

Zurich Investments Unhedged Global Thematic Share Scheme

ARSN 108 486 193

Financial statements for the year ended 30 June 2023



Zurich Investments Unhedged Global Thematic Share Scheme

ARSN 108 486 193

Annual report for the year ended 30 June 2023

Contents

| | Page Number |
|-------------------------------------------------------------------------------------------------------------|------------------------|
| Directors' Report | 1 - 3 |
| Auditor's Independence Declaration | 4 |
| Financial Report | |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 - 26 |
| Directors' Declaration | 27 |
| Independent Auditor's Report to the Unitholders of Zurich Investments Unhedged Global Thematic Share Scheme | 28 |

These financial statements cover Zurich Investments Unhedged Global Thematic Share Scheme as an individual entity.

The Responsible Entity of the Zurich Investments Unhedged Global Thematic Share Scheme is Zurich Investment Management Limited.

The Responsible Entity's registered office is 118 Mount Street, North Sydney, NSW 2060.

Directors' Report

The directors of Zurich Investment Management Limited (the "Responsible Entity"), the Responsible Entity of the Zurich Investments Unhedged Global Thematic Share Scheme, present their report together with the financial statements of the Zurich Investments Unhedged Global Thematic Share Scheme (the "Fund") for the year ended 30 June 2023.

Principal activities

The Fund invests in international equity securities, listed unit trusts, derivatives, cash and cash equivalents. The investment policy of the Fund continues to be in accordance with the Fund's constitution and current product disclosure statement.

The Fund did not have any employees during the year (2022: Nil).

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

Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

| | | |
|-------------------------|---------------------------|---------------------------|
| Justin S Delaney | Appointed 1 December 2019 | |
| Nicolette L Rubinsztein | Appointed 1 January 2020 | |
| Paul J Bedbrook | Appointed 1 April 2012 | Resigned 31 December 2022 |
| Geoffrey E Summerhayes | Appointed 3 January 2022 | |

Review and results of operations

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

| | Year ended | |
|-------------------------------------------------------------------------------|-------------------------|------------------|
| | 30 June 2023 | 30 June 2022 |
| Operating profit/(loss) before finance costs attributable to unitholders (\$) | <u>2,331,402</u> | <u>(963,263)</u> |
| <i>Distributions - Class A</i> | | |
| Distributions paid (\$) | 56,971 | 56,124 |
| Distributions payable (\$) | <u>706,525</u> | <u>1,413,885</u> |
| Distributions (cents per unit) | <u>6.4631</u> | <u>12.3892</u> |
| <i>Distributions - Class B</i> | | |
| Distributions paid (\$) | 4,287 | - |
| Distributions payable (\$) | <u>229,028</u> | <u>470,570</u> |
| Distributions (cents per unit) | <u>5.6651</u> | <u>11.3226</u> |
| Total distributions paid by the Fund | <u>61,258</u> | <u>56,124</u> |
| Total distributions payable by the Fund | <u>935,553</u> | <u>1,884,455</u> |
| Total distributions paid and payable by the Fund | <u>996,811</u> | <u>1,940,579</u> |

Directors' Report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the year ended 30 June 2023.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- (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.

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 governing documents of the Fund and in accordance with 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.

Indemnity and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in note 14 to the financial statements.

No fees were paid out by the Fund 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 14 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 9 to the financial statements together with the number of units in the Fund as at the end of year.

The value of the Fund's assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest dollar


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


Directors' Report (continued)

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 4.

This report is made in accordance with a resolution of the directors.

Director 
Geoffrey E Summerhayes

Director 
Nicolette L Rubinsztein

Sydney

18 September 2023



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Auditor's independence declaration to the directors of Zurich Investment Management Limited

As lead auditor for the audit of the financial report of Zurich Investments Unhedged Global Thematic Share Scheme for the financial year ended 30 June 2023, 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;
- 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 'Rita Da Silva' in a cursive script.

