

FIG Australian Bond Fund

ARSN 673 739 565

Financial Report

For the period 26 May 2023 to 30 June 2024

Contents

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of FIIG Australian Bond Fund

This financial report covers FIIG Australian Bond Fund as an individual entity.

The Responsible Entity of FIIG Australian Bond Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240 975).

The Responsible Entity's registered office is

Level 1, 575 Bourke Street
Melbourne VIC 3000.

Directors' report

The Directors of Equity Trustees Limited, the Responsible Entity of FIIG Australian Bond Fund (the Fund), present their report together with the financial statements of the Fund for the period 26 May 2023 to 30 June 2024.

Principal activities and material changes in the state of affairs

The Fund was constituted on 26 May 2023, registered with the Australian Securities and Investments Commission on 5 January 2024 and commenced operation on 29 September 2023.

The Fund invests in Investment Grade rated fixed income securities, predominantly with the highest investment grade ratings. Investors can expect exposure to a diversified pool of assets within key debt issuer categories of government, corporate, bank, insurance and asset-backed security (ABS) sectors in fixed and floating rate forms.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	FIIG Securities Limited
Custodian and Administrator	Artega Investment Administration Pty Limited
Statutory Auditor	BDO Audit Pty Ltd

Directors

The following persons held office as Directors of Equity Trustees Limited during the period and up to the date of this report, unless otherwise stated:

Philip D Gentry	Chairman (resigned 6 June 2024)
Michael J O'Brien	Chairman (appointed 6 June 2024)
Russell W Beasley	
Mary A O'Connor	
David B Warren	
Andrew P Godfrey	(appointed 1 May 2024)

Review and results of operations

During the period, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 4.32% (net of fees) for the period 29 September 2023 to 30 June 2024. The Fund's benchmark, the Bloomberg AusBond Composite 0+ Yr Index returned 3.97% for the same period.

The Fund's performance is calculated based on the percentage change in the Fund's mid-price over the period (with any distributions paid during the period reinvested). Returns are disclosed after fees and expenses.

Directors' report (continued)

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

	26 May 2023 to 30 June 2024
	\$'000
Profit/(loss) for the period	951
Distributions paid and payable	734
	26 May 2023 to 30 June 2024
Distributions paid and payable (CPU)	2.07

Significant changes in the state of affairs

Andrew P Godfrey was appointed as director of Equity Trustees Limited on the 1 May 2024.

Phillip D Gentry resigned as a director of Equity Trustees Limited on 6 June 2024.

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

Matters subsequent to the end of the financial period

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

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

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of directors and officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees 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.

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

Directors' report (continued)

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

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

No fees were paid out of Fund property 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 14 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 statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Andrew P Godfrey
Director

Melbourne
25 September 2024

DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF EQUITY TRUSTEES LIMITED AS RESPONSIBLE ENTITY FOR FIIG AUSTRALIAN BOND FUND

As lead auditor of FIIG Australian Bond Fund for the period ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



James Dixon
Director

BDO Audit Pty Ltd

Melbourne, 25 September 2024

Statement of comprehensive income

Note	For the period 26 May 2023 to 30 June 2024 \$'000
Income	
Interest income from financial assets at fair value through profit or loss	1,013
Interest income from financial assets at amortised cost	36
Net gains/(losses) on financial instruments at fair value through profit or loss	297
Total income/(loss)	1,346
Expenses	
Interest expense	266
Management fees and costs	14
Other expenses	16
Total expenses	395
Profit/(loss) for period	951
Other comprehensive income/(loss) for the period	—
Total comprehensive income/(loss) for the period	951

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

Statement of financial position

	Note	As at 30 June 2024 \$'000
Assets		
Cash and cash equivalents	9	67
Receivables	11	273
Financial assets at fair value through profit or loss	6	38,814
Total assets		39,154
Liabilities		
Distributions payable	8	444
Payables	12	29
Total liabilities		473
Net assets attributable to unit holders - equity	7	38,681

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

Statement of changes in equity

	For the period 26 May 2023 to 30 June 2024 \$'000
Total equity at the beginning of the financial period	—
Comprehensive income for the period	
Profit/(loss) for the period	951
Transactions with unit holders	
Applications for units	40,698
Units issued upon reinvestment of distributions	71
Redemptions of units	(2,305)
Distributions paid and payable	(734)
Total transactions with unit holders	37,730
Total equity at the end of the financial period	38,681

