

Annual Report 2020

**Man Series 8 | OM-IP 220 Limited**

ARBN 101 184 623

OM-IP 220

Investment Manager



New Capital Guarantee by



(Subject to the terms of the  
New Westpac Guarantee)

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## Notice of Annual General Meeting

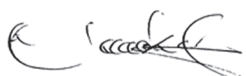
NOTICE is hereby given of the eighteenth Annual General Meeting of Man Series 8 OM-IP 220 Limited (the "Company") to be held at Bermuda House, Tutakimoa Road, Avarua, Rarotonga, Cook Islands on Friday, 4th December 2020 at 2:10 pm to consider the following business.

1. **To receive** the audited accounts of the Company for the year ended 30 June 2020.
2. **To receive** the annual report of the performance of the Company for the year ended 30 June 2020.
3. **To note** that Michael Collins continue in office as director of the Company in accordance with the Articles of Association of the Company. Dawn Griffiths resigned as a director of the Company on 1 July 2020.
4. **To resolve** to reappoint Ernst & Young as auditor of the Company for the two audit periods ending 30 June 2021 and 30 June 2022.
5. **Any** other business.

DATED this 18<sup>th</sup> day of September 2020.

PENRHYN SECRETARIES LIMITED

as Resident Secretary by its Nominee:

A handwritten signature in black ink, appearing to read 'Okirua Te Okoitu', written over a horizontal line.

OKIRUA TE OKOITU

A Shareholder who is entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote at the meeting in place of the Shareholder. If two proxies are being appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. A proxy need not be a Shareholder of the Company.

Proxies are to be deposited not less than 48 hours before the time for holding the meeting with the Company c/o Asiatic Trust Pacific Ltd, PO Box 822, Bermuda House, Tutakimoa Road, Avarua, Rarotonga, Cook Islands. Proxies may also be faxed to (682) 23385.

Holders of Continuing Redeemable Shares are entitled on a show of hands to one vote and on a poll to one vote for each share held.

Holders of Ordinary Shares are entitled on a show of hands to one vote and on a poll collectively have the right to cast one vote less than the maximum number of votes that may be cast by all Continuing Redeemable Shares on issue. A holder of an Ordinary Share can demand a poll.

## Report of the Directors

The directors present the annual report of **Man Series 8 OM-IP 220 Limited** (the “Company”) incorporating the Investment Manager’s Report, the Financial Statements and Independent Auditor’s Report for the year ended 30 June 2020.

### Investment strategy

Launched in November 2002, the Company reached its original maturity date on 30 June 2012. However, Redeemable Shareholders were provided with an opportunity to continue their investment by up to 10 years. The new maturity date is 30 June 2022 (the “New Maturity Date”) and Continuing Redeemable Shareholders have the benefit of a new capital guarantee, equal to the 30 June 2012 Net Asset Value per Share of AUD 1.7325, and a rising guarantee (the “New Westpac Guarantee”).

As part of the New Westpac Guarantee, the Company undertakes to lock in a portion of net new trading profits for each financial year (the “Rising Guarantee”) in which the trading capital of Man Series 8 OM-IP 220 Trading Limited (the “Trading Subsidiary”) equals or exceeds 50% of the Company’s aggregate Net Asset Value as at the end of that financial year. The amount to be locked in for the financial year will enable the amount guaranteed under the New Westpac Guarantee on the New Maturity Date to increase by an amount equal to 50% of any net new trading profits for that financial year (after making good any prior years’ losses).

The Company’s core investments are in the AHL Diversified Program and Man Investments Portfolio, managed by AHL Partners LLP (“AHL LLP”) and FRM Investment Management Limited (“FRM”), respectively. They identify opportunities to profit from price movements in a number of international markets. Effective 20 December 2019, Man Asset Management (Cayman) Limited (“CMC”) (the “Manager”) was appointed as the new manager of the Company. Investment management services currently performed by FRM (the “Existing Investment Manager”) will be transferred by a way of delegation by CMC to Man Solutions Limited (“MSL”) (the “New Investment Manager”).

In addition, a leverage facility arranged by the Man Group is provided to enable further profit potential from an investment in the Man Investments Portfolio which accesses the expertise of a portfolio of international fund managers.

### Financial performance

The net decrease in value attributable to Continuing Redeemable Shareholders resulting from operations for the year was AUD 397,247 (2019: net increase of AUD 1,662,464).

The Net Asset Value per Continuing Redeemable Share (calculated in accordance with the Company’s offering documents) decreased by 1.59% (2019: increased by 5.12%).

As the Trading Subsidiary did not make new trading profits subsequent to the original maturity date, the New Westpac Guarantee at maturity remains at AUD 1.7325 (2019: AUD 1.7325) (equal to the Net Asset Value per Redeemable Share at the original maturity date of 30 June 2012) per Continuing Redeemable Share held and redeemed on the New Maturity Date.

### Dividends

In accordance with the Company’s policy on dividends, the directors do not intend to declare a dividend.

### Directors’ interests

Mr Collins and Ms Griffiths each receive a directors’ fee of USD 5,000 per annum. Ms Griffiths, having resigned as a director of the Company on 1 July 2020, received USD 5,000.

The directors are also entitled to reimbursement of expenses in attending general meetings of the Company and may be paid a per diem for each day of travel required to attend meetings.

The fees paid to Mr Collins and Ms Griffiths are included in the directors’ fees in the statement of comprehensive income.

The directors of the Company are directors of the Trading Subsidiary and may also be directors of companies into which the Trading Subsidiary may directly or indirectly invest, or directors of companies that provide services to such companies.

### Auditor

A resolution to reappoint Ernst & Young as auditor of the Company for the two audit periods ending 30 June 2021 and 30 June 2022 will be proposed at the forthcoming annual general meeting.

Dated this 18<sup>th</sup> day of September 2020.



Michael Collins

## Investment Manager's report

Over the reporting period, the Net Asset Value per Continuing Redeemable Share of **Man Series 8 OM-IP 220 Limited** (the "Company") decreased by 1.59% (2019: increased by 5.12%).

### Market Summary

The below commentary is for the period of 1 July 2019 to 30 June 2020.

The beginning of the third quarter of 2019 saw the US Federal Reserve embark on a rate cutting path for the first time in over a decade. The cut was an effort to take out 'insurance' against a deteriorating global-growth landscape, muted inflation pressures and 'more elevated than anticipated' headwinds from the ongoing trade war. This change in tack was followed by other central banks facing similar concerns. US-China trade concerns continued to dominate the news and continued escalation saw periods of sharp retraction with investors flight to safety further compounding pressure on lower global interest rates. German 10-year benchmark hit the lowest level on record whilst the US 30-year benchmark yield traded at 2% for the first time in history. Mid-quarter, it was widely estimated one-third of the investment grade credit universe was trading at negative yields.

The fourth quarter of 2019 saw a strong rally across global equity markets and the broad underperformance of safe haven assets. Investor sentiments, which were buoyed by the apparent progress on the US-China trade deal, would be formalised into the 'Phase 1' deal come year-end. A key narrative supporting equity markets was the belief that central banks would be slower than usual to raise rates when inflationary pressures start to bite. Macroeconomic data remained mixed during the quarter but sufficient positive surprises persuaded that the global economy may have turned a corner.

The year 2020 began with the equity markets' positive momentum from the previous quarter which came to a halt as a result of geopolitical tensions and news of a virus outbreak in China. By the end of February, fears of a global outbreak of the virus gripped markets, weighing heavily on investor sentiments and risk asset pricing. Risk assets were significantly sold off by month-end while volatility across markets spiked. By mid-March, the World Health Organisation declared the coronavirus outbreak a pandemic. The effect on global risk assets was profound. The scale of market stress was reminiscent of the levels witnessed during the 2008 Global Financial Crisis; however, a key distinction this time was the speed at which global markets fell into bear market territory. Governments and financial authorities responded with momentous monetary and fiscal packages. In a synchronised move, central banks unanimously slashed interest rates and launched new quantitative easing programs.

By April, global equities began to rebound from mid-March lows as a result of the stimulus. Equity volatility declined from a mid-March peak. Against the strong recovery in risk assets, macroeconomic data released started to paint the true cost of the global pandemic. The impact of lockdowns and weakened corporate and consumer sentiment weighed on employment, growth and productivity. By May, investors focused on the unprecedented central bank and government support, in the hopes of a vaccine and the re-opening of major economies across the globe. The positive sentiment saw a continued rebound in risk assets during May and June. Equity markets in the second quarter of 2020 posted one of the strongest quarters in the last 20 years, with some indices having exposure to Tech industries; earning back all losses to get back to positive year to date territory.

### AHL Diversified Program ('AHL Program')

The AHL Program has been the long most traded instrument in the third quarter of 2019. In the fourth quarter of 2019, markets were in 'risk-on' mode, while long fixed income and USD positions were closed. Fixed income was the top performing asset class, and within that, long-outperformed short-duration. FX trading performed consistently, with nice dispersion amongst trades. Within commodities, long positions in gold proved profitable, while gyrations in oil prices proved a difficult environment for trend-following. Reversals in credit and equity indices were both evident but much more pronounced in equities.