Rita Da Silva
Partner
18 September 2023

Zurich Investments Unhedged Global Thematic Share Scheme
Statement of Comprehensive Income
For the year ended 30 June 2023

Statement of Comprehensive Income

| | Notes | Year ended | |
|-------------------------------------------------------------------------------|-------|-------------------------|-------------------------|
| | | 30 June 2023 | 30 June 2022 |
| | | \$ | \$ |
| Investment income | | | |
| Interest income | | 8,365 | 86 |
| Dividend income | | 170,225 | 171,096 |
| Net gains/(losses) from financial assets at fair value through profit or loss | | 2,195,099 | (1,087,074) |
| Other operating income | | <u>415</u> | <u>9,857</u> |
| Total net investment income/(loss) | | <u>2,374,104</u> | <u>(906,035)</u> |
| Expenses | | | |
| Responsible Entity's fees | 14 | 33,931 | 40,506 |
| Transaction costs | | 3,284 | 6,389 |
| Other operating expenses | | <u>5,487</u> | <u>10,333</u> |
| Total operating expenses | | <u>42,702</u> | <u>57,228</u> |
| Operating income/(loss) | | <u>2,331,402</u> | <u>(963,263)</u> |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 10 | (996,811) | (1,940,579) |
| (Increase)/decrease in net assets attributable to unitholders | 9 | <u>(1,334,591)</u> | <u>2,903,842</u> |
| Profit/(loss) for the year | | - | - |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income/(loss) for the year | | <u>-</u> | <u>-</u> |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Zurich Investments Unhedged Global Thematic Share Scheme
Statement of Financial Position
As at 30 June 2023

Statement of Financial Position

| | | As at | |
|------------------------------------------------------------|-------|-------------------|-------------------|
| | | 30 June 2023 | 30 June 2022 |
| | Notes | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 11 | 165,867 | 197,599 |
| Receivables | | 121,954 | 113,370 |
| Accrued income | | 9,712 | 8,246 |
| Due from brokers - receivable for securities sold | | - | 53,450 |
| Financial assets at fair value through profit or loss | 6 | <u>12,396,900</u> | <u>12,255,160</u> |
| Total assets | | <u>12,694,433</u> | <u>12,627,825</u> |
| Liabilities | | | |
| Distribution payable | 10 | 935,553 | 1,884,455 |
| Payables | 14 | 2,893 | 2,857 |
| Due to brokers - payable for securities purchased | | - | 56,631 |
| Financial liabilities at fair value through profit or loss | 7 | <u>-</u> | <u>53</u> |
| Total liabilities | | <u>938,446</u> | <u>1,943,996</u> |
| Net assets attributable to unitholders - Liability | 9 | <u>11,755,987</u> | <u>10,683,829</u> |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**Zurich Investments Unhedged Global Thematic Share Scheme
Statement of Changes in Equity
For the year ended 30 June 2023**

Statement of Changes in Equity

| | Year ended | |
|------------------------------------------------------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Total equity at the beginning of the financial year | - | - |
| Profit/(loss) for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) for the year | <u>-</u> | <u>-</u> |
| Transactions with owners in their capacity as owners | - | - |
| Total transactions with unitholders | <u>-</u> | <u>-</u> |
| Total equity at the end of the financial year | <u><u>-</u></u> | <u><u>-</u></u> |

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Zurich Investments Unhedged Global Thematic Share Scheme
Statement of Cash Flows
For the year ended 30 June 2023

Statement of Cash Flows

| | Notes | Year ended | |
|--------------------------------------------------------------------------------|-------|--------------------|--------------------|
| | | 30 June 2023 | 30 June 2022 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Proceeds from sale of financial assets at fair value through profit or loss | | 3,439,739 | 5,279,062 |
| Purchase of financial assets at fair value through profit or loss | | (1,395,790) | (2,988,540) |
| Transaction costs of financial assets at fair value through profit or loss | | (3,284) | (6,389) |
| Dividends received | | 161,944 | 188,851 |
| Interest received | | 7,156 | - |
| Other income received | | 461 | 9,999 |
| Responsible Entity's fees paid | | (33,895) | (41,354) |
| Payment of other expenses | | (5,487) | (10,338) |
| Net cash inflow/(outflow) from operating activities | 12(a) | <u>2,170,844</u> | <u>2,431,291</u> |
| Cash flows from financing activities | | | |
| Proceeds from applications by unitholders | | 1,546,391 | 1,643,246 |
| Payments for redemptions by unitholders | | (3,424,566) | (3,919,982) |
| Distributions paid | | (329,971) | (237,811) |
| Net cash inflow/(outflow) from financing activities | | <u>(2,208,146)</u> | <u>(2,514,547)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (37,302) | (83,256) |
| Cash and cash equivalents at the beginning of the year | | 197,599 | 281,379 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | | 5,570 | (524) |
| Cash and cash equivalents at the end of the year | 11 | <u>165,867</u> | <u>197,599</u> |
| Non-cash financing activities | 12(b) | <u>1,615,742</u> | <u>1,071,769</u> |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements cover the Zurich Investments Unhedged Global Thematic Share Scheme (the "Fund") as a registered managed investment scheme. The Fund was registered on 7 April 2004.

