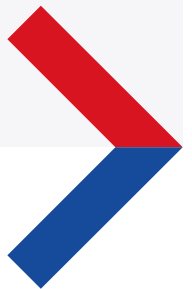


Fortlake Funds

2024 Annual financial report



Investments

Colonial First State Investments Limited
ABN 98 002 348 352
AFS Licence 232468



Your Annual Financial Report

I am pleased to present the reports for the financial year ended 30 June 2024 for the Fortlake Funds.

These statements are the final component of the reporting information for the 2023–2024 financial year.

If you have any questions about the Annual Financial Report please call Investor Services on 13 13 36 Monday to Friday, 8:30am – 6pm, Sydney time.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Power', written over a horizontal line.

Kelly Power
Chief Executive Officer of CFS Superannuation

Fortlake Real-Higher Income Fund

ARSN 645 065 818

Annual report

For the year ended 30 June 2024

Fortlake Real-Higher Income Fund

ARSN 645 065 818

Annual report For year ended 30 June 2024

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This annual report covers Fortlake Real-Higher Income Fund as an individual entity.

The Responsible Entity of Fortlake Real-Higher Income Fund is Colonial First State Investments Limited (ABN 98 002 348 352)

The Responsible Entity's registered office is:

Level 15, 400 George Street
Sydney, NSW 2000.

Directors' report

The directors of Colonial First State Investments Limited, the Responsible Entity of Fortlake Real-Higher Income Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Reporting period

The current reporting period for the financial report is from 1 July 2023 to 30 June 2024. The comparative reporting period is from 1 July 2022 to 30 June 2023.

Date of constitution and date of registration of the Fund

The date of Constitution and Registration of the Fund with the Australian Securities & Investment Commission (ASIC) are as follows:

Date of Constitution	18/09/2020
Date of Registration	26/10/2020

Principal activities

The Fund invests primarily in fixed interest investments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. This may include investment-grade corporate bonds, asset backed securities inflation derivatives, credit derivatives, interest rate derivatives, bank bills and Negotiable Certificates of deposit (NCDs) issued by larger Australian banks. The Fund may also use derivatives to gain additional exposure to non-Australian interest rates.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Trustees Australia Limited (up to 30 May 2024)
Responsible Entity	Colonial First State Investments Limited (appointed 30 May 2024)
Investment Manager	Fortlake Asset Management Pty Ltd
Administrator	MUFG Corporate Markets (previously Link Fund Solutions Pty Limited)
Prime Broker and Custodian	J.P. Morgan Securities LLC
Statutory Auditor and Legal Advisers	Ernst & Young

Colonial First State Investments Limited was appointed Responsible Entity on 30 May 2024 following the departure of Trustees Australia Limited who acted as Responsible Entity from 1 July 2023 until 30 May 2024.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Comparatives

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures and presentation in the current reporting period.

Fortlake Real-Higher Income Fund
Directors' report
For the year ended 30 June 2024
(continued)

Review of operations

During the year, the Fund invested its funds in accordance with the Product Disclosure Statement and with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2024	30 June 2023
Profit for the year (\$'000)	17,337	32,140
Distributions paid and payable (\$'000)	26,697	26,485
Distributions (cents per unit)	11.5027	12.7959

Exit Prices

The exit price is the price at which unitholders realise an entitlement in a fund and is calculated by deducting a predetermined cost of selling (commonly known as the "sell spread"), if applicable, from the net asset value per unit ("NAV unit price") of a fund. NAV unit price is calculated by taking the total fair value of all of the Fund's assets on a particular day, adjusting for any liabilities and then dividing the net fund value by the total number of units held by unitholders on that day.

The following unit price represents the ex-distribution exit unit price as at 30 June 2024, together with comparative unit price as at 30 June 2023:

	30 June 2024	30 June 2023
	\$	\$
Ex-distribution exit unit price	0.9878	1.0542

Responsible Entity and Directors

The following persons held office as directors of Trustees Australia Limited from 1 July 2023 until 30 May 2024:

Alexandra Coleman (Chairman)
 John Nantes
 Craig Swanger
 Kyle Lambert

The following persons held office as directors of Colonial First State Investments Limited from 30 May 2024 up to the date of this report:

Murray Coble
 JoAnna Fisher
 Martin Codina

Scheme information

The Fund is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 15, 400 George Street, Sydney, New South Wales, 2000.

Unit pricing adjustments policy

There are a number of factors used to calculate unit prices. The key factors include asset valuations, liabilities, debtors, the number of units on issue and where relevant, transaction costs. When the factors used to calculate the unit price are incorrect an adjustment to the unit price may be required. The Responsible Entity uses a tolerance level of 0.30% (0.05% for a cash investment option) in the unit price to assess corrections.

If a unit pricing error is greater than these tolerance levels the Responsible Entity will:

- compensate unitholders' accounts balance if they have transacted on the incorrect unit price or make other adjustments as the Responsible Entity may consider appropriate, or
- where unitholders' accounts are closed the Responsible Entity will send them a payment if the amount of the adjustment is more than \$20.

These tolerance levels are consistent with regulatory practice guidelines and industry standards. In some cases, the Responsible Entity may compensate where the unit pricing error is less than the tolerance levels.

Significant changes in the state of affairs

On 30 May 2024, the responsible entity of the Fund changed from Trustees Australia Limited (ABN 63 010 579 058) to Colonial First State Investments Limited (ABN 98 002 348 352).

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the year ended 30 June 2024.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may have a significant effect on:

- (i) the operations of the Fund in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

Indemnification and insurance premiums for officers and auditor

No insurance premiums are paid for out of the assets of the Fund in relation to insurance cover provided to the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity act in accordance with the Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns. At the time of preparing this report, the Responsible Entity is not aware of any likely developments which would impact upon the future operations of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund's assets during the year are disclosed in Note 16 to the financial statements.

Fees paid to and interests held in the Fund by the Responsible Entity and its associates (continued)

No fees were paid out of Fund's assets to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

Interests in the Fund

The units issued and redeemed in the Fund during the period and the number of units on issue at the end of the financial period are set out in "Changes in Net Assets Attributable to Unitholders" note to the financial statements. The value of the Fund's assets at the end of the financial period is set out in the Balance Sheet.

Any interests in the Fund held by the Responsible Entity or its associates at the end of the reporting period are disclosed in the "Related Parties Disclosure" note to the financial statements.

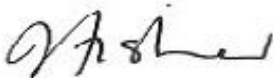
Environmental regulation

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of the directors of Colonial First State Investments Limited.



JoAnna Fisher
Director

Sydney
17 September 2024



**Building a better
working world**

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Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's independence declaration to the directors of Colonial First State Investments Limited as the responsible entity for Fortlake Real-Higher Income Fund

As lead auditor for the audit of the financial report of Fortlake Real-Higher Income Fund for the year then ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'E Reekie' in a cursive style.

Emma Reekie
Partner
17 September 2024

Fortlake Real-Higher Income Fund
Statement of comprehensive income
For the year ended 30 June 2024

Statement of comprehensive income

	Note	Year ended	
		30 June 2024 \$'000	30 June 2023 \$'000
Investment income			
Interest income from financial assets at amortised cost		6,579	2,860
Dividends and distribution income		-	6,706
Net foreign exchange gains		567	1,033
Net gains on financial instruments at fair value through profit or loss		13,048	23,793
Other income		275	-
Management fee rebate		505	-
Total investment income		20,974	34,392
Expenses			
Interest expense		-	27
Management fees	16(g)	910	802
Expense reimbursement fees	16(g)	489	424
Remuneration of auditor	15	78	75
Other expenses		2,160	905
Brokerage Expense		-	19
Total expenses		3,637	2,252
Profit for the year		17,337	32,140
Other comprehensive income		-	-
Total comprehensive income for the year		17,337	32,140

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Fortlake Real-Higher Income Fund
Statement of financial position
As at 30 June 2024

Statement of financial position

	Note	As at	
		30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	11	75,074	50,992
Receivables	13	443	4,574
Financial assets at fair value through profit or loss	6	154,690	228,826
Total assets		230,207	284,392
Liabilities			
Margin accounts	11	26,237	-
Distributions payable	10	8,733	19,190
Payables	14	3,036	343
Financial liabilities at fair value through profit or loss	7	17,534	24,618
Total liabilities		55,540	44,151
Net assets attributable to unitholders - equity	9	174,667	240,241

The above statement of financial position should be read in conjunction with the accompanying notes.

