

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

DIRECTORY

THE MANAGER

FundRock NZ Limited
Level 2, 1 Woodward Street
Wellington

This is also the address of the registered office.

THE SUPERVISOR

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

DIRECTORS OF THE MANAGER

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

INVESTMENT MANAGER

Franklin Templeton Australia Limited

AUDITOR

PricewaterhouseCoopers
10 Waterloo Quay
PO Box 243
Wellington 6140 New Zealand

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 Brandywine Global Opportunistic Fixed Income Fund should be addressed to the Manager, FundRock NZ Limited, at the above address.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

FundRock NZ Limited (the "Manager"), (prior to 6 April 2023 the Manager was named Implemented Investment Solutions Limited) and Public Trust ("Supervisor") are parties to a deed dated 1 December 2016 ("Trust Deed") which sets out the terms and conditions applicable to the Scheme Establishment Deed for the Franklin Templeton Investments Funds ("Scheme"), (prior to 1 October 2021 referred to as Legg Mason Investments Funds), dated 20 November 2017, then amended 31 January 2018 and 10 August 2021 with the Supplemental Deed to the Fund Establishment Deed for the Legg Mason Brandywine Global Opportunistic Fixed Income Fund (now called the Fund Establishment Deed for the Brandywine Global Opportunistic Fixed Income Fund) which sets out the terms that will be applicable to funds established by the Manager and the Supervisor within that Scheme.

The Scheme 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 the Brandywine Global Opportunistic Fixed Income Fund (the "Fund"). The Manager and the Supervisor entered into an establishment deed (Establishment Deed) dated on 31 January 2018 which sets out the specific terms and conditions relating to 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, the Scheme and the Establishment Deed each dated 20 November 2017 and amended 31 January 2018 and 10 August 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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

	Note	2023 \$'000	2022 \$'000
INCOME			
Interest income	4	10,845	8,127
Net changes in fair value of financial assets at fair value through profit or loss		(30,465)	(4,643)
Net foreign exchange gains/(losses)		<u>1,258</u>	<u>(78)</u>
TOTAL (LOSS)/INCOME		<u>(18,362)</u>	<u>3,406</u>
EXPENSES			
Interest expense		14	1
Management fees	13	1,818	2,121
Other expenses		<u>3</u>	<u>3</u>
TOTAL EXPENSES		<u>1,835</u>	<u>2,125</u>
NET (LOSS)/PROFIT		(20,197)	1,281
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u>(20,197)</u>	<u>1,281</u>

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



BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

	2023 \$'000	2022 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR	262,609	278,940
Net (loss)/profit and other comprehensive income for the year	<u>(20,197)</u>	<u>1,281</u>
Total comprehensive (loss)/income	(20,197)	1,281
Subscriptions from Unitholders	20,429	40,926
Redemptions by Unitholders	(23,911)	(48,154)
Distributions to Unitholders	<u>(10,106)</u>	<u>(10,384)</u>
	(13,588)	(17,612)
UNITHOLDERS' FUNDS AT THE END OF THE YEAR	9b <u><u>228,824</u></u>	<u><u>262,609</u></u>

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



BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME 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 and cash equivalents		10,151	9,464
Margin accounts		767	2,451
Receivables	6	46	46
Financial assets at fair value through profit or loss			
Investment securities		224,222	244,018
Derivatives	5	<u>1,992</u>	<u>18,312</u>
TOTAL ASSETS		<u>237,178</u>	<u>274,291</u>
LIABILITIES			
Due to financial institutions		32	1,639
Payables	7	6,605	5,352
Financial liabilities at fair value through profit or loss			
Derivatives	5	<u>1,717</u>	<u>4,691</u>
TOTAL LIABILITIES		8,354	11,682
UNITHOLDERS' FUNDS		<u>228,824</u>	<u>262,609</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>237,178</u>	<u>274,291</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.



BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest		9,696	8,214
Realisation of investments		361,791	132,615
Net settlement in margin accounts		1,684	(1,042)
Operating expenses		(1,831)	(2,143)
Interest expense		(14)	(1)
Purchase of investments		(322,752)	(97,182)
Net settlement of derivatives		<u>(32,646)</u>	<u>(23,047)</u>
Net cash inflow from operating activities	10	15,928	17,414
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		20,429	40,926
Redemptions by Unitholders		(23,911)	(48,154)
Distributions to Unitholders		<u>(10,182)</u>	<u>(10,519)</u>
Net cash (outflow) from financing activities		(13,664)	(17,747)
Net increase/(decrease) in cash and cash equivalents		2,264	(333)
Cash and cash equivalents at beginning of the year		7,825	8,231
Effect of exchange rate fluctuations on cash and cash equivalents		<u>30</u>	<u>(73)</u>
Cash and cash equivalents at end of the year		<u>10,119</u>	<u>7,825</u>
Cash and cash equivalents comprise of:			
Cash at bank		10,151	9,464
Due to financial institutions		<u>(32)</u>	<u>(1,639)</u>
Cash and cash equivalents at the end of the year		<u>10,119</u>	<u>7,825</u>

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



BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

1. GENERAL INFORMATION

The Fund is a for-profit managed investment scheme domiciled in New Zealand under the Financial Market Conduct Act 2013 ("FMC Act").

The Fund was established under a Trust Deed dated 1 December 2016, a Scheme and Establishment Deed each dated 20 November 2017, then amended 31 January 2018 and 10 August 2021 and commenced operations on 27 March 2018. On 1 October 2021, the Fund changed its name from Legg Mason Brandywine Global Opportunistic Fixed Income Fund to Brandywine Global Opportunistic Fixed Income Fund.

The Fund's investment activities are managed by Franklin Templeton Australia Limited ("Investment Manager"). BNP Paribas Fund Services Australasia Pty Ltd ("BNP Paribas") is the administrator and custodian of the Fund. The Supervisor of the Fund is Public Trust.

The investment objective of Fund is to provide a return, before fees and taxes, in excess of the Bloomberg Global Aggregate Index - New Zealand dollar hedged over rolling five year periods.

The Fund invests in an actively managed portfolio of sovereign bonds, investment grade corporate bonds, mortgage securities, currencies and other similar securities. The Fund can also invest in emerging market debt, high yield debt, and below investment grade non-sovereign and corporate debt.

The Fund may use derivatives to obtain or reduce exposure to securities, markets, currencies (including taking short positions in individual currencies). Derivatives may also be used to manage cash flows or to facilitate timely exposure to securities. The use of derivatives may result in the Fund being leveraged, for example if this was not backed by cash, cash equivalents, or securities.

2. BASIS OF PREPARATION

Reporting period

These financial statements of the Fund are for the year ended 31 March 2023, with comparatives for the year ended 31 March 2022.

Statement of compliance

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.

Measurement Base

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

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

The financial statements are prepared in New Zealand dollars ("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 an 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

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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Issued but not yet effective accounting standards

A number of new accounting standards and amendments to existing standards are issued that are not yet effective as at 31 March 2023, 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 (mainly fixed income securities).

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 unit trust 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 to be 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.

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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Changes in fair value of investments

Net changes in fair value of financial assets and financial liabilities 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 and distribution 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. Derivative financial assets that have a positive fair value are presented as assets at fair value through profit or loss. The Fund does not directly 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 Manager 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 ("FVTPL") 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, the financial assets at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets 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 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 investment 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 investment 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.

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 fixed interest securities is the last sale price which is the mid-price of binding dealer bid and ask price quotations.

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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting financial instruments

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

Financial assets and financial liabilities at amortised cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash balances, call deposits 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, the 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 in 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 at amortised cost

NZ IFRS 9: Financial Instruments requires the Fund to record expected credit losses (ECL) on all of its receivables, either on a 12-month or lifetime basis.

The Fund holds receivables with no financing component and which have maturities of less than 12 months at amortised cost. Therefore the Fund has adopted an approach similar to the simplified approach to ECL to all its financial assets at amortised cost.

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

Expenses

All expenses are recognised on an accrual basis.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME 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 have identical features and are therefore classified as equity. 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 redeemed at the Unitholders' option at price based on the Fund's net assets valued as per the Unit Pricing Methodology less any spread at the time of redemption.

Distributions to Unitholders

Distributions may be made from the Fund in accordance with the terms of the Trust Deed, the Establishment Deed and the relevant Fund's distribution policy. Amounts that are not distributed remain invested as part of the assets of the Fund. Proposed distributions to unitholders are recognised in the Statement of Changes in Unitholders' Funds when they are appropriately authorised and no longer at the discretion of the Fund Manager.

