

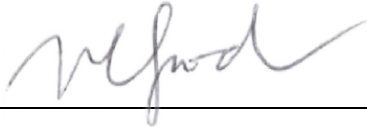
Salt Investment Funds  
Financial Statements  
For the year ended 31 March 2021

## Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Salt Investment Funds as at 31 March 2021 and their results for the year ended on that date in accordance with the requirements of the Salt Investment Funds Trust Deed dated 7 September 2016, which replaced the original Trust Deed dated 16 April 2014.

The directors are of the opinion that the Salt Investment Funds will be able to pay its debts as and when they fall due.

Director



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Salt Investment Funds Limited

15 July 2021

## Additional Unitholder Information

### **Notice of Trust Deed Amendment**

Under clause 30.1 of the Trust Deed governing the Salt Investment Funds and the Financial Markets Conduct Act 2013 (FMC Act), the Manager, Salt Investment Funds Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed.

The Trust Deed was replaced on 7 September 2016 to align with the requirements of the FMC Act, and entry into the FMC regime.

## Statements of Comprehensive Income

\$ For the year/period ended 31 March	Note	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
		2021	2020	2021	2020	2021	2020	2021
<b>Income</b>								
Interest income on financial assets at amortised cost		688	3,777	82,602	1,002,772	3,031	19,827	371
Dividend and distribution income on financial assets at fair value through profit or loss		434,656	526,032	2,107,367	4,761,472	2,258,368	2,914,434	187,310
Dividend expense on financial liabilities at fair value through profit or loss		(64,494)	(84,610)	(1,029,887)	(2,931,156)	-	-	-
Net foreign currency gains/(losses) on cash and cash equivalents		6,891	(10,106)	144,531	(26,605)	28	(404)	-
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		2,730,727	(1,674,179)	21,368,932	(3,421,379)	22,096,776	(1,898,745)	(27,151)
Other income		1,266	544	48,778	60,349	6,409	18,512	-
<b>Total income/(loss)</b>		<b>3,109,734</b>	<b>(1,238,542)</b>	<b>22,722,323</b>	<b>(554,547)</b>	<b>24,364,612</b>	<b>1,053,624</b>	<b>160,530</b>
<b>Expenses</b>								
Management fees	9	99,121	95,451	957,152	1,872,800	920,088	863,595	68,577
Establishment cost recoveries	9	-	2,444	-	-	-	-	-
Supervisor fees	9	6,408	5,961	35,051	66,102	53,228	48,200	3,931
Administration fees		11,615	10,942	67,369	127,466	73,806	68,767	5,625
Transaction costs		42,981	47,828	1,481,258	2,370,513	212,189	265,385	11,435
Other expenses		2,514	3,101	23,309	24,000	18,728	25,646	2,616
<b>Total operating expenses</b>		<b>162,639</b>	<b>165,727</b>	<b>2,564,139</b>	<b>4,460,881</b>	<b>1,278,039</b>	<b>1,271,593</b>	<b>92,184</b>
<b>Operating profit/(loss)</b>		<b>2,947,095</b>	<b>(1,404,269)</b>	<b>20,158,184</b>	<b>(5,015,428)</b>	<b>23,086,573</b>	<b>(217,969)</b>	<b>68,346</b>
<b>Profit/(loss) for the period attributable to Unitholders</b>		<b>2,947,095</b>	<b>(1,404,269)</b>	<b>20,158,184</b>	<b>(5,015,428)</b>	<b>23,086,573</b>	<b>(217,969)</b>	<b>68,346</b>
<b>Total comprehensive income/(loss) for the period attributable to Unitholders</b>		<b>2,947,095</b>	<b>(1,404,269)</b>	<b>20,158,184</b>	<b>(5,015,428)</b>	<b>23,086,573</b>	<b>(217,969)</b>	<b>68,346</b>

These statements are to be read in conjunction with the accompanying notes.

## Statements of Changes in Net Assets Attributable to Unitholders

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund 2021
	2021	2020	2021	2020	2021	2020	
<b>For the year/period ended 31 March</b>							
<b>Net assets attributable to Unitholders at the beginning of the period</b>	<b>11,745,569</b>	7,226,359	<b>86,468,579</b>	177,959,035	<b>78,561,894</b>	83,017,446	-
Proceeds from units issued	<b>2,656,805</b>	9,074,098	<b>9,704,944</b>	36,056,231	<b>10,884,408</b>	32,635,940	<b>22,188,594</b>
Redemption of units	<b>(4,644,797)</b>	(2,818,397)	<b>(65,742,682)</b>	(122,181,340)	<b>(9,137,961)</b>	(33,975,311)	<b>(1,999,098)</b>
Distributions	<b>(433,933)</b>	(314,405)	-	-	<b>(2,306,988)</b>	(2,935,726)	-
Unitholder tax	<b>5,141</b>	(17,817)	<b>(21,994)</b>	(349,919)	<b>99,216</b>	37,514	<b>8,866</b>
<b>Net increase/(decrease) from transactions in units</b>	<b>(2,416,784)</b>	5,923,479	<b>(56,059,732)</b>	(86,475,028)	<b>(461,325)</b>	(4,237,583)	<b>20,198,362</b>
Total comprehensive income/(loss) for the period attributable to Unitholders	<b>2,947,095</b>	(1,404,269)	<b>20,158,184</b>	(5,015,428)	<b>23,086,573</b>	(217,969)	<b>68,346</b>
<b>Net assets attributable to Unitholders at the end of the period</b>	<b>12,275,880</b>	11,745,569	<b>50,567,031</b>	86,468,579	<b>101,187,142</b>	78,561,894	<b>20,266,708</b>
<b>Units</b>							
<b>For the year/period ended 31 March</b>							
Units on issue at the beginning of the period	<b>8,027,557</b>	4,602,858	<b>66,553,004</b>	126,730,115	<b>55,567,055</b>	56,474,339	-
Units issued	<b>1,541,733</b>	5,028,743	<b>6,792,641</b>	23,405,141	<b>6,451,113</b>	20,253,758	<b>22,196,761</b>
Units redeemed	<b>(2,875,358)</b>	(1,604,044)	<b>(45,531,768)</b>	(83,582,252)	<b>(5,205,478)</b>	(21,161,042)	<b>(1,915,579)</b>
<b>Units on issue at the end of the period</b>	<b>6,693,932</b>	8,027,557	<b>27,813,877</b>	66,553,004	<b>56,812,690</b>	55,567,055	<b>20,281,182</b>

These statements are to be read in conjunction with the accompanying notes.