Fortlake Real-Higher Income Fund
Statement of changes in equity
For the year ended 30 June 2024

Statement of changes in equity

	Year ended	
	30 June 2024	30 June 2023
Note	\$'000	\$'000
Total equity at the beginning of the financial year	240,241	94,247
Comprehensive income for the financial year		
Profit for the year	<u>17,337</u>	32,140
Total comprehensive income	17,337	32,140
Transaction with unitholders		
Applications	9 115,340	173,911
Redemptions	9 (174,800)	(35,322)
Reinvestment of distributions	9 3,246	1,750
Distributions paid and payable	9 (26,697)	(26,485)
Total transactions with unitholders	<u>(82,911)</u>	113,854
Total equity at the end of the financial year	<u>174,667</u>	240,241

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

Fortlake Real-Higher Income Fund
Statement of cash flows
For the year ended 30 June 2024

Statement of cash flows

	Note	Year ended	
		30 June 2024 \$'000	30 June 2023 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		91,987	15,581
Payments for purchase of financial instruments at fair value through profit or loss		(12,976)	(121,724)
Interest income received from financial assets at amortised cost		6,579	2,860
Dividends and distributions received		5,351	1,354
Other income received		780	-
Management fees paid		(936)	(732)
Other expenses paid		(2,994)	(1,453)
Brokerage Expense		-	(19)
Net cash inflow/(outflow) from operating activities	12	87,791	(104,133)
Cash flows from financing activities			
Proceeds from applications by unitholders		116,877	174,001
Payments for redemptions by unitholders		(171,987)	(35,182)
Distributions paid to unitholders		(35,403)	(9,359)
Net cash (outflow)/inflow from financing activities		(90,513)	129,460
Net (decrease)/increase in cash and cash equivalents		(2,722)	25,327
Cash and cash equivalents at the beginning of the year		50,992	24,632
Effects of foreign currency exchange rate changes on cash and cash equivalents		567	1,033
Cash and cash equivalents at the end of the year	11	48,837	50,992
Non-cash operating and financing activities	12(a)	3,246	1,750

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

Notes to the financial statements

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1 General information

These financial statements cover Fortlake Real-Higher Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 18 September 2020, commenced operations on 18 December 2020 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

On 30 May 2024, the responsible entity of the Fund changed from Trustees Australia Limited (ABN 63 010 579 058) to Colonial First State Investments Limited (ABN 98 002 348 352). The Responsible Entity's registered office is Level 15, 400 George Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests primarily in fixed interest investments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. This may include investment-grade corporate bonds, asset backed securities inflation derivatives, credit derivatives, interest rate derivatives, bank bills and Negotiable Certificates of deposit (NCDs) issued by larger Australian banks. The Fund may also use derivatives to gain additional exposure to non-Australian interest rates.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unitholders.

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

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

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in prior period or will affect the current or future periods.

2 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standard and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

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

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The 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. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (management fees payable, audit fees payable and other payables).

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss, if any, are expensed in the statement 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 of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined, please see Note 5 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and receivables are carried at amortised cost.

(iv) Repurchase and reverse repurchase agreements

- Repurchase agreements

Under repurchase agreements, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time.

The underlying securities are held in safekeeping by the Fund's custodian under a tri-party repurchase agreement. The market value of the collateral is equal to or greater than the total amount of the repurchase obligations, including interest.

Securities purchased under repurchase agreements are reflected as a financial asset at fair value. Interest earned is recorded as a component of interest income.

In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral.

- Reverse repurchase agreements

Under reverse repurchase agreements, the Fund sells securities that it holds with an agreement to repurchase the same security at an agreed-upon price and date. Securities sold under reverse repurchase agreements are reflected as a financial liability at fair value. Interest payments are recorded as a component of interest expense. The Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund.

A reverse repurchase agreement involves the risk that the market value of the security sold by a Fund may decline below the repurchase price of the security. The Fund segregates assets determined to be liquid or otherwise covers its obligations under reverse repurchase agreements.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(v) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss ("ECL") approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

Financial assets and liabilities that have been offset are disclosed in Note 4.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and

2 Summary of material accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

In addition having all of the above features, the Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund, and
- the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represents the Fund's main income generating activity.

Derivative cash accounts comprise of margin accounts and cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(e) Investment income

(i) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income included in the net gains/(losses) on financial instruments at fair value through profit or loss. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Other income is recognised in the statement of comprehensive income on an accruals basis.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as the income tax liability is attributed to unitholders under the AMIT regime.

2 Summary of material accounting policies (continued)

(g) Income tax (continued)

The benefits of tax credits paid are passed on to unitholders.

(h) Distributions

The Fund may distribute its distributable income in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(i) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

(k) Receivables

Receivables may include amounts for interest. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

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

A separate distributions payable is recognised in the statement of financial position.

(m) Applications and redemptions

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

2 Summary of material accounting policies (continued)

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model has not materially impacted the Fund. Please see Note 3(c) for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

(q) Comparative revisions

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

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions. The maximum loss of capital on long future contracts and credit default swaps is limited to the notional contract values of those positions. On options sold short, the maximum loss of capital can be unlimited.

3 Financial risk management (continued)

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Fortlake Asset Management Pty Ltd, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Fund is exposed to price risk on debt securities and derivative securities measured at fair value. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Fund manages its exposure to price risk on interest bearing and derivative securities by only allowing investment into certain securities.

The portfolio will typically contain 20 to 70 positions (including derivative positions). Interests in the Fund will be issued in Australian dollars (AUD), however, the Fund will have underlying positions in US dollars and other currencies which will be hedged back to AUD.

The Fund will generally have the following asset allocations at all times:

- Weighted average credit weighting of the bond portfolio within the Fund no lower than BBB-
- Global government and corporate bond exposure of 0% - 15% of net asset value of the Fund
- Australian corporate bonds of 70% - 100% of net asset value of the Fund
- Australian government bonds of 0% - 10% of net asset value of the Fund
- The Fund may use derivatives to gain access to the above investment exposures and these derivatives may reference sub-investment grade issuers.

(ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

Foreign exchange risk is managed by hedging undesired currency exposure.

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

As at 30 June 2024	US Dollar A\$'000	Euro A\$'000
Financial liabilities held at fair value through profit or loss	(4,410)	(5,164)
Margin accounts	(17,356)	(8,881)
Net exposure	(21,766)	(14,045)
As at 30 June 2023		
Cash and cash equivalents	2,539	13,254
Financial assets held at fair value through profit or loss	3,169	-
Financial liabilities held at fair value through profit or loss	(5,348)	(4,022)
Net exposure	360	9,232

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2023: +/- 10%) against the material foreign currencies to which the Fund is exposed.

(iii) Interest rate risk

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investments in interest bearing securities such as bonds and other debt securities.

Interest rate risk is managed by only allowing investment into certain instrument types.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

As at 30 June 2024	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	75,074	-	-	75,074
Receivables	-	-	443	443
Financial assets at fair value through profit or loss	-	154,287	403	154,690
Total financial assets	75,074	154,287	846	230,207
Financial liabilities				
Margin accounts	26,237	-	-	26,237
Distributions payable	-	-	8,733	8,733
Payables	-	-	3,036	3,036
Financial liabilities at fair value through profit or loss	-	-	17,534	17,534
Total financial liabilities	26,237	-	29,303	55,540
Net increase/(decrease) in exposure from interest rate swaps (notional principal)	(372,340)	372,340	-	-
Net exposure	(323,503)	526,627	(28,457)	174,667

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	50,992	-	-	50,992
Receivables	-	-	4,574	4,574
Financial assets at fair value through profit or loss	-	171,788	57,038	228,826
Total financial assets	<u>50,992</u>	<u>171,788</u>	<u>61,612</u>	<u>284,392</u>
Financial liabilities				
Distributions payable	-	-	19,190	19,190
Payables	-	-	343	343
Financial liabilities at fair value through profit or loss	-	-	24,618	24,618
Total financial liabilities	<u>-</u>	<u>-</u>	<u>44,151</u>	<u>44,151</u>
Net increase/(decrease) in exposure from interest rate futures (notional principal)	<u>(866,340)</u>	<u>866,340</u>	<u>-</u>	<u>-</u>
Net exposure	<u>(815,348)</u>	<u>1,038,128</u>	<u>17,461</u>	<u>240,241</u>

The table at Note 3(b) summarises the impact of an increase/(decrease) in interest rates on the Fund's operating profit/(loss) and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates change by +50/-100 basis points (2023: +/- 25 basis points) from the year end rates with all other variables held constant.

The Fund has changed the assumption for interest rate movements in the current year. The interest rate assumption was changed from +/- 25bps to +50bps and -100bps due to the current high interest environment and the Fund's projection that interest rates will more likely decrease over the next reporting period.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/ Net assets attributable to unitholders									
	Interest rate risk		Interest rate risk		Price risk		Foreign exchange risk			
	+50bps	-100bps	+25bps	-25bps	+5%	-5%	+10%	-10%	+10%	-10%
	\$'000	\$'000	A\$'000	A\$'000	\$'000	\$'000	USD A\$'000	USD A\$'000	EUR A\$'000	EUR A\$'000
30 June 2024	1,016	(2,031)	-	-	7,244	(7,244)	(541)	541	(729)	729
30 June 2023	-	-	557	(557)	10,846	(10,846)	254	(254)	-	-

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in bonds and other debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents and receivables.