The Responsible Entity of the Fund is Zurich Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is 118 Mount Street, North Sydney, NSW 2060. The financial statements are presented in the Australian currency.

The Fund invests in international equity securities, listed unit trusts, derivatives and cash and cash equivalents. The investment policy of the Fund continues to be in accordance with the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on 18 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(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 unit trust 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 noncurrent. All material balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months after the end of each reporting period cannot be reliably determined.

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 Statement of Financial Position date.

In the case of net assets attributable to unitholders, the 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 cannot be reliably determined.

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Financial instruments

(i) Classification

The Fund classifies its investments 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 Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The Fund may hold derivatives which are measured at fair value through profit or loss. The Fund does not designate any derivatives as hedges in a hedging relationship for accounting purposes.

(ii) Recognition/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.

Investments are derecognised when the contractual right to receive cash flows from the investments have expired or have been transferred, and the Fund has transferred substantially all of the risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within 'net gains or losses from financial assets at fair value through profit or loss' in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined, please see note 5 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 4 to the financial statements for further information.

(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 reporting date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as financial liabilities as they do not satisfy all of the following criteria:

- 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;
- 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 unfavorable conditions to the Fund, and it 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.

(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, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition 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 movements in the fair value of these securities represent the Fund's main income generating activity. Gains from forward currency contracts, and losses from foreign currency contracts are also classified as cash flows from operating activities under proceeds from sale of financial instruments, and purchase of financial instruments respectively.

2 Summary of significant accounting policies (continued)

(e) Investment income

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.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income and distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees, 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 provided it attributes the entirety of its taxable income to its unitholders.

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

(h) Distributions

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and attributable until realised. Capital losses are not attributed to unitholders but are retained to be offset against any realised capital gains.

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Items 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 date 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 profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of Comprehensive Income on a net basis within 'net gains or losses from financial assets at fair value through profit or loss'.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss (FVTPL) and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at FVTPL.

2 Summary of significant accounting policies (continued)

(k) 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 consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers 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 months of expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(l) Receivables and accrued income

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

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

A separate distribution payable is recognised in the Statement of Financial Position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(n) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed on to the Fund, where applicable. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%; hence the investment management fees, custodial fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts 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.

(p) 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.

(q) Use of estimates

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, 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 Responsible Entity, independent of the area that created them.

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

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. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

(r) New accounting standards and interpretations

There are no standards that are not yet effective that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

No new standards, amendments to standards and interpretations that became effective for the first time during the financial period had a material effect on the financial statements.

(s) 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" amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar unless otherwise indicated.

3 Financial risk management

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

This note presents information about the Funds' exposure to each of the above risks and how these risks are measured, monitored and managed by the Responsible Entity.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management program.

The Responsible Entity has negotiated an Investment Management Agreements (IMA) with an external investment manager to ensure all assets are managed in accordance with the IMA. The overall investment strategy is governed by the Zurich Investment Series Fund's Constitution, the IMA, the offer document and Product Disclosure Statement (PDS).

The Responsible Entity's risk management controls focus on ensuring all activities are transacted in accordance with the IMA, overall investment strategy and within approved limits. Divergence from target asset allocations and the composition of the assets of the Fund is monitored by the Responsible Entity on a daily basis.

The use of derivatives is consistent and subordinate to the investment strategy of the Fund. Risk management controls are outlined in the Responsible Entity's Derivative Risk Management Process (DRMP). The objective of the DRMP is to provide a summary of the policies and controls in place to ensure the proper use of derivatives and the procedures for assessing compliance with these policies and controls. The DRMP is subject to at least an annual review by the Zurich Investment Management Board and the Zurich Australia Limited Risk, Compliance and Audit Committee (the Committee). The internal audit department prepares a report on compliance with procedures outlined in DRMP.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The Fund is exposed to equity securities, listed unit trusts and derivative securities price risk. This 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. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk and reflected in the price risk analysis below. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured. Investments are classified in the Statement of Financial Position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The risk resulting from financial instruments is determined from a potential variation in the fair value of the financial instruments as at 30 June 2023 and 30 June 2022.

The Responsible Entity mitigates price risk on derivative financial instruments by ensuring that all activities are transacted in accordance with approved mandates, strategies and limits. Compliance with the Fund's Product Disclosure Statement and Investment Guidelines are monitored daily, with any breaches recorded on a breach register and reported to the Committee on a quarterly basis.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

| | As at | |
|------------------------------------------------------------------------|-------------------------|-------------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Equity securities at fair value through profit or loss | 12,244,229 | 12,092,043 |
| Listed unit trusts at fair value through profit or loss | 152,671 | 163,117 |
| Total exposure to price risk from equity and listed unit trusts | 12,396,900 | 12,255,160 |

The table presented in note 3(b) summarises the impact on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably based on the risk that the Fund was exposed to at reporting date.

