

# **Pendal Total Return Fund**

ARSN 092 178 704

**Annual report - for the period 1 July 2021 to  
20 October 2021**

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## Annual report - for the period 1 July 2021 to 20 October 2021

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These financial statements cover Pendal Total Return Fund as an individual entity.

The Responsible Entity of Pendal Total Return Fund is Pendal Fund Services Limited (ABN 13 161 249 332).

The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

## **Directors' report**

The directors of Pendal Fund Services Limited, the Responsible Entity of the Pendal Total Return Fund ("the Fund"), present their report together with the Fund's financial statements for the period 1 July 2021 to 20 October 2021.

### **Principal activities**

The last unitholders' units were redeemed effective 17 September 2021 with final balances settled on 20 October 2021, completing the termination of the Fund. As such, the financial statements have not been prepared on a going concern basis. There is no impact on the financial position of the Fund.

Until the last unitholders' units were redeemed, the Fund continued to invest in unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents.

The Fund did not have any employees during the period.

Other than as noted in this report, there were no significant changes in the nature of the Fund's activities during the period.

### **Directors**

The following persons held office as directors of Pendal Fund Services Limited during the period or since the end of the period and up to the date of this report:

Richard Brandweiner (appointed 6 March 2019)  
 Justin Howell (appointed 7 May 2018)  
 Anthony Serhan (appointed 6 December 2019)  
 Cameron Williamson (appointed 15 November 2012)

### **Review and results of operations**

The Board approved the termination of the Fund effective 16 September 2021 and the last unitholders' units were redeemed effective 17 September 2021. Final balances settled on 20 October 2021 completing the termination of the Fund.

During the period, until the Fund's investments were liquidated, the Fund continued to invest in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

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

	<b>Period 1 July 2021 to 20 October 2021</b>	Period 1 October 2020 to 30 June 2021
Operating profit/(loss) (\$)	<b>1,085,437</b>	7,605,624
<i>Distributions</i>		
Distributions paid and payable (\$)	-	-
Distributions (cents per unit)	-	-

## **Directors' report (continued)**

The key differences, if any, between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	<b>As at</b>	
	<b>20 October 2021</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Redemption value of outstanding units	-	151,259,499
Adjustment for differences in valuation inputs	-	-
Net assets attributable to unitholders	-	151,259,499

## **Significant changes in the state of affairs**

The last unitholders' units were redeemed effective 17 September 2021 with final balances settled on 20 October 2021 completing the termination of the Fund. This report contains the final set of financial statements for the Fund.

Other than as noted in this report, in the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

## **Matters subsequent to the end of the financial period**

As the Fund has terminated, there have been no matters subsequent to the end of the financial period that significantly affected, or may significantly affect, the Fund.

## **Indemnity and insurance of officers**

No insurance premiums were paid for out of the assets of the Fund for insurance cover provided to the officers of the Responsible Entity.

## **Indemnity of auditors**

The auditors of the Fund were 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 Fund property during the period are disclosed in note 12 to the financial statements.

No fees were paid out of Fund property directly to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 12 to the financial statements.

## **Interests in the Fund**

The movement in units on issue in the Fund during the period is disclosed in note 7 to the financial statements.

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

## **Environmental regulation**

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

## Directors' report (continued)

### Rounding of amounts to the nearest dollar

Amounts in the Directors' report have been rounded to the nearest dollar in accordance with *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### 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 5.

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



Director



Director

Sydney  
2 December 2021



## *Auditor's Independence Declaration*

As lead auditor for the audit of Pendal Total Return Fund for the period 1 July 2021 to 20 October 2021, I declare that 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.

A handwritten signature in black ink, appearing to read "Andrew Wilson", with a stylized flourish extending to the right.

Andrew Wilson  
Partner  
PricewaterhouseCoopers

Sydney  
2 December 2021

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**Pendal Total Return Fund**  
**Statement of comprehensive income**  
**For the period ended 20 October 2021**

**Statement of comprehensive income**

	Period 1 July 2021 to 20 October 2021	Period 1 October 2020 to 30 June 2021
Notes	\$	\$
<b>Income</b>		
Interest income	6	705
Distribution income	47,934	4,457,441
Net gains/(losses) on financial instruments held at fair value through profit or loss	1,515,477	4,830,837
<b>Total income/(loss)</b>	<b>1,563,417</b>	<b>9,288,983</b>
<b>Expenses</b>		
Responsible Entity's fees	12(d) 458,219	1,627,652
Other operating expenses	19,761	55,707
<b>Total operating expenses</b>	<b>477,980</b>	<b>1,683,359</b>
<b>Operating profit/(loss)</b>	<b>1,085,437</b>	<b>7,605,624</b>
<b>Profit/(loss) for the period</b>	<b>1,085,437</b>	<b>7,605,624</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>1,085,437</b>	<b>7,605,624</b>