Credit risk is managed by managing exposure to issuers, deposit taking institutions, brokers and other counterparties.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost 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. At 30 June 2024 and 30 June 2023, all receivables, cash and short-term deposits are held with counterparties with a credit rating of A- or higher and are either callable on demand or due to be settled within 1 week. Management consider 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.

3 Financial risk management (continued)

(c) Credit risk (continued)

(i) Debt securities

The Fund invests in debt securities which have an investment grade categorisation as rated by Standard and Poor's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies.

An analysis of debt by rating is set out in the table below.

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Debt securities		
A-	51,529	56,043
BBB+	6,087	15,701
BBB	22,013	33,622
BBB-	18,675	20,412
BB+	-	827
BB	-	7,535
A	11,528	4,171
A+	9,013	13,710
Unrated	35,442	19,767
Total	154,287	171,788

(ii) Derivative financial instruments

Derivatives (both exchange traded and over the counter) may be used in the management of the Fund for purposes including the following:

- managing investment risk and volatility of a security or market;
- managing actual and anticipated interest rate risk and credit exposure;
- managing currency risk and adjusting currency exposure;
- achieving asset exposures without buying or selling the underlying securities;
- creating short exposure to a security or market where permitted;
- generating additional income;
- adding to the gearing levels of the Fund's portfolio;
- managing strategic and tactical asset allocation strategies; or
- taking advantage of price differences (known as arbitrage).

The primary over the counter derivative counterparty used is J.P. Morgan Securities LLC, who is the Fund's Prime Broker with a credit rating of A+ (2023: A+). The Investment Manager prefers to have multiple counterparties available for derivative transactions to ensure its liquidity, risk management and execution processes are optimised. The Investment Manager only trades with institutional counterparties with a broad market coverage.

3 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Derivative financial instruments (continued)

Derivatives traded by the Fund are subject to legally enforceable master netting arrangements, such as an International Swap and Derivatives Association (ISDA) master netting agreement. The ISDA agreement in place meets the criteria for offsetting in the statement of financial position as the Fund has a currently legally enforceable right of payment netting to net same day, same currency payments and by derivative transaction type. Refer to Note 4 to the financial statements for further analysis of the Fund's master netting arrangements.

(iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of at least A- (2023: A-) (as determined by Standard and Poor's rating agency) or higher.

(iv) Repurchase and reverse repurchase agreements

The Fund may engage in repurchase and reverse repurchase transactions. Under the terms of a repurchase agreement, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund's custodian. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the statement of financial position. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral to reduce its losses. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. The counterparty to the outstanding repurchase/reverse repurchase agreements as at 30 June 2024 was JP Morgan Chase Bank, N.A. with a rating of A+ (2023: A+). As at 30 June 2024, the securities pledged as collateral under the repurchase agreement have a fair value of \$5,162,464 (2023: \$8,738,115).

(v) Other

The Fund is not materially exposed to credit risk on other financial assets.

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unitholders redemption requests or to fund foreign exchange related cash flow requirements.

The Fund manages liquidity risk by investing the majority of its funds in assets that can be readily disposed of and limiting exposure to less liquid securities.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2024 and 2023.

(i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current and prior year have maturities of less than one month.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000
As at 30 June 2024				
Net settled derivatives				
Swaps	(330)	(1,757)	7,104	(10,475)
Total net settled derivatives	(330)	(1,757)	7,104	(10,475)
	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000
As at 30 June 2023				
Net settled derivatives				
Swaps	-	(361)	(3,818)	1,188
Total net settled derivatives	-	(361)	(3,818)	1,188

(iii) Maturities of gross settled derivative financial instruments

The table below analyses Fund's gross settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2024					
Options					
(Outflows)	(864)	(2,484)	(59)	(1,240)	(4,647)
Total gross settled derivatives	(864)	(2,484)	(59)	(1,240)	(4,647)
30 June 2023					
Options					
(Outflows)	(3,282)	(3,820)	(3,102)	-	(10,204)
Total gross settled derivatives	(3,282)	(3,820)	(3,102)	-	(10,204)

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables that follow.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial instruments \$'000	Gross amounts set off in the statement of financial position \$'000	Net amount of financial instruments presented in the statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Collateral received/ pledged \$'000	Net amount \$'000
Financial assets						
As at 30 June 2024						
Options - AUD	-	-	-	-	-	-
Swap - AUD	92	(92)	-	-	-	-
Swaps - USD	30,198	(30,198)	-	-	-	-
Swaps - EUR	16,018	(16,018)	-	-	-	-
Futures - AUD	403	-	403	-	-	403
Total	46,711	(46,308)	403	-	-	403
Financial liabilities						
Options - AUD	(865)	-	(865)	-	-	(865)
Options - USD	(3,299)	-	(3,299)	-	-	(3,299)
Options - EUR	(483)	-	(483)	-	-	(483)
Swaps - AUD	(2,025)	92	(1,933)	-	-	(1,933)
Swaps - USD	(31,309)	30,198	(1,111)	-	-	(1,111)
Swaps - EUR	(20,699)	16,018	(4,681)	-	-	(4,681)
Total	(58,680)	46,308	(12,372)	-	-	(12,372)
Financial assets						
As at 30 June 2023						
Options - AUD	65	(65)	-	-	-	-
Swap - AUD	288	(288)	-	-	-	-
Swaps - USD	12,366	(9,197)	3,169	-	-	3,169
Swaps - EUR	12,912	(12,912)	-	-	-	-
Futures - AUD	257	-	257	-	-	257
Total	25,888	(22,462)	3,426	-	-	3,426

4 Offsetting financial assets and financial liabilities (continued)

Financial liabilities

As at 30 June 2023

Options - AUD	(2,753)	65	(2,688)	-	-	(2,688)
Options - USD	(5,348)	-	(5,348)	-	-	(5,348)
Options - EUR	(2,168)	-	(2,168)	-	-	(2,168)
Swaps - AUD	(4,110)	288	(3,822)	-	-	(3,822)
Swaps - USD	(9,197)	9,197	-	-	-	-
Swaps - EUR	(14,766)	12,912	(1,854)	-	-	(1,854)
Total	(38,342)	22,462	(15,880)	-	-	(15,880)

(i) Master netting arrangement – enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, if on any date amounts would otherwise be payable in the same currency and in respect of the same transaction, by each party to the other, then on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged. As the Fund presently has a legally enforceable right of set-off for transactions, these amounts have been offset in the statement of financial position.

5 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 6 and Note 7)
- Derivative financial instruments (see Note 8)

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

5 Fair value measurement (continued)

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

(b) *Recognised fair value measurements*

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2024 and 30 June 2023.

As at 30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Futures	-	403	-	403
Corporate bonds	-	154,287	-	154,287
Total financial assets	-	154,690	-	154,690
Financial liabilities				
Options	-	(4,647)	-	(4,647)
Swaps	-	(7,725)	-	(7,725)
Repurchase agreements	-	(5,162)	-	(5,162)
Total financial liabilities	-	(17,534)	-	(17,534)
As at 30 June 2023				
Financial assets				
Futures	-	257	-	257
Corporate bonds	-	171,788	-	171,788
Unlisted equity securities	-	-	53,612	53,612
Swaps	-	3,169	-	3,169
Total financial assets	-	175,214	53,612	228,826
Financial liabilities				
Options	-	(10,204)	-	(10,204)
Swaps	-	(5,676)	-	(5,676)
Repurchase agreements	-	(8,738)	-	(8,738)
Total financial liabilities	-	(24,618)	-	(24,618)

5 Fair value measurement (continued)

(c) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2024 and 30 June 2023 by class of financial instrument.

	Unlisted equity securities \$'000
Opening balance - 1 July 2023	53,612
Sales	(53,612)
Closing balance - 30 June 2024	-

	Unlisted equity securities \$'000
Opening balance - 1 July 2022	8,864
Purchases	45,112
Gains and losses recognised in the statement of comprehensive income	(364)
Closing balance - 30 June 2023	53,612

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 5(a) above for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Units in Fortlake Real-Income Fund 30 June 2023	53,612	Net asset value of the underlying fund as at 30 June 2023	N/A	Direct

5 Fair value measurement (continued)

(e) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period and are disclosed in Note (d) above.

(f) Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

6 Financial assets at fair value through profit or loss

	Note	As at	
		30 June 2024 \$'000	30 June 2023 \$'000
Futures	8	403	257
Corporate bonds		154,287	171,788
Swaps	8	-	3,169
Unlisted equity securities		-	53,612
Total financial assets at fair value through profit or loss		154,690	228,826

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

7 Financial liabilities at fair value through profit or loss

	Note	As at	
		30 June 2024 \$'000	30 June 2023 \$'000
Options	8	4,647	10,204
Swaps	8	7,725	5,676
Repurchase agreements	8	5,162	8,738
Total financial liabilities at fair value through profit or loss		17,534	24,618

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and 5 to the financial statements.

