



# ANNUAL FINANCIAL REPORT

FOR THE FOR THE PERIOD ENDED 30 JUNE 2023

## Principal Global Credit Opportunities Fund

ARSN 108 685 927

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Ironbark Asset Management (Fund Services) Limited  
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# Principal Global Credit Opportunities Fund

ARSN 108 685 927

## Annual Financial Report

### For the year ended 30 June 2023

#### Contents

	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	11
Directors' declaration	32
Independent auditor's report to the unitholders of Principal Global Credit Opportunities Fund	33

**Directors' report**

The directors of Ironbark Asset Management (Fund Services) Limited ("Responsible Entity"), the Responsible Entity of Principal Global Credit Opportunities Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023 and the auditor's report thereon.

**Responsible Entity**

The registered office and principal place of business of the Responsible Entity and the Fund is Level 14, 1 Margaret Street, Sydney, NSW 2000.

**Directors**

The following persons held office as directors of Ironbark Asset Management (Fund Services) Limited during or since the end of the year and up to the date of this report:

B Carpenter  
A Donald  
C Larsen  
R Kellerman

**Principal activities**

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests in a diversified range of fixed income securities across a number of sectors, including, but not limited to, global investment grade credit, global high yield, securitised assets, government debt and emerging markets debt, in accordance with the provisions of the Fund's Constitution, with the foreign currency exposures hedged back to the Australian dollar.

The Fund did not have any employees during the year.

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

**Review and results of operations**

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

**Results**

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

	<b>Year ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Operating profit/(loss) (\$'000)	2,232	(49,260)
<b>Distributions</b>		
Distributions paid and payable (\$'000)	3,200	6,000
Distributions (cents per unit)	1.2304	1.8915
<b>Unit price as at 30 June</b>		
Application price (\$)	0.7944	0.7968
Redemption price (\$)	0.7908	0.7932

**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 financial year.

## Directors' report (continued)

### 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 are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Ironbark Asset Management (Fund Services) Limited. So long as the officers of Ironbark Asset Management (Fund Services) Limited 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 auditor of the Fund is 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 year are disclosed in note 17 of the financial statements.

No fees were paid out of the Fund property 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 17 of the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 10 of the financial statements.

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 of 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 thousand dollars


The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, 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 5.

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

DocuSigned by:  
  
2AAC13CECB7E4E8...  
Director

Sydney  
27 September 2023






## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Ironbark Asset Management (Fund Services) Limited, as the  
**Responsible Entity** of **Principal Global Credit Opportunities Fund**

I declare that, to the best of my knowledge and belief, in relation to the audit of Principal Global Credit Opportunities Fund for the year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

  
KPMG

  
Nic Buchanan  
*Partner*  
Sydney  
27 September 2023





**Principal Global Credit Opportunities Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2023**

**Statement of comprehensive income**

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
<b>Investment income</b>			
Dividend income		30	16
Interest income		11,242	13,141
Net gains/(losses) on financial instruments at fair value through profit or loss	7	(7,803)	(58,284)
Net foreign exchange gains/(losses)		415	(1,840)
Other operating income		<u>52</u>	<u>63</u>
<b>Total net investment income/(loss)</b>		<u><b>3,936</b></u>	<u><b>(46,904)</b></u>
<b>Expenses</b>			
Management fees	17	1,683	2,324
Transaction costs		14	22
Withholding taxes		6	9
Other operating expenses		<u>1</u>	<u>1</u>
<b>Total operating expenses</b>		<u><b>1,704</b></u>	<u><b>2,356</b></u>
<b>Operating profit/(loss)</b>		<u><b>2,232</b></u>	<u><b>(49,260)</b></u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>2,232</b></u>	<u><b>(49,260)</b></u>