## Statements of Financial Position

\$ As at 31 March	Note	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
		2021	2020	2021	2020	2021	2020	2021
<b>Current assets</b>								
Cash and cash equivalents		360,188	117,286	4,701,877	5,958,594	769,105	2,508,767	311,596
Cash and cash equivalents pledged as collateral		-	-	19,500,000	48,000,000	-	-	-
Financial assets at fair value through profit or loss	6	11,527,781	10,875,164	43,307,302	75,061,822	99,860,536	75,851,010	19,878,015
Financial assets at fair value through profit or loss pledged as collateral	6	1,123,000	1,234,000	3,432,423	2,239,005	-	-	-
Due from brokers		153,968	58,440	4,758,538	6,144,792	183,416	266,883	83,983
Contributions receivable		2,157	811	79,460	95,326	3,520	120	-
Other receivables		14,740	18,614	230,193	680,364	385,212	539,296	78,332
Tax receivable on behalf of unitholders		8,662	1,484	90,041	7,132	99,221	37,731	8,866
<b>Total assets</b>		<b>13,190,496</b>	<b>12,305,799</b>	<b>76,099,834</b>	<b>138,187,035</b>	<b>101,301,010</b>	<b>79,203,807</b>	<b>20,360,792</b>
<b>Current liabilities</b>								
Financial liabilities at fair value through profit or loss	7	829,322	453,763	23,028,186	43,442,104	-	-	-
Due to brokers		61,996	71,502	2,230,436	7,349,420	-	535,760	70,912
Payable to related parties	9	11,094	13,338	75,167	156,421	100,429	93,691	20,294
Withdrawals payable		-	5,366	60,511	402,697	-	3	-
Other payables		12,204	6,568	138,419	363,415	13,439	12,401	2,878
Tax payable on behalf of unitholders		-	9,693	84	4,399	-	58	-
<b>Total liabilities</b>		<b>914,616</b>	<b>560,230</b>	<b>25,532,803</b>	<b>51,718,456</b>	<b>113,868</b>	<b>641,913</b>	<b>94,084</b>
<b>Net assets attributable to Unitholders</b>		<b>12,275,880</b>	<b>11,745,569</b>	<b>50,567,031</b>	<b>86,468,579</b>	<b>101,187,142</b>	<b>78,561,894</b>	<b>20,266,708</b>

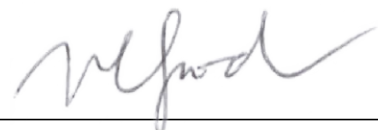
These statements are to be read in conjunction with the accompanying notes.

The Directors of Salt Investment Funds Limited authorised these Financial Statements for issue on 15 July 2021.

Director



Director



## Statements of Cash Flows

\$ For the year/period ended 31 March	Note	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
		2021	2020	2021	2020	2021	2020	2021
<b>Cash flows from operating activities</b>								
Proceeds from sale of financial assets		11,783,211	10,967,784	438,874,731	688,465,650	48,234,908	63,644,624	3,219,296
Proceeds from derivative financial instruments		61,966	27,887	933,954	837,725	-	-	-
Purchase of financial assets and settlement of financial liabilities		(9,182,485)	(17,201,702)	(409,834,174)	(672,137,409)	(50,117,366)	(59,931,099)	(1,430,948)
Purchase and settlement of derivative financial instruments		(97,381)	(52,538)	(2,029,771)	(870,946)	-	-	-
Net change in cash and cash equivalents pledged as collateral		-	-	28,500,000	52,000,000	-	-	-
Dividends received on financial assets at fair value through profit or loss		332,749	455,548	2,374,631	4,938,160	1,929,489	2,595,727	97,162
Dividends paid on financial liabilities at fair value through profit or loss		(59,167)	(40,521)	(1,231,902)	(2,326,799)	-	-	-
Interest income received		793	3,903	104,150	1,153,595	3,407	21,147	309
Other income		1,266	544	48,778	60,349	6,409	18,512	-
Operating expenses paid		(164,574)	(155,597)	(2,668,374)	(4,605,637)	(1,270,263)	(1,240,987)	(69,012)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10</b>	<b>2,676,378</b>	<b>(5,994,692)</b>	<b>55,072,023</b>	<b>67,514,688</b>	<b>(1,213,416)</b>	<b>5,107,924</b>	<b>1,816,807</b>
<b>Cash flows from financing activities</b>								
Proceeds from units issued		2,325,434	8,824,948	9,720,815	36,007,668	9,032,219	30,360,800	493,887 **
Redemptions of units		(4,650,163)	(2,813,031)	(66,084,868)	(123,928,995)	(9,137,964)	(34,006,282)	(1,999,098)
Unitholders tax liabilities		(11,730)	21,927	(109,218)	(208,376)	37,668	32,525	-
Distributions*		(103,908)	(65,380)	-	-	(458,197)	(660,505)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,440,367)</b>	<b>5,968,464</b>	<b>(56,473,271)</b>	<b>(88,129,703)</b>	<b>(526,274)</b>	<b>(4,273,462)</b>	<b>(1,505,211)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>236,011</b>	<b>(26,228)</b>	<b>(1,401,248)</b>	<b>(20,615,015)</b>	<b>(1,739,690)</b>	<b>834,462</b>	<b>311,596</b>
Cash and cash equivalents at the beginning of the financial period		117,286	153,620	5,958,594	26,600,214	2,508,767	1,674,709	-
Foreign exchange gains/(losses) on cash and cash equivalents denominated in foreign currencies		6,891	(10,106)	144,531	(26,605)	28	(404)	-
<b>Cash and cash equivalents at the end of the financial period</b>		<b>360,188</b>	<b>117,286</b>	<b>4,701,877</b>	<b>5,958,594</b>	<b>769,105</b>	<b>2,508,767</b>	<b>311,596</b>

\* In addition to the distributions paid in cash, the Enhanced Property Fund reinvested distributions of \$330,025 into the Fund during the year ended 31 March 2021 and the NZ Dividend Appreciation Fund reinvested distributions of \$1,848,791 into the Fund during the year ended 31 March 2021.

For Enhanced Property Fund and NZ Dividend Appreciation Fund, prior year comparative figures for cash flows from financing activities have been corrected for non-cash items previously recognised in re-invested distributions. Re-invested distributions totalling \$249,025 for Enhanced Property Fund and \$2,275,221 for NZ Dividend Appreciation Fund, which are non-cash items, were recognised in error as distributions paid, with a corresponding amount recognised as proceeds from units issued. There is no impact to the net cash inflows from financing activities or the statement of changes in net assets attributable to unitholders.

\*\* In addition to the cash proceeds from units issued, on 3 December 2020, the Core NZ Shares Fund received a non-cash in specie transfer from a third party totalling \$21,694,707.

These statements are to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1. General information

### Reporting Entities

The Salt Investment Funds ('the Funds') are open-ended investment funds domiciled in New Zealand and originally established in Auckland under a Master Trust Deed dated 16 April 2014. This Master Trust Deed was replaced with a new Master Trust Deed on 7 September 2016 to align with the requirements of the Financial Markets Conduct Act 2013 (FMC Act), and entry into the FMC regime.