(ii) Foreign exchange risk

The Fund has exposure to foreign assets and 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 will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. The risk is measured using sensitivity analysis.

The foreign exchange risk disclosures have been prepared on the basis of the Fund's direct investments and not on a look through basis to investments held via interposed investment funds. In addition, any currency hedging to minimise the impact of foreign exchange risk has not been incorporated into the disclosures unless the derivatives are held directly in this Fund.

In accordance with the Fund's policy, the investment manager monitors the Fund's foreign exchange exposure on a daily basis.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign Exchange Risk (continued)

The tables below summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

| | US Dollar | Euros | British Pound | Japanese Yen | Other |
|-----------------------------------------------------------------------------|------------------|------------------|------------------|-----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 30 June 2023 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 6,365 | (1,038) | - | - | 19 |
| Due from brokers - receivable for securities sold | - | - | - | - | - |
| Receivables | - | 10,854 | - | - | 126,391 |
| Accrued income | 4,455 | 2,165 | - | - | 1,793 |
| Financial assets held at fair value through profit or loss | <u>7,782,124</u> | <u>2,232,847</u> | <u>1,094,956</u> | <u>283,352</u> | <u>1,003,621</u> |
| Total assets | <u>7,792,944</u> | <u>2,244,828</u> | <u>1,094,956</u> | <u>283,352</u> | <u>1,131,824</u> |
| Liabilities | | | | | |
| Payables | <u>(16,240)</u> | - | - | - | - |
| Total liabilities (excluding net assets attributable to unitholders) | <u>(16,240)</u> | - | - | - | - |
| Net increase/(decrease) in exposure from foreign currency derivatives | <u>7,776,704</u> | <u>2,244,828</u> | <u>1,094,956</u> | <u>283,352</u> | <u>-</u> |
| Net exposure | <u>7,776,704</u> | <u>2,244,828</u> | <u>1,094,956</u> | <u>283,352</u> | <u>1,131,824</u> |
| | US Dollar | Euros | British Pound | Japanese Yen | Other |
| | \$ | \$ | \$ | \$ | \$ |
| 30 June 2022 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 10,821 | - | - | - | - |
| Due from brokers - receivable for securities sold | 45,728 | 7,722 | - | - | - |
| Receivables | - | 9,636 | - | - | 116,128 |
| Accrued income | 6,092 | 2,064 | - | - | - |
| Financial assets held at fair value through profit or loss | <u>7,655,296</u> | <u>2,035,021</u> | <u>1,043,116</u> | <u>400,791</u> | <u>1,120,936</u> |
| Total assets | <u>7,717,937</u> | <u>2,054,443</u> | <u>1,043,116</u> | <u>400,791</u> | <u>1,237,064</u> |
| Liabilities | | | | | |
| Payables | (13,388) | - | - | - | - |
| Due to brokers - payable for securities purchased | (56,631) | - | - | - | - |
| Financial liabilities held at fair value through profit or loss | <u>(37)</u> | <u>(16)</u> | - | - | - |
| Total liabilities (excluding net assets attributable to unitholders) | <u>(70,056)</u> | <u>(16)</u> | - | - | - |
| Net increase/(decrease) in exposure from foreign currency derivatives | <u>(8,721)</u> | <u>(7,706)</u> | - | - | - |
| Net exposure | <u>7,639,160</u> | <u>2,046,721</u> | <u>1,043,116</u> | <u>400,791</u> | <u>1,237,064</u> |

The table presented in note 3(b) summarises sensitivity analysis to foreign exchange risk.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk. The Fund's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The tables below summarise the Fund's year end assets and liabilities that have floating interest rates, fixed interest rates or are non interest bearing.