In the first quarter of 2020, the AHL Program posted positive returns, dominated by returns in commodities and bonds, but with losses in equities. Deteriorating economic demand benefited the AHL Program's dominantly short positions across the energy complex. Shorts in base metals added to performance while Agricultural commodity positions suffered. A flight to the safe haven of government bonds played to the hand of the AHL Program's long positions in US and German instruments. The AHL Program entered March as its most volatile month, net long positions in the US dollar against most currencies have been built into this position as market conditions deteriorated. Equities finished the quarter in the red since positioning was long risk at the start of the significant equity market falls and incurred losses before turning short.

In the second quarter of 2020, the AHL Program had negative returns, with losses in all asset classes traded except for fixed income. Equity trading finished in the red despite moving from short to small long positions as the quarter progressed. Commodity markets have also detracted on the back of shorts in base metals and energies. Long positions in precious metals helped offset some of the losses while Agricultural Commodity trading was mixed. The AHL Program's dominantly long bond positioning was beneficial as spreads tightened on a brighter economic outlook.

## Investment Manager's report (continued)

### Man Investments Portfolio

The portfolio returned a small loss for the third quarter of 2019 as both Credit and Equity Long-Short strategies detracted. September was one of the most challenging months for fundamental Equity Long-Short alpha generation due to a pronounced rotation from momentum to value stocks. Credit Value detracted as distressed credits and post re-org equities weakened in August. All other strategies contributed positive, most notably short-term momentum models within the portfolio's Global Macro short-term technical manager.

The portfolio concluded the year 2019 with a positive fourth quarter. Equity Long-Short strategies made a significant contribution to generate returns which are partly driven by a more productive alpha that generated environmental and positive returns attributable to equity market beta. Global Macro strategies continued to contribute positively driven by a strong year for the short-term technical manager. Relative Value strategies were also positive. The largest detractor for the quarter was the portfolio's Overlay strategies where the difficult environment for value investing continued, and the nature of the fourth quarter market rally of lower quality stocks have outperformed higher quality stocks and drove losses within the explicit Equity Quality strategy.

The portfolio had a difficult first quarter of 2020 which was mainly impacted by the increase of volatility during the end of February and March. Relative Value strategies were the worst offenders during the quarter affected by high volatility, equity sell-offs and high deleveraging during the period. Alternative Risk Premia was also a detractor for the quarter. Most of the significant losses came from the Low Volatility strategy through its positive net exposure to equities as well as its positive beta to equities in falling equity markets. Equity Long-Short strategies were also affected during the quarter in a period in which losses in long books have outweighed gains in short books. Global Macro managers contributed positively during the period by displaying its defensive characteristics in which gains were driven from Short commodity and Long bond exposures.

The portfolio continued to post negative returns during the second quarter of 2020. Alternative Risk Premia strategies performed negatively throughout the month of April. Losses were driven by poor performance of defensive strategies which performed well in the first quarter like the Quality strategy. Equity Long-Short Strategies were down for the quarter resulting from mixed performances of managers. Despite the rally in Equity markets, exposure to the Value factor by a manager hindered performance within the strategy. Relative Value contributed positively for the quarter as merger spreads tightened and M&A deals progressed. Credit strategies were up for the period as the environment improved.

Past performance is not indicative of future results.

# Man Series 8 OM-IP 220 Limited



## Statement of financial position As at 30 June 2020

|   | Notes | 2020<br>AUD       | 2019<br>AUD       |
|---|-------|-------------------|-------------------|
| <b>Current assets:</b>  |       |                   |                   |
| Cash at bank  | 4     | 2,614             | 200,583           |
| Investment in the Trading Subsidiary  | 5     | 2,490,654         | 3,752,812         |
| Zero coupon deposits  | 5     | 28,754,921        | 30,345,554        |
| <b>Total current assets</b>   |       | <b>31,248,189</b> | <b>34,298,949</b> |
| <b>Current liabilities:</b>   |       |                   |                   |
| Accrued expenses  | 9     | (154,575)         | (129,324)         |
| <b>Total current liabilities (excluding net assets attributable to Continuing Redeemable Shareholders)</b>              |       | <b>(154,575)</b>  | <b>(129,324)</b>  |
| <b>Net assets attributable to Ordinary and Continuing Redeemable Shareholders</b>                                       |       | <b>31,093,614</b> | <b>34,169,625</b> |
| Which are represented by:   |       |                   |                   |
| <b>Liability to Continuing Redeemable Shareholders</b>  |       |                   |                   |
| 16,667,739 (2019: 18,073,667) Continuing Redeemable Shares with a Net Asset Value of AUD 1.8654 (2019: AUD 1.8905) each | 10    | 31,093,609        | 34,169,620        |
| <b>Ordinary Shares</b>  |       |                   |                   |
| 5 (2019: 5) Ordinary Shares of AUD 1.0000 (2019: AUD 1.0000) each   | 10    | 5                 | 5                 |
|   |       | <b>31,093,614</b> | <b>34,169,625</b> |

Approved and authorised for issue on behalf of the Board of Directors on 18<sup>th</sup> day of September 2020.

  
Director

## Statement of changes in Continuing Redeemable Shareholders' interest For the year ended 30 June 2020

|  | Note | 2020<br>AUD       | 2019<br>AUD       |
|--|------|-------------------|-------------------|
| <b>Continuing Redeemable Shareholders' interest at the beginning of the year</b>     |      | 34,169,620        | 37,630,781        |
| Redemption of 1,405,928 (2019: 2,850,242) Continuing Redeemable Shares               | 10   | (2,678,764)       | (5,123,625)       |
| Change in net assets attributable to Continuing Redeemable Shareholders for the year |      | (397,247)         | 1,662,464         |
| <b>Continuing Redeemable Shareholders' interest at the end of the year</b>           |      | <b>31,093,609</b> | <b>34,169,620</b> |

## Statement of changes in equity For the year ended 30 June 2020

|   | Note | 2020<br>AUD | 2019<br>AUD |
|---|------|-------------|-------------|
| <b>Ordinary Shareholders' interest at the beginning of the year</b> |      | 5           | 5           |
| Profit and total comprehensive income for the year                  |      | –           | –           |
| <b>Ordinary Shareholders' interest at the end of the year</b>       | 10   | <b>5</b>    | <b>5</b>    |



## Statement of comprehensive income For the year ended 30 June 2020

|  | Notes | 2020<br>AUD      | 2019<br>AUD      |
|--|-------|------------------|------------------|
| <b>(Loss)/income</b>   |       |                  |                  |
| Net gain on zero coupon deposits   | 5     | 788,227          | 1,976,612        |
| Net loss on investment in the Trading Subsidiary                                     | 5     | (890,124)        | (32,774)         |
| <b>Total (loss)/income</b>   |       | <b>(101,897)</b> | <b>1,943,838</b> |
| <b>Expenses</b>  |       |                  |                  |
| Guarantee fees   |       | (75,767)         | (81,664)         |
| Registrar fees   |       | (61,568)         | (51,741)         |
| Valuation fees   | 9     | (49,694)         | (51,794)         |
| Audit fees   |       | (27,111)         | (26,681)         |
| Directors' fees  | 9     | (26,099)         | (20,969)         |
| Other expenses   |       | (55,111)         | (48,525)         |
| <b>Total expenses</b>  |       | <b>(295,350)</b> | <b>(281,374)</b> |
| (Deficit)/Surplus for the year   |       | (397,247)        | 1,662,464        |
| Change in net assets attributable to Continuing Redeemable Shareholders for the year |       | 397,247          | (1,662,464)      |
| <b>Profit and total comprehensive income for the year</b>                            |       | <b>–</b>         | <b>–</b>         |

The accompanying notes form an integral part of these financial statements.

Statement of cash flows  
For the year ended 30 June 2020

|  | Notes    | 2020<br>AUD        | 2019<br>AUD        |
|--|----------|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |          |                    |                    |
| Change in net assets attributable to Continuing Redeemable Shareholders for the year   |          | (397,247)          | 1,662,464          |
| Adjustments to reconcile change in net assets attributable to Continuing Redeemable Shareholders for the year to net cash used in operating activities |          |                    |                    |
| Items not involving cash and change in net assets and liabilities:   |          |                    |                    |
| Net gain on zero coupon deposits   | 5        | (788,227)          | (1,976,612)        |
| Net loss on investment in the Trading Subsidiary   | 5        | 890,124            | 32,774             |
| Movement in accrued expenses   |          | 25,251             | (12,439)           |
| <b>Net cash used in operating activities</b>   |          | <b>(270,099)</b>   | <b>(293,813)</b>   |
| <b>Cash flows from investing activities:</b>   |          |                    |                    |
| Net redemptions out of/(contributions to) the Trading Subsidiary   | 5        | 372,034            | (276,841)          |
| Redemptions of zero coupon deposits  | 5        | 2,378,860          | 4,539,028          |
| <b>Net cash provided by investing activities</b>   |          | <b>2,750,894</b>   | <b>4,262,187</b>   |
| <b>Cash flows from financing activities:</b>   |          |                    |                    |
| Redemptions of Continuing Redeemable Shares  | 10       | (2,678,764)        | (5,123,625)        |
| <b>Net cash used in financing activities</b>   |          | <b>(2,678,764)</b> | <b>(5,123,625)</b> |
| Net change in cash and cash equivalents  |          | (197,969)          | (1,155,251)        |
| Cash and cash equivalents at the beginning of the year   |          | 200,583            | 1,355,834          |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>4</b> | <b>2,614</b>       | <b>200,583</b>     |
| <b>Represented by:</b>   |          |                    |                    |
| Cash at bank   | 4        | 2,614              | 200,583            |

The accompanying notes form an integral part of these financial statements.