Unit Trust Establishment Deeds between the Manager and The New Zealand Guardian Trust Company Limited ('the Supervisor') have been executed for the following funds:

- \* Salt Enhanced Property Fund (previously known as the Salt Listed Property Fund) was established on 16 April 2014 and commenced operations on 11 November 2014.
- \* Salt Long Short Fund was established on 16 April 2014 and commenced operations on 30 June 2014.
- \* Salt NZ Dividend Appreciation Fund was established on 16 April 2014 and commenced operations on 30 June 2015.
- \* Salt Core NZ Shares Fund was established on 16 September 2020 and commenced operations on 1 December 2020.

The Funds are a registered Managed Investment Scheme as defined by the FMC Act and are subject to the provisions of that Act.

The objectives of the Funds are as follow:

- \* Salt Enhanced Property Fund: The Fund targets a portfolio of shares of New Zealand and Australian property trusts, companies and other property related securities. The Fund may also, at our discretion, short sell securities, hold cash, lever assets and utilise active currency management to generate returns (although generally will be fully hedged). The Fund's investment objective is to outperform the S&P/NZX All Real Estate Gross Index on a rolling three year basis.
- \* Salt Long Short Fund: The Fund aims to deliver positive absolute returns in all market environments. In addition to holding "long-only" New Zealand and Australian securities, the Fund may at the Manager's discretion short sell securities, hold cash, lever its assets and utilise active currency management to generate returns. The Fund's investment objective is to outperform the Reserve Bank of New Zealand Official Cash Rate +5% p.a. benchmark over the full market cycle.
- \* Salt NZ Dividend Appreciation Fund: The Fund targets a portfolio of shares of New Zealand companies that may, in the Manager's opinion, pay high and sustainable dividends.
- \* Salt Core NZ Shares Fund: The Fund targets a portfolio of shares of New Zealand companies that may, in the Manager's opinion, provide a high total return. The Fund may also invest opportunistically in shares of Australian companies.

The Funds' investment activities are managed by Salt Investment Funds Limited (the 'Manager'). The registered office for Salt Investment Funds Limited is Level 3, The Imperial Buildings, 44 Queen Street, Auckland.

These Financial Statements were authorised for issue by the Board of Directors of the Manager on 15 July 2021.

### Statutory Base

The Financial Statements have been prepared in accordance with the requirements of the FMC Act and the Master Trust Deed.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with the requirements of the FMC Act, the Master Trust Deed and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The Financial Statements also comply with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The Financial Statements are prepared for the year ended 31 March 2021, except for the Core NZ Shares Fund, which is presented for the period from 16 September 2020 (date of establishment) to 31 March 2021. Comparative figures are for the year ended 31 March 2020. There are no comparatives for the Core NZ Shares Fund as it commenced operations during the current reporting period.

### Standards and amendments to existing standards effective 1 April 2020 impacting the Funds

There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2020 that have a material effect on the Financial Statements of the Funds.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### 2.2 Financial instruments

#### (a) Classification

##### **Financial assets**

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

##### *(i) Financial assets at fair value through profit or loss*

**Financial assets at fair value through profit or loss** can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9 *Financial Instruments*. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. Financial assets at fair value through profit or loss comprise of New Zealand and Australian listed equity instruments held long, fixed interest instruments and derivatives (including forward currency contracts) that have a positive fair value at year end. The Funds do not designate any derivatives as hedges in a hedging relationship.

##### *(ii) Financial assets at amortised cost*

(a) **Cash and cash equivalents** include deposits held at call with banks and deposits with brokers in New Zealand dollars and foreign currencies, but does not include cash pledged as collateral which is disclosed separately, also as a financial asset at amortised cost.

(b) **Receivables** are amounts representing assets owing to the Funds and may include amounts due for interest or dividends, contributions receivable or amounts due from brokers for securities sold that have been contracted for but not yet settled or delivered at year end.

##### **Financial liabilities**

##### *(i) Financial liabilities at fair value through profit or loss*

**Financial liabilities at fair value through profit or loss** can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. Financial liabilities at fair value through profit or loss comprise of New Zealand and Australian listed equity instruments sold short and derivatives (including forward foreign exchange contracts) that have a negative fair value at year end. The Salt Long Short Fund and the Salt Enhanced Property Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions.

##### *(ii) Financial liabilities at amortised cost*

(a) **Payables** are amounts representing liabilities and accrued expenses owing by the Funds at year end and may include related party fees, withdrawals payable and amounts due to brokers for purchase of unsettled securities at year end.

#### **(b) Recognition, measurement and derecognition**

##### *(i) Financial assets and liabilities at fair value through profit or loss*

The Funds recognise financial assets and liabilities at fair value through profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statements of Comprehensive Income when they arise.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statements of Comprehensive Income in the year the item is derecognised.

##### *(ii) Financial assets and liabilities at amortised cost*

The Funds recognise financial assets at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value.

Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost less any impairment. Any impairment charge is recognised in the Statements of Comprehensive Income. At each reporting date, the Funds measure the loss allowance of all financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12 month expected credit losses. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all or the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the financial asset or financial liability at amortised cost is included in the Statements of Comprehensive Income in the year the item is derecognised.



# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### 2.2 Financial instruments (continued)

#### (c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

##### *· Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets, such as public trading securities are based on quoted market prices at the close of trading on the reporting date, where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

##### *· Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds' use a variety of methods and makes assumptions that are based on market conditions existing at the year end. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

### 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements 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 company or counterparty.

### 2.4 Net assets attributable to unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. Redemptions takes place at the Redemption Price which represents the unit price less transaction costs. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Funds gross of the spread to cover transaction costs.

Units are issued to unitholders at the subscription value, which represents the unit price plus transaction costs.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Funds' unit prices are calculated by dividing the net assets attributable to the holders of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

### 2.5 Investment income

#### *Interest income and expense*

Interest income on financial assets at amortised cost is included as interest in the Statements of Comprehensive Income on an accruals basis. Interest expense on any overdrawn bank accounts are recorded as interest expense in the Statements of Comprehensive Income on the accruals basis.

#### *Dividend and distribution income and expenses*

Dividend and distribution income and dividend expenses are recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets Attributable to Unitholders as a unitholder tax liability. Dividend income from financial assets at fair value through profit or loss is recognised in the Statements of Comprehensive Income within dividend and distribution income on financial assets at fair value through profit or loss. Dividend expense on short sales of equity securities is recognised in the Statements of Comprehensive Income within dividend expense on financial liabilities at fair value through profit or loss.

#### *Net gains and losses on financial assets and liabilities at fair value through profit or loss*

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as net gains/(losses) on financial instruments at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance date and the reversal of prior years unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### 2.6 Collateral

Cash collateral provided by the Funds is identified in the Statements of Financial Position as 'cash and cash equivalents pledged as collateral' and is not included as a component of 'cash and cash equivalents'. For collateral other than cash, if the party to whom the collateral is provided has the right by contract to sell or re-pledge the collateral the Fund classifies that asset in their Statements of Financial Position separately from other assets and liabilities as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the Financial Statements.