8 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures, options and swaps. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

The Fund holds the following derivative instruments:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

A swaption is an agreement that grants the owner of the derivative the right but not the obligation to enter into a swap.

8 Derivative financial instruments (continued)

(c) Swaps

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

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

A credit default swap index is a credit derivative used to hedge credit risk or to take a position on a basket of credit entities. Unlike a credit default swap, which is an over the counter credit derivative, a credit default swap index is a completely standardised credit security and is therefore more liquid and trades at a smaller bid-offer spread.

The Fund's derivative financial instruments measured at fair value at year end are detailed below:

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
As at 30 June 2024			
Futures	(1)	403	-
Options	(832,000)	-	(4,647)
Swaps	343,640	-	(7,725)
Total derivatives	(488,361)	403	(12,372)
As at 30 June 2023			
Futures	-	257	-
Options	(1,402,120)	-	(10,204)
Swaps	858,640	3,169	(5,676)
Total derivatives	(543,480)	3,426	(15,880)

Information about the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

9 Net assets attributable to unitholders - equity

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Year ended		Year ended	
	30 June 2024	30 June 2024	30 June 2023	30 June 2023
	Units '000	\$'000	Units '000	\$'000
Opening balance	227,118	240,241	95,226	94,247
Applications	114,791	115,340	163,427	173,911
Redemptions	(165,857)	(174,800)	(33,587)	(35,322)
Reinvestment of distributions	780	3,246	2,052	1,750
Distributions paid and payable	-	(26,697)	-	(26,485)
Profit for the year	-	17,337	-	32,140
Closing balance	176,832	174,667	227,118	240,241

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right in the underlying assets of the Fund.

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

Units are redeemed on demand at the unitholders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a regular basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a regular basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

10 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2024 \$'000	30 June 2024 CPU	30 June 2023 \$'000	30 June 2023 CPU
Distributions				
September	9,497	3.5845	1,165	0.9706
December	4,716	3.1759	2,230	1.4045
March	3,751	1.8277	3,900	2.0458
June (payable)	8,733	2.9146	19,190	8.3750
Total distributions	26,697	11.5027	26,485	12.7959

11 Cash and cash equivalents

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Cash at bank	75,074	50,992
Total cash and cash equivalents	75,074	50,992

(a) Reconciliation to the statement of cash flows

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Balance per above		
Cash at bank	75,074	50,992
Margin accounts	(26,237)	-
Balance per statement of cash flows	48,837	50,992

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

	Year ended	
	30 June 2024 \$'000	30 June 2023 \$'000
Profit for the year	17,337	32,140
Proceeds from sale of financial instruments at fair value through profit or loss	91,987	15,581
Payments for purchase of financial instruments at fair value through profit or loss	(12,976)	(121,724)
Net gains on financial instruments at fair value through profit or loss	(13,048)	(23,793)
Distribution Income Reinvested	-	(1,096)
Net foreign exchange gain	(567)	(1,033)
Net change in receivables	5,146	(4,341)
Net change in payables	(88)	133
Net cash inflow/(outflow) from operating activities	87,791	(104,133)

(a) Non-cash operating and financing activities

The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan

	3,246	1,750
Total non-cash operating and financing activities	3,246	1,750

13 Receivables

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Receivables	-	4,255
Applications receivable	118	199
GST receivable	215	120
Other receivables	110	-
Total receivables	443	4,574

Fortlake Real-Higher Income Fund
Notes to the financial statements
For the year ended 30 June 2024
(continued)

14 Payables

		As at	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Management fees payable	16(g)	81	107
Redemptions payable		2,913	139
Other payables		42	97
Total payables		3,036	343

15 Remuneration of auditor

During the year, the following fees were paid or payable for services provided by the auditors of the Fund:

	Year ended	
	30 June 2024 \$	30 June 2023 \$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	60,450	58,350
Total auditor remuneration and other assurance services	60,450	58,350
<i>Taxation services</i>		
Tax compliance services	10,000	5,000
Total remuneration for taxation services	10,000	5,000
Total remuneration of Ernst & Young	70,450	63,350
 BDO		
<i>Audit and other assurance services</i>		
Audit of compliance plan	7,500	11,450
Total auditor remuneration and other assurance services	7,500	11,450
Total remuneration of BDO	7,500	11,450

15 Remuneration of auditor (continued)

KPMG

Audit and other assurance services

Audit of compliance plan-KPMG	304	-
Total auditor remuneration and other assurance services	304	-
Total remuneration of KPMG	304	-

The auditors' remuneration is borne by the Fund. Fees are stated exclusive of GST.

16 Related party transactions

The Responsible Entity of Fortlake Real-Higher Income Fund is Colonial First State Investments Limited (ABN 98 002 348 352). Accordingly, transactions with entities related to Colonial First State Investments Limited are disclosed below.

The Responsible Entity has contracted services to Fortlake Asset Management Pty Ltd to act as Investment Manager, MUFG Corporate Markets (previously Link Fund Solutions Pty Limited) to act as Administrator and J.P. Morgan Securities LLC to act as Prime Broker and Custodian for the Fund. The contracts are on normal terms and conditions.

(a) Key management personnel

(i) *Directors*

Key management personnel include persons who were directors of Trustees Australia Limited from 1 July 2023 until 30 May 2024:

Alexandra Coleman (Chairperson)
 John Nantes
 Craig Swanger
 Kyle Lambert

Key management personnel include persons who were directors of Colonial First State Investments Limited from 30 May 2024 and up to the date of this report:

Murray Coble
 JoAnna Fisher
 Martin Codina

(ii) *Other key management personnel*

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2024 (30 June 2023: nil).

16 Related party transactions (continued)

(d) Key management personnel compensation

Payments made from the Fund to Colonial First State Investments Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

(f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

(g) Responsible Entity fees, Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement of the Fund, the Investment Manager is entitled to receive management fees. The Investment Manager is entitled to a management fee of 0.484% (30 June 2023: 0.52%) per annum of the net asset value of the Fund (inclusive of GST) payable monthly.

The management costs of the Fund include management fees, administrator fees, indirect costs, audit costs, legal costs, and administration and custody fees. Expense recoveries include all these expenses except management fees. The Investment Manager pays for these Fund expenses and then invoices the Fund for expense recoveries.

The manager is entitled to receive a management fee for the services it provides for managing the portfolio. The manager it self receives a management fee for managing any managed investment scheme or trust in which the Portfolio is invested. The management fee otherwise payable under this Agreement will be reduced by the amount of that fee.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Management fees for the year	910,403	801,776
Expense reimbursement fees for the year	488,894	423,713
Management fees payable at year end	80,528	107,355
Expense reimbursement recovery payable at year end	-	62,133

(h) Related party unit holdings

Parties related to the Fund (including Colonial First State Investments Limited their related parties and other schemes managed by Colonial First State Investments Limited and the Investment Manager) held no units in the Fund as at 30 June 2024 (30 June 2023: nil).

16 Related party transactions (continued)

(i) Investments

The Fund held investments in the following schemes which are also managed by Colonial First State Investments Limited and Fortlake Asset Management Pty Ltd or its related parties:

	Fair value of investment	Interest held	Distributions reinvested	Units acquired	Units disposed/ consolidation
	\$	%	No.	No.	No.
As on 30 June 2024					
Fortlake Real-Income Fund	-	-	132,061	-	(1,762,302)
Fortlake Sigma Opportunities Fund	-	-	714,390	-	(10,594,714)
As on 30 June 2023					
Fortlake Real-Income Fund	43,527,761	27.67	843,291	1,707,245	(17,254,460)
Fortlake Sigma Opportunities Fund	10,076,904	9.16	384,118	14,455,727	(4,575,403)

17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

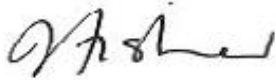
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 40 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the reporting period ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as stated in Note 2(a)(i).

This declaration is made in accordance with a resolution of the directors of Colonial First State Investments Limited.



JoAnna Fisher
Director

Sydney
17 September 2024

Independent auditor's report to the unitholders of Fortlake Real-Higher Income Fund

Opinion

We have audited the financial report of Fortlake Real-Higher Income Fund (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors of Colonial First State Investments Limited, the Responsible Entity of the Fund, are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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



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

Ernst & Young

Ernst & Young

E Reekie

Emma Reekie
Partner
Melbourne
17 September 2024

Fortlake Real-Income Fund (Managed Fund)

ARSN 645 064 991

Annual report

For the year ended 30 June 2024

Fortlake Real-Income Fund (Managed Fund)

ARSN 645 064 991

Annual report For the year ended 30 June 2024

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This annual report covers Fortlake Real-Income Fund (Managed Fund) as an individual entity.