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

**Pendal Total Return Fund**  
**Balance sheet**  
**As at 20 October 2021**

**Balance sheet**

		<b>As at</b>	
		<b>20 October</b>	<b>30 June</b>
	<b>Notes</b>	<b>2021</b>	<b>2021</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	8	-	105,908,211
Margin accounts		-	1,580,000
Accrued income		-	2,969,278
Receivables		-	12,400
Financial assets held at fair value through profit or loss	9	-	41,763,934
<b>Total assets</b>		-	152,233,823
<b>Liabilities</b>			
Payables		-	161,598
Financial liabilities held at fair value through profit or loss	10	-	812,726
<b>Total liabilities</b>		-	974,324
<b>Net assets attributable to unitholders - equity</b>	7	-	151,259,499

*The above balance sheet should be read in conjunction with the accompanying notes.*



**Pendal Total Return Fund**  
**Statement of changes in equity**  
**For the period ended 20 October 2021**

**Statement of changes in equity**

		Period 1 July 2021 to 20 October 2021	Period 1 October 2020 to 30 June 2021
	Notes	\$	\$
<b>Total equity at the beginning of the financial period</b>		<b>151,259,499</b>	222,632,068
<b>Comprehensive income for the period</b>			
Profit/(loss) for the period		<b>1,085,437</b>	7,605,624
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1,085,437</b>	7,605,624
<b>Transactions with unitholders</b>			
Applications	7	<b>40,099</b>	274,944
Redemptions	7	<b>(152,385,035)</b>	(79,253,137)
<b>Total transactions with unitholders</b>		<b>(152,344,936)</b>	(78,978,193)
<b>Total equity at the end of the financial period</b>		<b>-</b>	151,259,499

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

**Pendal Total Return Fund**  
**Statement of cash flows**  
**For the period ended 20 October 2021**

**Statement of cash flows**

	Period 1 July 2021 to 20 October 2021	Period 1 October 2020 to 30 June 2021
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	49,331,957	72,159,712
Purchase of financial instruments held at fair value through profit or loss	(2,335,261)	(20,166,188)
Interest received	6	717
Distributions received	67,201	212,367
Other income received	12,400	3,566
Responsible Entity's fees received/(paid)	(619,713)	(1,693,226)
Payment of other expenses	(19,865)	(55,707)
<b>Net cash inflow/(outflow) from operating activities</b>	14 <b>46,436,725</b>	50,461,241
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	40,099	274,944
Payments for redemptions by unitholders	(152,385,035)	(79,253,137)
<b>Net cash inflow/(outflow) from financing activities</b>	(152,344,936)	(78,978,193)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(105,908,211)	(28,516,952)
Cash and cash equivalents at the beginning of the period	105,908,211	134,425,163
<b>Cash and cash equivalents at the end of the period</b>	8 -	105,908,211

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

## **1 General information**

These financial statements cover Pendal Total Return Fund ("the Fund") as an individual entity. The Fund was constituted on 23 March 2000.

The Responsible Entity of the Fund is Pendal Fund Services Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

Until the last unitholders' units were redeemed, the Fund continued to invest in unlisted unit trusts (including cash management trusts) and derivatives in accordance with the provisions of the governing documents. Through these investments, the Fund was exposed to a diversified portfolio of investments.

The financial statements were authorised for issue by the directors of the Responsible Entity on 2 December 2021. 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 periods 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 Accounting Standards Board 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 last unitholders' units were redeemed effective 17 September 2021 with final balances settled on 20 October 2021, completing the termination of the Fund. The directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such the financial statements have been prepared on a liquidation basis whereby the Fund's assets have been measured at their net realisable values and the liabilities have been recognised at their contractual settlement amounts. Adoption of the liquidation basis of preparation has no impact on the carrying amount of assets and liabilities of the Fund.

The comparative figures are not entirely comparable due to different financial periods.

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

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

#### *(ii) Comparatives*

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current period.

#### *(iii) 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 period beginning 1 July 2021 that have a material impact on the financial report of the Fund.