### 2.7 Expenses

All expenses, including the Funds' management fees, performance fees and supervisor fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

### 2.8 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Funds' Financial Statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The majority of the Funds' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds are measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Financial Statements are presented in New Zealand dollars, which is also the Funds' presentation currency.

#### (b) 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 year end.

Foreign exchange gains and losses resulting from translation are included in the Statements of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statements of Comprehensive Income within 'net foreign currency gains/(losses) on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statements of Comprehensive Income within 'net gains/(losses) on financial assets at fair value through profit or loss'.

### 2.9 Income tax

The Funds qualify as and have elected to be Portfolio Investment Entities (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statements of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Funds to Unitholders in accordance with the proportion of their interest in the Funds. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

### 2.10 Goods and services tax ("GST")

The Funds are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

# Notes to the Financial Statements

## 3. Critical accounting estimates and judgements

The Manager of the Funds make estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Fair value of securities not quoted in an active market*

The fair value of securities not quoted in an active market may be determined by the Manager using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market-makers. Where no market data is available for example over the counter derivatives, the Manager will price positions based on valuation models and techniques generally recognised within the industry.

The valuation models employed use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments

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

### *Net assets attributable to Unitholders*

The Funds classify units as equity instruments in accordance with NZ IAS 32, '*Financial Instruments: Presentation*'. The Funds continue to assess the classification of the redeemable units to ensure it has all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

COVID-19 has been a dominating feature of the social economic and market backdrop since the beginning of 2020. A global vaccination program began in early 2021, though vaccination levels remain well short of what is required for "herd immunity". That leaves all countries still vulnerable to a resurgence in the virus. As economies have re-opened the release of pent-up demand has led to supply bottlenecks which is generating a sharp rise in inflation. It remains to be seen whether this inflation is temporary, allowing central banks to look through it, or whether it becomes something more fundamental requiring a monetary response. The COVID experience has also led to a step-change in some key structural trends such as working from home and shopping on line, but it has also led to an increased sense of urgency in the need for action on climate change and sustainability. The effect of COVID on the Funds for the year ending 31 March 2021 was an increase in levels of volatility of investment returns. This was due to higher levels of fluctuations in the prices of the Funds' underlying investments assets.

## 4. Derivative financial instruments

### 4.1 Forward foreign currency contracts

Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Funds' open positions in forward contracts at balance date are outlined below:

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>As at 31 March</b>							
<b>Forward exchange contracts (notional value in NZ\$)</b>							
Sell AUD/Buy NZD	971,074	831,582	13,248,815	23,434,172	-	-	-
<b>Forward exchange contracts (fair value in NZ\$)</b>							
Sell AUD/Buy NZD	(7,845)	5,909	(129,605)	36,220	-	-	-

# Notes to the Financial Statements

## 5. Financial risk management

### 5.1 Financial risk factors

The Funds' activities expose the Funds to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

All investments in securities present a risk of loss of capital. The Funds hold long listed equities where the maximum loss of capital is limited to the carrying value of those positions. On the equity securities sold short, the maximum loss of capital can be unlimited. The maximum loss of capital on the forward currency contracts is limited to the notional contract values of those positions.

The management of these risks is carried out by the Manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and the investment of excess liquidity.

The Enhanced Property Fund and Long Short Funds use of leverage can increase the Funds' exposure to this risk, which in turn can also increase the potential returns/(losses) the Funds can achieve. The Manager manages these exposures on an individual securities level.

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### 5.1.1 Market risk

##### (a) Price risk

The Funds invest in a combination of listed and unlisted Australian and New Zealand equities. These equity instruments are market linked and are susceptible to general market fluctuations and individual share price movements. These investment activities expose the Funds to market price risk arising from holding investments for which prices in the future are uncertain. Where non-monetary financial instruments - for example, the listed equities - are denominated in Australian dollars, the price initially expressed in foreign currency and then converted into New Zealand dollars will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The Funds' Manager uses a combination of the following strategies to mitigate some of the price risk.

The Manager diversifies the Funds' holdings in a wide range of positions to reduce the amount of risk and adheres to position limits for individual securities in accordance with the Fund's investment guidelines and overall investment strategy. Enhanced Property Fund and Long Short Fund also recognise that the potential losses on a short position are unlimited if the share's price rises and manage individual security exposure so that positions sizes are rarely as large as long positions where the Manager has a similar level of conviction.

For Enhanced Property Fund and Long Short Fund, the Manager monitors the Fund's net equity exposure and gross equity exposure.

Net equity exposure is defined as:

$$\frac{(\text{Absolute Value of Long Positions} - \text{Absolute Value of Short Positions})}{\text{Gross Fund Value}}$$

Gross equity exposure is defined as:

$$\frac{(\text{Absolute Value of Long Positions} + \text{Absolute Value of Short Positions})}{\text{Gross Fund Value}}$$

The Manager manages these exposures by the setting of limits, as below:

- \* The limit of the net equity exposure imposed on the Enhanced Property Fund is between +70% (the value of the long positions exceed the value of the short positions by 70%) and +100% net equity exposure. The maximum gross equity exposure (the combined value of long positions and short positions) taking into account leverage through the use of short selling and derivatives is 200% of the Fund's gross fund value.
- \* The limit of the net equity exposure imposed on the Long Short Fund is between -30% (the value of the short positions exceed the value of the long position by 30%) and +60% net equity exposure (the value of the long positions exceed the value of the short positions by 60%). The maximum gross equity exposure (the combined value of long positions and short positions) taking into account leverage through the use of short selling and derivatives is 400% of the Fund's gross fund value.

The Manager also adopts a hedging strategy at its discretion where the Funds invest in foreign denominated investments to mitigate exposure to currency risk.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to movements in the listed equity prices, including the effect of movements in foreign currency exchange rates, as at 31 March. If the prices for the listed equities in which the Funds' invest had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders:

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
5% increase in prices	589,156	582,475	1,192,057	1,691,125	4,993,027	3,792,551	993,901
5% decrease in prices	(589,156)	(582,475)	(1,192,057)	(1,691,125)	(4,993,027)	(3,792,551)	(993,901)

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.1 Market risk (continued)

##### (b) Foreign exchange risk

The Funds also operate internationally and hold both monetary and non-monetary assets denominated in currencies other than New Zealand dollars, the functional currency. Foreign currency risk, as defined in NZ IFRS 7, 'Financial Instruments: Disclosures', arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

Foreign exchange risk management is undertaken by the Funds' Manager who adopts a policy of generally being fully hedged while retaining the right to be partially hedged or unhedged.

