

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

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 2, 22 Willeston Street
Private Bag 5902
Wellington 6140, New Zealand

DIRECTORS OF THE MANAGER

Anthony R J Edmonds
Ian H Russon (resigned 1 July 2023)
Jeremy B Valentine
Gareth Fleming
Hugh D Stevens (appointed 1 July 2023)

BANKERS

ANZ Bank New Zealand Limited ("ANZ")
BNP Paribas

INVESTMENT MANAGER

Franklin Templeton Australia Limited

FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

AUDITORS

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

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") 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 30 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 30 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 2024, 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 30 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 17 July 2024.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	2024 \$'000	2023 \$'000
INCOME			
Interest income	4	12,104	10,845
Net changes in fair value of financial instruments at fair value through profit or loss		(10,082)	(30,465)
Net foreign exchange gain/(loss)		691	1,258
Other income		<u>1</u>	<u>-</u>
TOTAL (LOSS)/INCOME		<u>2,714</u>	<u>(18,362)</u>
EXPENSES			
Interest expense		10	14
Management fees	13	1,547	1,818
Other expenses		<u>4</u>	<u>3</u>
TOTAL EXPENSES		<u>1,561</u>	<u>1,835</u>
NET PROFIT/(LOSS)		1,153	(20,197)
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>1,153</u>	<u>(20,197)</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 2024**

	Note	2024 \$'000	2023 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR		228,824	262,609
Net profit/(loss) and other comprehensive income for the year		<u>1,153</u>	<u>(20,197)</u>
Total comprehensive income/(loss)		1,153	(20,197)
Subscriptions from Unitholders		47,185	20,429
Redemptions by Unitholders		(67,179)	(23,911)
Distributions to Unitholders		<u>(9,597)</u>	<u>(10,106)</u>
		(29,591)	(13,588)
UNITHOLDERS' FUNDS AT THE END OF THE YEAR	9b	<u>200,386</u>	<u>228,824</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 2024

	Note	As at 31 March 2024 \$'000	As at 31 March 2023 \$'000
ASSETS			
Cash and cash equivalents		19,930	10,151
Margin accounts		1,110	767
Receivables	6	891	46
Financial assets at fair value through profit or loss			
Investment securities		188,476	224,222
Derivatives	5	841	1,992
TOTAL ASSETS		<u>211,248</u>	<u>237,178</u>
LIABILITIES			
Due to financial institutions		-	32
Payables	7	392	6,605
Financial liabilities at fair value through profit or loss			
Derivatives	5	10,470	1,717
TOTAL LIABILITIES		<u>10,862</u>	<u>8,354</u>
UNITHOLDERS' FUNDS		<u>200,386</u>	<u>228,824</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>211,248</u>	<u>237,178</u>

For and on behalf of the Manager, FundRock NZ Limited, who authorised the issue of the Financial Statements on 17 July 2024.



 Director July 17, 2024 | 10:25 AM BST



 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 2024

	Note	2024 \$'000	2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest		12,783	9,696
Realisation of investments		202,262	361,791
Net settlement in margin accounts		(343)	1,684
Other income		1	-
Operating expenses		(1,450)	(1,831)
Interest expense		(10)	(14)
Purchase of investments		(157,925)	(322,752)
Net settlement of derivatives		(10,526)	(32,646)
Net cash inflow from operating activities	10	44,792	15,928
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		46,487	20,429
Redemptions by Unitholders		(67,064)	(23,911)
Distributions to Unitholders		(14,687)	(10,182)
Net cash (outflow) from financing activities		(35,264)	(13,664)
Net increase in cash and cash equivalents		9,528	2,264
Cash and cash equivalents at beginning of the year		10,119	7,825
Effect of exchange rate fluctuations on cash and cash equivalents		283	30
Cash and cash equivalents at end of the year		19,930	10,119
Cash and cash equivalents comprise of:			
Cash at bank		19,930	10,151
Due to financial institutions		-	(32)
Cash and cash equivalents at the end of the year		19,930	10,119

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 2024****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 30 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 the 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 and 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 2024, with comparatives for the year ended 31 March 2023.

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") Accounting Standards, and other applicable Financial Reporting Standards, as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) 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 ("NZ\$") and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

2. BASIS OF PREPARATION (Continued)

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 MATERIAL 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.

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 2023

The Fund has adopted the amendment to NZ IAS 1 Presentation of Financial Statements effective from financial year 2024. It replaces the requirement for entities to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies.