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

Statement of cash flows

Note	For the period 26 May 2023 to 30 June 2024 \$'000
Cash flows from operating activities	
Proceeds from sale/maturity of financial instruments at fair value through profit or loss	7,232
Payments for purchase of financial instruments at fair value through profit or loss	(45,749)
Interest income received from financial assets at fair value through profit or loss	748
Interest income received from financial assets at amortised cost	34
Other income received	(3)
Interest expense paid	(266)
Management fees and costs paid	(19)
Other expenses paid	(84)
Net cash inflows/(outflows) from operating activities	(38,107)
Cash flows from financing activities	
Proceeds from applications by unit holders	40,698
Payments for redemptions by unit holders	(2,305)
Distributions paid to unit holders	(219)
Net cash inflows/(outflows) from financing activities	38,174
Net increase/(decrease) in cash and cash equivalents	67
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	67
Non-cash operating and financing activities	71

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

Notes to the financial statements

1. General information
2. Summary of material accounting policies
3. Financial risk management
4. Offsetting financial assets and financial liabilities
5. Fair value measurement
6. Financial assets at fair value through profit or loss
7. Net assets attributable to unit holders - equity
8. Distributions to unit holders
9. Cash and cash equivalents
10. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities
11. Receivables
12. Payables
13. Remuneration of auditors
14. Related party transactions
15. Events occurring after the reporting period
16. Contingent assets and liabilities and commitments

Notes to financial statements

1. General information

These financial statements cover FIIG Australian Bond Fund (the Fund) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on the 26 May 2023, registered with the Australian Securities and Investments Commission on 5 January 2024, commenced operation on 29 September 2023 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240 975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in Investment Grade rated fixed income securities, predominantly with the highest investment grade ratings. Investors can expect exposure to a diversified pool of assets within key debt issuer categories of government, corporate, bank, insurance and asset-backed security (ABS) sectors in fixed and floating rate forms.

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

2. Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 purposes of preparing the financial statements.

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

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

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

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

i. Compliance with International Financial Reporting Standards (IFRS)

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

ii. New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

2. Summary of material accounting policies (continued)

The amendments have had an impact on the Fund's disclosures of accounting policies, including the requirement to disclose 'material' rather than 'significant' accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 26 May 2023 have a material impact on current or future periods.

iii. New standards and interpretations not yet adopted

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

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

b. Financial instruments

i. Classification

- Financial assets

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

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

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

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

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

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

ii. Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2. Summary of material accounting policies (continued)

iii. Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

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

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

- Financial instruments at amortised cost

Cash and cash equivalents, amounts due from brokers and receivables are carried at amortised cost.

iv. Impairment

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

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

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a 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.

v. 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

c. Net assets attributable to unit holders

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

2. Summary of material accounting policies (continued)

c. Net assets attributable to unit holders (continued)

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

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

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

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

d. Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities at fair value are classified as cash flows from operating activities, as movements in the fair value of these securities form a part of the Fund's income generating activity.

e. Income

i. Interest income

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

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

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

2. Summary of material accounting policies (continued)

f. Expenses

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

Management fees and costs covers certain ordinary expenses such as Responsible Entity fees, investment management fees, custodian fees, administration and audit fees and other operating expense.

g. Income tax

Under the current legislation, the Fund is not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unit holders under the AMIT regime.

The benefit of imputation credits and foreign tax paid are passed on to unit holders.

h. Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

i. Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

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

j. Receivables

Receivables may include amounts for interest, dividends and Fund distributions. Dividends and Fund distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

k. Payables

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

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

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year 30 June of the same financial year.

2. Summary of material accounting policies (continued)

I. Applications and redemptions

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

m. Goods and services tax (GST)

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

n. Use of estimates and judgements

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

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

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

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

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

o. Rounding of amounts

The Fund is an entity of kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2019/191 relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

p. Comparative period

The Fund was constituted on 26 May 2023, registered with the Australian Securities and Investments Commission on 5 January 2024 and commenced operations on 21 September 2023. The reporting period covers the period 26 May 2023 to 30 June 2024, hence there is no comparative information.

3. Financial risk management

The Fund's activities can expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to maximise potential adverse effects on the Fund's financial performance. The Fund's policy does not allow it to use derivative financial instruments in managing its

3. Financial risk management (continued)

financial risks. The Fund's policy does not allow it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions.

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

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

a. Market Risk

I. Price risk

The Fund is exposed to price risk on debt securities. Price risk arises from investments held by the Fund for which prices in the future are uncertain.

Price risk is managed by FIIG Securities Limited, the Fund's Investment Manager through active security management. The price of each security held within the portfolio is monitored on a daily basis by the Investment Management Team (IMT). Price risk management is achieved through the ongoing calculation and monitoring of a number of metrics, including fundamental valuation techniques, investment mandate and adequate portfolio diversification.