At the balance date the Funds had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund 2021
	2021	2020	2021	2020	2021	2020	
<b>Monetary assets/(liabilities)</b>							
Australian Dollar (AUD)	(792,492)	(792,857)	(9,884,261)	(19,140,387)	8	7	-

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets and liabilities, comprising of debt instruments, receivables and cash and cash equivalents at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on an exchange rate movement of 5% which represents the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund 2021
	2021	2020	2021	2020	2021	2020	
<b>Monetary assets/(liabilities)</b>							
Exchange rates increased by 5%	37,738	37,755	470,679	911,447	-	-	-
Exchange rates decreased by 5%	(41,710)	(41,729)	(520,224)	(1,007,389)	-	-	-

##### (c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds hold cash and cash equivalents in New Zealand dollars that expose the Fund to cash flow interest rate risk. The Funds hold fixed interest securities that expose them to fair value interest rate risk. The interest rate risk arising from these investments is managed by the Manager.

##### (i) Cash flow sensitivity analysis

At the reporting date, had the interest rate increased or decreased by 0.1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on cash and cash equivalents in the respective Funds and the related change in total comprehensive income/(loss) would have been as follows:

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund 2021
	2021	2020	2021	2020	2021	2020	
0.1% increase in interest rates	360	117	24,202	53,959	769	2,509	312
0.1% decrease in interest rates	(360)	(117)	(24,202)	(53,959)	(769)	(2,509)	(312)

##### (ii) Fair value interest rate risk

At the reporting date, had the interest rate increased or decreased by 0.1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact on the fair value of the fixed interest portfolio in the respective Funds and the related change in total comprehensive income/(loss) would have been as follows:

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund 2021
	2021	2020	2021	2020	2021	2020	
0.1% increase in interest rates	(20)	-	-	-	-	-	-
0.1% decrease in interest rates	20	-	-	-	-	-	-

#### 5.1.2 Credit risk

The Funds are exposed to credit risk, which is the risk that a counterparty or issuer of a security will be unable to pay amounts in full when they fall due. The Funds measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. The main credit risks to which the Funds are exposed to arise from the Fund's investments in money market securities such as cash and cash equivalents, cash and cash equivalents pledged as collateral, amounts due from brokers, contributions receivable and other receivable balances. The Enhanced Property Fund and the Long Short Fund are also exposed to credit risk for collateral posted as security for the Funds' short positions. The maximum credit risk of financial instruments is considered to be the carrying value recognised in the Statements of Financial Position.

The Funds' credit risk is managed with respect to cash and cash equivalents and for the Enhanced Property Fund and the Long Short Fund collateral posted with the borrowing counterparty, by imposing a minimum credit ratings with counterparties. The credit rating for the Funds' cash and cash equivalents is AA-. The credit rating for Enhanced Property Fund and Long Short Fund's collateral is A. The Funds transactions in listed securities are only undertaken with approved brokers.

At 31 March 2021 and 31 March 2020, all cash and cash equivalents, cash held as collateral and amounts due from brokers are held with counterparties with high credit ratings. Management consider the probability of default to be close to zero as 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 Funds.

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.1.3 Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The majority of the Funds' investments are in listed equity securities which are considered readily realisable, as they are listed on recognised stock exchanges. The Manager also diversifies the Funds' holdings by holding a wide range of positions to reduce the amount of liquidity risk.

The table below analyses the Funds' financial liabilities into relevant maturity grouping based on the remaining period at the balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows excluding gross settled derivatives.

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>Financial liabilities at fair value through profit or loss</b>							
Less than 7 days	821,477	452,238	22,898,581	43,318,583	-	-	-
7 days to 1 month	7,845	-	129,605	-	-	-	-
Over 1 month	-	1,525	-	123,521	-	-	-
<b>Due to brokers</b>							
Less than 7 days	61,996	71,502	2,230,436	7,349,420	-	535,760	70,912
<b>Payable to related parties</b>							
7 days to 1 month	11,094	13,338	75,167	156,421	100,429	93,691	20,294
<b>Withdrawals payable</b>							
Less than 7 days	-	5,366	60,511	402,697	-	3	-
<b>Other payables</b>							
7 days to 1 month	12,204	6,568	138,419	363,415	13,439	12,401	2,878

#### 5.2 Capital risk management

The Funds' capital is represented by net assets attributable to unitholders. The Manager's objectives when managing capital is to safeguard the Funds' ability to continue as a going concern in order to provide returns for unitholders and to maintain a strong capital base to support the development of the investment activities of the Funds while maintaining sufficient liquidity to meet Unitholder redemptions.

The unitholder holding criteria in the Funds are as follow:

\$ As at 31 March	Enhanced Property Fund	Long Short Fund	NZ Dividend Appreciation Fund	Core NZ Shares Fund
	Minimum investment amount	5,000	5,000	5,000
Minimum withdrawal amount	1,000	1,000	1,000	1,000
Minimum balance	5,000	5,000	5,000	5,000

The Manager has the right to suspend withdrawals from the Funds if, for good reason, the Manager formed the opinion that it is not desirable, or would be prejudicial to the interest of the unitholders in the Funds as a whole, or such redemption would threaten that Funds' eligibility for PIE status.

The Funds strive to invest the subscription funds of Unitholders in investments that meet the Fund's objectives while maintaining sufficient liquidity to meet Unitholder redemptions.

The Funds do not have any externally imposed capital requirements. Units may be redeemed daily subject to the receipt of the redemption request.

Expected cash outflow cannot be reliably estimated given the Funds do not have sufficient historical redemption rates to predict the expected outflow profile.

## Notes to the Financial Statements

### 5. Financial risk management (continued)

#### 5.3 Fair value estimation

NZ IFRS 13 *Fair Value Measurements* requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Funds' financial assets and financial liabilities (by class) measured at fair value at year end:

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>Level 1 Assets</b>							
<i>Financial assets at fair value through profit or loss</i>							
Listed equities	11,481,602	10,867,730	43,307,302	74,644,098	99,860,536	75,851,010	19,878,015
Listed equities pledged as collateral	1,123,000	1,234,000	3,432,423	2,239,005	-	-	-
Listed fixed interest securities	46,179	-	-	-	-	-	-
<b>Total Level 1 Assets</b>	<b>12,650,781</b>	<b>12,101,730</b>	<b>46,739,725</b>	<b>76,883,103</b>	<b>99,860,536</b>	<b>75,851,010</b>	<b>19,878,015</b>
<b>Level 2 Assets</b>							
<i>Financial assets at fair value through profit or loss</i>							
Forward foreign exchange contracts	-	7,434	-	170,452	-	-	-
<b>Total Level 2 Assets</b>	<b>-</b>	<b>7,434</b>	<b>-</b>	<b>170,452</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Level 3 Assets</b>							
<i>Financial assets at fair value through profit or loss</i>							
Listed equities	-	-	-	247,272	-	-	-
<b>Total Level 3 Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>247,272</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets at fair value through the profit or loss</b>	<b>12,650,781</b>	<b>12,109,164</b>	<b>46,739,725</b>	<b>77,300,827</b>	<b>99,860,536</b>	<b>75,851,010</b>	<b>19,878,015</b>
<b>Level 1 Liabilities</b>							
<i>Financial liabilities at fair value through profit or loss</i>							
Listed equities sold short	821,477	452,238	22,898,581	43,307,872	-	-	-
<b>Total Level 1 Liabilities</b>	<b>821,477</b>	<b>452,238</b>	<b>22,898,581</b>	<b>43,307,872</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Level 2 Liabilities</b>							
<i>Financial liabilities at fair value through profit or loss</i>							
Forward foreign exchange contracts	7,845	1,525	129,605	134,232	-	-	-
<b>Total Level 2 Liabilities</b>	<b>7,845</b>	<b>1,525</b>	<b>129,605</b>	<b>134,232</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities at fair value through the profit or loss</b>	<b>829,322</b>	<b>453,763</b>	<b>23,028,186</b>	<b>43,442,104</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

## 5. Financial risk management (continued)

### 5.3 Fair value estimation (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equity securities held long and listed equity securities sold short. The Funds do not adjust the quoted price for these instruments.