| 30 June 2023 | Floating interest rate \$ | Fixed interest rate \$ | Non interest bearing \$ | Total \$ |
|------------------------------------------------------------------------------|---------------------------------|------------------------------|-------------------------------|-------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 165,867 | - | - | 165,867 |
| Accrued income | - | - | 9,712 | 9,712 |
| Receivables | - | - | 121,954 | 121,954 |
| Financial assets at fair value through profit or loss | - | - | <u>12,396,900</u> | <u>12,396,900</u> |
| Total assets | <u>165,867</u> | <u>-</u> | <u>12,528,566</u> | <u>12,694,433</u> |
| Financial liabilities | | | | |
| Distribution payable | - | - | 935,553 | 935,553 |
| Payables | - | - | <u>2,893</u> | <u>2,893</u> |
| Total liabilities (excluding net assets attributable to unit holders) | <u>-</u> | <u>-</u> | <u>938,446</u> | <u>938,446</u> |
| Net assets attributable to unitholders - Liability | <u>165,867</u> | <u>-</u> | <u>11,590,120</u> | <u>11,755,987</u> |
| | | | | |
| 30 June 2022 | Floating interest rate \$ | Fixed interest rate \$ | Non interest bearing \$ | Total \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 197,599 | - | - | 197,599 |
| Accrued income | - | - | 8,246 | 8,246 |
| Due from brokers - receivable for securities sold | - | - | 53,450 | 53,450 |
| Receivables | - | - | 113,370 | 113,370 |
| Financial assets at fair value through profit or loss | - | - | <u>12,255,160</u> | <u>12,255,160</u> |
| Total assets | <u>197,599</u> | <u>-</u> | <u>12,430,226</u> | <u>12,627,825</u> |
| Financial liabilities | | | | |
| Distribution payable | - | - | 1,884,455 | 1,884,455 |
| Payables | - | - | 2,857 | 2,857 |
| Due to brokers - payable for securities purchased | - | - | 56,631 | 56,631 |
| Financial liabilities at fair value through profit or loss | - | - | <u>53</u> | <u>53</u> |
| Total liabilities (excluding net assets attributable to unit holders) | <u>-</u> | <u>-</u> | <u>1,943,996</u> | <u>1,943,996</u> |
| Net assets attributable to unitholders - Liability | <u>197,599</u> | <u>-</u> | <u>10,486,230</u> | <u>10,683,829</u> |

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk and foreign exchange risk. The below are reasonable estimates of anticipated movements based on historical data. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Fund invests.

Impact on operating profit and net assets attributable to unitholders

| | As at | | | |
|-------------------|------------------|--------------------|--------------|-------------|
| | 30 June 2023 | | 30 June 2022 | |
| | +15% | -15% | +15% | -15% |
| | \$ | \$ | \$ | \$ |
| Price risk | 1,859,535 | (1,859,535) | 1,838,274 | (1,838,274) |

| | As at | | | |
|--------------|----------------|------------------|--------------|-----------|
| | 30 June 2023 | | 30 June 2022 | |
| | +10% | -10% | +10% | -10% |
| | \$ | \$ | \$ | \$ |
| USD | 777,670 | (777,670) | 763,916 | (763,916) |
| EUR | 224,483 | (224,483) | 204,672 | (204,672) |
| GBP | 109,496 | (109,496) | 104,312 | (104,312) |
| JPY | 28,335 | (28,335) | 40,079 | (40,079) |
| Other | 113,182 | (113,182) | 123,706 | (123,706) |

| | As at | | | |
|---------------------------|--------------|--------------|--------------|---------|
| | 30 June 2023 | | 30 June 2022 | |
| | +25 bps | - 25 bps | +25 bps | -25 bps |
| | \$ | \$ | \$ | \$ |
| Interest rate risk | 415 | (415) | 494 | (494) |

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk primarily arises from investments in trading derivative products. The Fund is also exposed to counterparty credit risk and credit risk on cash and cash equivalents, amounts due from brokers and other receivables. The Fund has no significant concentrations of credit risk.

The assets of the Fund principally consist of financial instruments which comprise investments in equity securities, listed unit trusts and derivatives traded on a recognised stock exchange.

For derivative financial instruments, credit risk is mitigated by requiring the external investment manager under the IMA to:

- deal on recognised domestic and international stock and futures exchanges;
- deal with counterparties that meet the minimum credit worthiness requirements; and
- deal with such counterparties within established limits.

These requirements are monitored on a regular basis to ensure that the exposure to credit risk is within the limits stipulated by the IMA.

Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

None of these assets are impaired or past due but not impaired.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely JP Morgan Chase Bank NA ("J.P. Morgan"). J.P. Morgan is a member of a major securities exchange, and at 30 June 2023 had a credit rating of A+ (30 June 2022: A+). At 30 June 2023, substantially all cash and cash equivalents, amounts due from brokers and investments are held in custody by J.P. Morgan.

3 Financial risk management (continued)

(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.

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The Fund therefore primarily holds investments that are traded in an active market and can be readily disposed.