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

Issued but not yet effective accounting standards

NZ IFRS 18 Presentation and Disclosure in Financial Statements (NZ IFRS 18) was issued in May 2024 as replacement for NZ IAS 1 Presentation of Financial Statements (NZ IAS 1) and applies to an annual reporting period beginning on or after 1 January 2027. Most of the presentation and disclosure requirements would largely remain unchanged together with other disclosures carried forward from NZ IAS 1. NZ IFRS 18 primarily introduces the following:

- a defined structure for the statements of comprehensive income by classifying items into one of the five categories: operating, investing, financing, income taxes and discontinued operations. Entities will also present expenses in the operating category by nature, function, or a mix of both, based on facts and circumstances;
- disclosure of management-defined performance measures in a single note together with reconciliation requirements; and
- additional guidance on aggregation and disaggregation principles (applied to all primary financial statements and notes).

The Manager is currently assessing the impact of adopting the standard.

Other than above, there are no new standards, amendments to standards or interpretations that are not yet effective and have been early adopted that are expected to have a material effect on the Financial Statements of the Fund.

Climate Related Disclosures

FundRock is a Climate Reporting Entity pursuant to the provisions of the Financial Markets Conduct Act 2013, as modified by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. Climate-related disclosures for the Funds will be prepared in accordance with Aotearoa New Zealand Climate Standards issued by External Reporting Board and will be available at the Climate-Related Disclosures Register.

The impacts of climate change have a high degree of uncertainty associated with them. FundRock and the investment manager have used and will continue to use scenario analysis and climate-related metrics (such as carbon emissions) to identify, assess, and monitor climate-related risks and opportunities for the Funds. FundRock has not attempted to quantify the impacts (or expected impacts) of said risks and opportunities because this poses substantial technical challenges; nonetheless, FundRock understands that expected impacts may be significant.

For more details on climate-related risks and opportunities for the Funds and how FundRock manages them, please refer to the Climate-Related Statements.

Investment Entity

The Fund has multiple investors and holds multiple investments (mainly fixed income securities).

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

Income recognition

Interest

Interest income is recognised as the interest accrues (using the effective interest method, which uses 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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024****3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)***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 instruments at fair value through profit or loss' in the period in which they arise.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of fixed interest securities is the last sale price which is the mid-price of binding dealer bid and ask price quotations. 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.

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

Offsetting financial instruments

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

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 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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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. Units issued by the Fund provide the Unitholder the right to request redemption for cash at the value proportionate to the Unitholder's share in the Fund's net asset value. The Unitholders' Funds meet the definition of a "puttable instrument" in accordance with *NZ IAS 32: Financial Instruments: Presentation* and is classified as equity.

The redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net assets value if the Unitholders exercise their right to relinquish the units. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 9.

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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024****3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****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.

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

	2024	2023
	\$'000	\$'000
Cash at bank	668	277
Financial assets at fair value through profit or loss	<u>11,436</u>	<u>10,568</u>
	<u>12,104</u>	<u>10,845</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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

5. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	2024	2023
	\$'000	\$'000
Assets		
<i>Held for Trading :</i>		
Forward foreign exchange contracts	573	1,895
Futures	268	97
	<u>841</u>	<u>1,992</u>
Liabilities		
<i>Held for Trading :</i>		
Forward foreign exchange contracts	10,470	1,686
Futures	-	31
	<u>10,470</u>	<u>1,717</u>

6. RECEIVABLES

	2024	2023
	\$'000	\$'000
Interest receivable	193	46
Outstanding application	698	-
	<u>891</u>	<u>46</u>

7. PAYABLES

	2024	2023
	\$'000	\$'000
Payables from purchase of investments	-	1,339
Management fees payable	277	176
Distribution payable	-	5,090
Outstanding redemption	115	-
	<u>392</u>	<u>6,605</u>

8. AUDIT FEES

PricewaterhouseCoopers fees for the year ended 31 March 2024 amounted to \$32,099 (31 March 2023: \$29,150) excluding GST.