Investments classified within Level 2 trade in markets that are not considered to be active but are valued based on alternative pricing sources supported by observable inputs. The Manager exercises judgement and makes estimates based on the quantity and quality of pricing sources used. Where no market data is available, the Manager may price positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The Funds' forward foreign exchange contracts are valued indirectly from observable market data and are therefore also classified within level 2.

The level 3 listed equity investment as at 31 March 2020 is Kalium Lakes Limited. The Manager had applied a 62.3% haircut to the price due to a trading suspension in effect from 21 February 2020, resulting in a fair value writedown of \$404,741. Kalium Lakes Limited was classified as level 3 as the price is not based on observable market data. Kalium Lakes Limited was transferred from level 3 to level 1 in the current reporting year and subsequently divested; there is no holdings at year end. There were no other transfers between levels in the year ended 31 March 2021 (31 March 2020: nil).

### 5.4 Offsetting and amounts subject to master netting arrangements and similar agreements

The Funds have in place an International Swaps and Derivatives Association ("ISDA") agreement with Westpac Banking Corporation. According to the terms of the ISDA, all the derivatives are settled net.

Enhanced Property Fund and Long Short Fund have in place a Global Master Securities Lending ("GMSL") agreement with Macquarie Bank. The Funds receive and give collateral in the form of cash and marketable securities in respect of securities borrowed to undertake short selling activities. Collateral in the form of cash or securities can be transferred during the term of the loan but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate a loan. The Global Master Securities Lending agreement does not meet the criteria for offsetting in the Statements of Financial Position as it creates a right of set off that is enforceable only following an event of default of the Fund or its counterparty. Per the terms of the GMSL agreement, an event of default includes the following:

- failure by a party to pay, repay or deliver collateral when due;
- failure by a party to make payments when due if such failure is not remedied within 3 business days after notice of such failure is given to the party;
- an act of insolvency;
- any warranty outlined in the agreement made by a party being incorrect or untrue in any material respect;
- all or any material part of the assets of either party being transferred or ordered to be transferred to a trustee;
- any party being declared in default or being suspended or expelled from membership of or participation in, any securities exchange or suspended or prohibited from dealing in securities by any regulatory authority, in each case on the grounds that it has failed to meet any requirements relating to financial resources or credit rating;
- failure by a party to perform any other of its obligation required by the agreement and not remedying such failure within 30 days after notice of such failure is given to the party; or
- in respect of Long Short Fund only, the Net Asset Value of the Fund (exclusive of withdrawals and redemptions) as of the last Business Day of a given calendar month declines by 20% or more from the last Business Day of the previous calendar month or 30% or more from the last Business Day of the immediately preceding third calendar month or 40% or more from the last Business Day of the immediately preceding twelfth calendar month.

The following tables present the Funds' financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>As at 31 March</b>							
<i>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:</i>							
Gross amounts of recognised financial assets	1,123,000	1,241,434	22,932,423	50,409,457	-	-	-
Gross amounts of recognised financial liabilities set-off in the Statements of Financial Position	-	-	-	-	-	-	-
<b>Net amounts of financial assets presented in the Statements of Financial Position</b>	<b>1,123,000</b>	<b>1,241,434</b>	<b>22,932,423</b>	<b>50,409,457</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Related amounts not set-off in the Statements of Financial Position</i>							
Financial instruments	(821,477)	(452,238)	(22,898,581)	(43,307,872)	-	-	-
<b>Net amount</b>	<b>301,523</b>	<b>789,196</b>	<b>33,842</b>	<b>7,101,585</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>							
Gross amounts of recognised financial liabilities	(829,322)	(453,763)	(23,028,186)	(43,442,104)	-	-	-
Gross amounts of recognised financial assets set-off in the Statements of Financial Position	-	-	-	-	-	-	-
<b>Net amounts of financial liabilities presented in the Statements of Financial Position</b>	<b>(829,322)</b>	<b>(453,763)</b>	<b>(23,028,186)</b>	<b>(43,442,104)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Related amounts not set-off in the Statements of Financial Position</i>							
Financial instruments	821,477	452,238	-	-	-	-	-
Cash and cash equivalents	-	-	22,898,581	43,307,872	-	-	-
<b>Net amount</b>	<b>(7,845)</b>	<b>(1,525)</b>	<b>(129,605)</b>	<b>(134,232)</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

### 6. Financial assets at fair value through profit or loss

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>Financial assets at fair value through profit or loss</b>							
Forward foreign exchange contracts	-	7,434	-	170,452	-	-	-
Listed equities	11,481,602	10,867,730	43,307,302	74,891,370	99,860,536	75,851,010	19,878,015
Listed equities pledged as collateral	1,123,000	1,234,000	3,432,423	2,239,005	-	-	-
Listed fixed interest securities	46,179	-	-	-	-	-	-
<b>Total financial assets at fair value through profit or loss</b>	<b>12,650,781</b>	<b>12,109,164</b>	<b>46,739,725</b>	<b>77,300,827</b>	<b>99,860,536</b>	<b>75,851,010</b>	<b>19,878,015</b>

### 7. Financial liabilities at fair value through profit or loss

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>Financial liabilities at fair value through profit or loss</b>							
Forward foreign exchange contracts	7,845	1,525	129,605	134,232	-	-	-
Listed equities sold short	821,477	452,238	22,898,581	43,307,872	-	-	-
<b>Total financial liabilities at fair value through profit or loss</b>	<b>829,322</b>	<b>453,763</b>	<b>23,028,186</b>	<b>43,442,104</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 8. Financial instruments by category