## Notes to the financial statements For the year ended 30 June 2020

### 1. General

Man Series 8 OM-IP 220 Limited (the "Company") was incorporated under the Cook Islands International Companies Act 1981-82 on 2 July 2002 and formed for the purpose of generating medium to long term capital growth. The Company commenced trading in November 2002.

The Company holds the investment in Man Series 8 OM-IP 220 Trading Limited (the "Trading Subsidiary"), its wholly owned subsidiary, and the Australian dollar zero coupon deposits (the "Security Deposit") for the repayment to the Continuing Redeemable Shareholders upon maturity (the "Guaranteed Amount"). The Trading Subsidiary was incorporated under the Cook Islands International Companies Act 1981-82 on 2 July 2002.

The Trading Subsidiary invests directly or indirectly using the AHL Diversified Program (the "AHL Program") via investments in AHL investment vehicles and broker accounts. The AHL Program invests in a number of international markets and trades a wide range of market instruments which may include futures, options, and other derivative instruments. In addition, the Trading Subsidiary invests in the Man Investments Portfolio (the "MI Portfolio") which allocates funds to specialised international fund managers which offer a diverse range of investment strategies. These investments are managed by AHL Partners LLP ("AHL LLP") and FRM Investment Management Limited ("FRM"), respectively.

The Company, subject to Cook Islands law, will redeem all outstanding Continuing Redeemable Shares on 30 June 2022 (the "New Maturity Date").

The registered office of the Company and the Trading Subsidiary is Bermuda House, Tutakimoa Road, Avarua, Rarotonga, Cook Islands.

The Company has no employees (2019: Nil).

In an effort to enhance the consistency of approach to service provision, the Directors proposed that the Company go through a change in its management structure (the "Restructuring"). The Restructuring, effective on 20 December 2019, introduced Man Asset Management (Cayman) Limited ("CMC") (the "Manager"), an indirect, wholly-owned subsidiary and a management company under the Man Group, as the new manager of the Company - operating in accordance with the Man Group's current business plan, investment strategy, and compliance monitoring programme. Investment management services currently performed by FRM (the "Existing Investment Manager") will be transferred by a way of delegation by CMC to Man Solutions Limited ("MSL") (the "New Investment Manager"), also an indirect, wholly-owned subsidiary of the Man Group. The Restructuring was based on the expectation that this will have no adverse operational impact on the Company.

### 2. Summary of significant accounting policies

The following are the significant accounting and reporting policies adopted by the Company:

#### a) Basis of preparation

The financial statements are prepared in accordance with the Cook Islands International Companies Act 1981-82, generally accepted accounting practice in New Zealand ("NZ GAAP") and the New Zealand Financial Reporting Act 1993. They have been prepared in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). For the purpose of complying with NZ GAAP, the entity is for-profit entity.

The financial statements have been prepared using the historical cost basis except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value. As the liquidation process is not expected within 12 months of the date of the financial statements, it is not practical to determine the realisable value of assets or the settlement amounts of liabilities hence it is deemed appropriate to continue to carry these items at historical cost, with the exception of investment assets which are held at fair value.

#### b) Changes in accounting policies and disclosures

*New standards, interpretations and amendments adopted by the Company:*

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of Company's financial statements for the year ended 30 June 2019. There are no new standards, interpretations or amendments in the existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the financial statements of the Company.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

b) Changes in accounting policies and disclosures (continued)

*New standards, interpretations and amendments adopted by the Company: (continued)*

International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 23 – Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of International Accounting Standard ("NZ IAS") 12 Income Taxes and does not apply to taxes or levies outside the scope of NZ IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Company has adopted the interpretation on 1 July 2019. The adoption of the interpretation has had no impact on the financial statements of the Company.

At the date of authorisation of the financial statements, there were a number of other standards and interpretations which were in issue but not yet effective. Management anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

c) Use of accounting judgements and estimates

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in these financial statements and accompanying notes, including certain valuation assumptions. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in the future. In the process of applying the Company's accounting policies, the Company has made the judgement to classify Continuing Redeemable Shares as liabilities as discussed in Note 10. The Company also used estimates and assumptions in the fair value measurement of financial instruments as discussed in Note 5.

d) Revenue recognition

Interest income is recognised in the statement of comprehensive income on an accrual basis.

e) Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern; therefore, the financial statements continue to be prepared on a going concern basis.

f) Assessment as investment entity

Entities that meet the definition of an investment entity within NZ IFRS 10 Consolidated Financial Statements are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- (i) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (ii) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (iii) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's offering documents detail its objective of providing investment management services to investors which includes investing in a variety of investments for the purpose of generating medium to long term capital growth, as more fully explained in Note 1.

The Company reports to its investors via monthly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by NZ IFRS in the Company's annual reports.

As a result, the Company meets the definition of an investment entity since the Company provides investment services. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

## Notes to the financial statements (continued) For the year ended 30 June 2020

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

#### g) Investment transactions

Investment transactions are recognised and derecognised on a trade date basis and accounted for at fair value. Gains and losses which arise from redemption of financial instruments and reflect movements between the initial cost and fair value are included in net (loss)/gain on investments under net loss on investment in the Trading Subsidiary and net gain on zero coupon deposits in the statement of comprehensive income.

The fair value of financial instruments traded in active markets has been based on quoted market prices at year end. For all other financial instruments not traded in an active market, the fair value has been determined by using valuation techniques deemed to be appropriate in the circumstances.

All realised and unrealised gains and losses on financial instruments are recognised as net loss on investment in the Trading Subsidiary and net gain on zero coupon deposits in the statement of comprehensive income. Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the financial period. At the Trading Subsidiary level, realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments). The cost of securities sold is accounted for on a first in-first out basis.

#### h) Valuation of financial assets and liabilities

For Net Asset Value ("NAV") purposes, the valuation of financial assets and liabilities is calculated in accordance with the offering documents. For financial statements purposes, investments have been valued in accordance with NZ IFRS using the policies outlined below. As at 30 June 2020 and 30 June 2019, there are no material differences between these valuation methodologies.

In accordance with NZ IFRS 9, the Company classifies its financial assets and liabilities at initial recognition into the categories of financial assets and liabilities as discussed below.

Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Financial assets or liabilities designated by management at fair value through profit or loss at initial recognition include financial assets or liabilities that are not held for trading. These financial assets and liabilities ("financial instruments") are designated upon initial recognition on the basis that they are part of a group of financial instruments which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company. The financial information about these financial instruments is provided internally on that basis to the Existing Investment Manager.

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of investments are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

After initial measurement, the Company measures financial instruments, which are classified as at fair value through profit or loss, at their fair values.

#### Zero coupon deposits

The zero coupon deposits are initially valued at cost which is the fair value of the investment and are then carried at fair value at year end. The fair value is the market value of the zero coupon deposits using zero coupon deposit revaluation methodologies which take into account current interest rates and the time to maturity. Movements in fair value are included in net gain on zero coupon deposits in the statement of comprehensive income.

The zero coupon deposits have also been classified as financial assets at fair value through profit or loss. The Company has designated the zero coupon deposits as such on inception, because they are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is to evaluate the information about these financial assets on a fair value basis.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

h) Valuation of financial assets and liabilities (continued)

**Investment in the Trading Subsidiary**

Investment in the Trading Subsidiary has been classified as financial assets at fair value through profit or loss.

The investment in the Trading Subsidiary is stated at fair value through profit or loss in the financial statements of the Company. The fair value is based on the latest available redemption price of the Trading Subsidiary's Continuing Redeemable Shares, as determined by the Trading Subsidiary's administrator. Management reviews the details of the reported information and considers:

- the liquidity of the Company's investment in the Trading Subsidiary or its underlying investments;
- the value date of the NAV provided; and
- any restriction on redemptions.