Unitholders have the choice to automatically reinvest their distributions. The reinvestment is made on the first available ex distribution net asset value price for the Fund.

Margin Accounts and Cash Collaterals

Margin accounts and cash collateral comprise futures margin accounts and amount due from or due to financial institutions.

Margin accounts comprise cash held as collateral for securities' transactions. The cash is held by the broker and is only available to meet margin calls. Amounts due from financial institutions includes the cash collateral lent by the Fund that is identified in the Statement of Financial Position as margin cash.

Margin accounts are not included as a component of cash and cash equivalents.

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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and assumptions

Fair value of investments

The investments of the Fund have been valued at closing last sale price. For the fixed interest securities the last sale price is the mid-price of binding dealer bid and ask price quotations, 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.

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.

4. INTEREST INCOME

	2023 \$'000	2022 \$'000
Cash at bank	277	(140)
Financial assets at fair value through profit or loss	<u>10,568</u>	<u>8,267</u>
	<u>10,845</u>	<u>8,127</u>

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund holds the following derivative financial instruments:

(a) Forward foreign exchange contracts (FFX)

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

(b) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	2023 \$'000	2022 \$'000
Assets		
<i>Held for Trading :</i>		
Forward foreign exchange contracts	1,895	18,312
Futures	<u>97</u>	<u>-</u>
	<u>1,992</u>	<u>18,312</u>
Liabilities		
<i>Held for Trading :</i>		
Forward foreign exchange contracts	1,686	4,246
Futures	<u>31</u>	<u>445</u>
	<u>1,717</u>	<u>4,691</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

6. RECEIVABLES

	2023	2022
	\$'000	\$'000
Interest receivable	46	46
	<u>46</u>	<u>46</u>

7. PAYABLES

	2023	2022
	\$'000	\$'000
Payables from purchase of investments	1,339	-
Management fees payable	176	186
Distribution payable	5,090	5,166
	<u>6,605</u>	<u>5,352</u>

8. AUDIT FEES

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the year ended 31 March 2023 amounted to \$29,150 (31 March 2022: \$26,500) excluding GST.

9. UNITHOLDERS' FUNDS

9a. Units on issue

	2023	2022
	'000	'000
Units on issue at the beginning of the year	258,289	265,052
Subscriptions from Unitholders	21,944	38,769
Redemptions by Unitholders	(25,747)	(45,532)
Units on issue at the end of the year	<u>254,486</u>	<u>258,289</u>

9b. Units in dollar value

	2023	2022
	\$'000	\$'000
Unitholders' Funds at the end of the year	<u>228,824</u>	<u>262,609</u>
Unit price NAV at the end of the year	<u>228,834</u>	<u>262,964</u>

The unit price net asset value ("NAV") is calculated using mid or last sale price and the latest available prices as at the close of business on the last business day of the reporting period. The NAV per the Statement of Financial Position is also based on mid or last sale price as at the last business day of the reporting period. Therefore, the difference in the NAV between the unit price and the financial statements is due to price valuation and timing, if any.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

9. UNITHOLDERS' FUNDS (Continued)

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, which the Unitholder selected 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.
- Receive distributions distributed by the Manager.

10. RECONCILIATION OF NET (LOSS)/PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2023	2022
	\$'000	\$'000
Net (loss)/profit	(20,197)	1,281
<i>Adjustments for:</i>		
Payments for the purchase of investments	(322,752)	(97,182)
Proceeds from the sales of investments	361,791	132,615
Net changes in fair value of financial assets at fair value through profit or loss	30,465	4,643
Foreign exchange (gain)/loss	(1,258)	78
Decrease/(increase) in receivables	-	(18)
Decrease in payables	(10)	(19)
Movement in margin accounts	1,684	(1,042)
Net settlement of derivatives	(32,646)	(23,047)
Movement in accrued interest and take-on interest receivable	(1,149)	105
Net cash inflow from operating activities	<u>15,928</u>	<u>17,414</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

11. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	2023 Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	-	-	10,151	-	10,151
Margin accounts	-	-	767	-	767
Receivables	-	-	46	-	46
Investment securities	-	224,222	-	-	224,222
Derivative assets	-	1,992	-	-	1,992
Total Assets	-	226,214	10,964	-	237,178
Liabilities					
Payables	-	-	-	6,605	6,605
Derivative liabilities	1,717	-	-	-	1,717
Due to financial institutions	-	-	-	32	32
Total Liabilities	1,717	-	-	6,637	8,354
	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	2022 Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	-	-	9,464	-	9,464
Margin accounts	-	-	2,451	-	2,451
Receivables	-	-	46	-	46
Investment securities	-	244,018	-	-	244,018
Derivative assets	-	18,312	-	-	18,312
Total Assets	-	262,330	11,961	-	274,291
Liabilities					
Payables	-	-	-	5,352	5,352
Derivative liabilities	4,691	-	-	-	4,691
Due to financial institutions	-	-	-	1,639	1,639
Total Liabilities	4,691	-	-	6,991	11,682

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

12. MATURITY ANALYSIS

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2023			Total \$'000
	Within 12 months \$'000	Over 12 months \$'000	Maturity not specified \$'000	
Assets				
Cash and cash equivalents	10,151	-	-	10,151
Margin accounts	767	-	-	767
Receivables	46	-	-	46
Investment securities	-	224,222	-	224,222
Derivatives	1,992	-	-	1,992
Total Assets	12,956	224,222	-	237,178
Liabilities				
Payables	6,605	-	-	6,605
Derivatives	1,717	-	-	1,717
Due to financial institutions	32	-	-	32
Total Liabilities	8,354	-	-	8,354

	2022			Total \$'000
	Within 12 months \$'000	Over 12 months \$'000	Maturity not specified \$'000	
Assets				
Cash and cash equivalents	9,464	-	-	9,464
Margin accounts	2,451	-	-	2,451
Receivables	46	-	-	46
Investment securities	93,213	150,805	-	244,018
Derivatives	18,312	-	-	18,312
Total Assets	123,486	150,805	-	274,291
Liabilities				
Payables	5,352	-	-	5,352
Derivatives	4,691	-	-	4,691
Due to financial institutions	1,639	-	-	1,639
Total Liabilities	11,682	-	-	11,682

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

13. 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), Franklin Templeton Australia 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).

As outlined in the Fund's Product Disclosure Statement ("PDS"), the Fund incurs management fees fixed at 0.76% of net asset value including GST. The management fees include fees paid to the Investment Manager, the Manager, 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 Supervisor fee charged to the Fund amounted to \$33,738 (31 March 2022: \$34,433).

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 \$9,120.

During the year, no other funds managed by the Manager invested in the Fund (31 March 2022: none); the Fund did not hold investments in any funds that were managed by the Manager (31 March 2022: none).

Related Party Holdings in the Fund

	Units '000	Value \$'000	2023	
			Units acquired during the year '000	Units disposed of during the year '000
Directors and Key Management Personnel of Manager	27	25	11	-
	Units '000	Value \$'000	2022	
			Units acquired during the year '000	Units disposed of during the year '000
Directors and Key Management Personnel of Manager	17	17	9	-

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT

Strategy in Using Financial Instruments

The objective is to earn a return before fees and taxes in excess of the Bloomberg Global Aggregate Index - New Zealand dollar hedged over rolling five years.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund may use derivatives to obtain or reduce exposure to securities, markets, currencies (including taking short positions in individual currencies). Derivatives may also be used to manage cash flows or to facilitate timely exposure to securities. The use of derivatives may result in the Fund being leveraged, for example if this was not backed by cash, cash equivalents, or securities.

14a. Market Price Risk

Market price risk is the risk that the Fund's income or the value of its holdings of financial instruments will fluctuate as a result of changes in market prices.

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

The Fund manages its exposure to market risk by analysing the investments by industrial sector. At 31 March 2023 the Fund's overall industry concentration exposures were as follows:

Sector	2023		2022	
	Fair value	% of	Fair value	% of
	\$'000	investments %	\$'000	investments %
Government	174,998	78.04	180,051	73.79
Corporate				
<i>Financial Institutions</i>				
Banking	13,735	6.13	44,636	18.29
Finance companies	4,429	1.98	7,865	3.22
<i>Industrial</i>				
Energy	-	-	2,582	1.06
Manufacture	-	-	6,930	2.84
<i>Securitised</i>				
Residential mortgage	31,060	13.85	1,954	0.80
Total	224,222	100.00	244,018	100.00

14b. 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 predominantly invests in international fixed interest securities and therefore is subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market value of the Fund's underlying investments.