II. Foreign exchange risk

Funds that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund holds no direct investment in international assets hence foreign exchange risk is not considered to be a significant risk to the Fund.

III. Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial instruments expose them to risks associated with the effects of fluctuation in the prevailing market interest rate on its financial positions and cash flows. The impact of interest rate risk on the profit and net assets attributable to unit holders is considered immaterial to the Fund.

The Fund's interest bearing financial instruments expose it to risks associated with the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. The impact of the interest rate risk on profit and net assets attributable to unit holders is considered immaterial to the Fund.

The Fund's main interest rate risk arises from its investments in cash and its investments in floating rate notes and fixed interest rate bonds.

Interest rate risk is managed through a series of portfolio management techniques, primarily being the creation and active management of a diversified portfolio of fixed interest securities. The IMT works in conjunction with the FIIG Research team to determine appropriate exposure to fixed and floating rate securities based on the current and future outlook for interest rates.

3. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

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

As at 30 June 2024	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	67	—	—	67
Receivables	—	—	273	273
Financial assets at fair value through profit or loss	5,008	33,806	—	38,814
Total financial assets	5,075	33,806	273	39,154
Financial liabilities				
Distributions payable	—	—	444	444
Payables	—	—	29	29
Total financial liabilities	—	—	473	473
Net increase/(decrease) in exposure from interest rate futures	—	—	—	—
Net exposure	5,075	33,806	(200)	38,681

The table at the summarised sensitivity analysis summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant.

b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with 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 variances in the risk variables.

	Impact on net profit/ net assets attributable to unit holders	
	Interest rate risk	
	-100bps A\$'000	+100bps A\$'000
30 June 2024	2,007	(2,007)

3. Financial risk management (continued)

c. Credit risk

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

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2024, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of BBB-/Baa3 or higher and are either callable on demand or due to be settled within 90 days. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

i. Debt securities

The Fund invests into debt securities subject to its limits as set out in the Product Disclosure Statement. The overall credit risk of the debt securities held is actively monitored by the Investment Manager. The credit rating used for debt securities is based on the following order, where available: Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings. Where a credit rating is not provided by the credit rating agency(ies)/(y), the security issuer's own credit rating may be used, or otherwise the security is treated as unrated. The Fund only invests into securities rated as investment grade by a credit rating agency.

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

Australian debt securities rating	As at 30 June 2024
	\$'000
AAA	19,084
AA+	10,362
AA	1,823
AA-	1,502
A+	500
A-	3,492
BBB+	500
BBB	956
BBB-	595
Total	38,814

ii. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- (as determined by Standard & Poor's Rating Services) or higher.

iii. Other

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

iv. Maximum exposure to credit risk

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

3. Financial risk management (continued)

d. Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests, margin calls on derivative transactions or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by the Investment Manager, FIIG Securities Limited (FSL), who monitors the Fund's cash flow requirements on a daily basis. In monitoring these requirements FSL considers upcoming distribution and trading requirements as well as the receipt of income from the debt securities held in the portfolio. The Fund retains a sufficient balance of assets in highly liquid cash and debt securities to meet the ordinary liquidity requirements for the Fund.

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

i. Maturities of non-derivative financial liabilities

All non derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

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. As at 30 June 2024 there are no financial assets and financial liabilities that have been offset in the statement of financial position.

5. Fair value measurement

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

- Financial assets/liabilities at fair value through profit or loss
- Derivative financial instruments

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

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

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

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

a. Valuation using level 2 inputs

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all material inputs required to fair value an instrument are observable, the instrument is included in level 2.

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.

5. Fair value measurement (continued)

Specific valuation techniques using observable inputs used to value financial instruments include:

- Debt instruments are valued using quoted market prices or dealer quotes for similar instruments

b. Recognised fair value measurements

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

As at 30 June 2024	Level 2
Financial assets	\$'000
Corporate bonds	2,537
Floating rate notes	5,008
Government bonds	15,460
Mortgage-backed securities	808
Semi-government bonds	15,001
Total financial assets	38,814

The Fund does not hold any level 1 or level 3 financial assets or liabilities.

c. Financial instruments not carried at fair value

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

6. Financial assets at fair value through profit or loss

	As at 30 June 2024
	\$'000
Corporate bonds	2,537
Floating rate notes	5,008
Government bonds	15,460
Mortgage-backed securities	808
Semi-government bonds	15,001
Total financial assets at fair value through profit or loss	38,814

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

7. Net assets attributable to unit holders - equity

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date where the instrument has all the features and meets the conditions. The Fund's units are classified as equity as they meet the definition of a financial instrument to be classified as equity.