If necessary, the Company makes adjustments to the NAV of the Trading Subsidiary to obtain the best estimate of fair value. Net loss on investment in the Trading Subsidiary in the statement of comprehensive income includes the change in fair value of the Trading Subsidiary.

i) Loans

The Company may utilise loans, which are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Loans are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Loans are subsequently stated at amortised cost.

j) Offsetting financial instruments

The Company may offset financial assets and liabilities 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 assets and settle the liability simultaneously. Financial assets and liabilities which are offset are reported at their net amount in the statement of financial position. As at 30 June 2020 and 30 June 2019, no financial assets and liabilities are offset in the statement of financial position.

k) Functional and presentational currency

The Company seeks to generate returns measured in Australian dollars ("AUD"), its capital-raising currency. The liquidity of the Company is managed on a day-to-day basis in AUD in order to handle the issuance and redemption of the Company's Continuing Redeemable Shares. The Company's performance is also evaluated in AUD. Therefore, as the AUD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions, the Company's functional and presentational currency is the AUD.

l) Foreign currency

Transactions during the year denominated in foreign currencies have been translated at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the date of the statement of financial position. For investment transactions and investments held at year end denominated in foreign currency, the resulting gains or losses are included in the net loss on investment in the Trading Subsidiary and net gain on zero coupon deposits in the statement of comprehensive income. All other foreign currency gains and losses are included in foreign exchange gain/(loss) under net loss on investment in the Trading Subsidiary in the statement of comprehensive income.

m) Expenses

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

n) Continuing Redeemable Shares

Continuing Redeemable Shares have been categorised as a financial liability carried at NAV as they are redeemable on the New Maturity Date, or at the request of the investor.

o) Reclassification of prior year comparative figures

Certain prior year comparatives have been reclassified to conform to the current year's presentation. The change was made to offset the Payable to Trading Subsidiary balance, previously presented as a separate line item, to the Receivable from the Company balance, previously included as part of the Investment in the Trading Subsidiary.

3. Taxation

The Company and the Trading Subsidiary are registered under the Cook Islands International Companies Act 1981-82, and as such, no taxes are payable.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

#### 4. Cash at bank

At the year end, balances disclosed as cash at bank amounting to AUD 2,614 (2019: AUD 200,583) were held with Westpac Banking Corporation ("Westpac").

As at 30 June 2020 and 30 June 2019, there are no collateral balances held with brokers.

#### 5. Financial assets at fair value through profit or loss

The following table summarises financial assets at fair value through profit or loss as at 30 June:

|  | Fair value<br>2020<br>AUD | Fair value<br>2019<br>AUD |
|--|---------------------------|---------------------------|
| <b>Financial assets at fair value through profit or loss</b>       |                           |                           |
| Investment in the Trading Subsidiary                               | 2,490,654                 | 3,752,812                 |
| Zero coupon deposits   | 28,754,921                | 30,345,554                |
| <b>Total financial assets at fair value through profit or loss</b> | <b>31,245,575</b>         | <b>34,098,366</b>         |

No financial assets have been pledged as collateral for the year ended 30 June 2020 or 30 June 2019.

##### Zero coupon deposits

The zero coupon deposits will mature on 30 June 2022; however, zero coupon deposits are periodically redeemed to facilitate payments to investors who redeem their Continuing Redeemable Shares. The face value at maturity of the zero coupon deposits held as at 30 June 2020 was AUD 28,876,858 (2019: AUD 31,312,628). Total redemptions of zero coupon deposits for the year ended 30 June 2020 were AUD 2,378,860 (2019: AUD 4,539,028). The net gain from these redemptions and from the changes in the fair values of the zero coupon deposits amounted to AUD 788,227 (2019: 1,976,612).

##### Investment in the Trading Subsidiary

###### Trading Subsidiary

|                           |  |
|---------------------------|--|
| Interest held:            | 100%   |
| Principal activities:     | Investment in futures, foreign exchange markets and funds. |
| Balance sheet date:       | 30 June  |
| Country of incorporation: | Cook Islands   |

Investment in the Trading Subsidiary is recorded at fair value through profit or loss.

Net loss on investment in the Trading Subsidiary, which is recognised in the statement of comprehensive income, is comprised of the following items incurred at the Trading Subsidiary level.

|   | 2020<br>AUD      | 2019<br>AUD     |
|---|------------------|-----------------|
| Interest income   | 1,021            | 2,651           |
| Other income  | 83,147           | –               |
| Net (loss)/gain on investments                          | (217,026)        | 757,577         |
| Foreign exchange gain/(loss)                            | 30,085           | (7,961)         |
| Brokerage commission                                    | (344,438)        | (344,589)       |
| Consultancy fees  | (91,783)         | (88,516)        |
| Loan interest expense                                   | (2,221)          | (2,202)         |
| Management fees   | (322,120)        | (322,205)       |
| Dealing arrangement fees                                | (26,789)         | (27,529)        |
| <b>Net loss on investment in the Trading Subsidiary</b> | <b>(890,124)</b> | <b>(32,774)</b> |

Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 5. Financial assets at fair value through profit or loss (continued)

### Investments held by the Trading Subsidiary

The Company and the Trading Subsidiary operate as an integrated structure. Total net redemptions made by the Company out of the Trading Subsidiary for the year ended 30 June 2020 were AUD 372,034 (2019: net contribution of AUD 276,841). As at 30 June 2020 and 30 June 2019, there were no capital commitment obligations and no amounts due to the Trading Subsidiary for unsettled purchases.

The Trading Subsidiary allows redemptions of the shares, as outlined in the offering documents, mainly for the purpose of making payments due on redemption of the Company's shares.

The Company invests, via the Trading Subsidiary, using the AHL Program and MI Portfolio. Movements in the fair value of the Trading Subsidiary's portfolio and corresponding movements in the fair value of the Trading Subsidiary may expose the Company to a loss.

#### The AHL Program

The AHL Program trades derivative financial instruments including financial and commodity futures and currencies as part of its investment strategy. Open positions in exchange-traded futures are valued using settlement prices issued by the relevant exchange at the close of business on the last day of the calendar month or such other day as the directors of the Company shall from time to time determine (the "Valuation Day") as defined in the offering documents. Open positions in foreign exchange forward contracts are valued using the market price of the contracts required to close out the contracts on the Valuation Day as per the offering documents. Both realised and unrealised gains and losses and net of foreign exchange movements, are included in net (loss)/gain on investments under net loss on investment in the Trading Subsidiary in the statement of comprehensive income.

Initial margin deposits are made to the broker upon entering into the derivative contracts. During the period, the futures contracts are open, changes in the value of the contracts are recognised as unrealised gains or losses by "marking-to-market" on a daily basis to reflect fair value of the contracts at the end of each day's trading and are reflected in net (loss)/gain on investments under net loss on investment in the Trading Subsidiary in the statement of comprehensive income. Open futures contracts are considered effectively closed and derecognised when the number of contracts bought long and sold short of the same type and maturity on the same exchange offset.

Variation margin payments are made to or received from the broker depending upon whether unrealised gains or losses are incurred. Indirect exposure to the AHL Program may also be obtained through investments in AHL investment vehicles.

#### The MI Portfolio

Managed by FRM, the MI Portfolio accesses the expertise of a wide range of international fund managers that invest across various complementary alternative investment styles, including commodities, macro, event driven, equity hedged, credit and relative value. Allocations to managers are made via managed accounts, comingled funds or other structures as seen appropriate by FRM. FRM was founded in 1991, acquired by the Man Group in 2012 and merged with the existing Multi-Manager business. FRM is a global alternatives investment specialist, providing open architecture solutions to sophisticated institutional investors worldwide.

The Trading Subsidiary held the following investments as at 30 June:

|  | 2020<br>AUD      | 2019<br>AUD      |
|--|------------------|------------------|
| <b>Financial assets at fair value through profit or loss</b>       |                  |                  |
| <u>AHL Program</u>   |                  |                  |
| <i>Held for trading</i>  |                  |                  |
| Investment in related managed funds                                |                  |                  |
| AHL Global Investments Series 2 Ltd                                | 1,039,102        | 1,995,821        |
| <u>MI Portfolio</u>  |                  |                  |
| <i>Held for trading</i>  |                  |                  |
| Investment in related managed funds                                |                  |                  |
| Man Glenwood Holdings Limited                                      | 1,544,279        | 1,417,357        |
| <b>Total financial assets at fair value through profit or loss</b> | <b>2,583,381</b> | <b>3,413,178</b> |

### Fair value of financial assets

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in determining the measurements in line with NZ IFRS 13 Fair Value Measurement.

The Company has an established framework with respect to the measurement of fair values. This includes a periodic review of all significant fair value measurements, including Level 3 fair values.



Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 5. Financial assets at fair value through profit or loss (continued)

### Fair value of financial assets (continued)

The Existing Investment Manager regularly reviews significant unobservable inputs and valuation adjustments (if any). If third party information is used to measure fair values, they assess the evidence obtained from the third parties to support the conclusion such that valuations meet the requirements of NZ IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The fair value hierarchy has the following levels:

- Level 1 – Quoted market price in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of zero coupon deposits included in Level 2 is determined using zero coupon deposit revaluation methodologies by reference to the market interest rates and the time to maturity.

The fair value of investment in the Trading Subsidiary included in Level 3 is determined using the NAV of the Trading Subsidiary, as determined by the Trading Subsidiary's administrator.