The Fund enters into forward exchange contracts designed to economically hedge the currency exposure of the underlying investments. The foreign exchange contracts are held to mitigate the currency exposure by aiming to be fully hedged to the New Zealand dollars. The Investment Manager has a limited discretion to take some currency risk within the overall risk constraint of the portfolio. Accordingly at any point in time currency risk is limited to the currency market movement on the unhedged portion of the portfolio, typically recent gains and losses that have not been hedged.

The portfolios within the Fund are to be economically hedged up to 75%.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the Fund's exposure to foreign currency risk in New Zealand dollar (NZD) 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						Others \$000
	AUD \$000	CAD \$000	EUR \$000	GBP \$000	JPY \$000	USD \$000	
Monetary assets and liabilities							
Foreign cash and cash equivalents	-	-	-	-	-	6,051	227
Margin accounts	-	-	-	-	-	735	-
Receivables/(Payables)	-	-	-	-	-	27	-
Interest bearing securities	-	-	11,884	-	-	133,317	72,735
Derivatives excluding FFX	-	-	-	-	-	65	-
	<u>-</u>	<u>-</u>	<u>11,884</u>	<u>-</u>	<u>-</u>	<u>140,195</u>	<u>72,962</u>
Forward foreign exchange contracts							
Notional value	<u>(3,297)</u>	<u>14,314</u>	<u>(15,681)</u>	<u>-</u>	<u>(12)</u>	<u>(191,955)</u>	<u>(29,089)</u>

	2022						Others \$'000
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	
Monetary assets and liabilities							
Foreign cash and cash equivalents	-	-	2	-	-	5,903	-
Margin accounts	-	-	-	-	-	812	-
Receivables/(Payables)	-	-	-	-	-	46	-
Interest bearing securities	12,905	-	37	14,523	-	139,970	69,303
Derivatives excluding FFX	-	-	-	(121)	-	(324)	-
	<u>12,905</u>	<u>-</u>	<u>39</u>	<u>14,402</u>	<u>-</u>	<u>146,407</u>	<u>69,303</u>
Forward foreign exchange contracts							
Notional value	<u>(5,784)</u>	<u>(4,413)</u>	<u>(18,496)</u>	<u>(26,783)</u>	<u>(27,916)</u>	<u>(234,510)</u>	<u>55,970</u>

	2023			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
AUD	330	(330)	330	(330)
CAD	(1,432)	1,432	(1,432)	1,432
EUR	383	(383)	383	(383)
JPY	1	(1)	1	(1)
USD	5,311	(5,311)	5,311	(5,311)
Other	(4,403)	4,403	(4,403)	4,403

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

	2022			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
AUD	(712)	712	(712)	712
CAD	441	(441)	441	(441)
EUR	1,846	(1,846)	1,846	(1,846)
GBP	1,238	(1,238)	1,238	(1,238)
JPY	2,792	(2,792)	2,792	(2,792)
USD	8,810	(8,810)	8,810	(8,810)
Other	(12,527)	12,527	(12,527)	12,527

14c. Interest Rate Risk

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

The Fund holds investments in international fixed interest securities and so is exposed to risks arising from the fluctuations in the prevailing levels of market interest rates which impact its financial position and cash flows. Interest rate risk is actively managed within the terms of the investment guidance for the Fund as agreed with the Manager.

In accordance with the Fund's policy, the Investment Manager monitors and the Manager reviews the Fund's overall interest sensitivity on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2023					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	
	Financial assets					
Cash and cash equivalents	10,151	-	-	-	-	10,151
Interest-bearing securities	-	-	58,849	7,104	158,269	224,222
Total financial assets subject to interest rate risk	<u>10,151</u>	<u>-</u>	<u>58,849</u>	<u>7,104</u>	<u>158,269</u>	<u>234,373</u>

	2022					
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 6- 12 months \$'000	Between 6- 12 months \$'000	Between 6- 12 months \$'000	Between 6- 12 months \$'000
	Financial assets					
Cash and cash equivalents	9,464	-	-	-	-	9,464
Interest bearing securities	20,329	72,884	44,564	30,470	75,771	244,018
Total financial assets subject to interest rate risk	<u>29,793</u>	<u>72,884</u>	<u>44,564</u>	<u>30,470</u>	<u>75,771</u>	<u>253,482</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

The table below show the sensitivity of the Fund's profit or loss and equity to a reasonably possible change in interest rates with all other variables remaining constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets held as at 31 March 2023.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets as at 31 March 2023.