The Responsible Entity of Fortlake Real-Income Fund (Managed Fund) is Colonial First State Investments Limited (ABN 98 002 348 352)

The Responsible Entity's registered office is:

Level 15,400 George Street
Sydney NSW 2000

Directors' report

The directors of Colonial First State Investments Limited, the Responsible Entity of Fortlake Real-Income Fund (Managed Fund) (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Reporting period

The current reporting period for the financial report is from 1 July 2023 to 30 June 2024. The comparative reporting period is from 1 July 2022 to 30 June 2023.

Date of constitution and date of registration of the Fund

The date of Constitution and Registration of the Fund with the Australian Securities & Investment Commission (ASIC) are as follows:

Date of Constitution	18/09/2020
Date of Registration	26/10/2020

Principal activities

The Fund invests primarily in fixed interest investments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. This may include investment-grade corporate bonds, inflation derivatives, credit derivatives, interest rate derivatives, bank bills and Negotiable Certificates of deposit (NCDs) and other deposit products. The Fund may also use derivatives to gain additional exposure to non-Australian interest rates.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Trustees Australia Limited (up to 30 May 2024)
Responsible Entity	Colonial First State Investments Limited (appointed 30 May 2024)
Investment Manager	Fortlake Asset Management Pty Ltd
Administrator	MUFG Corporate Markets (previously Link Fund Solutions Pty Ltd)
Prime Broker and Custodian	J.P. Morgan Securities LLC
Statutory Auditor and Legal Advisers	Ernst & Young

Colonial First State Investments Limited was appointed Responsible Entity on 30 May 2024 following the departure of Trustees Australia Limited who acted as Responsible Entity from 1 July 2023 until 30 May 2024.

Rounding of amounts to the nearest thousand dollars

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures and presentation in the current reporting period.

Comparatives

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Fortlake Real-Income Fund (Managed Fund)
Directors' report
For the year ended 30 June 2024
(continued)

Review of operations

During the year, the Fund invested its funds in accordance with the Product Disclosure Statement and with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June	30 June
	2024	2023
Profit for the year (\$'000)	27,892	17,876
Distributions paid and payable (\$'000)	32,015	16,316
Distributions (cents per unit)	257.6081	322.8663

Exit Prices

The exit price is the price at which unitholders realise an entitlement in a fund and is calculated by deducting a predetermined cost of selling (commonly known as the "sell spread"), if applicable, from the net asset value per unit ("NAV unit price") of a fund. NAV unit price is calculated by taking the total fair value of all of the Fund's assets on a particular day, adjusting for any liabilities and then dividing the net fund value by the total number of units held by unitholders on that day.

The following unit price represents the ex-distribution exit unit price as at 30 June 2024, together with comparative unit price as at 30 June 2023:

	30 June	30 June
	2024	2023
	\$	\$
Ex-distribution exit unit price	26.6444	26.7056

Responsible Entity and Directors

The following persons held office as directors of Trustees Australia Limited from 1 July 2023 until 30 May 2024:

Alexandra Coleman (Chairman)
 John Nantes
 Craig Swanger
 Kyle Lambert

The following persons held office as directors of Colonial First State Investments Limited from 30 May 2024 and up to the date of this report:

Murray Coble
 JoAnna Fisher
 Martin Codina

Scheme information

The Fund is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 15, 400 George Street, Sydney, New South Wales, 2000.

Unit pricing adjustments policy

There are a number of factors used to calculate unit prices. The key factors include asset valuations, liabilities, debtors, the number of units on issue and where relevant, transaction costs. When the factors used to calculate the unit price are incorrect an adjustment to the unit price may be required. The Responsible Entity uses a tolerance level of 0.30% (0.05% for a cash investment option) in the unit price to assess corrections.

If a unit pricing error is greater than these tolerance levels the Responsible Entity will:

- compensate unitholders' accounts balance if they have transacted on the incorrect unit price or make other adjustments as the Responsible Entity may consider appropriate, or
- where unitholders' accounts are closed the Responsible Entity will send them a payment if the amount of the adjustment is more than \$20.

These tolerance levels are consistent with regulatory practice guidelines and industry standards. In some cases, the Responsible Entity may compensate where the unit pricing error is less than the tolerance levels.

Significant changes in the state of affairs

On 30 May 2024, the responsible entity of the Fund changed from Trustees Australia Limited (ABN 63 010 579 058) to Colonial First State Investments Limited (ABN 98 002 348 352).

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may have a significant effect on:

- (i) the operations of the Fund in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

Indemnification and insurance premiums for officers and auditor

No insurance premiums are paid for out of the assets of the Fund in relation to insurance cover provided to the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity act in accordance with the Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns. At the time of preparing this report the Responsible Entity is not aware of any likely developments which would impact upon the future operations of the Fund.

Fees paid to and received by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund's assets during the year are disclosed in Note 16 to the financial statements.

Fees paid to and received by the Responsible Entity or its associates (continued)

No fees were paid to the Directors of the Responsible Entity during the reporting period out of the Fund's assets.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

Interests in the Fund

The units issued and redeemed in the Fund during the period and the number of units on issue at the end of the financial period are set out in "Changes in Net Assets Attributable to Unitholders" note to the financial statements. The value of the Fund's assets at the end of the financial period is set out in the Balance Sheet.

Any interests in the Fund held by the Responsible Entity or its associates at the end of the reporting period are disclosed in the "Related Parties Disclosure" note to the financial statements.

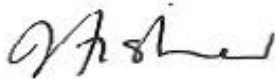
Environmental regulation

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of the directors of Colonial First State Investments Limited.



JoAnna Fisher
Director

Sydney
17 September 2024



**Building a better
working world**

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ey.com/au

Auditor's independence declaration to the directors of Colonial First State Investments Limited as the responsible entity for Fortlake Real-Income Fund (Managed Fund)

As lead auditor for the audit of the financial report of Fortlake Real-Income Fund (Managed Fund) for the year then ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

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

Emma Reekie
Partner
17 September 2024

Fortlake Real-Income Fund (Managed Fund)
Statement of comprehensive income
For the year ended 30 June 2024

Statement of comprehensive income

	Note	Year ended	
		30 June 2024 \$'000	30 June 2023 \$'000
Investment income			
Interest income from financial assets at amortised cost		6,993	3,129
Net foreign exchange gains		332	345
Net gains on financial instruments at fair value through profit or loss		25,354	15,970
Total investment income/(loss)		32,679	19,444
Expenses			
Management fees	16(g)	1,244	377
Transaction costs		-	16
Expense reimbursement fees	16(g)	785	209
Remuneration of auditor	15	59	65
Interest expense		2,699	901
Total expenses		4,787	1,568
Profit for the year		27,892	17,876
Other comprehensive income		-	-
Total comprehensive income for the year		27,892	17,876

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Fortlake Real-Income Fund (Managed Fund)
Statement of financial position
As at 30 June 2024

Statement of financial position

	Note	As at	
		30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	11	105,288	54,296
Receivables	13	640	3,335
Financial assets at fair value through profit or loss	6	375,582	133,792
Total assets		481,510	191,423
Liabilities			
Margin accounts	11(a)	27,194	2,718
Distributions payable	10	12,569	12,744
Payables	14	3,158	341
Financial liabilities at fair value through profit or loss	7	17,392	18,304
Total liabilities		60,313	34,107
Net assets attributable to unitholders - equity	9	421,197	157,316

The above statement of financial position should be read in conjunction with the accompanying notes.