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

7. Net assets attributable to unit holders - equity (continued)

	For the period 26 May 2023 to 30 June 2024	
	Units No. '000	\$'000
Class A Units		
Opening Balance	—	—
Applications for units	40,053	40,698
Units issued upon reinvestment of distributions	78	71
Redemptions of units	(2,258)	(2,305)
Distributions paid and payable	—	(734)
Profit/(loss) for the period	—	951
Closing Balance	37,873	38,681

As stipulated in 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.

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

Capital risk management

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

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 redemption of units if the exercise of such discretion is in the best interests of unit holders.

8. Distributions to unit holders

The distributions declared during the year were as follows:

	For the period 26 May 2023 to 30 June 2024	
	\$'000	CPU
Distributions		
Distributions paid - December 2023	68	0.28
Distributions paid - March 2024	222	0.62
Distributions payable - June 2024	444	1.17
Total distributions	734	2.07

9. Cash and cash equivalents

	As at 30 June 2024 \$'000
Cash at bank	67
Total cash and cash equivalents	67

10. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

a. Reconciliation of profit/(loss) to net cash inflows/(outflows) from operating activities

	For the period 26 May 2023 to 30 June 2024 \$'000
Reconciliation of profit/(loss) to operating cash flow	
Profit/(loss) for the period	951
Net (gains)/losses on financial instruments at fair value through profit or loss	(297)
Proceeds from sale of financial instruments at fair value through profit or loss	7,232
Purchase of financial instruments at fair value through profit or loss	(45,749)
Net change in receivables and other assets	(273)
Net change in payables and other liabilities	29
Net cash inflows/(outflows) from operating activities	(38,107)

b. Non-cash operating and financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	71
---	----

11. Receivables

	As at 30 June 2024 \$'000
GST receivable	6
Interest receivable	267
Total receivables	273

12. Payables

	As at 30 June 2024 \$'000
Management fees and costs	14
Total payables	29

13. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditors of the Fund.

	For the period 26 May 2023 to 30 June 2024
	\$
BDO	
<i>Audit and other assurance services</i>	
Audit and review of the financial report	14,280
Total auditor remuneration and other assurance services	14,280
<i>Taxation services</i>	
Tax compliance services	6,850
Total remuneration for taxation services	6,850
Total remuneration of BDO	21,130
PricewaterhouseCoopers	
<i>Audit and other assurance services</i>	
Audit of compliance plan	2,400
Total auditor remuneration and other assurance services	2,400
Total remuneration of PricewaterhouseCoopers	2,400

The auditor remuneration is borne by the Investment Manager, FIIG Securities Limited. Fees are stated exclusive of GST.

14. Related party transactions

The Responsible Entity of FIIG Australian Bond Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240 975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to FIIG Securities Limited, to act as Investment Manager for the Fund, and Artega Investment Administration Pty Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

a. Key management personnel

i. Directors

Key management personnel includes persons who were Directors of Equity Trustees Limited at any time during the financial year and up to the date of the report as follows:

Philip D Gentry Chairman (resigned 6 June 2024)
Michael J O'Brien Chairman (appointed 6 June 2024)
Russell W Beasley
Mary A O'Connor
David B Warren
Andrew P Godfrey (appointed 1 May 2024)

ii. Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

14. Related party transactions (continued)

iii. Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Fund.

b. Transactions with key management personnel

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

c. Key management personnel unitholdings

Key management personnel did not hold units in the Fund as at 30 June 2024.

d. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

e. Key management personnel loans

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

f. Other transactions within the Fund

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

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

Under the terms of the Fund's Constitution the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unit holders).

These fees are inclusive of GST, net of RITC available to the Fund per annum.

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

	For the period 26 May 2023 to 30 June 2024
	\$
Management fees for the period	113,330
Management fees payable at the end of the period	29,300

Under the terms of the Fund's Constitution and Product Disclosure Statement, management fees and costs include responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

h. Related party unitholdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2024.

i. Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period.

15. Events occurring after the reporting period

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

16. Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- a. the financial statements and notes set out on pages 7 to 27 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the financial period ended on that date;
- b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2, and;
- c. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's board.



Andrew P Godfrey
Director

Melbourne
25 September 2024

INDEPENDENT AUDITOR'S REPORT

To the members of FIIG Australian Bond Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of FIIG Australian Bond Fund (the Scheme), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

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

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

Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Scheme, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors of the Responsible Entity are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, 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 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.

Responsibilities of the directors for 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO


James Dixon
Director

Melbourne, 25 September 2024