit or loss		Unitholders' Fund	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
AUD	(4)	3	(4)	3	-	-	-	-
CAD	(27)	25	(27)	25	(3)	2	(3)	2
EUR	25	(23)	25	(23)	(2)	2	(2)	2
GBP	(5)	5	(5)	5	(3)	3	(3)	3
JPY	100	(91)	100	(91)	(3)	3	(3)	3
USD	41	(38)	41	(38)	(18)	16	(18)	16
Others	57	(52)	57	(52)	(7)	6	(7)	6

* Restated, refer to basis of preparation paragraph.

12c. Interest Rate Risk

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

The majority of the Fund's financial assets are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The interest rate risk on cash and cash equivalents is considered immaterial.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

12. FINANCIAL RISK MANAGEMENT (Continued)

12d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

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

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Fund does not use credit derivatives to mitigate credit risk.

The Fund's cash and cash equivalents balances are held with ANZ (Standard & Poor's ("S&P") credit rating AA-) (31 March 2022: AA-) and BNP Paribas (S&P credit rating A+) (31 March 2022: A+).

At 31 March 2023 substantially all assets are placed in custody with BNP Paribas (S&P credit rating A+) (31 March 2022: A+).

As at 31 March 2023 all amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of A or higher and are due to be settled within 1 week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on lifetime expected credit losses as any such impairment would be wholly insignificant to the Fund.

The analysis below summarises the credit quality of the Fund's exposure rated using the lowest credit rating provided by the various credit rating agencies and converted to an equivalent Standard & Poor's credit rating.

	2023					Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	No rating \$'000	
Foreign exchange contracts	-	32	-	-	-	32
	<u>-</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>

12e. Liquidity Risk

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

The Fund is exposed to daily cash redemptions of redeemable units. The Fund invests primarily in listed equity securities across various global listed equity markets and can be readily disposed of.

All financial liabilities are expected to be settled within 12 months.

The table below analyses the net settled 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.

The contractual cash flows are based on the spot rate as at 31 March 2023 and 31 March 2022.

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

12. FINANCIAL RISK MANAGEMENT (Continued)

	Statement of Financial Position	Contractual cash flows	2023					Over 5 years
			Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years		
			\$000	\$000	\$000	\$000	\$000	
Derivatives Held for Trading								
Assets								
<i>Foreign exchange contracts</i>	32							
Inflow		3,523	3,523	-	-	-	-	
Outflow		(3,482)	(3,482)	-	-	-	-	
Liabilities								
<i>Foreign exchange contracts</i>	56							
Inflow		2,100	2,100	-	-	-	-	
Outflow		(2,153)	(2,153)	-	-	-	-	
				2022				
	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Derivatives Held for Trading								
Assets								
<i>Foreign exchange contracts</i>	-							
Inflow	-	156	156	-	-	-	-	
Outflow		(155)	(155)	-	-	-	-	
Liabilities								
<i>Foreign exchange contracts</i>	-							
Inflow		197	197	-	-	-	-	
Outflow		(198)	(198)	-	-	-	-	

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

12. FINANCIAL RISK MANAGEMENT (Continued)

12f. Financial Assets and Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

The Fund holds derivative financial instruments:

The following table presents the recognised financial assets and liabilities that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2023.

	2023					
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCIAL ASSETS						
Derivatives - FFX Contracts	32	-	32	(32)	-	-
Total Financial Assets	32	-	32	(32)	-	-
FINANCIAL LIABILITIES						
Derivatives - FFX Contracts	56	-	56	(32)	-	24
Total Financial Liabilities	56	-	56	(32)	-	24

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at 31 March 2023.

	2023			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
International equities and international equity unit trusts	81,400	-	-	81,400
<i>Derivatives:</i>				
Foreign exchange contracts	-	32	-	32
	81,400	32	-	81,432
Financial liabilities at fair value through profit or loss				
<i>Derivatives:</i>				
Foreign exchange contracts	-	56	-	56
	-	56	-	56

TE AHUMAIRANGI GLOBAL EQUITY FUND

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2022			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
International equities and international equity unit trusts	<u>12,722</u>	<u>-</u>	<u>-</u>	<u>12,722</u>
	<u>12,722</u>	<u>-</u>	<u>-</u>	<u>12,722</u>

The fair value of units held in listed international equity securities and equity unit trusts is based on quoted market prices. They are actively traded on international stock exchanges and are therefore included within level 1.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

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

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the period ended 31 March 2023 (31 March 2022: nil).

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund had no material commitments or contingencies at 31 March 2023 (31 March 2022: nil).

15. EVENTS SUBSEQUENT TO BALANCE DATE

On 6 April 2023, the Manager, Implemented Investment Solutions Limited, changed its name to FundRock NZ Limited. There are no other significant subsequent events that require adjustment to or disclosure in these financial statements.



Independent auditor's report

To the unitholders of Te Ahumairangi Global Equity Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements of the Fund present fairly, in all material respects, the financial position of the Fund as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Fund's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

We have audited the financial statements of certain other funds managed by FundRock NZ Limited (formerly Implemented Investment Solutions Limited), the Manager. Subject to certain restrictions, employees of our firm may invest in the Fund on normal terms within the ordinary course of trading activities of the Fund. This has not impaired our independence as auditor of the Fund. We have no other relationships with, or interests in, the Fund.

Key audit matters

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



Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets at fair value through profit or loss - investments</p> <p>Refer to note 12 to the financial statements for disclosures of financial assets at fair value through profit or loss - investments (financial assets).</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Fund.</p> <p>Valuation The fair value of the financial assets traded in active markets is based on quoted market prices at 31 March 2023 and are categorised as level 1 in the fair value hierarchy.</p> <p>For financial assets quoted in foreign currencies, these are translated to New Zealand dollars using the exchange rates at 31 March 2023.</p> <p>Existence Holdings of financial assets are held by the custodian of the Fund (Custodian) on behalf of the Fund.</p>	<p>We assessed the processes employed by the Manager, for recording and valuing the financial assets including the relevant controls operated by a third party service organisation, the Administrator. Our assessment of the business processes included obtaining the internal controls report over investment accounting provided by the Administrator.</p> <p>We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the relevant controls operated by the Administrator.</p> <p>For all financial assets where quoted market prices in an active market were available, we compared the market price at the reporting date to independent third party pricing sources.</p> <p>We have assessed the reasonableness of the exchange rates used to translate financial assets quoted in foreign currencies.</p> <p>We obtained confirmation from the Custodian of the holdings of the financial assets held by the Fund as at 31 March 2023.</p>

Our audit approach

Overview

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Materiality

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

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

How we tailored our audit scope

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

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
27 July 2023

Wellington