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

**Principal Global Credit Opportunities Fund**  
**Statement of financial position**  
**As at 30 June 2023**

**Statement of financial position**

	Notes	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents*	12	17,558	7,773
Margin accounts*		735	-
Receivables	14	1,991	3,195
Due from brokers - receivable for securities sold		15,642	582
Financial assets at fair value through profit or loss	8	<u>189,509</u>	<u>240,543</u>
<b>Total assets</b>		<u>225,435</u>	<u>252,093</u>
<b>Liabilities</b>			
Payables	15	206	210
Distributions payable	11	800	1,000
Due to brokers - payable for securities purchased		23,212	-
Financial liabilities at fair value through profit or loss	9	<u>3,492</u>	<u>14,356</u>
<b>Total liabilities</b>		<u>27,710</u>	<u>15,566</u>
<b>Net assets attributable to unitholders - equity</b>	10	<u>197,725</u>	<u>236,527</u>

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

\* Refer to note 2(l)

**Principal Global Credit Opportunities Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

**Statement of changes in equity**

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	10	236,527	271,407
<b>Comprehensive income for the year</b>			
Operating profit/(loss) for the year	10	<u>2,232</u>	<u>(49,260)</u>
<b>Total comprehensive income for the year</b>		<u>2,232</u>	<u>(49,260)</u>
<b>Transactions with unitholders</b>			
Applications	10	41,675	138,613
Redemptions	10	(79,509)	(118,234)
Units issued upon reinvestment of distributions	10	-	1
Distributions paid and payable	10	<u>(3,200)</u>	<u>(6,000)</u>
<b>Total transactions with owners in their capacity as owners</b>		<u>(41,034)</u>	<u>14,380</u>
<b>Total equity at the end of the financial year</b>		<u>197,725</u>	<u>236,527</u>

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

**Principal Global Credit Opportunities Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

**Statement of cash flows**

	Notes	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Amount received from/(paid to) brokers for margin*		(735)	-
Distributions and dividends received		30	16
Interest received		8,730	11,117
Other operating income received		35	63
Management fees paid		(1,707)	(2,339)
Other expenses paid		(15)	(22)
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<u>6,338</u>	<u>8,835</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		894,412	944,620
Purchase of financial instruments at fair value through profit or loss		(849,750)	(1,008,179)
<b>Total Cash flows from investing activities</b>		<u>44,662</u>	<u>(63,559)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		41,662	138,613
Payments for redemptions by unitholders		(79,477)	(118,196)
Distributions paid		(3,400)	(9,524)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(41,215)</u>	<u>10,893</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>9,785</u>	<u>(43,831)</u>
Cash and cash equivalents at the beginning of the year*		<u>7,773</u>	<u>51,604</u>
<b>Cash and cash equivalents at the end of the year*</b>	12	<u>17,558</u>	<u>7,773</u>
<b>Non-cash operating and financing activities</b>	13(b)	-	1

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

\* Refer to note 2(l)

**Contents of the notes to the financial statements**

	Page
1 General information	11
2 Summary of significant accounting policies	11
3 Financial risk management	15
4 Offsetting financial assets and financial liabilities	21
5 Fair value measurement	22
6 Auditor's remuneration	24
7 Net gains/(losses) on financial instruments at fair value through profit or loss	25
8 Financial assets at fair value through profit or loss	25
9 Financial liabilities at fair value through profit or loss	25
10 Net assets attributable to unitholders	26
11 Distributions to unitholders	26
12 Cash and cash equivalents	27
13 Reconciliation of Operating profit/(loss) to net cash inflow/(outflow) from operating activities	27
14 Receivables	28
15 Payables	28
16 Derivative financial instruments	28
17 Related party transactions	30
18 Events occurring after the end of the reporting period	31
19 Contingent assets and liabilities and commitments	31

## 1 General information

These financial statements cover Principal Global Credit Opportunities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme under the *Corporations Act 2001* and was constituted on 4 February 2004. The Fund will terminate unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Ironbark Asset Management (Fund Services) Limited (ABN 63 116 232 154) (AFSL 298626) (the "Responsible Entity"). The Responsible Entity's registered office is Level 14, 1 Margaret Street, Sydney, NSW 2000.

The Fund aims to provide Australian investors with access to a diversified, multi sector fixed income portfolio with the potential to achieve a relatively high total return and to provide regular income, as per the objectives stated in the Product Disclosure Statement. The Fund invests in a diversified range of fixed income securities across a number of sectors, including global investment grade credit, global high yield, securitised assets, government debt and emerging markets debt, in accordance with the provisions of the Fund's Constitution, with the foreign currency exposures hedged back to the Australian dollar.