The following is a summary of the classification within the fair value hierarchy for the Company's financial instruments carried at fair value as at 30 June 2020:

|  | Level 2<br>AUD    | Level 3<br>AUD   | Total<br>AUD      |
|--|-------------------|------------------|-------------------|
| <b>Financial assets at fair value through profit or loss</b>       |                   |                  |                   |
| Investment in the Trading Subsidiary                               | –                 | 2,490,654        | 2,490,654         |
| Zero coupon deposits   | 28,754,921        | –                | 28,754,921        |
| <b>Total financial assets at fair value through profit or loss</b> | <b>28,754,921</b> | <b>2,490,654</b> | <b>31,245,575</b> |

The following is a summary of the classification within the fair value hierarchy for the Company's financial instruments carried at fair value as at 30 June 2019:

|  | Level 2<br>AUD    | Level 3<br>AUD   | Total<br>AUD      |
|--|-------------------|------------------|-------------------|
| <b>Financial assets at fair value through profit or loss</b>       |                   |                  |                   |
| Investment in the Trading Subsidiary                               | –                 | 3,752,812        | 3,752,812         |
| Zero coupon deposits   | 30,345,554        | –                | 30,345,554        |
| <b>Total financial assets at fair value through profit or loss</b> | <b>30,345,554</b> | <b>3,752,812</b> | <b>34,098,366</b> |

Investments are reviewed at each financial year end to ensure that they are correctly classified between Levels 2 and 3 in accordance with the fair value hierarchy outlined above. Where investments' characteristics have changed during the year and no longer meet the criteria of a given level, they are transferred into a more appropriate level at the end of the relevant financial reporting period. For the years ended 30 June 2020 and 30 June 2019, there were no transfers between levels.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 5. Financial assets at fair value through profit or loss (continued)

### Fair value of financial assets (continued)

A reconciliation of movements in Level 3 assets for the years ended 30 June 2020 and 30 June 2019 is set out below:

|  | 2020<br>AUD      | 2019<br>AUD      |
|--|------------------|------------------|
| <b>Balance at the beginning of the year</b>      | 3,752,812        | 3,508,745        |
| Net (redemptions)/contributions                  | (372,034)        | 276,841          |
| Net loss on investment in the Trading Subsidiary | (890,124)        | (32,774)         |
| <b>Balance at the end of the year</b>            | <b>2,490,654</b> | <b>3,752,812</b> |

While NAV, as valued according to the underlying funds' valuation methodology, in most cases is deemed to represent the fair value of the investments, in some cases immediate liquidity could only be achieved on the secondary market at a discount to NAV. Depending on multiple factors, such as supply and demand, high return expectations of prospective liquidity providers and other subjective estimates, as well as transaction considerations and interim distributions, these discounts may be significant. Until an actual trade is executed, however, secondary market bids or estimates remain indicative only and subject to change, may over or under represent the price that can be achieved in a structured and competitive process, and may only represent a single and not necessarily sustainable snapshot of the secondary market. Similarly, traded prices may or may not be replicable, depending on multiple factors which are subject to change.

The fair value of financial assets at fair value through profit or loss classified within Level 3 is based on unobservable inputs that may be subject to significant variability. Because of the inherent uncertainty of valuation with respect to such financial assets at fair value through profit or loss, the Company's estimates of fair value may differ significantly from fair values that would have been used had observable inputs been available for the valuation of such financial assets at fair value through profit or loss, and the differences could be material.

| Asset description                    | Fair value at<br>30 June<br>2020<br>AUD | Valuation technique           | Unobservable input            |
|--------------------------------------|---|-------------------------------|-------------------------------|
| Investment in the Trading Subsidiary | 2,490,654                               | NAV of the Trading Subsidiary | NAV of the Trading Subsidiary |

| Asset description                    | Fair value at<br>30 June<br>2019<br>AUD | Valuation technique           | Unobservable input            |
|--------------------------------------|---|-------------------------------|-------------------------------|
| Investment in the Trading Subsidiary | 3,752,812                               | NAV of the Trading Subsidiary | NAV of the Trading Subsidiary |

The NAV of the Trading Subsidiary is directly linked to the performance of the underlying funds. Although the NAV of the Trading Subsidiary is an unobservable input, indirectly, the inputs into the price are observable given the exposure to combination of Level 1 and Level 2 investments measured at fair value through profit or loss. The Trading Subsidiary is directly (through its accounts held with banks/brokers) and indirectly (through its investment in underlying funds) predominantly invested in publicly traded equities, and highly liquid forward contracts, classified as Level 1 and Level 2 investments.

A sensitivity analysis is not presented as a change in the NAV per Redeemable Share of the Company is a function (and identical) to the NAV per share of the Trading Subsidiary.

## 6. Financial risk management

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Company is exposed are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk. The Company manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies.

## Notes to the financial statements (continued) For the year ended 30 June 2020

### 6. Financial risk management (continued)

The nature and extent of the financial instruments outstanding at the date of the statement of financial position and the risk management policies employed by the Company are discussed below.

#### Overall risk management

In order to achieve the Company's investment objectives, the Company seeks to take on a certain level of financial risk.

The Company seeks to generate returns through investing in the AHL Program, managed by AHL LLP and the MI Portfolio, managed by FRM. AHL LLP is affiliated with the Existing Investment Manager.

The Existing Investment Manager distinguishes risk between two primary levels, which were risks at the Company level and risks at the level of underlying investments held within the Trading Subsidiary. Accordingly, the Existing Investment Manager had implemented procedures to manage risks associated with both the Company level and its underlying investments of the Trading Subsidiary.

#### At the Company level

Risk management at the Company level was segregated into pre-investment risk management and ongoing risk management. Pre-investment risk management involved determining asset allocation and portfolio construction. Ongoing risk management involved conducting risk and return analyses, monitoring the relevant Company specific portfolio restrictions and investment guidelines and managing currency, interest rate, credit and liquidity risks at the Company level.

Risk considerations or the need to bring the portfolio back in line with product guidelines might trigger a rebalancing of the portfolio, which was typically done on a monthly basis by the Existing Investment Manager's portfolio management team.

#### At the level of underlying investments of the Trading Subsidiary

##### The AHL Program

In the case of the AHL Program, the trading activity is managed by AHL LLP. AHL LLP identifies opportunities to profit from price movements in a number of international markets through specialised investment techniques, advanced technology and daily risk control.

The AHL Program seeks to identify and take advantage of upward and downward price trends. Trading takes place around-the-clock and real-time price information is used to respond to price movements across a diverse range of global markets. Investment rules are executed within a systematic framework.

AHL LLP employs a number of risk measures including proprietary measurement methods similar to the industry standard Value-at-Risk ("VaR") and conducts daily stress testing based on historical data. Depending upon the risks identified, AHL LLP may alter the exposure to different markets it trades in.

Substantially all derivative contracts are transacted on a margin basis. The Existing Investment Manager manages the risk associated with these transactions by maintaining margin deposits in compliance with individual exchange regulations and internal guidelines. The Existing Investment Manager also takes an active role in managing and controlling the Trading Subsidiary's market and counterparty risks, monitoring trading activities and margin levels daily and, as necessary, deposits additional collateral or reduces positions.

##### The MI Portfolio

In the case of the MI Portfolio, the Company gains its exposure through the Trading Subsidiary's holdings in investment vehicles that invest in a number of funds managed by third party managers (the "Underlying Investment Managers"), which are chosen by the Existing Investment Manager.

The Existing Investment Manager has an active procedure for selecting and monitoring investments in third party funds. As a pre-requisite for investment, initial due diligence is performed to ensure that the third party fund has a sound trading strategy, a robust operational infrastructure and a suitable risk management environment.

Following the initial investment decision, the Existing Investment Manager monitors the integrity of the operations and performance on an ongoing basis. Strategy risks are monitored to obtain early warnings of style drift or performance deterioration. This involves the systematic monitoring of risk and return characteristics including the consistency and distribution of returns, drawdowns and abnormal deviations or return 'breakouts'. The Existing Investment Manager receives weekly NAV estimates from the Underlying Investment Managers and monthly final NAV from the fund administrators.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 6. Financial risk management (continued)

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates or underlying investment prices.

There are many risk measures used by the Existing Investment Manager; however, one generally understood measure is annualised volatility. Annualised volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Continuing Redeemable Share for the previous 212 months.

As it is based on the NAV per Continuing Redeemable Share, annualised volatility incorporates all performance characteristics of the Company including the impact of interest rate movements and currency exchange differences for the previous 12 months. The investment strategies employed by its underlying investments will not significantly change, meaning that the risk and return characteristics that the Company is exposed to are broadly consistent.

Annualised volatility has limitations as it assumes a normal distribution of monthly returns, which may not be fully representative of hedge fund behaviour. Annualised volatility is based upon historical data. There is no guarantee of trading performance and past performance is no indication of future performance or results.

For the year ended 30 June 2020, the annualised volatility for the Company was 14.18% (2019: 14.48%).

### Interest rate risk

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

The following borrowings and receivables bear interest at floating commercial rates and hence are sensitive to changes in interest rates: cash at bank and the zero coupon deposits held with Westpac.

The Existing Investment Manager is responsible for managing the interest rate risk of the Company's investments.