### **(b) Financial instruments**

#### *(i) Recognition/derecognition*

The Fund recognised financial instruments ("investments") on the date it became party to the contractual agreement and recognised changes in the value of the financial instruments from this date.

Financial assets and liabilities were derecognised when the contractual right to cash flows from the investments had expired or had been transferred, and the Fund had transferred substantially all of the risks and rewards of ownership.

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

### **(b) Financial instruments (continued)**

#### *(ii) Classification*

The Fund classified its financial instruments based on its business model for managing its investments and their contractual cash flow characteristics. The Fund's investments were managed and performance was evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy was for the Responsible Entity to evaluate the information about the investments on a fair value basis together with other related financial information.

For unlisted unit trusts and derivatives, the contractual cash flows were not solely principal and interest. Consequently, these investments were measured at fair value through profit or loss. Derivative contracts that have a negative fair value were presented as financial liabilities at fair value through profit or loss.

#### *(iii) Measurement*

At initial recognition, a financial asset or liability was measured at fair value. Transaction costs associated with financial assets and liabilities carried at fair value through profit or loss were expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss were measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss were presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arose.

Refer to note 5 for further details on how the fair values of financial instruments were determined.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities may have been offset, and the net amount reported, in the balance sheet when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

There were no significant financial assets and liabilities subject to offsetting arrangements as at the end of each reporting period.

### **(c) Net assets attributable to unitholders**

As this Fund has terminated, units were not able to be put back to the Fund for cash.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and investments in cash management trusts.

Payments and receipts relating to the purchase and sale of financial assets and liabilities 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.

### **(e) Margin accounts and collateral**

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

Cash collateral provided by the Fund is disclosed in the balance sheet as margin accounts and is not included as a component of cash and cash equivalents.

Cash collateral paid and receivable comprises cash paid as collateral for over-the-counter derivative transactions. The cash is held by the broker and is receivable by the Fund.

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

### **(f) Accrued income**

Accrued income may include amounts owed to the Fund for trust distributions and interest. Trust distributions are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

### **(g) Unsettled sales/purchases**

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on unsettled sales/purchases 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 measures the loss allowance at an amount equal to 12-month expected credit losses. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

### **(h) Receivables**

Receivables include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

### **(i) Payables**

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

Where the Fund has distributed income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### **(j) Investment income**

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

### **(k) Expenses**

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

### **(l) 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.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be included in the Fund's taxable income for distribution/attribution, so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed or attributed to unitholders.

To the extent allowable by taxation legislation, the benefits of imputation credits and foreign tax paid are passed on to unitholders.

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

### **(m) Distributions**

In accordance with the Fund's Constitution, the Responsible Entity is entitled to determine the amounts to be distributed to unitholders. The distributions are recognised in the statement of changes in equity.

### **(n) Goods and Services Tax ("GST")**

The GST incurred on the costs of various services provided to the Fund, such as management fees, has been passed onto the Fund. The Fund qualifies for RITC, hence 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 balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(o) Use of estimates**

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated 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 financial instruments held, quoted market prices are readily available.

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

The Fund did not have any assets or liabilities as at 20 October 2021 as the Fund completed its termination effective 20 October 2021.

For more information on how fair value is calculated refer to note 5.

### **(p) New accounting standards and interpretations**

A number of new accounting standards and interpretations have been published that are not mandatory for the 20 October 2021 reporting period and have not been early adopted in preparing these financial statements.

These new accounting standards and interpretations will have no future impact as the Fund terminated effective 20 October 2021.

### **(q) Rounding of amounts**

The Fund is an entity of the kind referred to in *Australian Securities & Investments Commission ("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 Termination of the Fund**

The Board approved the termination of the Fund effective 16 September 2021 and the last unitholders' units were redeemed effective 17 September 2021. Final balances settled on 20 October 2021, completing the termination of the Fund.

This report contains the final set of financial statements for Pendal Total Return Fund.

## **4 Financial risk management**

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

The Fund's overall risk management program focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. Derivative financial instruments might also have been used (or were used) to alter certain risk exposures. Financial risk management was carried out by the investment manager.

The Fund used different methods to measure different types of risk to which it was exposed. These methods included sensitivity analysis in the case of interest rate, foreign exchange and price risks and ratings analysis for credit risk.

The investment manager mitigated these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits.

The Fund's performance exceptions to its benchmark were reported to senior management committees on a regular basis.