Fortlake Real-Income Fund (Managed Fund)
Statement of changes in equity
For the year ended 30 June 2024

Statement of changes in equity

	Note	Year ended	
		30 June 2024 \$'000	30 June 2023 \$'000
Total equity at the beginning of the financial year		157,316	60,463
Comprehensive income for the financial year			
Profit for the year		27,892	17,876
Other comprehensive income		-	-
Total comprehensive income		27,892	17,876
Transaction with unitholders			
Applications	9	418,528	101,270
Redemptions	9	(159,995)	(10,900)
Reinvestment of distributions	9	9,471	4,923
Distributions paid and payable	9	(32,015)	(16,316)
Total transactions with unitholders		235,989	78,977
Total equity at the end of the financial year		421,197	157,316

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

Fortlake Real-Income Fund (Managed Fund)
Statement of cash flows
For the year ended 30 June 2024

Statement of cash flows

	Year ended	
	30 June	30 June
	2024	2023
Note	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	12,341	35,229
Payments for purchase of financial instruments at fair value through profit or loss	(229,690)	(106,032)
Interest income received from financial assets at amortised cost	6,993	3,129
Management fees paid	(1,245)	(363)
Expense reimbursement fees paid	(772)	(248)
Other expenses paid	(2,699)	(923)
Transaction costs paid	-	(17)
Net cash (outflow) from operating activities	12(a) (215,072)	(69,225)
Cash flows from financing activities		
Proceeds from applications by unitholders	421,364	107,305
Payments for redemptions by unitholders	(157,391)	(10,674)
Distributions paid to unitholders	(22,717)	(1,452)
Net cash inflow from financing activities	241,256	95,179
Net increase in cash and cash equivalents	26,184	25,954
Cash and cash equivalents at the beginning of the year	51,578	24,273
Effects of foreign currency exchange rate changes on cash and cash equivalents	332	1,351
Cash and cash equivalents at the end of the year	11 78,094	51,578
Non-cash financing activities	12(b) 9,471	4,923

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

Notes to the financial statements

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1 General information

These financial statements cover Fortlake Real-Income Fund (Managed Fund) (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 18 September 2020, commenced operations on 18 December 2020 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

On 30 May 2024, the Responsible Entity of the Fund changed from Trustees Australia Limited (ABN 63 010 579 058) to Colonial First State Investments Limited (ABN 98 002 348 352). The Responsible Entity's registered office is Level 15, 400 George Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests primarily in fixed interest investments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. This may include investment-grade corporate bonds, inflation derivatives, credit derivatives, interest rate derivatives, bank bills and Negotiable Certificates of deposit (NCDs) and other deposit products. The Fund may also use derivatives to gain additional exposure to non-Australian interest rates.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unitholders.

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

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

(i) *Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) *New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in the prior period or will affect the current or future periods.

2 Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

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

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The 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. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (management fees payable, audit fees payable and other payables).

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss, if any, are expensed in the statement 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 of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair value of financial instruments is determined, please see Note 5 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and receivables are carried at amortised cost.

(iv) Repurchase and reverse repurchase agreements

- Repurchase agreements

Under repurchase agreements, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time.

The underlying securities are held in safekeeping by the Fund's custodian under a tri-party repurchase agreement. The market value of the collateral is equal to or greater than the total amount of the repurchase obligations, including interest.

Securities purchased under repurchase agreements are reflected as a financial asset at fair value. Interest earned is recorded as a component of interest income.

In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral.

- Reverse repurchase agreements

Under reverse repurchase agreements, the Fund sells securities that it holds with an agreement to repurchase the same security at an agreed-upon price and date. Securities sold under reverse repurchase agreements are reflected as a financial liability at fair value. Interest payments are recorded as a component of interest expense. The Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund.

A reverse repurchase agreement involves the risk that the market value of the security sold by a Fund may decline below the repurchase price of the security. The Fund segregates assets determined to be liquid or otherwise covers its obligations under reverse repurchase agreements.

2 Summary of material accounting policies (continued)

(b) Financial instruments (continued)

(v) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss ("ECL") approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

Financial assets and liabilities that have been offset are disclosed in Note 4.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund's units are classified as equity as they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

2 Summary of material accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

In addition having all of the above features, the Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund, and
- the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represents the Fund's main income generating activity.

Derivative cash accounts comprise of margin accounts and cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(e) Investment income

(i) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income included in the net gains/(losses) on financial instruments at fair value through profit or loss. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Other income is recognised in the statement of comprehensive income on an accruals basis.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as the income tax liability is attributable to unitholders under the AMIT regime.

The benefits of tax credits paid are passed on to unitholders.

2 Summary of material accounting policies (continued)

(h) Distributions

The Fund may distribute its distributable income in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

(i) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

(k) Receivables

Receivables may include amounts for interest. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

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

A separate distributions payable is recognised in the statement of financial position.

(m) Applications and redemptions

Unit application and redemption prices are determined by referenced to the net assets of the Fund divided by the number of units on issue, adjusted for buy/sell spreads.

2 Summary of material accounting policies (continued)

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss (ECL) derived from using an impairment model has not materially impacted the Fund. Please see Note 3(c) for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

(q) Comparative revisions

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

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions. The maximum loss of capital on options and credit default swaps is limited to the notional contract values of those positions. On options sold short, the maximum loss of capital can be unlimited.

3 Financial risk management (continued)

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Fortlake Asset Management Pty Ltd, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Fund is exposed to price risk on debt securities and derivative securities measured at fair value. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Fund does not hold equity securities and thus does not have a material exposure to price risk. The Fund manages its exposure to price risk on interest bearing and derivative securities by only allowing investment into certain securities.

The portfolio will typically contain 20 to 70 positions (including derivative positions). Interests in the Fund will be issued in Australian dollars (AUD), however, the Fund will have underlying positions in US dollars and other currencies which will be hedged back to AUD.

The Fund will generally have the following asset allocations at all times:

- Weighted average credit weighting of the bond portfolio within the Fund no lower than BBB+
- Global government and corporate bond exposure of 0% - 15% of net asset value of the Fund
- Australian corporate bonds of 70% - 100% of net asset value of the Fund
- Australian government bonds of 0% - 10% of net asset value of the Fund
- The Fund may use derivatives to gain access to the above investment exposures and these derivatives may reference sub-investment grade issuers.

(ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed by hedging undesired currency exposure.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

As at 30 June 2024	US Dollar A\$'000	Euro A\$'000
Cash and cash equivalents	-	-
Financial assets held at fair value through profit or loss	525	-
Margin accounts	(27,194)	-
Financial liabilities held at fair value through profit or loss	(3,813)	(10,602)
Net exposure	(30,482)	(10,602)
As at 30 June 2023		
Cash and cash equivalents	-	9,826
Financial assets held at fair value through profit or loss	2,398	-
Margin accounts	(2,718)	-
Financial liabilities held at fair value through profit or loss	(5,150)	(6,835)
Net exposure	(5,470)	2,991

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2023: 10%) against the material foreign currencies to which the Fund is exposed.

(iii) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's main interest rate risk arises from its investments in interest bearing securities such as bonds and other debt securities.

Interest rate risk is managed by only allowing investment into certain instrument types.

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2024				
Financial assets				
Cash and cash equivalents	105,288	-	-	105,288
Receivables	-	-	640	640
Financial assets at fair value through profit or loss	-	374,570	1,012	375,582
Total financial assets	105,288	374,570	1,652	481,510
Financial liabilities				
Distributions payable	-	-	12,569	12,569
Payables	-	-	3,158	3,158
Margin accounts	27,194	-	-	27,194
Financial liabilities at fair value through profit or loss	-	-	17,392	17,392
Total financial liabilities	27,194	-	33,119	60,313
Net increase/(decrease) in exposure from swaps (notional principal)	(583,620)	583,620	-	-
Net exposure	(505,526)	958,190	(31,467)	421,197
	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	54,296	-	-	54,296
Receivables	-	-	3,335	3,335
Financial assets at fair value through profit or loss	-	131,145	2,647	133,792
Total financial assets	54,296	131,145	5,982	191,423
Financial liabilities				
Distributions payable	-	-	12,744	12,744
Payables	-	-	341	341
Margin accounts	2,718	-	-	2,718
Financial liabilities at fair value through profit or loss	-	-	18,304	18,304
Total financial liabilities	2,718	-	31,389	34,107
Net increase/(decrease) in exposure from interest rate swaps (notional principal)	(918,620)	918,620	-	-

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Net exposure	(867,042)	1,049,765	(25,407)	157,316

The table at Note 3(b) summarises the impact of an increase/(decrease) in interest rates on the Fund's operating profit/(loss) and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably shift that the interest rates change by + 50/- 100 basis points (2023: +/- 25 basis points) from the year end rates with all other variables held constant due to change in investment management.

The Fund has changed the assumption for interest rate movements in the current year. The interest rate assumption was changed from +/- 25bps to +50bps and -100bps due to the current high interest environment and the Fund's projection that interest rates will more likely decrease over the next reporting period.

(b) Summarised sensitivity analysis

	Impact on operating profit/ Net assets attributable to unitholders									
	Interest rate risk		Interest rate risk		Price risk		Foreign exchange risk			
	+50bps	-100bps	+25bps	- 25bps	+5%	-5%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	USD A\$'000	USD A\$'000	EUR A\$'000	EUR A\$'000
30 June 2024	2,399	(4,799)	-	-	282	(282)	(1,769)	1,769	(536)	536
30 June 2023	-	-	464	(464)	539	(539)	(271)	271	983	(983)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in bonds and other debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents and receivables.

Credit risk is managed by managing exposure to issuers, deposit taking institutions, brokers and other counterparties.

3 Financial risk management (continued)

(c) Credit risk (continued)

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost 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. At 30 June 2024 and 30 June 2023, all receivables, cash and short-term deposits are held with counterparties with a credit rating of A- or higher and are either callable on demand or due to be settled within 1 week. Management consider 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.