The following tables detail the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

#### As at 30 June 2020

|  | Less than<br>12 months<br>AUD | 12-less than<br>48 months<br>AUD | More than<br>48 months<br>AUD | Not exposed to<br>interest rate risk<br>AUD | Total<br>AUD      |
|--|-------------------------------|----------------------------------|-------------------------------|---|-------------------|
| <b>Current assets:</b>   |                               |                                  |                               |   |                   |
| <u>Interest earning assets</u>   |                               |                                  |                               |   |                   |
| Cash at bank   | 2,614                         | –                                | –                             | –   | 2,614             |
| Zero coupon deposits   | –                             | 28,754,921                       | –                             | –   | 28,754,921        |
| <u>Non-interest earning assets</u>   |                               |                                  |                               |   |                   |
| Investment in the Trading Subsidiary   | –                             | –                                | –                             | 2,490,654                                   | 2,490,654         |
| <b>Total current assets</b>  | <b>2,614</b>                  | <b>28,754,921</b>                | <b>–</b>                      | <b>2,490,654</b>                            | <b>31,248,189</b> |
| <b>Current liabilities:</b>  |                               |                                  |                               |   |                   |
| <u>Non-interest bearing liabilities</u>  |                               |                                  |                               |   |                   |
| Accrued expenses   | –                             | –                                | –                             | (154,575)                                   | (154,575)         |
| <b>Total current liabilities (excluding<br/>net assets attributable to<br/>Continuing Redeemable<br/>Shareholders)</b> | <b>–</b>                      | <b>–</b>                         | <b>–</b>                      | <b>(154,575)</b>                            | <b>(154,575)</b>  |
| <b>Net assets attributable to Ordinary<br/>and Continuing Redeemable<br/>Shareholders</b>                              | <b>2,614</b>                  | <b>28,754,921</b>                | <b>–</b>                      | <b>2,336,079</b>                            | <b>31,093,614</b> |

Notes to the financial statements (continued)  
For the year ended 30 June 2020

6. Financial risk management (continued)

Interest rate risk (continued)

As at 30 June 2019

|  | Less than<br>12 months<br>AUD | 12-less than<br>48 months<br>AUD | More than<br>48 months<br>AUD | Not exposed to<br>interest rate risk<br>AUD | Total<br>AUD      |
|--|-------------------------------|----------------------------------|-------------------------------|---|-------------------|
| <b>Current assets:</b>   |                               |                                  |                               |   |                   |
| <u>Interest earning assets</u>   |                               |                                  |                               |   |                   |
| Cash at bank   | 200,583                       | –                                | –                             | –   | 200,583           |
| Zero coupon deposits   | –                             | 30,345,554                       | –                             | –   | 30,345,554        |
| <u>Non-interest earning assets</u>   |                               |                                  |                               |   |                   |
| Investment in the Trading Subsidiary   | –                             | –                                | –                             | 3,752,812                                   | 3,752,812         |
| <b>Total current assets</b>  | <b>200,583</b>                | <b>30,345,554</b>                | <b>–</b>                      | <b>3,752,812</b>                            | <b>34,298,949</b> |
| <b>Current liabilities:</b>  |                               |                                  |                               |   |                   |
| <u>Non-interest bearing liabilities</u>  |                               |                                  |                               |   |                   |
| Accrued expenses   | –                             | –                                | –                             | (129,324)                                   | (129,324)         |
| <b>Total current liabilities (excluding<br/>net assets attributable to<br/>Continuing Redeemable<br/>Shareholders)</b> | <b>–</b>                      | <b>–</b>                         | <b>–</b>                      | <b>(129,324)</b>                            | <b>(129,324)</b>  |
| <b>Net assets attributable to Ordinary<br/>and Continuing Redeemable<br/>Shareholders</b>                              | <b>200,583</b>                | <b>30,345,554</b>                | <b>–</b>                      | <b>3,623,488</b>                            | <b>34,169,625</b> |

The following analysis represents an estimate of the effect on net assets due to reasonably possible changes in the level of interest rates, with all other variables held constant. In practice, the actual trading results may differ from the sensitivity analysis and the difference could be material.

The following tables detail the effect on net assets should interest rates have increased/decreased by 50 basis points (bps) with all other variables remaining constant, assuming that a 50 bps increase/decrease in the base interest rate would result in a correlating 50 bps increase/decrease in the value of net assets. In reality, an increase/decrease of 50 bps would not result in a direct correlating increase/decrease in the fair value of net assets, as the movement in the value of net assets would depend on the individual asset class and/or market sentiment towards any sensitivity in the interest rate. The volatility measures presented in the market risk section capture, among all other variables, these actual interest rate sensitivities.

As at 30 June 2020

|                                  | Less than<br>12 months<br>AUD | 12-less than<br>48 months<br>AUD | More than<br>48 months<br>AUD | Not exposed to<br>interest rate risk<br>AUD | Total<br>AUD |
|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---|--------------|
| Net assets after 50 bps increase | 2,627                         | 28,898,696                       | –                             | 2,336,079                                   | 31,237,402   |
| Net assets after 50 bps decrease | 2,601                         | 28,611,146                       | –                             | 2,336,079                                   | 30,949,826   |

As at 30 June 2019

|                                  | Less than<br>12 months<br>AUD | 12-less than<br>48 months<br>AUD | More than<br>48 months<br>AUD | Not exposed to<br>interest rate risk<br>AUD | Total<br>AUD |
|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---|--------------|
| Net assets after 50 bps increase | 201,586                       | 30,497,282                       | –                             | 3,623,488                                   | 34,322,356   |
| Net assets after 50 bps decrease | 199,580                       | 30,193,826                       | –                             | 3,623,488                                   | 34,016,894   |

## Notes to the financial statements (continued) For the year ended 30 June 2020

### 6. Financial risk management (continued)

#### Currency risk

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

The Company is indirectly exposed to currency risk through its investments in the Trading Subsidiary which invests in non-AUD denominated investments. The Existing Investment Manager has an active procedure to monitor foreign exchange exposures and manages this risk through offsetting non-AUD denominated balances and by entering into offsetting forward foreign exchange contracts.

As at 30 June 2020 and 30 June 2019, the Company's assets and liabilities are predominantly in AUD and the Company does not have significant exposure to foreign currency risk, and accordingly, no sensitivity analysis is presented. As part of the Company's investment strategy, the Company may periodically hold investments denominated in foreign currencies.

The Company may be indirectly exposed to foreign exchange risk through the underlying strategies of the investment funds held, where foreign exchange risk trading forms part of the mandated investment strategy.

#### Price risk

Price risk is the risk that the price of a financial instrument will fluctuate due to changes in the prices of market factors influencing directly or indirectly the value of the instrument.

The Company is exposed to price risk arising from its investments. Due to the nature of the trading strategies followed by these investments, no direct relationship between any market factors and the expected prices of the investments can be established.

Price risk is managed as described in the overall risk management section.

#### Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as at 30 June 2020 and 30 June 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

With respect to derivative financial instruments held by the Trading Subsidiary, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Credit risk was mitigated for the AHL Program and MI Portfolio through the diversity of counterparties and mitigation of concentration risk.

The significant exposures are to the bank and the guarantor, Westpac.

The Existing Investment Manager performs due diligence on all counterparties before they become a service provider or counterparty to the Company, and credit quality checks are part of this process. The credit quality of the Company's bank and guarantor is regularly monitored and factored into allocation decisions.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities or equity that are settled by delivering cash or cash equivalents.

The Company is exposed to cash redemptions of its Continuing Redeemable Shares on a regular basis. Continuing Redeemable Shares are redeemable at the holder's option based on the Company's NAV per Continuing Redeemable Share at the time of redemption.

The Company manages its obligation to repurchase the Continuing Redeemable Shares when required to do so and its overall liquidity risk by:

- Requiring a 2 week notice period before the first business day in each calendar month or such other day as the directors of the Company may from time to time determine (the "Dealing Day") as per the offering documents; and
- Allowing for redemptions to be paid on or about 20 business days following the relevant Dealing Day as per the offering documents.

Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 6. Financial risk management (continued)

### Liquidity risk (continued)

The Company's policy is to satisfy redemption requests by a combination of the following:

- Redemption of the Security Deposit and use of cash;
- Disposal of liquid assets; and
- Use of credit or loan facilities.

Generally, the Company takes on minimal liquidity risk as the Trading Subsidiary invests in managed investment funds with a redemption notice period less than that of the Company, or the Trading Subsidiary utilises a dealing arrangement facility to ensure investments in managed investment funds can be purchased from the Trading Subsidiary should there be insufficient liquidity at a price equal to the last available price per share on the date of purchase. Under the dealing arrangement facility, Man Investments AG arranges the provision of monthly liquidity for the Trading Subsidiary to facilitate the redemption of shares, and the rebalancing of the investments. In return for arranging the dealing facility, the Trading Subsidiary pays Man Investments AG a dealing arrangement fee of 0.05% per annum of the total investment exposure of the Trading Subsidiary.

The liquidity risk in respect of traded derivative financial instruments in the AHL Program and MI Portfolio is managed by AHL LLP and FRM, respectively, on a daily basis. The allocation to the AHL LLP and FRM investment vehicles bear minimal liquidity risk as the managed accounts contain highly liquid positions only.