The financial statements were authorised for issue by the directors on the date the Director's declaration was signed. 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 in the following text.

### (a) Basis of preparation

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

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

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

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

#### (i) Rounding of amounts

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

#### (ii) Compliance with International Financial Reporting Standards (IFRS)

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

#### (iii) Use of judgements and estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. These estimates are reviewed regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the current changing market conditions are assessed and estimated. Actual results may differ from these estimates.

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 5.

## 2 Summary of significant accounting policies (continued)

### (b) New standards, amendments and interpretations

#### (i) *New standards, amendments and interpretations adopted by the Fund*

There are no new accounting standards, amendments and interpretations that are effective for the first time for the financial year beginning 1 July 2022 that would be expected to have a material impact on the financial statements of the Fund.

#### (ii) *New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted*

A number of new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

### (c) Financial instruments

#### (i) *Classification and measurement*

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 its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

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

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

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

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the Solely Payments of Principal and Interest (SPPI) criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

#### *Measurement*

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs are expensed in the statement of comprehensive income as incurred.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value without any deduction for estimated future selling cost. 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/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

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

Subsequent to initial recognition, financial assets and liabilities measured at amortised cost will use the effective interest rate method and are presented net of provisions for impairment.

#### (ii) *Recognition/derecognition*

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

#### (iii) *Offsetting financial instruments*

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

Financial assets and liabilities offset have been disclosed in note 4.

## 2 Summary of significant accounting policies (continued)

### (d) 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 added to the Fund at any time for cash based on the application price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercise their right to redeem units from the Fund.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- 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.

### (e) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (f) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend 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 accounting policies described in note 2(c).

Other operating income is recognised on an accruals basis.

### (g) Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

### (h) 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 each financial year either by way of cash or non-cash. Unitholders are subject to income tax at their own marginal tax on amounts attributable to them.

The benefits of franking credits and foreign tax paid are passed on to unitholders, providing certain conditions are met.

### (i) Distributions

Distributions are payable or attributable as set out in the Fund's Constitution. Cash distributions are recognised as payables when they are determined by the Responsible Entity of the Fund.



## 2 Summary of significant accounting policies (continued)

### (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 dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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 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 gain/(losses) on financial instruments at fair value through profit or loss in the statement of comprehensive income.

### (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 broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the 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) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker, is restricted and is only available to meet margin calls. The underlying derivative positions for which the margin accounts are posted on are contract with original maturities greater than 90 days and hence the cash is treated as a financial asset and not cash and cash equivalents. It is not included as a component of cash and cash equivalents.

Margin account disclosures have been reclassified in the current financial year. Comparatives have not been restated.

### (m) Receivables

Receivables may include amounts for dividends, interest and applications received in the Fund where settlement has not yet occurred. Dividends 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(f) above. Amounts are generally received within 30 days of being recorded as receivables.

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 receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty 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.

## 2 Summary of significant accounting policies (continued)

### (m) Receivables (continued)

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

### (n) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting date. Amounts are generally paid within 30 days of being accrued for.

The distribution amount payable to unitholders as at the end of the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

### (o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management fees and other expenses have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC), hence management 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). Payables 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.

## 3 Financial risk management

### Overview

The Fund's assets primarily consist of financial instruments which comprise investment grade. It holds these investments at the discretion of the Investment Manager, Ironbark Asset Management (Fund Services) Limited, in accordance with the provisions of the Fund's Constitution.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the risks below, the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework. The risk management framework is in place to monitor the Fund's compliance with its governing documents and to minimise risks where appropriate in its investment activities. The risk framework also ensures the Investment Manager and the relevant service providers have adequate controls in place to manage the Fund's investment activities.

Reports from the Fund's Investment Manager include details of the controls it has in place to monitor compliance with the Fund's investment strategy, training and personnel management standards and procedures, and details of how the Investment Manager develops and maintains a disciplined and constructive control environment in which its employees understand their roles and obligations.