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>Financial assets at fair value through profit or loss</b>							
Financial assets at fair value through profit or loss	11,527,781	10,875,164	43,307,302	75,061,822	99,860,536	75,851,010	19,878,015
Financial assets at fair value through profit or loss pledged as collateral	1,123,000	1,234,000	3,432,423	2,239,005	-	-	-
<b>Total assets at fair value through profit or loss</b>	<b>12,650,781</b>	<b>12,109,164</b>	<b>46,739,725</b>	<b>77,300,827</b>	<b>99,860,536</b>	<b>75,851,010</b>	<b>19,878,015</b>
<b>Financial assets at amortised cost</b>							
Due from brokers	153,968	58,440	4,758,538	6,144,792	183,416	266,883	83,983
Contributions receivable	2,157	811	79,460	95,326	3,520	120	-
Other receivables	14,740	18,614	230,193	680,364	385,212	539,296	78,332
Cash and cash equivalents pledged as collateral	-	-	19,500,000	48,000,000	-	-	-
Cash and cash equivalents	360,188	117,286	4,701,877	5,958,594	769,105	2,508,767	311,596
<b>Total financial assets at amortised cost</b>	<b>531,053</b>	<b>195,151</b>	<b>29,270,068</b>	<b>60,879,076</b>	<b>1,341,253</b>	<b>3,315,066</b>	<b>473,911</b>
<b>Total financial assets</b>	<b>13,181,834</b>	<b>12,304,315</b>	<b>76,009,793</b>	<b>138,179,903</b>	<b>101,201,789</b>	<b>79,166,076</b>	<b>20,351,926</b>
<b>Financial liabilities at fair value through profit or loss</b>							
Financial liabilities at fair value through profit or loss	829,322	453,763	23,028,186	43,442,104	-	-	-
<b>Total financial liabilities at fair value through profit or loss</b>	<b>829,322</b>	<b>453,763</b>	<b>23,028,186</b>	<b>43,442,104</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>							
Due to brokers	61,996	71,502	2,230,436	7,349,420	-	535,760	70,912
Payable to related parties	11,094	13,338	75,167	156,421	100,429	93,691	20,294
Withdrawals payable	-	5,366	60,511	402,697	-	3	-
Other payables	12,204	6,568	138,419	363,415	13,439	12,401	2,878
<b>Total financial liabilities at amortised cost</b>	<b>85,294</b>	<b>96,774</b>	<b>2,504,533</b>	<b>8,271,953</b>	<b>113,868</b>	<b>641,855</b>	<b>94,084</b>
<b>Total financial liabilities</b>	<b>914,616</b>	<b>550,537</b>	<b>25,532,719</b>	<b>51,714,057</b>	<b>113,868</b>	<b>641,855</b>	<b>94,084</b>

## Notes to the Financial Statements

### 9. Related parties

#### 9.1 General

Salt Investment Funds Limited is the Manager of the Funds. The Supervisor of the Funds is The New Zealand Guardian Trust Company Limited, who is also the Custodian of the Funds. Salt Funds Management Limited is the parent entity of the Manager.

#### 9.2 Related party fees

The Funds incurred the following fees to related parties:

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>For the year/period ended 31 March</b>							
<i>Salt Investment Funds Limited</i>							
Management fees	99,121	95,451	957,152	1,872,800	920,088	863,595	68,577
Establishment cost recoveries	-	2,444	-	-	-	-	-
<i>The New Zealand Guardian Trust Company Limited</i>							
Supervisor fees	6,408	5,961	35,051	66,102	53,228	48,200	3,931
	<b>105,529</b>	<b>103,856</b>	<b>992,203</b>	<b>1,938,902</b>	<b>973,316</b>	<b>911,795</b>	<b>72,508</b>

The Funds owed the following amounts to related parties at balance date:

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>As at 31 March</b>							
<i>Salt Investment Funds Limited</i>							
Management fees payable	9,430	9,782	68,426	126,473	86,510	69,028	17,395
<i>The New Zealand Guardian Trust Company Limited</i>							
Supervisor fees payable	1,664	3,556	6,741	29,948	13,919	24,663	2,899
	<b>11,094</b>	<b>13,338</b>	<b>75,167</b>	<b>156,421</b>	<b>100,429</b>	<b>93,691</b>	<b>20,294</b>

The management fees payable to the Manager are calculated and accrued daily as a percentage (see details below) of the daily gross fund value of the relevant Fund, and paid monthly in arrears.

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>As at 31 March</b>							
Management fee %	0.85%	0.85%	1.50%	1.50%	0.95%	0.95%	0.95%

A performance fee is charged at the following percentage of the Funds' return in excess of its performance target. For the Enhanced Property Fund the performance target is the S&P/NZX All Real Estate Gross Index + 1% per annum. For the Long Short Fund the performance target is the Reserve Bank of New Zealand Official Cash Rate plus 5% per annum:

\$	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
<b>As at 31 March</b>							
Performance fee %	10.00%	10.00%	15.00%	15.00%	N/A	N/A	N/A

## Notes to the Financial Statements

### 9. Related parties (continued)

#### 9.2 Related party fees (continued)

In respect of the Enhanced Property Fund, the performance fee will only be paid if the relevant Fund's gross unit price, adjusted for any distributions made, and any accrued but unpaid performance fee, is greater than the return of the S&P/NZX All Real Estate Gross Index +1% per annum over the performance period and the 'high water mark' unit price is exceeded.

In respect of the Long Short Fund, the performance fee will only be paid if the relevant Fund's gross unit price, adjusted for imputation credits, any distributions made, and any accrued but unpaid performance fee, is greater than the return of the Reserve Bank of New Zealand Official Cash Rate plus 5% per annum over the performance period and the 'high-water mark' unit price is exceeded.

Each Fund's performance fee is subject to a high-water mark. This means that the performance fee is only charged if and to the extent that the gross value of each unit in the relevant Fund at the end of a performance period, adjusted for imputation credits, any distributions made, and any unpaid performance fee that has accrued since the last high water mark was set, exceeds the previous high-water mark. The first high water mark is the unit price on commencement of the relevant Fund and is only ever reset to a higher unit price if a performance fee is payable to the Manager, at which point the new-high-water mark will be set at the relevant Fund's unit value on that day.

Enhanced Property Fund's first performance period is from 24 August 2016 to (and including) 31 March 2017, and then every 12 months up to and including 31 March each year. Long Short Fund's performance period is every 12 months up to and including 31 March each year. The performance fee is accrued and adjusted on a daily basis and paid in arrears.

The Manager has the ability to amend the determination of the management fees and performance fees upon one month's notice to unitholders, subject to the maximum fees set out in the Master Trust Deed.

The Supervisor fees are paid annually of up to 0.05% of the Gross Asset Value of the assets of each of the Funds, which are calculated and charged to the Fund on a monthly basis. The fee is inclusive of the fees payable to the Supervisor for its custodial services. The annual fee to the Supervisor is subject to a minimum aggregate annual fee of \$20,000 plus any GST per annum, which is spread equitably across all Funds that have commenced operations.

The Manager will pay audit fees of \$40,033 plus GST on behalf of the four operational funds. This fee is payable to PricewaterhouseCoopers in respect of the audit of these funds for the year ended 31 March 2021 (31 March 2020: \$33,533 plus GST).