The liquidity risk of the underlying investments, which have monthly liquidity, is managed by the Underlying Investment Managers, subject to the general controls as noted above.

The following tables detail the Company's liquidity analysis for its financial liabilities. The tables have been drawn up based on the contractual maturity of the undiscounted net cash flows on the financial liabilities that settle on a net basis and the undiscounted gross cash flows on those financial liabilities that require gross settlement.

#### As at 30 June 2020

|                                  | Less than<br>1 month<br>AUD | 1-less than<br>3 months<br>AUD | More than<br>3-12 months<br>AUD | More than<br>1 year<br>AUD | Total<br>AUD      |
|----------------------------------|-----------------------------|--------------------------------|---------------------------------|----------------------------|-------------------|
| Accrued expenses                 | 154,575                     | –                              | –                               | –                          | 154,575           |
| Continuing Redeemable Shares     | 1,578,144                   | 29,515,465                     | –                               | –                          | 31,093,609        |
| <b>Total current liabilities</b> | <b>1,732,719</b>            | <b>29,515,465</b>              | <b>–</b>                        | <b>–</b>                   | <b>31,248,184</b> |

#### As at 30 June 2019

|                                  | Less than<br>1 month<br>AUD | 1-less than<br>3 months<br>AUD | More than<br>3-12 months<br>AUD | More than<br>1 year<br>AUD | Total<br>AUD      |
|----------------------------------|-----------------------------|--------------------------------|---------------------------------|----------------------------|-------------------|
| Accrued expenses                 | 129,324                     | –                              | –                               | –                          | 129,324           |
| Continuing Redeemable Shares     | 224,323                     | 33,945,297                     | –                               | –                          | 34,169,620        |
| <b>Total current liabilities</b> | <b>353,647</b>              | <b>33,945,297</b>              | <b>–</b>                        | <b>–</b>                   | <b>34,298,944</b> |

The tables above represent the Company's contractual maturities for the listed financial liabilities and are not reflections of expected maturity of financial liabilities as historical experience has shown that the majority of investors intend to hold the Continuing Redeemable Shares until maturity. Redemptions requested by Continuing Redeemable Shareholders prior to the New Maturity Date are recognised when a legal obligation arises, being the first business day of the calendar month following receipt of the request.

## Notes to the financial statements (continued) For the year ended 30 June 2020

### 7. Loans

#### Loan Facility

Under the Man Investments AG revolving loan facility, the Trading Subsidiary can borrow from Man Investments AG at USD overnight LIBOR plus a margin. The advance rate and margin are determined by Man Investments AG taking into account a number of factors including any illiquid assets and the total amount of all advances. Man Investments AG can unilaterally amend the margin from time to time. As at 30 June 2020 and 30 June 2019, Nil interest was being charged at USD overnight LIBOR plus a margin. The loan is unsecured.

Under the facility, Man Investments AG may, at any time by giving five business days' notice to the Trading Subsidiary, terminate the revolving loan facility. No notification was made by Man Investments AG during the year. This borrowing does not affect the Continuing Redeemable Shareholders' Guaranteed Amount.

### 8. Fees, commissions and other expenses

A monthly consultancy fee, management fee and brokerage commission are charged to and payable by the Trading Subsidiary.

#### a) Consultancy fees

A consultancy fee is directly or indirectly payable by the Trading Subsidiary to Man Investments AG for trading advice and risk management services and is calculated at a rate of up to 0.5% per annum of the investment exposure (which will target 160% of the aggregate NAV of the Continuing Redeemable Shares) before deducting consultancy, brokerage and performance fees, if any on the immediately preceding Valuation Day as per offering documents. The fee is payable in arrears on each monthly Dealing Day as per offering documents and accrues monthly between Dealing Days.

#### b) Management fees

A management fee is directly or indirectly payable by the Trading Subsidiary to Man Investments AG and/or the Existing Investment Manager for the investment using the AHL Program. The fee is payable in arrears on each monthly Dealing Day at a rate of up to 2% per annum of the investment exposure to the AHL Program (which will target 100% of the aggregate NAV of the Continuing Redeemable Shares) before deducting brokerage, performance and an allocation of consultancy fees.

A management fee in respect of the MI Portfolio investments is directly or indirectly payable by the Trading Subsidiary to Man Investments AG and/or the Existing Investment Manager. The fee is payable in arrears on each monthly Dealing Day at a rate of up to 1.5% per annum of the investment exposure to the MI Portfolio (which will target 60% of the aggregate NAV of the Continuing Redeemable Shares).

#### c) Brokerage commission

A brokerage commission is directly or indirectly payable by the Trading Subsidiary to AHL LLP for trading conducted using the AHL Program. This fee is paid monthly in arrears at a rate of up to 3.1% per annum of the investment exposure to the AHL Program (plus the costs at institutional rates, for execution of any futures contracts traded and hedging transactions) before deducting management, performance and an allocation of consultancy fees.

### 9. Related party transactions

The Manager, the Existing Investment Manager, the New Investment Manager, Man Investments Australia Limited ("MIAL") (the "Sponsor"), Man Investments AG (the "Marketing Advisor" and a provider of a credit facility), AHL LLP (the "Introducing Broker") and Man Valuation Services Limited (the "Valuation Agent") are related parties as they are all subsidiaries or associates of the Man Group. Man Group means Man Group plc and all or any of its subsidiaries and associates, as the context requires.

Man Group plc companies are also involved, in varying capacities, in the management of the AHL Portfolio and MI Portfolio in which the Trading Subsidiary has invested.

Master Multi-Product Holdings Limited ("MMPHL"), a Bermuda incorporated company, is a related party through its 100% holding of all the Management Shares in the Company. MMPHL shares 2 directors in common with the Company. The intermediate controlling party of the Company is therefore MMPHL. Michael Collins and Dawn Griffiths are directors of MMPHL and the Company. On 1 July 2020, Dawn Griffiths resigned as a director of the Company.

The Directors of the Company are directors of the Trading Subsidiary and may also be directors of companies into which the Trading Subsidiary may invest directly or indirectly, or directors of companies that provide services to such companies. Directors' fees are disclosed in the statement of comprehensive income.



Notes to the financial statements (continued)  
For the year ended 30 June 2020

## 9. Related party transactions (continued)

Expenses paid to and year end balances with these companies are disclosed below.

|  | Trading Subsidiary |         | Company |        |
|--|--------------------|---------|---------|--------|
|  | 2020               | 2019    | 2020    | 2019   |
|  | AUD                | AUD     | AUD     | AUD    |
| <b>Related party transactions</b>                                      |                    |         |         |        |
| Directors' fees  | –                  | –       | 26,099  | 20,969 |
| Expenses paid to Man Investments AG/FRM Investment Management Limited: |                    |         |         |        |
| Consultancy fees   | 91,783             | 88,516  | –       | –      |
| Dealing arrangement fees   | 26,789             | 27,529  | –       | –      |
| Loan interest expense  | 2,221              | 2,202   | –       | –      |
| Management fees  | 322,120            | 322,205 | –       | –      |
| Expenses paid to AHL Partners LLP:                                     |                    |         |         |        |
| Brokerage commission   | 344,438            | 344,589 | –       | –      |
| Expenses paid to Man Valuations Services Limited:                      |                    |         |         |        |
| Valuation fees   | –                  | –       | 49,694  | 51,794 |
| Balance outstanding:   |                    |         |         |        |
| Man Investments AG Loan  | (100,453)          | –       | –       | –      |

As at 30 June 2020, included in accrued expenses of the Trading Subsidiary and the Company are amounts due to related parties for unpaid fees of AUD 104,047 (2019: AUD 127,375) and AUD 25,813 (2019: AUD 19,163), respectively. No debts with related parties have been written off or forgiven during the year (2019: Nil).

All transactions with related parties are priced on arm's length/market basis.

## 10. Ordinary and Continuing Redeemable Shares

### 10.1 Ordinary Shares

The Company has an authorised share capital of AUD 10,000,000 comprising 5 Ordinary Shares of par value AUD 1.00 each and 999,999,500 Continuing Redeemable Shares of par value AUD 0.01 each.

The Ordinary Shares carry the rights to approximately 49.9% of total votes, whereas the Continuing Redeemable Shares as a class carry the right to approximately 50.1% of the votes cast by all shareholders. The holders of the Ordinary Shares have no rights to dividends nor to share in the profits and surplus assets of the Company.

### 10.2 Continuing Redeemable Shares

|   | 2020<br>AUD | 2019<br>AUD |
|---|-------------|-------------|
| <i>Authorised</i>   |             |             |
| 999,999,500 Continuing Redeemable Shares of AUD 0.01 each | 9,999,995   | 9,999,995   |
|   |             |             |
|   | 2020        | 2019        |
| <i>Issued and fully paid</i>                              |             |             |
| Opening balance   | 18,073,667  | 20,923,909  |
| Redeemed  | (1,405,928) | (2,850,242) |
| Closing balance   | 16,667,739  | 18,073,667  |

All Continuing Redeemable Shares will be redeemed on 30 June 2022 at a value equal to the NAV per Continuing Redeemable Share on that date. However, by giving two weeks' notice in writing, Continuing Redeemable Shares can be redeemed on the first business day of any month, subject to the terms as set out in the offering documents.