The Fund did not have any assets or liabilities as at 20 October 2021.

### **(a) Market risk**

#### *(i) Price risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Price risk arose on investments held for which prices in the future were uncertain. These were classified in the balance sheet as at fair value through profit or loss. All security investments present a risk of loss of capital.

The Fund did not have any assets or liabilities as at 20 October 2021.

Any exceptions to compliance were reported to management on a regular basis.

The table presented in note 4(b) summarises sensitivity analysis to price risk.

#### *(ii) Foreign exchange risk*

Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities was a component of price risk and not foreign exchange risk.

The Fund did not hold any significant monetary assets denominated in currencies other than the Australian dollar as at 20 October 2021 and 30 June 2021.

#### *(iii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Fund's interest bearing financial assets exposed it to interest rate risk. Interest rate risk from these investments was reported as a component of interest rate risk for the purposes of the sensitivity analysis. Interest rate risk from investments held indirectly through underlying investments was reported as a component of price risk for the purposes of the sensitivity analysis.

Interest rate risk was mitigated through ensuring activities were transacted in accordance with the investment mandate, overall investment strategy and within approved limits.

Any exceptions to compliance were reported to management on a regular basis.

The table presented in note 4(b) summarises sensitivity analysis to interest rate risk.

## 4 Financial risk management (continued)

### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk and interest rate risk. The analysis is based on reasonably possible movements in the risk variables applied to the Fund's net assets. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market indices, security prices and/or benchmark returns, interest rates and foreign exchange rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The reasonably possible movements in the risk variables are based on long term averages consistent with the investing profile of the Fund.

	Impact on operating profit/(loss)/Net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-10% (30 June 2021: -10%)	+10% (30 June 2021: +10%)	-0.10% (30 June 2021: -0.10%)	+0.50% (30 June 2021: +0.50%)
As at	\$	\$	\$	\$
<b>20 October 2021<sup>(1)</sup></b>	-	-	-	-
30 June 2021	(4,377,129)	4,377,129	(107,488)	537,441

In determining the impact of an increase/(decrease) in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

<sup>(1)</sup> The Fund did not have any assets or liabilities as at 20 October 2021.

### (c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

Credit risk primarily arises from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The assets of the Fund were not impaired.

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. Management considers the probability of default to be close to zero as these financial assets 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 insignificant to the Fund.

Investments in unlisted unit trusts were exposed to credit risk.

Concentrations of direct credit risk were minimised primarily by:

- ensuring counterparties, together with the respective credit limits, were approved,
- ensuring that transactions were undertaken with a number of counterparties, and
- ensuring that the majority of transactions were undertaken on recognised exchanges.



## 4 Financial risk management (continued)

### (c) Credit risk (continued)

Any exceptions to compliance were reported to management on a regular basis.

### (d) Liquidity risk

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

The Fund was exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risk associated with the need to meet redemption requests was mitigated by maintaining adequate liquidity to fulfil usual redemption volumes.

The risk management guidelines adopted were designed to minimise liquidity risk through:

- ensuring that there was no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there was no concentration of liquidity risk to a particular counterparty.

Any exceptions to the above were reported to management on a regular basis.

#### (i) *Maturities of non-derivative financial liabilities*

The non-derivative financial liabilities of the Fund comprised distribution payable, and payables. These had no contractual maturities but were typically settled within 30 days.

The Fund did not have any financial liabilities as at 20 October 2021.

#### (ii) *Maturities of derivative financial instruments liabilities*

The table below details the contractual maturities of the derivative financial instruments liabilities which were measured at fair value and considered important to understanding the timing of cash flows (20 October 2021: \$Nil).

	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
As at 30 June 2021			
Net settled derivatives			
Total return swaps	-	812,726	-

## 5 Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value 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), or
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments were valued in accordance with the accounting policies set out in note 2 to the financial statements.

## 5 Fair value measurement (continued)

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

The fair value of financial assets and liabilities that were not traded in an active market was determined by using quoted market prices, dealer quotes and/or valuation techniques.

Unlisted unit trusts and unlisted investments were valued at the redemption value per unit as reported by the managers of such funds.

#### (i) Recognised fair value measurements

The Fund did not have any assets or liabilities as at 20 October 2021.