	2023			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	60	(60)	-	-
Interest bearing securities	443	(443)	(16,642)	19,955

	2022			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	78	(78)	-	-
Interest bearing securities	951	(951)	(7,671)	9,003

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

14d. 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.

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'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, which has a S&P credit rating of A+ (31 March 2022: A+).

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 month. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The analysis below summarises the credit quality of the Fund's exposure rated externally by equivalent Standard & Poor's, credit rating agencies.

	2023					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	Total \$'000
Overseas and local government securities	102,263	11,069	61,530	136	-	174,998
Other overseas fixed interest securities	35,468	4,429	9,327	-	-	49,224
Forward foreign exchange contracts	8	1,886	-	-	-	1,894
	137,739	17,384	70,857	136	-	226,116
	2022					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	Total \$'000
Overseas and local government securities	116,551	9,583	59,618	103	-	185,855
Other overseas fixed interest securities	11,034	22,734	24,395	-	-	58,163
Forward foreign exchange contracts	5,228	14,985	-	-	-	20,213
	132,813	47,302	84,013	103	-	264,231

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

14e. Liquidity Risk

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

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests predominantly in liquid securities and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

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

The table below analyses the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 30 days \$000	2023			Over 1 year \$000
				Between 1- 2 months \$000	Between 3-6 months \$000	Between 7- 12 months \$000	
Assets							
Cash and cash equivalents	10,151	10,151	10,151	-	-	-	-
Margin accounts	767	767	767	-	-	-	-
Receivables	46	46	46	-	-	-	-
	10,964	10,964	10,964	-	-	-	-
Liabilities							
Payables	6,605	6,605	6,605	-	-	-	-
Due to financial institutions	32	32	32	-	-	-	-
	6,637	6,637	6,637	-	-	-	-

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 30 days \$000	2022			Over 1 year \$000
				Between 1- 3 months \$000	Between 4 - 6 months \$000	Between 7 - 12 months \$000	
Assets							
Cash and cash equivalents	9,464	9,464	9,464	-	-	-	-
Margin accounts	2,451	2,451	2,451	-	-	-	-
Receivables	46	46	46	-	-	-	-
	11,961	11,961	11,961	-	-	-	-
Liabilities							
Payables	5,352	5,352	5,352	-	-	-	-
Due to financial institutions	1,639	1,639	1,639	-	-	-	-
	6,991	6,991	6,991	-	-	-	-

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
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14. FINANCIAL RISK MANAGEMENT (Continued)

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.

	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	
Derivatives Held for Trading	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets							
<i>Foreign forward exchange contracts</i>	1,895						
Inflow		339,398	339,398	-	-	-	-
Outflow		(337,417)	(337,417)	-	-	-	-
<i>Futures</i>	97						
Inflow		97	97	-	-	-	-
Liabilities							
<i>Foreign forward exchange contracts</i>	1,686						
Inflow		93,803	93,803	-	-	-	-
Outflow		(95,684)	(95,684)	-	-	-	-
<i>Futures</i>	31						
Outflow		(31)	(31)	-	-	-	-

	Statement of Financial Position	Contractual cash flows	Within 6 months	2022			Over 5 years
				Between 6- 12 months	Between 6- 12 months	Between 6- 12 months	
Derivatives Held for Trading	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets							
<i>Foreign forward exchange contracts</i>	18,312						
Inflow		1,048,400	1,048,400	-	-	-	-
Outflow		(1,029,514)	(1,029,514)	-	-	-	-
Liabilities							
<i>Foreign forward exchange contracts</i>	4,246						
Inflow		174,320	174,320	-	-	-	-
Outflow		(178,724)	(178,724)	-	-	-	-
<i>Futures</i>	445						
Inflow		-	-	-	-	-	-
Outflow		(445)	(445)	-	-	-	-

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14. FINANCIAL RISK MANAGEMENT (Continued)

14f. 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 financial liabilities that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2023.