The Fund's investing activities expose it to the following risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

### (a) Market risk

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

The Fund's strategy on the management of the investment risk is driven by the Fund's investment objective and all transactions are carried out within the investment guidelines set by the Responsible Entity. Information relating to the investment objective and guidelines can be obtained from the Product Disclosure Statement.

**3 Financial risk management (continued)****(a) Market risk (continued)***(i) Price risk*

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange risk and interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect income.

Price risk is managed by the Investment Manager through diversification of the portfolio in accordance with the investment strategy and asset composition described in the Product Disclosure Statement.

A sensitivity analysis of price risk is provided in note 3(a)(iv).

*(ii) Foreign exchange risk*

The foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund holds assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of securities denominated in other currencies fluctuate due to changes in exchange rates.

Foreign exchange risk is managed by hedging foreign currency investments to the Australian dollar.

The Fund did not have any significant direct exposure to foreign exchange risk as at 30 June 2023 and 30 June 2022.

*(iii) Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Fund's exposure to interest rate risk is set out in the following table:

<b>At 30 June 2023</b>	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non-interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Cash and cash equivalents*	17,558	-	-	17,558
Margin accounts*	735	-	-	735
Receivables	-	-	1,991	1,991
Due from brokers - receivable for securities sold	1,432	-	14,210	15,642
Financial assets at fair value through profit and loss	24,477	164,296	736	189,509
<b>Total assets</b>	<b>44,202</b>	<b>164,296</b>	<b>16,937</b>	<b>225,435</b>
<b>Liabilities</b>				
Payables	-	-	206	206
Distributions payable	-	-	800	800
Due to brokers - payable for securities purchased	631	-	22,581	23,212
Financial liabilities at fair value through profit and loss	-	73	3,419	3,492
<b>Total liabilities</b>	<b>631</b>	<b>73</b>	<b>27,006</b>	<b>27,710</b>
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	(159)	159	-	-
<b>Net exposure</b>	<b>43,412</b>	<b>164,382</b>	<b>(10,069)</b>	<b>197,725</b>

\* Refer to note 2(l)

**3 Financial risk management (continued)****(a) Market risk (continued)***(iii) Interest rate risk (continued)*

<b>At 30 June 2022</b>	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non-interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Cash and cash equivalents	6,279	-	-	6,279
Margin accounts	1,494	-	-	1,494
Receivables	-	-	3,195	3,195
Due from brokers - receivable for securities sold	-	-	582	582
Financial assets at fair value through profit and loss	35,206	202,010	3,327	240,543
<b>Total assets</b>	<b>42,979</b>	<b>202,010</b>	<b>7,104</b>	<b>252,093</b>
<b>Liabilities</b>				
Payables	-	-	210	210
Distributions payable	-	-	1,000	1,000
Financial liabilities at fair value through profit and loss	-	812	13,544	14,356
<b>Total liabilities</b>	<b>-</b>	<b>812</b>	<b>14,754</b>	<b>15,566</b>
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	(27,227)	27,227	-	-
<b>Net exposure</b>	<b>15,752</b>	<b>228,425</b>	<b>(7,650)</b>	<b>236,527</b>

*(iv) Summarised sensitivity analysis*

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders in relation to price risk. The sensitivity to interest rate risk on cash and cash equivalents and foreign exchange risk is not considered to be material.

	<b>Price risk</b>		<b>Interest rate risk</b>	
	<b>Impact on operating profit/Net assets attributable to unitholders</b>			
	<b>-5% \$'000</b>	<b>+5% \$'000</b>	<b>-5% \$'000</b>	<b>+5% \$'000</b>
<b>30 June 2023</b>	<b>(9,430)</b>	<b>9,430</b>	<b>(10,390)</b>	<b>10,390</b>
30 June 2022	(11,952)	11,952	(12,209)	12,209

The sensitivity factors for 30 June 2022 were +/- 5% for price risk.

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 information in order to determine a reasonably possible shift in assumptions. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

### 3 Financial risk management (continued)

#### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund's credit risk is minimised by the Investment Manager by monitoring counterparty creditworthiness and only dealing with listed exchanges and internally approved counterparties each with set limits. Internally approved counterparties and the associated credit limits are regularly reviewed and monitored by the Investment Manager.