The following table presents the financial assets and liabilities measured and recognised at fair value by fair value hierarchy levels:

As at 30 June 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets held at fair value through profit or loss:				
Unlisted unit trusts	-	41,174,957	-	41,174,957
Derivatives	-	588,977	-	588,977
<b>Total</b>	-	41,763,934	-	41,763,934

#### Financial liabilities

Financial liabilities held at fair value through profit or loss:

Derivatives	-	(812,726)	-	(812,726)
<b>Total</b>	-	(812,726)	-	(812,726)

Transfers into and transfers out of the fair value hierarchy levels were recognised at the end of the reporting period.

#### (ii) Transfers between levels

There were no transfers between levels as at 20 October 2021 or 30 June 2021.

#### (iii) Valuation processes

Management undertook regular portfolio reviews to identify securities that might not be actively traded or had stale security pricing and could be regarded as level 2 or level 3 securities. Further analysis, should it be required, was undertaken to determine the accounting significance of the identified securities. In the event that the security was not actively traded, an assessment was performed by management to determine the appropriate valuation price to use that was most representative of fair value.

### (b) Fair values of non-financial instruments

Due to their short-term nature, the carrying value of receivables and payables are assumed to approximate their fair values.

## 6 Remuneration of auditors

	Period 1 July 2021 to 20 October 2021 \$	Period 1 October 2020 to 30 June 2021 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	11,243	16,347
Other services*	-	2,294
Total remuneration for audit and other assurance services	<u>11,243</u>	<u>18,641</u>

\* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the period ended 20 October 2021 and 30 June 2021.

## 7 Net assets attributable to unitholders

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

	20 October 2021 No.	30 June 2021 No.	20 October 2021 \$	30 June 2021 \$
Opening balance	199,921,932	309,661,693	151,259,499	222,632,068
Profit/(loss) for the period	-	-	1,085,437	7,605,624
Applications	52,206	383,533	40,099	274,944
Redemptions	<u>(199,974,138)</u>	<u>(110,123,294)</u>	<u>(152,385,035)</u>	<u>(79,253,137)</u>
Closing balance	-	199,921,932	-	151,259,499

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There were no separate classes of units and each unit has the same rights attached to it as all other units of the Fund.

### (a) Capital risk management

Effective 17 September 2021 the last unitholders' units were redeemed with final balances settled on 20 October 2021, completing the termination of the Fund.

## 8 Cash and cash equivalents

	As at	
	20 October 2021	30 June 2021
	\$	\$
Cash at bank	-	599,073
Cash management trusts	-	105,309,138
Total cash and cash equivalents	-	105,908,211

## 9 Financial assets held at fair value through profit or loss

	As at	
	20 October 2021	30 June 2021
	Fair value	Fair value
	\$	\$
<b>Financial assets held at fair value through profit or loss</b>		
Unlisted unit trusts	-	41,174,957
Derivatives (note 11)	-	588,977
<b>Total financial assets held at fair value through profit or loss</b>	-	41,763,934

### Comprising:

#### Unlisted unit trusts

Units in alternative investment trusts	-	41,174,957
Total unlisted unit trusts	-	41,174,957

#### Derivatives

Total return swaps	-	588,977
Total derivatives	-	588,977

<b>Total financial assets held at fair value through profit or loss</b>	-	41,763,934
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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 4 and note 5.

## 10 Financial liabilities held at fair value through profit or loss

	As at	
	20 October 2021	30 June 2021
	Fair value	Fair value
	\$	\$
<b>Financial liabilities held at fair value through profit or loss</b>		
Derivatives (note 11)	-	812,726
<b>Total financial liabilities held at fair value through profit or loss</b>	-	812,726
 <b>Derivatives</b>		
Total return swaps	-	812,726
Total derivatives	-	812,726
 <b>Total financial liabilities held at fair value through profit or loss</b>	-	812,726

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 4 and note 5.

## 11 Derivative financial instruments

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, credit index or other variable.

Derivative transactions were entered into in the normal course of business.

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 forward currency contracts, 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 against a fluctuation in market values or to reduce volatility,
- a substitution for trading of physical securities, and
- adjusting asset exposures within the parameters set in the investment strategy, and/or 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 occurs if the level of exposure to the markets exceeds the underlying value of the Fund.

## 11 Derivative financial instruments (continued)

The following derivative financial instruments were held during the period:

### (a) Total return swaps

Total return swaps are agreements between two parties to exchange their obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. One party makes payments on a set rate (plus a funding spread) in exchange for receiving the total return on a reference asset or index. Swap legs were settled on a net basis with the counterparty.