The Responsible Entity monitors liquidity of the Fund on a daily basis. In order to manage the Fund's overall liquidity, the Fund has the ability to suspend unit pricing and hence suspend redemption requests. The Fund did not suspend redemptions as a result of suspending unit pricing in the current or prior year.

The investment manager monitors liquidity on a daily basis. Compliance with the Fund's policy is reported to the Committee on a quarterly basis.

Units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

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

| 30 June 2023 | Less than 1 month | 1 - 6 months | 6 - 12 months | Over 12 months | Total |
|-----------------------------------------------------------------|------------------------------|-------------------------|--------------------------|---------------------------|--------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Distribution payable | 935,553 | - | - | - | 935,553 |
| Payables | 2,893 | - | - | - | 2,893 |
| Net assets attributable to unitholders | <u>11,755,987</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,755,987</u> |
| Total | <u>12,694,433</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,694,433</u> |
| | | | | | |
| 30 June 2022 | Less than 1 month | 1 - 6 months | 6 - 12 months | Over 12 months | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Distribution payable | 1,884,455 | - | - | - | 1,884,455 |
| Payables | 2,857 | - | - | - | 2,857 |
| Due to brokers - payable for securities purchased | 56,631 | - | - | - | 56,631 |
| Financial liabilities held at fair value through profit or loss | 53 | - | - | - | 53 |
| Net assets attributable to unitholders | <u>10,683,829</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,683,829</u> |
| Total | <u>12,627,825</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,627,825</u> |

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position. The Fund did not hold any financial assets and liabilities subject to offsetting arrangements as at year ended 30 June 2023 (30 June 2022: Nil).

5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities held at fair value through profit or loss (FVPL) (see note 6 and 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 requires disclosure of fair value measurements by level of the following fair value hierarchy;

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

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) 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.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

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.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

5 Fair value measurement (continued)

Recognised fair value measurements

The tables below set out the Fund's financial assets and financial liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022.

| 30 June 2023 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------------------------------|--------------------------|-----------------|-----------------|--------------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 12,244,229 | - | - | 12,244,229 |
| Listed unit trusts | <u>152,671</u> | <u>-</u> | <u>-</u> | <u>152,671</u> |
| Total | <u>12,396,900</u> | <u>-</u> | <u>-</u> | <u>12,396,900</u> |

| 30 June 2022 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------------------------------|--------------------------|-----------------|-----------------|--------------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 12,092,043 | - | - | 12,092,043 |
| Listed unit trusts | <u>163,117</u> | <u>-</u> | <u>-</u> | <u>163,117</u> |
| Total | <u>12,255,160</u> | <u>-</u> | <u>-</u> | <u>12,255,160</u> |

| | | | | |
|------------------------------------------------------------------------------|-----------------|------------------|-----------------|------------------|
| Financial liabilities designated at fair value through profit or loss | | | | |
| Derivatives | <u>-</u> | <u>53</u> | <u>-</u> | <u>53</u> |
| Total | <u>-</u> | <u>53</u> | <u>-</u> | <u>53</u> |

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

Transfers between levels

There have been no transfers between the levels during the year ended 30 June 2023 (30 June 2022: Nil).

Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

6 Financial assets at fair value through profit or loss

| | As at | |
|--------------------------------------------------------------------|--------------------------|--------------------------|
| | 30 June 2023 | 30 June 2022 |
| | Fair value | Fair value |
| | \$ | \$ |
| Equity securities | 12,244,229 | 12,092,043 |
| Listed unit trusts | <u>152,671</u> | <u>163,117</u> |
| Total financial assets at fair value through profit or loss | <u>12,396,900</u> | <u>12,255,160</u> |

7 Financial liabilities at fair value through profit or loss

| | As at | |
|-------------------------------------------------------------------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | Fair value | Fair value |
| | \$ | \$ |
| Derivatives | - | 53 |
| Total financial liabilities at fair value through profit or loss | - | 53 |

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 and options. 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 or to reduce volatility.
- a substitution for trading of physical securities.
- 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.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative financial instruments during the year:

Forward currency contracts

Forward currency contracts are primarily used by the Fund to manage against foreign currency risks on its investments. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

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

| | 30 June 2023 | | | 30 June 2022 | | |
|----------------------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|
| | Contract/ Notional | Fair values | | Contract/ Notional | Fair values | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Forward currency contracts | - | - | - | 16,427 | - | 53 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,427</u> | <u>-</u> | <u>53</u> |

Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange risk, and interest rate risk and about the methods and assumptions used in determining fair values is provided in notes 3 and 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