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 considers relevant, historical analysis and forward looking information in determining any expected credit loss. At the reporting date, all receivables and cash and cash equivalents are held with approved counterparties and are either callable on demand or due within 30 days. Management consider the probability of default to be low, as a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

At 30 June 2023, the Fund is exposed to credit risk on its investment grade fixed interest securities, cash and cash equivalents, margin accounts, receivables and due from brokers. The total carrying amount of financial assets exposed to credit risk amounted to \$35,926,000 (2022: \$11,550,000).

An analysis of interest bearing securities by rating is set out in the table below.

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
<b>Debt securities and term loans</b>		
<b>Rating</b>		
AAA	39,583	129
AA	9,954	2,302
A	45,954	17,681
BBB	48,379	124,758
BB	11,224	46,671
B	7,741	25,730
Blow B	2,076	8,565
Non Rated	<u>23,687</u>	<u>11,215</u>
Total	<u>188,598</u>	<u>237,051</u>

#### (i) Settlement of securities transactions

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. The Fund minimises concentration of credit risk by undertaking transactions with numerous brokers. The risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. The Fund monitors the credit rating and financial positions of the brokers used to further mitigate credit risk.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchases of securities only when the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

#### (ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 or higher as determined by Standard & Poor's (S&P) (2022: A-1).

### 3 Financial risk management (continued)

#### (b) Credit risk (continued)

##### (iii) Derivative financial instruments

Transactions involving derivative financial instruments are usually with counterparties with whom the Fund entered into master netting agreements. Master netting agreements provide for net settlement of contracts with the same counterparty in the event of default. The credit risk associated with derivative financial assets subject to a master netting agreement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised. The exposure to credit risk reduced by master netting agreements may change significantly within a short period of time as a result of transactions subject to the arrangement.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments and redemptions to unitholders. This arises when trading volume, lack of a market maker or legal restrictions impair the Fund's ability to sell particular securities at an advantageous time or price.

The risk is managed through maintaining sufficient cash and cash equivalents to meet normal operating requirements. The level of cash holding is regularly monitored by the Responsible Entity. Liquidity risk is also managed through holding a diversified portfolio which includes holdings of short dated securities. The Fund has the ability to borrow in the short term to ensure settlement.

Further, under the terms of the Fund's Constitution, the Fund has the ability to delay redemptions to unitholders, if there is an interruption of regular trading in the market for an asset of the Fund, or the Manager does not consider that it is in the best interests of the unitholders taken as a whole, to realise sufficient assets to satisfy a redemption request. In such circumstances, the Constitution allows the specified period for satisfaction of a redemption request (i.e. 30 days) to be extended by the number of days during which the circumstances apply.

In addition, under the *Corporations Act 2001* and the Fund's Constitution, if the Fund has less than 80% liquid assets (cash and marketable securities) it will be taken to be illiquid and redemptions at the request of unitholders will not be permitted in the absence of a formal offer of withdrawal by the Responsible Entity. If the Fund becomes illiquid and redemption requests have been received but not paid, those redemption requests may only be processed on a pro rata basis in accordance with the *Corporations Act 2001* requirements for illiquid schemes.

The Fund's investments in listed equity securities and listed unit trusts are considered to be readily realisable. The Fund primarily holds investments in an active market which can be readily disposed. Only a limited proportion of these investments are not actively traded on a stock exchange.

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

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

As at 30 June 2023	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No Stated Maturity \$'000	Total \$'000
Payables	206	-	-	-	-	206
Distributions payable	800	-	-	-	-	800
Due to brokers - payable for securities purchased	23,212	-	-	-	-	23,212
Contractual cash flows (excluding net settled derivatives)	24,218	-	-	-	-	24,218

**3 Financial risk management (continued)****(c) Liquidity Risk (continued)**

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No Stated Maturity \$'000	Total \$'000
As at 30 June 2022						
Payables	210	-	-	-	-	210
Distributions payable	1,000	-	-	-	-	1,000
Contractual cash flows (excluding net settled derivatives)	1,210	-	-	-	-	1,210