The derivative financial instruments held at the end of each reporting period are detailed below:

	As at	
	20 October 2021	30 June 2021
	Contract/ notional	Contract/ notional
	\$	\$
<b>Buy</b>		
Total return swaps	-	131,030,000

### Risk exposures and fair value measurements

Information about the exposure to credit risk, foreign exchange risk and interest rate risk and the methods and assumptions used in determining fair values is provided in note 4 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.

## 12 Related party transactions

### (a) Responsible Entity

The Responsible Entity of the Fund is Pendal Fund Services Limited (ABN 13 161 249 332), a wholly owned subsidiary of Pendal Group Limited (ABN 28 126 385 822). The registered office of the Responsible Entity and the Fund is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

### (b) Directors

The directors of Pendal Fund Services Limited during the financial period or since the end of the period and up to the date of this report were as follows:

Richard Brandweiner (appointed 6 March 2019)  
Justin Howell (appointed 7 May 2018)  
Anthony Serhan (appointed 6 December 2019)  
Cameron Williamson (appointed 15 November 2012)

### (c) Other key management personnel

There was no other person with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, during the financial period.

### (d) Responsible Entity's/manager's fees and other transactions

For the period 1 July 2021 to 16 September 2021, the Fund incurred a management fee of 1.40% (inclusive of GST, net of RITC available to the Fund) per annum. This fee was decreased to Nil% per annum from 17 September 2021 (30 June 2021: 1.40%).

This fee was partially paid out of the Fund and partially out of the assets of the underlying funds into which the Fund invested. The latter was reflected in the daily unit prices for the underlying funds.

## **12 Related party transactions (continued)**

### **(d) Responsible Entity's/manager's fees and other transactions (continued)**

All expenses in connection with the preparation of accounting records and the maintenance of the unit register were fully borne by the Responsible Entity.

All related party transactions were conducted on normal commercial terms and conditions. The transactions during the period and amounts payable/(receivable) at the end of each reporting period between the Fund and the Responsible Entity were as follows:

	<b>Period 1 July 2021 to 20 October 2021 \$</b>	<b>Period 1 October 2020 to 30 June 2021 \$</b>
Management fees incurred by the Fund #	<b>458,219</b>	1,627,652
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	-	161,598

# This represents the amount paid out of the Fund to the Responsible Entity. In addition to this amount, the total fee charged also included the fees charged in the underlying funds.

Where the Fund invested into other funds, the Responsible Entity's fee was calculated after rebating the fees charged in the underlying funds. As a consequence, the amounts shown in the statement of comprehensive income reflect only the amount of the fee charged directly to the Fund.

### **(e) Related party unitholdings**

Parties related to the Fund (including the Responsible Entity, its related parties and other funds managed by the Responsible Entity) held units in the Fund as follows:

#### **20 October 2021**

<b>Unitholder</b>	<b>Number of units held opening Units</b>	<b>Number of units held closing Units</b>	<b>Interest held %</b>	<b>Number of units acquired Units</b>	<b>Number of units disposed Units</b>	<b>Distributions paid/payable by the Fund \$</b>
Pendal Active Balanced Fund	<b>46,915,901</b>	-	-	-	<b>(46,915,901)</b>	-

#### **30 June 2021**

<b>Unitholder</b>	<b>Number of units held opening Units</b>	<b>Number of units held closing Units</b>	<b>Interest held %</b>	<b>Number of units acquired Units</b>	<b>Number of units disposed Units</b>	<b>Distributions paid/payable by the Fund \$</b>
Pendal Active Balanced Fund	66,282,058	46,915,901	23.47	-	(19,366,157)	-

Other funds related to the Responsible Entity held units in the Fund but these funds do not meet the definition of related parties under the Australian Accounting Standards and as such unitholdings are not required to be disclosed.

## 12 Related party transactions (continued)

### (f) Transactions with key management personnel

Key management personnel services were provided by Pendal Fund Services Limited and included in the management fees disclosed in (d) above. There was no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

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.

#### *Key management personnel unitholdings*

At 20 October 2021, no key management personnel held units in the Fund (30 June 2021: Nil).