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

| | As at | | | |
|---------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Class A | No. | No. | \$ | \$ |
| Opening balance | 11,845,054 | 12,662,615 | 7,933,791 | 10,856,225 |
| Applications | 1,410,028 | 1,649,815 | 1,027,482 | 1,459,720 |
| Redemptions | (3,709,538) | (3,618,331) | (2,717,623) | (3,203,650) |
| Units issued upon reinvestment of distributions | 2,190,753 | 1,150,955 | 1,470,856 | 991,777 |
| Increase/(decrease) in net assets attributable to unitholders | <u>-</u> | <u>-</u> | <u>1,017,131</u> | <u>(2,170,281)</u> |
| Closing balance | <u>11,736,297</u> | <u>11,845,054</u> | <u>8,731,637</u> | <u>7,933,791</u> |
| | 30 June | 30 June | 30 June | 30 June |
| Class B | 2023 | 2022 | 2023 | 2022 |
| | No. | No. | \$ | \$ |
| Opening balance | 4,156,026 | 4,658,219 | 2,750,038 | 3,936,413 |
| Applications | 700,929 | 212,092 | 518,909 | 183,526 |
| Redemptions | (963,733) | (808,928) | (706,943) | (716,332) |
| Units issued upon reinvestment of distributions | 218,804 | 94,643 | 144,886 | 79,992 |
| Increase/(decrease) in net assets attributable to unitholders | <u>-</u> | <u>-</u> | <u>317,460</u> | <u>(733,561)</u> |
| Closing balance | <u>4,112,026</u> | <u>4,156,026</u> | <u>3,024,350</u> | <u>2,750,038</u> |
| Total closing balance of the Fund | | | <u>11,755,987</u> | <u>10,683,829</u> |

There are two classes of units in the Fund, Class A and Class B and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unitholder's 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 capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily 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 daily 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 a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Fund's investment strategy remains unchanged and it continues to hold direct investments which provide exposure to liquid assets including international equity securities, listed unit trusts, derivatives and cash equivalent securities. As such, the Fund will meet any capital requirements from the liquidation of liquid assets, which include cash and cash equivalents.

10 Distributions to unitholders

The distributions during the year were as follows:

| Class A | Year ended | | | |
|---------------------------------------------------------|-----------------|---------------|------------------|----------------|
| | 30 June 2023 | | 30 June 2022 | |
| | \$ | CPU | \$ | CPU |
| Distributions paid | | | | |
| - 31 December | 56,971 | 0.4431 | 56,124 | 0.4527 |
| Distributions payable | | | | |
| - 30 June | <u>706,525</u> | <u>6.0200</u> | <u>1,413,885</u> | <u>11.9365</u> |
| | <u>763,496</u> | <u>6.4631</u> | <u>1,470,009</u> | <u>12.3892</u> |
| | | | | |
| Class B | 30 June 2023 | | 30 June 2022 | |
| | \$ | CPU | \$ | CPU |
| Distributions paid | | | | |
| - 31 December | 4,287 | 0.0954 | - | - |
| Distributions payable | | | | |
| - 30 June | <u>229,028</u> | <u>5.5697</u> | <u>470,570</u> | <u>11.3226</u> |
| | <u>233,315</u> | <u>5.6651</u> | <u>470,570</u> | <u>11.3226</u> |
| | | | | |
| | 30 June 2023 | | 30 June 2022 | |
| | \$ | | \$ | |
| Distributions paid - all classes | 61,258 | | 56,124 | |
| Distributions payable - all classes | <u>935,553</u> | | <u>1,884,455</u> | |
| Total distributions paid and payable by the Fund | <u>996,811</u> | | <u>1,940,579</u> | |

11 Cash and cash equivalents

| | As at | |
|----------------------------------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Domestic cash at bank | 160,521 | 186,778 |
| Foreign cash at bank | <u>5,346</u> | <u>10,821</u> |
| Total cash and cash equivalents | <u>165,867</u> | <u>197,599</u> |

12 Reconciliation of operating profit/(loss) to net cash flow from operating activities

| | Year ended | |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| (a) Reconciliation of operating profit/(loss) to net cash flow from operating activities | | |
| Operating profit/(loss) for the year | 2,331,402 | (963,263) |
| Net (gains)/losses from financial assets at fair value through profit or loss | (2,195,099) | 1,087,074 |
| Proceeds from sale of financial assets at fair value through profit or loss | 3,439,739 | 5,279,062 |
| Purchase of financial assets at fair value through profit or loss | (1,395,790) | (2,988,540) |
| Net change in accrued income and receivables | (9,444) | 17,806 |
| Net change in payables | 36 | (848) |
| Net cash inflow/(outflow) from operating activities | <u>2,170,844</u> | <u>2,431,291</u> |
| (b) Non-cash financing and investing activities | | |
| During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | <u>1,615,742</u> | <u>1,071,769</u> |