(i) Debt securities

The Fund invests in debt securities which have an investment grade categorisation as rated by Standard and Poor's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies.

An analysis of debt by rating is set out in the table below.

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Debt securities		
AA-	11,408	-
A	22,979	-
AA	-	1,482
A+	5,136	5,069
A-	128,374	27,494
BBB+	36,389	9,308
BBB	58,294	38,018
BBB-	27,541	24,197
BB	-	4,306
Unrated	84,449	21,245
Total	374,570	131,119

(ii) Derivative financial instruments

Derivatives (both exchange traded and over the counter) may be used in the management of the Fund for purposes including the following:

- managing investment risk and volatility of a security or market;
- managing actual and anticipated interest rate risk and credit exposure;
- managing currency risk and adjusting currency exposure;
- achieving asset exposures without buying or selling the underlying securities;
- creating short exposure to a security or market where permitted;
- generating additional income;
- adding to the gearing levels of the Fund's portfolio;
- managing strategic and tactical asset allocation strategies; or
- taking advantage of price differences (known as arbitrage).

3 Financial risk management (continued)

(c) Credit risk (continued)

(ii) Derivative financial instruments (continued)

The primary over the counter derivative counterparty used is J.P. Morgan Securities LLC, who is the Fund's Prime Broker with a credit rating of A+ (2023: A+). The Investment Manager prefers to have multiple counterparties available for derivative transactions to ensure its liquidity, risk management and execution processes are optimised. The Investment Manager only trades with institutional counterparties with a broad market coverage.

Derivatives traded by the Fund are subject to legally enforceable master netting arrangements, such as an International Swap and Derivatives Association (ISDA) master netting agreement. The ISDA agreement in place meets the criteria for offsetting in the statement of financial position as the Fund has a currently legally enforceable right of payment netting to net same day, same currency payments and by derivative transaction type. Refer to Note 4 to the financial statements for further analysis of the Fund's master netting arrangements.

(iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of at least A- (2023: A-) (as determined by Standard and Poor's rating agency) or higher.

(iv) Repurchase and reverse repurchase agreements

The Fund may engage in repurchase and reverse repurchase transactions. Under the terms of a repurchase agreement, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund's custodian. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the statement of financial position. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral to reduce its losses. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. The counterparty to the outstanding repurchase/reverse repurchase agreements as at 30 June 2024 was JP Morgan Chase Bank, N.A. with a rating of A+ (2023: A+). As at 30 June 2024, the securities pledged as collateral under the repurchase agreement have a fair value of \$353,735,000 (2023: \$122,715,000).

(v) Other

The Fund is not materially exposed to credit risk on other financial assets.

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unitholder redemption requests or to fund foreign exchange related cash flow requirements.

The Fund manages liquidity risk by investing the majority of its funds in assets that can be readily disposed of and limiting exposure to less liquid securities.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2024 and 2023.

(i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current and prior year have maturities of less than one month.

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

As at 30 June 2024	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000
Swaps				
Inflows	-	-	101	48,219
(Outflows)	-	-	(1,193)	(57,865)
Total net settled derivatives	-	-	(1,092)	(9,646)

As at 30 June 2023

Swaps				
Inflows	-	-	941	15,030
(Outflows)	(234)	(1,147)	(2,420)	(16,045)
Total net settled derivatives	(234)	(1,147)	(1,479)	(1,015)

(iii) Maturities of gross settled derivative financial instruments

The table below analyses Fund's gross settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

As at 30 June 2024	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Options					
Inflows	-	-	-	-	-
(Outflows)	(2,599)	(3,127)	(405)	-	(6,131)
Futures					
Inflows	-	487	-	-	487
(Outflows)	-	-	-	-	-
Total gross settled derivatives	(2,599)	(2,640)	(405)	-	(5,644)

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(iii) Maturities of gross settled derivative financial instruments (continued)

As at 30 June 2023

Options					
Inflows	-	-	65	-	65
(Outflows)	(2,239)	(2,969)	(2,984)	-	(8,192)
Futures					
Inflows	-	251	-	-	251
(Outflows)	-	-	-	-	-
<hr/>					
Total gross settled derivatives	(2,239)	(2,718)	(2,919)	-	(7,876)

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables that follow.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial instruments \$'000	Gross amounts set off in the statement of financial position \$'000	Net amount of financial instruments presented in the statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Collateral received/pledged \$'000	Net amount \$'000
Financial assets						
As at 30 June 2024						
Futures	487	-	487	-	-	487
Swaps - AUD	101	(101)	-	-	-	-
Swaps - EUR	18,544	(18,544)	-	-	-	-
Swaps - USD	29,477	(28,952)	525	-	-	525
Total	48,609	(47,597)	1,012	-	-	1,012
<hr/>						
Financial liabilities						
As at 30 June 2024						
Options - AUD	(992)	-	(992)	-	-	(992)
Options - USD	(3,814)	-	(3,814)	-	-	(3,814)
Options - EUR	(1,325)	-	(1,325)	-	-	(1,325)
Swaps - AUD	(2,084)	101	(1,983)	-	-	(1,983)
Swaps - USD	(28,952)	28,952	-	-	-	-
Swaps - EUR	(27,824)	18,544	(9,280)	-	-	(9,280)
Total	(64,991)	47,597	(17,394)	-	-	(17,394)

4 Offsetting financial assets and financial liabilities (continued)

Financial assets

As at 30 June 2023

Futures	251	-	251	-	-	251
Options - AUD	65	(65)	-	-	-	-
Swaps - AUD	281	(281)	-	-	-	-
Swaps - EUR	12,148	(12,184)	-	-	-	-
Swaps - USD	10,044	(7,645)	2,399	-	-	2,399
Total	22,789	(20,175)	2,650	-	-	2,650

Financial liabilities

As at 30 June 2023

Options - AUD	(2,898)	65	(2,833)	-	-	(2,833)
Options - USD	(5,150)	-	(5,150)	-	-	(5,150)
Options - EUR	(3,051)	-	(3,051)	-	-	(3,051)
Swaps - AUD	(3,766)	281	(3,485)	-	-	(3,485)
Swaps - EUR	(15,932)	12,148	(3,784)	-	-	(3,784)
Swaps - USD	(7,645)	7,645	-	-	-	-
Total	(38,442)	20,139	(18,303)	-	-	(18,303)

(i) Master netting arrangement – enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, if on any date amounts would otherwise be payable in the same currency and in respect of the same transaction, by each party to the other, then on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged. As the Fund presently has a legally enforceable right of set-off for transactions, these amounts have been offset in the statement of financial position.

5 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 6 and Note 7)
- Derivative financial instruments

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

5 Fair value measurement (continued)

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2024 and 30 June 2023.

As at 30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Bonds	-	374,570	-	374,570
Swaps	-	525	-	525
Futures	-	487	-	487
Total financial assets	-	375,582	-	375,582
Financial liabilities				
Options	-	6,131	-	6,131
Swaps	-	11,261	-	11,261
Total financial liabilities	-	17,392	-	17,392
As at 30 June 2023				
Financial assets				
Bonds	-	131,145	-	131,145
Swaps	-	2,396	-	2,396
Futures	-	251	-	251
Total financial assets	-	133,792	-	133,792
Financial liabilities				
Options	-	11,035	-	11,035
Swaps	-	7,269	-	7,269
Total financial liabilities	-	18,304	-	18,304

(c) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(d) Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

5 Fair value measurement (continued)

(e) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period and are disclosed in Note (c) above.

6 Financial assets at fair value through profit or loss

		As at	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Future Currency Contracts	8	487	251
Bonds		374,570	131,145
Swaps	8	525	2,396
Total financial assets at fair value through profit or loss		375,582	133,792

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

7 Financial liabilities at fair value through profit or loss

		As at	
	Note	30 June 2024 \$'000	30 June 2023 \$'000
Options	8	6,131	11,035
Swaps	8	11,261	7,269
Total financial liabilities at fair value through profit or loss		17,392	18,304

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and 5 to the financial statements.

8 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures, options and swaps. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for a Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

The Fund holds the following derivative instruments:

(a) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

A swaption is an agreement that grants the owner of the derivative the right but not the obligation to enter into a swap.

(b) Swaps

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

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

A credit default swap index is a credit derivative used to hedge credit risk or to take a position on a basket of credit entities. Unlike a credit default swap, which is an over the counter credit derivative, a credit default swap index is a completely standardised credit security and is therefore more liquid and trades at a smaller bid-offer spread.