2023

Related amounts not set-off in the statement of financial position

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Derivatives - FFX Contracts	1,895	-	1,895	(438)	-	1,457
Derivatives - Futures & Options	97	-	97	-	-	97
Total financial assets	1,992	-	1,992	(438)	-	1,554
Financial liabilities						
Derivatives - FFX Contracts	1,686	-	1,686	(438)	-	1,248
Derivatives - Futures & Options	31	-	31	-	-	31
Total financial liabilities	1,717	-	1,717	(438)	-	1,279

2022

Related amounts not set-off in the statement of financial position

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Derivatives - FFX Contracts	20,213	(1,899)	18,314	(4,148)	(522)	13,644
Derivatives - Futures & Options	-	-	-	-	-	-
Total financial assets	20,213	(1,899)	18,314	(4,148)	(522)	13,644
Financial liabilities						
Derivatives - FFX Contracts	6,145	(1,899)	4,246	(4,148)	-	98
Derivatives - Futures & Options	445	-	445	-	-	445
Total financial liabilities	6,590	(1,899)	4,691	(4,148)	-	543

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

15. 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 and 31 March 2022.

	2023			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
International fixed interest securities	-	224,222	-	224,222
<i>Derivatives</i>				
Forward foreign exchange contracts	-	1,895	-	1,895
Futures	<u>97</u>	<u>-</u>	<u>-</u>	<u>97</u>
	<u>97</u>	<u>226,117</u>	<u>-</u>	<u>226,214</u>
Financial liabilities				
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	1,686	-	1,686
Futures	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
	<u>31</u>	<u>1,686</u>	<u>-</u>	<u>1,717</u>
	2022			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
International fixed interest securities	-	244,018	-	244,018
<i>Derivatives</i>				
Forward foreign exchange contracts	-	18,312	-	18,312
	<u>-</u>	<u>262,330</u>	<u>-</u>	<u>262,330</u>
Financial liabilities				
<i>Derivatives:</i>				
Forward foreign exchange contracts	-	4,246	-	4,246
Futures	<u>445</u>	<u>-</u>	<u>-</u>	<u>445</u>
	<u>445</u>	<u>4,246</u>	<u>-</u>	<u>4,691</u>

The fair value of fixed interest securities at reporting date is based on last sale price which is the mid-price of binding dealer price quotations. The government fixed interest securities and corporate fixed interest bonds are included within level 2.

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 and is included in the within level 2.

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

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the year ended 31 March 2023 (31 March 2022: none).

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

16. CONTINGENT LIABILITIES AND COMMITMENTS

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

17. 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 Brandywine Global Opportunistic Fixed Income 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 and financial liabilities at fair value through profit or loss</p> <p>Refer to note 15 to the financial statements for disclosures of financial assets and financial liabilities at fair value through profit or loss (financial instruments)</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Fund.</p> <p>Valuation</p> <p>The fair value of the financial instruments 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>The fair value of the financial instruments that are not traded in an active market is determined using valuation techniques. The valuation technique depends on the underlying asset or liability and includes assumptions that are based on market conditions existing at 31 March 2023. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.</p> <p>The Fund's level 2 instruments include international fixed interest securities and forward foreign exchange contracts.</p> <p>The Fund has no investments where there are significant unobservable inputs.</p> <p>For financial instruments quoted in foreign currencies, these are translated to New Zealand dollars using the exchange rates at 31 March 2023.</p> <p>Existence</p> <p>Holdings of financial instruments 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 instruments 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 investments 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 used our own valuation experts to test the fair value of international fixed interest securities using independent valuation models and reconciled inputs used to independent sources and available market data at 31 March 2023.</p> <p>For investments in forward foreign exchange contracts, we agreed the observable inputs to third party pricing sources and used our own valuation experts to test the fair value using independent valuation models.</p> <p>We have assessed the reasonableness of the exchange rates used to translate financial instruments quoted in foreign currencies.</p> <p>We obtained confirmation from the Custodian and counterparties of the holdings of the financial instruments held by the Fund as at 31 March 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 and financial liabilities at fair value through profit or loss.</p>

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

Materiality

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

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

How we tailored our audit scope

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

The Manager is responsible for the governance and control activities of the Fund. The Fund's investments are held by 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:

Chartered Accountants
27 July 2023

Wellington