**(ii) Maturities of net settled derivative financial instruments**

The table below analyses the Fund's net settled derivative financial instruments for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2023					
<b>Net settled derivatives</b>					
International interest rate futures	-	102	-	-	102
Foreign currency contracts	(754)	(1,914)	-	-	(2,668)
Credit default swaps	-	-	-	81	81
Index swaps	-	(96)	-	-	(96)
<b>Total Net settled derivatives</b>	<b>(754)</b>	<b>(1,908)</b>	<b>-</b>	<b>81</b>	<b>(2,581)</b>

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2022					
<b>Net settled derivatives</b>					
International interest rate futures	-	(647)	-	-	(647)
Foreign currency contracts	(7,116)	(5,128)	-	-	(12,244)
Index swaps	-	44	-	-	44
<b>Total Net settled derivatives</b>	<b>(7,116)</b>	<b>(5,731)</b>	<b>-</b>	<b>-</b>	<b>(12,847)</b>

**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. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/received	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2023</b>						
<b>Financial assets</b>						
Margin accounts*	735	-	735	-	-	735
Derivative financial instruments (i)	911	-	911	(810)	-	101
<b>Total</b>	<b>1,646</b>	<b>-</b>	<b>1,646</b>	<b>(810)</b>	<b>-</b>	<b>836</b>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	3,492	-	3,492	(810)	-	2,682
<b>Total</b>	<b>3,492</b>	<b>-</b>	<b>3,492</b>	<b>(810)</b>	<b>-</b>	<b>2,682</b>
<b>As at 30 June 2022</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	5,909	(4,400)	1,509	(1,463)	-	46
<b>Total</b>	<b>5,909</b>	<b>(4,400)</b>	<b>1,509</b>	<b>(1,463)</b>	<b>-</b>	<b>46</b>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	18,756	(4,400)	14,356	(1,463)	(647)	12,246
<b>Total</b>	<b>18,756</b>	<b>(4,400)</b>	<b>14,356</b>	<b>(1,463)</b>	<b>(647)</b>	<b>12,246</b>

\* Refer to note 2(l)

(i) *Master netting arrangement – not currently enforceable*

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the above table.



## 5 Fair value measurement

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 or indirectly (level 2); and
- (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 to the financial statements.

Financial assets and liabilities are priced at last traded prices.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing 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.

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. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

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.

### (iii) Recognised fair value measurements

The following table presents the Fund's financial assets and financial liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

<b>As at 30 June 2023</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Derivatives	175	736	-	911
Debt securities and term loans	-	188,598	-	188,598
<b>Total</b>	<b>175</b>	<b>189,334</b>	<b>-</b>	<b>189,509</b>

**5 Fair value measurement (continued)***(iii) Recognised fair value measurements (continued)*

As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Derivatives	73	3,419	-	3,492
<b>Total</b>	<b>73</b>	<b>3,419</b>	<b>-</b>	<b>3,492</b>
As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Derivatives	165	1,344	-	1,509
Equity securities	-	-	24	24
Unit trusts	1,959	-	-	1,959
Debt securities and term loans	-	237,051	-	237,051
<b>Total</b>	<b>2,124</b>	<b>238,395</b>	<b>24</b>	<b>240,543</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Derivatives	812	13,544	-	14,356
<b>Total</b>	<b>812</b>	<b>13,544</b>	<b>-</b>	<b>14,356</b>

The Fund held investments in unlisted equity and listed unit trusts as at 30 June 2022.

*(iv) Transfers between levels*

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

There were no transfers noted for the year ended 30 June 2023. There were transfers noted between levels in the fair value hierarchy (Note 5(v)) for the year ended 30 June 2022.

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers from levels 1 and 3			
Equity securities	(24)	-	24

**5 Fair value measurement (continued)***(v) Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 and 30 June 2022:

<b>As at 30 June 2023</b>	<b>Equity securities \$'000</b>
Opening balance	24
Sales	(25)
Gains/(losses) recognised in the statement of comprehensive income	1
Closing balance	-
	<b>Equity securities \$'000</b>
<b>As at 30 June 2022</b>	
Opening balance	-
Transfers into/(out) from level 3	24
Gains/(losses) recognised in the statement of comprehensive income	-
Closing balance	24

*(vi) Financial instruments not carried at fair value*

The Fund did not hold any financial instruments which were not measured at fair value in the statement of financial position during the year ended 30 June 2023 or year ended 30 June 2022 except for receivables and payables which are subsequently measured at amortised cost. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate their fair value.