### (g) Investments

The Fund held the following investments including funds which are also managed by the Responsible Entity or its related parties:

#### 20 October 2021

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the period Units	Units disposed during the period Units
Pendal Liquidity Management Trust*	-	-	47,934	9,294,293	(114,603,431)
Pendal Pure Alpha Fixed Income Fund	-	-	-	-	(20,122,155)
Pendal Risk Parity Fund	-	-	-	3,159,485	(26,417,907)
<b>Total</b>	<b>-</b>		<b>47,934</b>		

#### 30 June 2021

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the period Units	Units disposed during the period Units
Pendal Liquidity Management Trust*	105,309,138	6.82	194,166	118,324,367	(146,439,000)
Pendal Active Long Volatility Fund	-	-	-	-	(24,212,272)
Pendal Pure Alpha Fixed Income Fund	19,470,198	28.99	-	13,913,118	(4,079,218)
Pendal Risk Parity Fund	21,704,759	20.07	4,263,275	1,370,696	(15,530,479)
<b>Total</b>	<b>146,484,095</b>		<b>4,457,441</b>		

\*This investment is included in cash and cash equivalents.



## **12 Related party transactions (continued)**

### **(g) Investments (continued)**

Distributions received/receivable includes the following amounts which remain unpaid at the end of each reporting period:

	<b>As at</b>	
	<b>20 October</b>	<b>30 June</b>
	<b>2021</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Distributions receivable</b>		
Pendal Liquidity Management Trust	-	19,267
Pendal Risk Parity Fund	-	2,950,011
<b>Total</b>	<b>-</b>	<b>2,969,278</b>

### **(h) Other transactions within the Fund**

On 16 September 2021, the Fund's suspended securities were sold to the Pendal Active Balanced Fund at market value (\$Nil) to enable the wind up of 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 period and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

## **13 Structured entities**

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applied the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore did not consolidate its controlled entities. In other cases it may have had exposure to such an entity but did not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are summarised in notes 8 and 9.

During the period ended 20 October 2021 total net gains/(losses) incurred on investments in structured entities were \$909,579 (30 June 2021: \$1,228,051).

The Fund had exposure to unconsolidated structured entities through its investment activities. The Fund's maximum exposure to loss was restricted to the carrying value of the asset.

The Fund's overall risk management program focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. The risks associated with the investments are referred to in note 4.

During the period the Fund did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

As at 20 October 2021, there were no capital commitment obligations (30 June 2021: \$Nil). The Fund did not have any assets or liabilities as at 20 October 2021.

#### 14 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Period 1 July 2021 to 20 October 2021 \$	Period 1 October 2020 to 30 June 2021 \$
<b>Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the period	1,085,437	7,605,624
Proceeds from sale of financial instruments held at fair value through profit or loss	49,331,957	72,159,712
Purchase of financial instruments held at fair value through profit or loss	(2,335,261)	(20,166,188)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(1,515,477)	(4,830,837)
Income reinvested	(2,950,011)	(1,313,264)
Net change in accrued income and receivables	2,981,678	(2,928,232)
Net change in payables	(161,598)	(65,574)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>46,436,725</b>	<b>50,461,241</b>

#### 15 Events occurring after the reporting period

As the Fund has terminated, there have been no matters subsequent to the end of the reporting period that significantly affected, or may significantly affect, the Fund.

#### 16 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 20 October 2021 and 30 June 2021.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 25 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 20 October 2021 and of its performance for the financial period period 1 July 2021 to 20 October 2021,
- (b) as disclosed in note 2(a) to the financial statements, the Fund has been terminated and all debts were paid for at that time, and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney  
2 December 2021



## *Independent auditor's report*

To the unitholders of Pental Total Return Fund

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### *Our opinion*

In our opinion:

The accompanying financial report of Pental Total Return Fund (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 20 October 2021 and of its financial performance for the period 1 July 2021 to 20 October 2021
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the balance sheet as at 20 October 2021
- the statement of comprehensive income for the period 1 July 2021 to 20 October 2021
- the statement of changes in equity for the period 1 July 2021 to 20 October 2021
- the statement of cash flows for the period 1 July 2021 to 20 October 2021
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

### *Independence*

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

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### *Emphasis of matter - going concern no longer appropriate*

We draw attention to Note 2(a) in the financial report, which states that the last unitholders' units were redeemed effective 17 September 2021 with final balances settled on 20 October 2021, completing the termination of the Fund. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

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### *Other information*

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 1 July 2021 to 20 October 2021, but does not include the financial report and our auditor's report thereon.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors of the Responsible Entity 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 of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *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 the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A stylized, handwritten signature of Andrew Wilson.

Andrew Wilson  
Partner

Sydney  
2 December 2021