9. UNITHOLDERS' FUNDS

9a. Units on issue

	2024	2023
	'000	'000
Units on issue at the beginning of the year	254,486	258,289
Subscriptions from Unitholders	53,945	21,944
Redemptions by Unitholders	(76,781)	(25,747)
Units on issue at the end of the year	<u>231,650</u>	<u>254,486</u>

9b. Units in dollar value

	2024	2023
	\$'000	\$'000
Unitholders' Funds at the end of the year	<u>200,386</u>	<u>228,824</u>
Unit price NAV at the end of the year	<u>200,285</u>	<u>228,834</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

9. UNITHOLDERS' FUNDS (Continued)

The unit price net asset value ("NAV") is calculated using last sale price and the latest available prices as at the close of business on the last business day of the reporting period. The NAV per the Statement of Financial Position is also based on 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.

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
- Receive the Unitholders' funds of the Fund upon termination of the Fund; and
- Receive distributions distributed by the Fund

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

	2024	2023
	\$'000	\$'000
Net profit/(loss)	1,153	(20,197)
<i>Adjustments for:</i>		
Payments for the purchase of investments	(157,925)	(322,752)
Proceeds from the sales of investments	202,262	361,791
Net changes in fair value of financial instruments at fair value through profit or loss	10,082	30,465
Foreign exchange gain	(691)	(1,258)
Increase in receivables	(147)	-
Increase/(decrease) in payables	101	(10)
Movement in margin accounts	(343)	1,684
Net settlement of derivatives	(10,526)	(32,646)
Movement in accrued interest and take-on interest receivable	826	(1,149)
Net cash inflow from operating activities	<u>44,792</u>	<u>15,928</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

11. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Financial liabilities at fair value through profit or loss \$'000	Financial assets at fair value through profit or loss \$'000	2024 Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Assets					
Cash and cash equivalents	-	-	19,930	-	19,930
Margin accounts	-	-	1,110	-	1,110
Receivables	-	-	891	-	891
Investment securities	-	188,476	-	-	188,476
Derivative assets	-	841	-	-	841
Total Assets	-	189,317	21,931	-	211,248
Liabilities					
Payables	-	-	-	392	392
Derivative liabilities	10,470	-	-	-	10,470
Due to financial institutions	-	-	-	-	-
Total Liabilities	10,470	-	-	392	10,862
	Financial liabilities at fair value through profit or loss \$'000	Financial assets at fair value through profit or loss \$'000	2023 Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Assets					
Cash and cash equivalents	-	-	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

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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.

	2024			Total \$'000
	Within 12 months \$'000	Over 12 months \$'000	Maturity not specified \$'000	
Assets				
Cash and cash equivalents	19,930	-	-	19,930
Margin accounts	1,110	-	-	1,110
Receivables	891	-	-	891
Investment securities	7,507	180,969	-	188,476
Derivatives	841	-	-	841
Total Assets	30,279	180,969	-	211,248
Liabilities				
Payables	392	-	-	392
Derivatives	10,470	-	-	10,470
Total Liabilities	10,862	-	-	10,862

	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

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 Fund), Apex Investment Administration (NZ) Limited (registry provider for the Fund and shares the same parent company as the Manager.).

As outlined in the Fund's Product Disclosure Statement ("PDS"), the Fund incurs Annual Fund Charges capped at 0.76% (31 March 2023: 0.76%) of the net asset value including GST. The Fixed Annual Fund Charges include any fees within underlying funds or securities that the Fund may invest into, as well as fees paid to the Investment Manager, the Supervisor, the Auditor, the Custodian and the Administration Manager, bank charges and other various costs and expenses incurred. Where there is a shortfall, the Manager will pay the shortfall on behalf of the Fund and will recover the shortfall from the Investment Manager.

The Supervisor of the Fund is Public Trust. For the year ended 31 March 2024 Supervisor fee charged to the Fund amounted to \$28,438 (31 March 2023: \$33,738).

The registry provider for the Fund is Apex Investment Administration (NZ) Ltd. For the year ended 31 March 2024 the total fee charged to the Fund amounted to \$10,918 (31 March 2023: \$9,120).

During the year, no other funds managed by the Manager invested in the Fund (31 March 2023: none); the Fund did not hold investments in any funds that were managed by the Manager (31 March 2023: none).