**6 Auditor's remuneration**

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

	<b>Year ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Audit and review services</b>		
Audit and audit related services - KPMG		
Financial statements review and audit	14,577	13,560
Compliance plan audit	3,931	3,657
Total remuneration for audit and audit related services	<u>18,508</u>	<u>17,217</u>
<b>Non-audit services</b>		
Tax compliance services - KPMG	5,715	5,715
Total remuneration for non-audit services	<u>5,715</u>	<u>5,715</u>
<b>Total remuneration</b>	<u>24,223</u>	<u>22,932</u>

The Auditor's remuneration is borne by the Responsible Entity.

**7 Net gains/(losses) on financial instruments at fair value through profit or loss**

Net gains/(losses) arising from changes in the fair value measurement:

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(17,173)	5,183
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>25,433</u>	<u>(33,034)</u>
Net gain/(loss) on financial assets at fair value through profit or loss	<u>8,260</u>	<u>(27,851)</u>
<b>Financial liabilities</b>		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(26,926)	(24,375)
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>10,863</u>	<u>(6,058)</u>
Net gain/(loss) on financial liabilities at fair value through profit or loss	<u>(16,063)</u>	<u>(30,433)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>(7,803)</u>	<u>(58,284)</u>

**8 Financial assets at fair value through profit or loss**

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Derivatives (Note 16)	911	1,509
Equity securities	-	24
Unit trusts	-	1,959
Debt securities and term loans	<u>188,598</u>	<u>237,051</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>189,509</u>	<u>240,543</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

**9 Financial liabilities at fair value through profit or loss**

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Derivatives (Note 16)	<u>3,492</u>	<u>14,356</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u>3,492</u>	<u>14,356</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

**10 Net assets attributable to unitholders**

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

	Year ended			
	30 June 2023 Units'000	30 June 2022 Units'000	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance	297,282	281,494	236,527	271,407
Applications	52,563	148,203	41,675	138,613
Redemptions	(100,573)	(132,416)	(79,509)	(118,234)
Units issued upon reinvestment of distributions	-	1	-	1
Distributions paid and payable	-	-	(3,200)	(6,000)
Operating profit/(loss) for the year	-	-	2,232	(49,260)
<b>Closing balance</b>	<b>249,272</b>	<b>297,282</b>	<b>197,725</b>	<b>236,527</b>

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

**Capital risk management**

The Fund considers its net assets attributable to unitholders as capital. 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.

**11 Distributions to unitholders**

	Year ended			
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
Distributions paid interim	2,400	0.9095	5,000	1.5551
Distributions payable 30 June	800	0.3209	1,000	0.3364
<b>Total distributions</b>	<b>3,200</b>		<b>6,000</b>	

**12 Cash and cash equivalents**

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank*	12,921	5,521
Call deposits	4,637	758
Margin accounts*	-	1,494
<b>Total cash and cash equivalents</b>	<b>17,558</b>	<b>7,773</b>

\* Refer to note 2(l)

**13 Reconciliation of Operating profit/(loss) to net cash inflow/(outflow) from operating activities**

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>(a) Reconciliation of Operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	2,232	(49,260)
Net changes in financial instruments at fair value through profit or loss	7,803	58,284
Net foreign exchange gains/(losses)	(415)	1,840
Amount received from/(paid to) brokers for margin accounts*	(735)	-
Net interest bought/(sold)	(3,728)	(844)
Net change in receivables	1,217	(1,171)
Net change in payables	(36)	(14)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>6,338</b>	<b>8,835</b>
<b>(b) Non-cash financing activities</b>		
The following distribution payments to the unitholders were satisfied by the issue of units under the distribution reinvestment plan	-	1
<b>Total non-cash financing activities</b>	<b>-</b>	<b>1</b>

\* Refer to note 2(l)

As described in note 2, income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

**14 Receivables**

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Interest receivable	1,973	3,195
Applications receivable	13	-
Other receivables	5	-
<b>Total Receivables</b>	<u>1,991</u>	<u>3,195</u>

**15 Payables**

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Management fees payable	130	164
Redemptions payable	76	44
Other payables	-	2
<b>Total payables</b>	<u>206</u>	<u>210</u>

**16 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 a wide assortment of instruments, such as forwards, futures, options and swaps. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

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 instruments during the year:

**(a) Futures**

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

**16 Derivative financial instruments (continued)****(b) Foreign currency contracts**

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. 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.