13 Remuneration of auditor

During the year the following fees were paid or payable for services provided by Ernst & Young.

| | Year ended | |
|------------------------------------------------------------------|----------------------|----------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Audit and other assurance services | | |
| Audit and review of financial statements | 15,655 | 15,500 |
| Audit of compliance plan | 4,100 | 3,800 |
| Total remuneration for audit and other assurance services | <u>19,755</u> | <u>19,300</u> |

All audit fees were borne by the Responsible Entity during the year ended 30 June 2023 and 30 June 2022.

14 Related party transactions

Responsible Entity

The Responsible Entity of the Fund is Zurich Investment Management Limited (ABN 56 063 278 400).

Key management personnel

Key management personnel are the directors of the Responsible Entity at any time during the year or since the end of the year and up to the date of this report are as follows:

| | | |
|-------------------------|---------------------------|---------------------------|
| Justin S Delaney | Appointed 1 December 2019 | |
| Nicolette L Rubinsztein | Appointed 1 January 2020 | |
| Paul J Bedbrook | Appointed 1 April 2012 | Resigned 31 December 2022 |
| Geoffrey E Summerhayes | Appointed 3 January 2022 | |

There were no other persons with responsibility for planning, directing and controlling the activities of the Responsible Entity of the Fund, directly or indirectly during the financial year.

Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a management fee of 0.03% (2022: 0.03%) for Class A and 0.98% (2022:0.98%) for Class B of the Fund's Net Asset Value (inclusive of GST, net of RITC available to the Fund) calculated on average daily net assets.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

| | Year ended | |
|------------------------------------------------------------------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 |
| | \$ | \$ |
| Responsible Entity's fees for the year | 33,931 | 40,506 |
| Total fees payable to the Responsible Entity as at the end of the year | 2,893 | 2,857 |

Transactions with key management personnel

Key management personnel services are provided by the Responsible Entity and included in the management fees disclosed above. There is no separate charge for these services.

Key management personnel unitholdings

The key management personnel of the Responsible Entity do not hold units or an interest in units in the Fund directly, or indirectly through a related party.

Key management personnel remuneration

Key management personnel are paid by Zurich Financial Services Australia Limited, the ultimate Australian parent entity of the Responsible Entity. Payments made from the Fund do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

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

14 Related party transactions (continued)

Related party unitholdings

Parties related to the Fund including the Responsible Entity, its affiliates or other funds managed by the Responsible Entity held units in Class A of the Fund as follows:

| 30 June 2023 | Number of units held | Fair value of investments | Interest held | Distributions paid/payable by the Fund |
|--------------------------------------------------------|----------------------|---------------------------|---------------|----------------------------------------|
| Unitholder | Units | \$ | % | \$ |
| Zurich Investments Hedged Global Thematic Share Scheme | 11,736,297 | 8,731,637 | 100 | 763,496 |

| 30 June 2022 | Number of units held | Fair value of investments | Interest held | Distributions paid/payable by the Fund |
|--------------------------------------------------------|----------------------|---------------------------|---------------|----------------------------------------|
| Unitholder | Units | \$ | % | \$ |
| Zurich Investments Hedged Global Thematic Share Scheme | 11,845,054 | 7,933,791 | 100 | 1,470,009 |

Investments

The Fund did not hold any investments in schemes also managed by the Responsible Entity or its related parties during the year (2022: Nil).

15 Events occurring after the reporting period

No significant events have occurred since the end of the reporting date which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (2022: Nil).


Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 26 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with 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 2023 and of its performance for the financial year ended on that date; and
- (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.
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standard Board

This declaration is made in accordance with a resolution of the directors.

Director 
Geoffrey E Summerhayes

Director 
Nicolette L Rubinsztein

Sydney
18 September 2023



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working world**

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Independent auditor's report to the unitholders of Zurich Investments Unhedged Global Thematic Share Scheme

Opinion

We have audited the financial report of Zurich Investments Unhedged Global Thematic Share Scheme ("the Fund"), which comprises the statement of financial position as at 30 June 2023, 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 a summary of significant accounting policies, 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 2023 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 Zurich Investment Management Limited as the Responsible Entity of the Fund (the "Responsible Entity") 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 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



Rita Da Silva
Partner
Sydney
18 September 2023