Related Party Holdings in the Fund

			2024	
	Units	Value	Units acquired during the year	Units disposed of during the year
	'000	\$'000	'000	'000
Directors and Key Management Personnel of Manager	30	26	4	(1)
			2023	
	Units	Value	Units acquired during the year	Units disposed of during the year
	'000	\$'000	'000	'000
Directors and Key Management Personnel of Manager	27	25	11	-

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

14. FINANCIAL RISK MANAGEMENT

Strategy in Using Financial Instruments

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 and 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 2024 the Fund's overall industry concentration exposures were as follows:

Sector	2024		2023	
	Fair value	% of	Fair value	% of
	\$'000	investments %	\$'000	investments %
Government	128,508	68.18	174,998	78.04
Corporate				
<i>Financial Institutions</i>				
Banking	4,095	2.17	13,735	6.13
Finance companies	7,758	4.12	4,429	1.98
<i>Industrial</i>				
<i>Securitised</i>				
Residential mortgage	<u>48,114</u>	<u>25.53</u>	<u>31,060</u>	<u>13.85</u>
Total	<u>188,475</u>	<u>100.00</u>	<u>224,222</u>	<u>100.00</u>

FundRock considers that the market prices of the investments factor in climate change impacts and, as such, no adjustment has been made to balances or transactions in these financial statements as a result of climate changes.

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.

A minimum of 75% of the portfolio must be denominated in and/or hedged into New Zealand dollars.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14b. Currency Risk (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.

	2024						
	AUD	CAD	EUR	GBP	JPY	USD	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Monetary assets and liabilities							
Foreign cash and cash equivalents	-	-	-	-	-	14,473	229
Margin accounts	-	-	-	-	-	1,110	-
Receivables/(Payables)	-	-	-	-	-	74	96
Interest bearing securities	-	-	-	9,719	-	119,920	54,019
Derivatives excluding FFX	-	-	-	191	-	77	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,910</u>	<u>-</u>	<u>135,654</u>	<u>54,344</u>
Forward foreign exchange contracts							
Notional value	<u>11,452</u>	<u>(5,288)</u>	<u>(25,260)</u>	<u>(9,884)</u>	<u>9,566</u>	<u>(176,200)</u>	<u>(3,191)</u>
	2023						
	AUD	CAD	EUR	GBP	JPY	USD	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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>

	2024			
	Monetary assets and liabilities			
	Profit or loss		Unitholders' Fund	
	10%	10%	10%	10%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
AUD	(1,147)	1,147	(1,147)	1,147
CAD	529	(529)	529	(529)
EUR	2,529	(2,529)	2,529	(2,529)
GBP	(2)	2	(2)	2
JPY	(968)	968	(968)	968
USD	4,054	(4,054)	4,054	(4,054)
Other	(5,109)	5,109	(5,109)	5,109

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

14. FINANCIAL RISK MANAGEMENT (Continued)

14b. Currency Risk (Continued)

	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

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.

	2024					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	19,930	-	-	-	-	19,930
Interest-bearing securities	-	7,507	14,733	12,604	153,632	188,476
Total financial assets subject to interest rate risk	19,930	7,507	14,733	12,604	153,632	208,406

	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	10,151	-	58,849	7,104	158,269	234,373

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

14. FINANCIAL RISK MANAGEMENT (Continued)

14c. Interest Rate Risk (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 2024.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets as at 31 March 2024.

	2024			
	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	199	(199)	-	-
Interest bearing securities	197	(197)	(17,832)	21,734

	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

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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 2023: AA-) and BNP Paribas (S&P credit rating A+) (31 March 2023: A+).

At 31 March 2024 substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of A+ (31 March 2023: A+).

At 31 March 2024, 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.

	2024					Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	
Overseas and local government securities	72,615	2,979	52,914	-	-	128,508
Other overseas fixed interest securities	52,210	3,688	4,070	-	-	59,968
Forward foreign exchange contracts	-	936	23	-	-	959
	<u>124,825</u>	<u>7,603</u>	<u>57,007</u>	<u>-</u>	<u>-</u>	<u>189,435</u>
	2023					Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Less than B- \$'000	Not rated \$'000	
Overseas and local government securities	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
	<u>137,739</u>	<u>17,384</u>	<u>70,857</u>	<u>136</u>	<u>-</u>	<u>226,116</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
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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	2024			Over 1 year \$000
				Between 1- 2 months \$000	Between 3-6 months \$000	Between 7- 12 months \$000	
Liabilities							
Payables	392	392	392	-	-	-	-
	<u>392</u>	<u>392</u>	<u>392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				2023			
	Statement of Financial Position \$000	Contractual cash flows \$000	Within 30 days \$000	Between 1- 3 months \$000	Between 4 - 6 months \$000	Between 7 - 12 months \$000	Over 1 year \$000
Liabilities							
Payables	6,605	6,605	6,605	-	-	-	-
Due to financial institutions	32	32	32	-	-	-	-
	<u>6,637</u>	<u>6,637</u>	<u>6,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

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

14e. Liquidity Risk (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 2024 and 31 March 2023.