**(c) Swaps**

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

The fair value of credit default swaps is the estimated amount that the entity would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

An asset backed swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains.

The fair value of an asset backed swap is the estimated amount that the entity would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

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

	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
<b>As at 30 June 2023</b>			
International interest rate futures	30,807	175	73
Forward currency contracts	242,796	274	2,942
Credit default swaps	22,377	462	381
Index swaps	4,507	-	96
	<u>300,487</u>	<u>911</u>	<u>3,492</u>

	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
<b>As at 30 June 2022</b>			
International interest rate futures	70,273	165	812
Forward currency contracts	328,592	1,300	13,544
Index swaps	4,363	44	-
	<u>403,228</u>	<u>1,509</u>	<u>14,356</u>



## 17 Related party transactions

### Responsible Entity

The Responsible Entity of Principal Global Credit Opportunities Fund is Ironbark Asset Management (Fund Services) Limited (ABN 63 116 232 154) (AFSL 298626). Accordingly, transactions with entities related to Ironbark Asset Management (Fund Services) Limited are disclosed below.

#### (a) Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund.

Key management personnel includes persons who were directors of Ironbark Asset Management (Fund Services) Limited at any time during the financial year as follows:

B Carpenter  
A Donald  
C Larsen  
R Kellerman

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

#### (b) Key management personnel unitholdings

Key management personnel of the Responsible Entity did not hold units in the Fund as at 30 June 2023 (2022: Nil).

#### (c) Key management personnel compensation

Key management personnel are paid by the parent of the Responsible Entity. Payments made from the Fund to Ironbark Asset Management (Fund Services) Limited do not include any amounts directly attributable to the compensation of key management personnel.

#### (d) 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 current and prior reporting year.

#### (e) Other transactions within the Fund

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

#### (f) Responsible Entity's fees and other transactions

##### *Management fees*

Management fees are calculated with the Fund's Constitution. For the year ended 30 June 2023, the management fee was 0.800% (2022: 0.800%) per annum of the net asset value of the Fund, inclusive of the net effect of GST and net of RITC.

**17 Related party transactions (continued)****(f) Responsible Entity's fees and other transactions (continued)***Balances with related parties*

All related party transactions are conducted on normal arm's length 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
	\$	\$
Management fees for the year	1,682,610	2,324,489
Aggregate management fees payable at the reporting date	130,086	164,347

**(g) Related party unitholdings**

Parties related to the Fund including Ironbark Asset Management (Fund Services) Limited, its related parties and other funds managed by the Responsible Entity, did not hold any units in the Fund as at 30 June 2023 (2022: Nil)

**(h) Investments**

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

**18 Events occurring after the end of the reporting period**

No significant events have occurred since the end of the reporting period 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.

**19 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2023 and 30 June 2022.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, 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;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors for and on behalf of Responsible Entity.

DocuSigned by:  
  
2AAC13CECB7E4E8...  
Director

Sydney  
27 September 2023





## Independent Auditor's Report

To the unitholders of **Principal Global Credit Opportunities Fund**

### Opinion

We have audited the **Financial Report** of Principal Global Credit Opportunities Fund (the Fund).

In our opinion, the accompanying **Financial Report** of the Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Fund's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2023;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Other Information

Other Information is financial and non-financial information in the Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' report. The Directors of Ironbark Asset Management (Fund Services) Limited (the Responsible Entity) are responsible for the Other Information.

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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

#### Responsibilities of Directors for the Financial Report

The Directors of Ironbark Asset Management (Fund Services) Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

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.

  
KPMG

  
Nic Buchanan  
Partner  
Sydney  
27 September 2023