Total redemptions proceeds paid to Redeemable Shareholders for the year ended 30 June 2020 amounted to AUD 2,678,764 (2019: AUD 5,123,625).

## Notes to the financial statements (continued) For the year ended 30 June 2020

### 10. Ordinary and Continuing Redeemable Shares (continued)

#### 10.2 Continuing Redeemable Shares (continued)

The Company's capital represented by Continuing Redeemable Shares is shown in the statement of financial position as a 'Liability to Continuing Redeemable Shareholders'.

The Company has certain restrictions on the redemptions of Continuing Redeemable Shares, as outlined in the offering documents. The relevant movements are shown in the statement of changes in Continuing Redeemable Shareholders' interest. In accordance with the objectives outlined in the corporate information, accounting policies and the financial risk management policies in Note 6, the Company endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

#### Capital management

As a result of the ability to redeem shares, the capital of the Company can vary depending on the demand for redemptions from the Company. The Company is not subject to externally imposed capital requirements and has no restrictions on the redemption of shares other than those set out in the Company's offering documents.

The Company's objectives for managing capital include:

- investing the capital in investments meeting the description, risk exposure and expected return indicated in the Company's offering documents;
- achieving consistent returns while safeguarding capital by investing in diversified portfolios, by participating in other advanced capital markets and by using various investment strategies and hedging techniques;
- maintaining sufficient liquidity to meet the expenses of the Company and to meet redemption requests as they arise; and
- maintaining sufficient size to make the operation of the Company cost-efficient.

Refer to Note 6, 'Financial risk management', for the policies and processes applied by the Company in managing its capital.

#### Reconciliation to NAV

There is a difference between the NAV per financial statements and the NAV per valuation and redemption purposes, calculated in accordance with the Company's offering documents in the current year. The Company's NAV per financial statements as at 30 June 2020 is AUD 31,093,609 (2019: AUD 34,169,620) and the NAV per Continuing Redeemable Share is AUD 1.8654 (2019: AUD 1.8905). The amount of liquidation fees accrual made for the current year is AUD 84,919 (2019: Nil). For valuation and redemption purposes, the Company's NAV after the liquidation fees accrual as at 30 June 2020 is AUD 31,008,690 (2019: AUD 34,169,620) and the NAV per Continuing Redeemable Share after the liquidation fees accrual is AUD 1.8604 (2019: AUD 1.8905).

#### Risk of unauthorised payments to non-shareholders

During the year ended 30 June 2019, the directors were made aware of purported redemption payments of approximately AUD 274,000 made to non-shareholders prior to the year ended 30 June 2019 that are suspected not to have been authorised by the relevant shareholders. Following an investigation into this incident, the directors have not identified other unauthorised payments from the Company's funds. However, the directors cannot rule out the possibility of other unauthorised payments having occurred. Man Investments Australia Limited has stated its intention to ensure that neither the Company's past nor its current shareholders are affected by unauthorised payments, either by way of making payment directly to the shareholder or by reimbursement to the Company. It is not possible to quantify the possible effect, if any, of other unauthorised payments and accordingly, the financial statements for the year ended 30 June 2020 do not include any adjustments relating to this matter.

### 11. Subsequent events

#### Rising guarantee

In accordance with the offering documents, the Company will purchase additional zero coupon deposits to increase the New Westpac Guarantee at maturity by an amount equal to 50% of any net new trading profits of the Trading Subsidiary after making good any prior years' losses calculated monthly on a per share basis.

Since year end date, no zero coupon deposits have been purchased (2019: Nil) as the Trading Subsidiary has not made up prior years' trading losses during the year.

Accordingly, the New Westpac Guarantee at maturity remains at AUD 1.7325 (2019: AUD 1.7325) per Continuing Redeemable Share held.

## Notes to the financial statements (continued) For the year ended 30 June 2020

### 11. Subsequent events (continued)

#### COVID-19 outbreak

The directors and the New Investment Manager acknowledge the on-going outbreak of COVID-19 which has been causing economic disruption in most countries since the first quarter of 2020 and its potentially adverse economic impact on the issuers of the instruments in which the Company invests. This is an additional risk factor which could impact the operations and valuation of the Company's assets after the year end.

The New Investment Manager is actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Company.

#### Other subsequent events

Effective 1 July 2020, Dawn Griffiths resigned as a director of the Company.

As the trading capital was at a level insufficient to continue trading, the New Investment Management determined that it would be in the Company's best interest to cease trading and move the trading capital into cash effective on 1 July 2020.

Other than the matters above, there have been no other significant events since the year end date that impact the Company and require a disclosure in the financial statements.

### 12. Commitments and contingencies

There were no contingent liabilities or commitments as at year end (2019: Nil).

## **Independent Auditor's Report to the Shareholders of Man Series 8 OM-IP 220 Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Man Series 8 OM-IP 220 Limited ("the Company") on pages 7 to 27, which comprise the statement of financial position of the Company as at 30 June 2020, and the statement of comprehensive income, statement of changes in redeemable shareholders' interest, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 7 to 27 give a true and fair view of the financial position of the Company as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Company.

#### **Information Other Than the Financial Statements and Auditor's Report**

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

If, based upon 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.

#### **Directors' Responsibilities for the Financial Statements**

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements that comply with generally accepted accounting practice in New Zealand, as defined in the Financial Reporting Act 1993, and in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the Company'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 Company or cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing (New Zealand) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

### **Report on the Other Legal and Regulatory Requirements**

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by the Company as far as appears from our examination of those records.



Chartered Accountants  
Auckland  
23 September 2020

## Glossary

**Alternative investments** - Alternative investment funds are pooled investment vehicles that invest in asset classes which are less familiar to most investors as they require specialist investment and/or valuation skills. They include private equity, hedge funds, managed futures, real estate and commodity funds.

**Derivatives** - Derivatives are financial contracts such as futures, options and various securities that offer 'synthetic' access to an underlying asset such as a commodity, stock market or fixed income security. The price movements of a derivative generally follow the price movements of the underlying assets, but derivatives generally require only small amounts of capital (margin) to gain exposure to the underlying asset.

**Forward contracts** - A forward contract is a customised contract between two counterparties to buy or sell a specific asset on a future date at an agreed price. As opposed to stocks and bonds, a forward contract is a derivative instrument, the value of which depends on an underlying asset. Unlike standard futures contracts, forward contracts are not traded on a centralised exchange and are highly customisable.

**Futures contracts** - Futures contracts were originally developed to help farmers to sell their crops in advance to avoid price uncertainty, a process known as "hedging". By buying or selling futures contracts, investors can now use a relatively small sum of capital known as margin to speculate on the future price movements of a wide variety of asset classes ranging from physical commodities to financial assets, such as equity market indices and currency exchange rates. Trading on margin provides a magnified exposure to movements in the underlying asset price and requires sophisticated risk management.

**Hedge** - Hedge is a transaction which is undertaken with the intention of reducing the impact of an adverse movement in the price of a commodity or financial instrument. A wheat farmer who wishes to protect themselves from falling wheat prices could for example, hedge their production by selling their crop in advance, by selling wheat futures that expire shortly after their harvest. A speculative investor who thought that wheat prices would rise could take an opposite view and purchase wheat futures.

**Hedge Funds** - Hedge funds are alternative investment products that are designed to deliver returns that are less dependent than traditional funds on the price appreciation of conventional assets such as equities, bonds and commodities. They typically have the ability to take long or short positions in market indices or securities and are able in many cases to use borrowings which has the potential to amplify returns and/or losses.

**Long Position** - A long position is when an investor who wishes to benefit from a price rise in an underlying asset can either purchase the asset or a derivative whose price is linked to the underlying asset. The most commonly used derivatives are futures contracts and options. A long position is typically initiated by purchasing futures contracts or by buying call options.

**Options** - Options are a form of price insurance that gives the buyer the right to purchase in the case of call option, or sell in the case of a put option, an asset at a future date known as the expiry date at an agreed price level known as the strike price. Options have the benefit that the buyer can obtain a magnified exposure to the movement in the price of an asset and only lose the money that they have paid for the option, known as the premium. The disadvantage is that the value of a call option becomes worthless if the price of the reference asset is below the strike price, when the option expires or if the price of the reference asset is above the strike price of the put option on the expiry date.

**Primary market** - A primary market is the market for new securities issues. In the primary market, the security is purchased directly from the issuer.

**Secondary market** - A secondary market is a market in which an investor purchases a security from another investor rather than the issuer, subsequent to the original issuance in the primary market.

**Short Position** - A short position is when an investor who wishes to benefit from a price fall in an underlying asset can either sell the asset or a derivative whose price is linked to the underlying asset. The most commonly used derivatives are futures contracts and options. A short position is typically initiated by selling futures contracts or by buying put options.



# OM-IP 220