8 Derivative financial instruments (continued)

(c) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The Fund's derivative financial instruments measured at fair value at year end are detailed below:

As at 30 June 2024	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Options	(986,000)	-	(6,131)
Swaps	542,420	525	(11,261)
Futures	487	487	-
Total derivatives	(443,093)	1,012	(17,392)

As at 30 June 2023	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Options	(1,311,300)	-	(11,035)
Swaps	900,420	2,396	(7,269)
Futures	251	251	-
Total derivatives	(410,629)	2,647	(18,304)

Information about the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

9 Net assets attributable to unitholders - equity

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Year ended		Year ended	
	30 June 2024 Units '000	30 June 2024 \$'000	30 June 2023 Units '000	30 June 2023 \$'000
Opening balance	-	-	60,832	60,463
Applications - before share consolidation	-	-	1,047	1,030
Redemptions - before share consolidation	-	-	(1,093)	(1,083)
Reinvestment of distributions - before share consolidation	-	-	2,272	2,258
Outstanding balance before consolidation	-	-	63,058	62,668
Opening balance - after share consolidation	5,891	157,316	-	-
Unit consolidation	-	-	(60,535)	-
Applications - after share consolidation	15,471	418,528	3,619	100,240
Redemptions - after share consolidation	(5,909)	(159,995)	(352)	(9,818)
Reinvestment of distributions - after share consolidation	355	9,471	101	2,666
Distributions paid and payable	-	(32,015)	-	(16,316)
Profit or loss for the year	-	27,892	-	17,876
Closing balance	15,808	421,197	5,891	157,316

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right in the underlying assets of the Fund.

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

Units are redeemed on demand at the unitholders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a regular basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a regular basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

Fortlake Real-Income Fund (Managed Fund)
Notes to the financial statements
For the year ended 30 June 2024
(continued)

10 Distributions to unitholders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2024 \$'000	30 June 2024 CPU	30 June 2023 \$'000	30 June 2023 CPU
Distributions				
September	6,864	74.2154	622	24.4793
December	6,653	57.3856	1,200	38.9774
March	5,929	46.4990	1,750	43.0752
June (payable)	12,569	79.5081	12,744	216.3344
Total distributions	32,015	257.6081	16,316	322.8663

11 Cash and cash equivalents

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Cash at bank	105,288	54,296
Total cash and cash equivalents	105,288	54,296

(a) Reconciliation to the statement of cash flows

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Balance per above		
Cash at bank	105,288	54,296
Margin accounts	(27,194)	(2,718)
Balance as per statement of cash flows	78,094	51,578

12 Reconciliation of profit to net cash (outflow) from operating activities

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

	Year ended	
	30 June 2024 \$'000	30 June 2023 \$'000
Profit for the year	27,892	17,876
Proceeds from sale of financial instruments at fair value through profit or loss	12,341	(19,111)
Payments for purchase of financial instruments at fair value through profit or loss	(229,690)	(51,692)
Net (gains) on financial instruments at fair value through profit or loss	(25,354)	(14,986)
Net foreign exchange (gain)	(332)	(1,351)
Net change in receivables	(141)	(43)
Net change in payables	212	82
Net cash (outflow) from operating activities	(215,072)	(69,225)

(b) Non-cash operating and financing activities

The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan

	9,471	4,923
Total non-cash operating and financing activities	9,471	4,923

13 Receivables

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
Applications receivable	430	3,266
GST receivable	210	69
Total receivables	640	3,335

Fortlake Real-Income Fund (Managed Fund)
Notes to the financial statements
For the year ended 30 June 2024
(continued)

14 Payables

		As at	
		30 June 2024	30 June 2023
	Note	\$'000	\$'000
Management fees payable	16(g)	147	57
Withholding tax payable		1	-
Redemptions payable		2,830	226
Expense reimbursement recovery payable	16(g)	180	58
Total payables		3,158	341

15 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditors of the Fund:

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	41,920	48,350
Total auditor remuneration and other assurance services	41,920	48,350
<i>Taxation services</i>		
Tax compliance services	10,000	5,000
Total remuneration for taxation services	10,000	5,000
Total remuneration of Ernst & Young	51,920	53,350
BDO		
<i>Audit and other assurance services</i>		
Audit of compliance plan	7,500	11,450
Total auditor remuneration and other assurance services	7,500	11,450
Total remuneration of BDO	7,500	11,450

15 Remuneration of auditor (continued)

KPMG

Audit and other assurance services

Audit of compliance plan-KPMG	304	-
Total auditor remuneration and other assurance services	304	-
Total remuneration of KPMG	304	-

The auditors' remuneration is borne by the Fund. Fees are stated exclusive of GST.

16 Related party transactions

The Responsible Entity of Fortlake Real-Income Fund (Managed Fund) is Colonial First State Investments Limited (ABN 98 002 348 352). Accordingly, transactions with entities related to Colonial First State Investments Limited are disclosed below.

The Responsible Entity has contracted services to Fortlake Asset Management Pty Ltd to act as Investment Manager, MUFG Corporate Markets (previously Link Fund Solutions Pty Ltd) to act as Administrator and J.P. Morgan Securities LLC to act as Prime Broker and Custodian for the Fund. The contracts are on normal terms and conditions.

(a) Key management personnel

(i) *Directors*

Key management personnel include persons who were directors of Trustees Australia Limited from 1 July 2023 until 30 May 2024:

Alexandra Coleman (Chairman)
 John Nantes
 Craig Swanger
 Kyle Lambert

Key management personnel include persons who were directors of Colonial First State Investments Limited from 30 May 2024 and up to the date of this report:

Murray Coble
 JoAnna Fisher
 Martin Codina

(ii) *Other key management personnel*

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2024 (30 June 2023: nil).

16 Related party transactions (continued)

(d) Key management personnel compensation

Payments made from the Fund to Colonial First State Investments Limited do not include any amounts directly attributable to the compensation of key management personnel.

(e) Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

(f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

(g) Responsible entity's management fees

Under the terms of the Fund's Constitution and Product Disclosure Statement of the Fund, the Investment Manager is entitled to receive management fees. The Investment Manager is entitled to a management fee of 0.41% (effective 30 May 2024, previously 0.44%) per annum of the net asset value of the Fund (inclusive of GST) payable monthly.

The management costs of the Fund include management fees, administrator fees, indirect costs, audit costs, legal costs, and administration and custody fees. Expense recoveries include all these expenses except management fees. The Investment Manager pays for these Fund expenses and then invoices the Fund for expense recoveries.

The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2024	30 June 2023
	\$	\$
Management fees for the year	1,244,212	377,428
Expense reimbursement fees for the year	784,929	209,225
Management fees payable at year end	147,137	56,349
Expense reimbursement recovery payable at year end	179,526	57,708

16 Related party transactions (continued)

(h) Related party unit holdings

Parties related to the Fund (including Colonial First State Investments Limited, its related parties and other schemes managed by Fortlake Asset Management Pty Ltd) held units in the Fund as follows:

	No. of units held opening	No. of units held closing	Fair value of investment (\$)	Interest held (%)	No. of units acquired	No. of units disposed/ unit consolidation	Distributions paid/payable by the Fund (\$)
As at 30 June 2024							
Bayton Cleaning Co Pty Ltd	681,994	846,700	22,532,126	5.60	238,994	(74,288)	2,097,061
Sheer Dynamics Pty Ltd ATF Sheer Dynamics Unit Trust	73,145	85,164	2,266,359	0.56	12,019	-	212,220
Fortlake Real-Higher Income Fund	1,630,241	-	-	-	132,061	(1,762,302)	-
As at 30 June 2023							
Bayton Cleaning Co Pty Ltd	10,698,779	681,994	18,209,376	11.58	729,955	(10,746,740)	2,021,086
Fortlake Asset Management Pty Ltd	1,722,757	-	-	-	85,561	(1,808,318)	18,000
Sheer Dynamics Pty Ltd ATF Sheer Dynamics Unit Trust	4,362,884	73,145	1,952,986	1.24	215,831	(4,505,570)	332,720
Third Return Super Pty Ltd ATF Third Return Superannuation Fund	986,975	-	-	-	45,733	(1,032,708)	-
Fortlake Real-Higher Income Fund	17,177,456	1,630,241	43,527,761	27.67	1,707,245	(17,254,460)	4,780,657

(i) Investments

The Fund did not hold any investments in Colonial First State Investments Limited or its related parties during the year (2023: nil).

17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2024 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

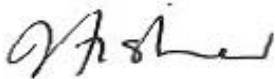
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 39 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the reporting period ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as stated in Note 2(a)(i).

This declaration is made in accordance with a resolution of the directors of Colonial First State Investments Limited.



JoAnna Fisher
Director

Sydney
17 September 2024

Independent auditor's report to the unitholders of Fortlake Real-Income Fund (Managed Fund)

Opinion

We have audited the financial report of Fortlake Real-Income Fund (Managed Fund) (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors of Colonial First State Investments Limited, the Responsible Entity of the Fund, are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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



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

Ernst & Young

Ernst & Young

E Reekie

Emma Reekie
Partner
Melbourne
17 September 2024

Enquiries

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