	Statement of Financial Position	Contractual cash flows	2024					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>	573							
Inflow		96,377	96,377	-	-	-	-	
Outflow		(95,649)	(95,649)	-	-	-	-	
<i>Futures</i>	268							
Inflow		268	268	-	-	-	-	
Liabilities								
<i>Foreign forward exchange contracts</i>	10,470							
Inflow		366,858	366,858	-	-	-	-	
Outflow		(377,519)	(377,519)	-	-	-	-	
<i>Futures</i>	-							
Inflow		-	-	-	-	-	-	

	Statement of Financial Position	Contractual cash flows	2023					Over 5 years
			Within 6 months	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>	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)	-	-	-	-	

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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 2024.

	2024					
	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	959	(386)	573	(573)	-	-
Derivatives - Futures & Options	268	-	268	-	-	268
Total financial assets	1,227	(386)	841	(573)	-	268
Financial liabilities						
Derivatives - FFX Contracts	10,856	(386)	10,470	(573)	(201)	9,696
Derivatives - Futures & Options	-	-	-	-	-	-
Total financial liabilities	10,856	(386)	10,470	(573)	(201)	9,696
	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	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

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

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 is measured at 31 March 2024 and 31 March 2023.

	2024			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets at fair value through profit or loss				
<i>Investment securities</i>				
NZ fixed interest securities	-	4,818	-	4,818
International fixed interest securities	-	183,658	-	183,658
<i>Derivatives</i>				
Forward foreign exchange contracts	-	573	-	573
Futures	<u>268</u>	<u>-</u>	<u>-</u>	<u>268</u>
	<u>268</u>	<u>189,049</u>	<u>-</u>	<u>189,317</u>
Financial liabilities				
<i>Derivatives:</i>				
Forward foreign exchange contracts	<u>-</u>	<u>10,470</u>	<u>-</u>	<u>10,470</u>
	<u>-</u>	<u>10,470</u>	<u>-</u>	<u>10,470</u>
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>				
NZ fixed interest securities	-	6,287	-	6,287
International fixed interest securities	-	217,935	-	217,935
<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>

The fair value of exchange-traded futures is based on quoted market prices and are included within level 1.

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 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.

BRANDYWINE GLOBAL OPPORTUNISTIC FIXED INCOME FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the year ended 31 March 2024 (31 March 2023: none).

Comparative Information

International fixed interest securities has been restated from \$224,222,000 to \$217,935,000 and NZ fixed interest securities has been restated from nil to \$6,287,000 for year ended 31 March 2023. There is no impact on Statement of Financial Position or on any other items in the financial statements as a result of the above restatement.

16. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund had no material commitments or contingencies at 31 March 2024 (31 March 2023: nil).

17. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after balance date.



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 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2024;
- 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, comprising material accounting policy information 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, the Manager. In addition, we have reported to the Trustee in respect of certain Wholesale funds managed by 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. These services and relationships have not impaired our independence as auditor of 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 the reported values of financial assets and financial liabilities (financial instruments) at fair value through profit or loss.</p> <p>This was an area of focus for our audit as it represents the majority of the unitholders’ funds 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 the reporting date 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 financial instrument and includes assumptions that are based on market conditions existing at the reporting date.</p> <p>Such 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>For financial instruments quoted in foreign currencies, these are translated to New Zealand dollars using the exchange rates at the reporting date.</p> <p>Existence</p> <p>Holdings of certain financial instruments at fair value through profit or loss are held by the custodian on behalf of the Fund (the Custodian).</p> <p>For financial instruments at fair value through profit or loss not held by the Custodian, the position is recorded with the counterparty.</p>	<p>We assessed the processes employed by the Manager, for recording and valuing the financial instruments at fair value through profit or loss including the relevant controls operated by a third party service organisation, the Administrator. Our assessment of the 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 financial instruments 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>For financial instruments that are not traded in an active market and with inputs that are observable either directly or indirectly, we agreed the observable inputs to third party pricing sources and used our PwC valuation experts to evaluate 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 and positions of the financial instruments at fair value through profit or loss as recognised by the Fund as at the reporting date.</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 instruments 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.



Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report and climate-related statements, 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 Accounting Standards, 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 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:

PricewaterhouseCoopers

Chartered Accountants
17 July 2024

Wellington