#### 9.3 Directors' interests

At balance date the Directors or related parties of Directors of the Manager had the following holdings in the respective Fund:

\$ As at 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
Holdings of the Directors of the Manager and their related parties	829,879	633,558	2,120,167	1,469,489	101,349	78,063	-

### 10. Reconciliation of operating (loss)/profit to net cash outflow from operating activities

\$ For the year/period ended 31 March	Enhanced Property Fund		Long Short Fund		NZ Dividend Appreciation Fund		Core NZ Shares Fund
	2021	2020	2021	2020	2021	2020	2021
Operating profit/(loss)	2,947,095	(1,404,269)	20,158,184	(5,015,428)	23,086,573	(217,969)	68,346
<b>Adjustments for non-cash items</b>							
Net unrealised changes in the fair value of financial assets & liabilities	(2,503,624)	2,380,063	(29,840,461)	(450,850)	(18,373,187)	7,028,946	116,913
Net foreign currency losses/(gains) on cash and cash equivalents	(6,891)	10,106	(144,531)	26,605	(28)	404	-
Net dividends (received)/paid as shares rather than cash	(105,683)	(23,568)	(161,396)	118,456	(482,584)	(362,371)	(11,878)
	(2,616,198)	2,366,601	(30,146,388)	(305,789)	(18,855,799)	6,666,979	105,035
<b>Movements in working capital items</b>							
(Increase/decrease in trade and other receivables)	3,881	(4,476)	450,208	857,714	154,081	44,984	(78,332)
Increase/(decrease) in trade and other payables	3,392	11,905	(306,250)	(189,058)	7,776	30,606	23,172
Increase in net cost of investments	2,338,208	(6,964,453)	64,916,269	72,167,249	(5,606,047)	(1,416,676)	1,698,586
	2,345,481	(6,957,024)	65,060,227	72,835,905	(5,444,190)	(1,341,086)	1,643,426
	(270,717)	(4,590,423)	34,913,839	72,530,116	(24,299,989)	5,325,893	1,748,461
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,676,378</b>	<b>(5,994,692)</b>	<b>55,072,023</b>	<b>67,514,688</b>	<b>(1,213,416)</b>	<b>5,107,924</b>	<b>1,816,807</b>

## Notes to the Financial Statements

### 11. Registry switches

During the year ended 31 March 2021, there were \$8,708,803 (2020: \$25,524,468) of switches in the Salt Long Short Fund, \$2,288,008 (2020: \$24,113,920) of switches in the Salt NZ Dividend Appreciation Fund and \$404,454 (2020: \$743,967) of switches in the Salt Enhanced Property Fund. There were no switches in the Salt Core NZ Shares Fund. These occur in instances such as individuals transferring to joint accounts, individuals transferring to Portfolio Investment Proxys (PIPs) or PIP to PIP transfers. No investments or cash are exchanged, it's a change in the registry name only. These switches are processed as a withdrawal and corresponding contribution.

### 12. Commitments and contingent liabilities

As at 31 March 2021, the Funds had no material commitments or contingencies (31 March 2020: none).

### 13. Events occurring after the balance date

There have been no significant events that have occurred since balance date which would impact on the financial position of the Funds disclosed in the Statements of Financial Position as at 31 March 2021 or on the results and cash flows of the Funds for the year ended on that date.



## Independent auditor's report

To the unitholders of Salt Investment Funds, which comprises:

- Salt Enhanced Property Fund
- Salt Long Short Fund
- Salt NZ Dividend Appreciation Fund
- Salt Core NZ Shares Funds

(Collectively referred to as the Funds)

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### Our opinion

In our opinion, the accompanying financial statements of the Funds present fairly, in all material respects, the financial position of the Funds as at 31 March 2021, their financial performance and their 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 Funds' financial statements comprise:

- the statements of financial position as at 31 March 2021;
- the statements of comprehensive income for the year then ended;
- the statements of changes in net assets attributable to unitholders for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### 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 Funds 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 provided the following services to Salt Investment Funds Limited (the Manager): controls assurance reporting, agreed upon procedures on the net tangible assets calculation and tax compliance services. Subject to certain restrictions, employees of the firm may invest in the Funds on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Funds.



**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. We have one key audit matter: valuation and existence of financial assets and financial liabilities at fair value through profit or loss. This matter was 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><b>Valuation and existence of financial assets and financial liabilities at fair value through profit or loss, including financial assets at fair value through profit or loss pledged as collateral (collectively, financial instruments)</b></p> <p>Refer to notes 6 and 7 of the financial statements for disclosure of financial assets and financial liabilities 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 net assets of the Funds.</p> <p>The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2021 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 are 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 balance date. 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 Funds' level 2 financial instruments include forward foreign exchange contracts.</p> <p>Holdings of all financial instruments are held by the Custodian, Sub-Custodian and financial institutions on behalf of the Funds.</p>	<p>We assessed the processes employed by the Manager, for recording and valuing the financial instruments including the relevant controls operated by third party service organisations. Our assessment of the business processes included obtaining the internal control reports over custody and investment administration provided by the third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the third party service organisations for the period to 31 March 2021.</p> <p>Where the report did not cover the full period to 31 March 2021, we obtained a bridging letter confirming there were no material changes in the third party service organisation's control environment and no significant deficiencies in the design or operation of relevant internal controls in the intervening period.</p> <p><b>Valuation</b></p> <p>For all financial instruments at quoted market prices in an active market, we have agreed the market price at 31 March 2021 and the exchange rates at which they have been converted from their underlying local currency to New Zealand dollars to independent third party pricing sources.</p> <p>For forward foreign exchange contracts, we agreed the observable inputs to third party pricing sources and used our in-house valuation expert to test the fair value using independent valuation models.</p> <p><b>Existence</b></p> <p>We obtained confirmation from the Custodian, Sub-Custodian and financial institutions of the holdings of the financial instruments held by the Funds as at balance date.</p>



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## Our audit approach

### Overview

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#### Materiality

We determined materiality based on approximately 1% of the net assets for each Fund.

We chose net assets as the benchmark because, in our view, the objective of the Funds is to provide unitholders with a total return on the Funds' net assets, taking into account both capital and income returns.

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#### Key audit matters

As reported above, because of the significance of the financial assets and financial liabilities at fair value through profit or loss to the financial statements, we have determined that there is one key audit matter: valuation and existence of financial assets and financial liabilities at fair value through profit or loss, including financial assets at fair value through profit or loss pledged as collateral (collectively, financial instruments).

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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 each 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 each 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 each Fund as a whole, taking into account the structure of each Fund, the Fund's investments and the accounting processes and controls.

The Manager is responsible for the governance and control activities of the Funds. The Funds' investments are held by Custodians, Sub-Custodian and financial institutions. The Manager has outsourced investment administration (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 Manager, the Custodian, the Sub-Custodian, the Administrator and the Registrar to support our audit conclusions.



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### **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.

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.

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### **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 each 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 a Fund or to cease operations, or has no realistic alternative but to do so.

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### **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.





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**Who we report to**

This report is made solely to each 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 each Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
15 July 2021

Auckland