

RARE Infrastructure Limited
Managed Investment Schemes
Interim financial report - for the half-year ended 31 December 2020

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Directors' report

The directors of Legg Mason Asset Management Australia Limited, the Responsible Entity of the following managed investment schemes (the "Funds"), present their report together with the financial reports of the Funds for the half-year ended 31 December 2020.

Statutory name	Referred to in this document as	ARSN	Financial reporting period	Comparative period
RARE Infrastructure Income Fund	Infrastructure Income Fund	132 182 631	1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019
RARE Infrastructure Value Fund - Hedged	Infrastructure Value Fund - Hedged	121 027 709	1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019
RARE Infrastructure Value Fund - Unhedged	Infrastructure Value Fund - Unhedged	150 677 017	1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019

Responsible Entity

The Responsible Entity of the above Funds is Legg Mason Asset Management Australia Limited (ABN 76 004 835 849). The Responsible Entity's registered office is:

Legg Mason Asset Management Australia Limited
Level 47
120 Collins Street
Melbourne VIC 3000

Principal activities

During the half-year, the Funds continued to invest in accordance with target asset allocations as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

The Funds did not have any employees during the half-year.

Effective 31 July 2020, Franklin Resources, Inc., a global investment organisation with subsidiaries operating as Franklin Templeton, acquired Legg Mason, Inc., its subsidiaries (including Legg Mason Asset Management Australia Limited) and specialist investment managers.

There were no other significant changes in the nature of the Funds' activities during the half-year.

Directors

The following persons held office as directors of Legg Mason Asset Management Australia Limited during the half-year or since the end of the half-year and up to the date of this report:

Q. Lupo
E. Venner
A. Oimert
A. Stitt
A. Sowerby (resigned 1 October 2020)
M. Harrison (appointed 1 October 2020)

Directors' report (continued)

Review and results of operations

During the half-year, the Funds continued to invest in accordance with target asset allocations as set out in the governing documents of the relevant Funds and in accordance with the provisions of the Funds' Constitutions.

Results

The performance of the Funds, as represented by the results of their operations, were as follows:

	Infrastructure Income Fund		Infrastructure Value Fund - Hedged	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$'000	\$'000	\$'000	\$'000
Operating profit/(loss) before finance costs attributable to unitholders	30,151	8,798	97,741	65,924
Class A				
Distribution paid and payable (\$)	2,234	194	22,394	20,947
Distribution (cents per unit)	3.75	1.77	3.00	2.50
Class X				
Distribution paid and payable (\$)	6,162	1,756	-	-
Distribution (cents per unit)	3.00	1.73	-	-
Class I				
Distribution paid and payable (\$)	-	-	1,334	-
Distribution (cents per unit)	-	-	1.50	-
Class C				
Distribution paid and payable (\$)	-	-	599	-
Distribution (cents per unit)	-	-	1.50	-

Directors' report (continued)

Results (continued)

	Infrastructure Value Fund - Unhedged	
	31 December 2020 \$'000	31 December 2019 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	43,949	64,930
Distribution paid and payable (\$)	19,405	27,381
Distribution (cents per unit)	3.00	4.00

Likely developments and expected results of operations

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

Further information on likely developments in the operation of the Funds and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Funds.

COVID-19 Outbreak

During the reporting period, the spread of the coronavirus (COVID-19) outbreak expanded and has significantly impacted the global economy and financial markets. The eventual severity of the impact as a result of COVID-19 remains uncertain; however, the length and depth of the downturn, as well as its impact on financial markets, will be driven by a number of factors, such as government economic, health and social policies, as well as efforts to "flatten the curve" through public lockdowns, quarantines and social distancing.

In the meantime, aggressive monetary and fiscal actions have been taken around the globe. We encourage investors to maintain a long-term perspective with respect to their financial holdings and recommend they seek the guidance and support from a trusted financial professional regarding their individual circumstances during this challenging time.

We will continue to assess the potential financial and other impacts of the COVID-19 outbreak on Fund operations, as well as the impact on investment outcomes and increased volatility in investment performance.

Directors' report (continued)

Roundings of amounts to the nearest thousand dollars

The Funds are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise stated.

Auditor's independence declaration

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

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



Q. Lupo
Director

Melbourne
16 March 2021



Auditor's Independence Declaration

- RARE Infrastructure Income Fund
- RARE Infrastructure Value Fund - Hedged
- RARE Infrastructure Value Fund – Unhedged (collectively “the Funds”)

As lead auditor for the review of Funds for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in cursive script that reads 'Kate L Logan'.

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
16 March 2021

RARE Infrastructure Limited
Managed Investment Schemes
Statements of comprehensive income
For the half-year ended 31 December 2020

Statements of comprehensive income

	Infrastructure Income Fund		Infrastructure Value Fund - Hedged		Infrastructure Value Fund - Unhedged	
	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income						
Interest income	7	27	3	125	10	135
Dividend/distribution income	7,473	2,426	7,107	15,193	7,257	14,530
Net gains/(losses) on financial instruments at fair value through profit or loss	24,049	7,007	95,364	57,934	41,164	59,241
Other operating income	96	8	78	5	76	31
Net foreign exchange gains/(losses)	(469)	(190)	(557)	(1,096)	(503)	(729)
Total net investment income/(loss)	31,156	9,278	101,995	72,161	48,004	73,208
Expenses						
Management fees	854	288	4,049	4,869	3,864	4,642
Performance fees	-	-	-	505	-	2,782
Transaction costs	151	192	205	863	191	854
Total operating expenses	1,005	480	4,254	6,237	4,055	8,278
Operating profit/(loss)	30,151	8,798	97,741	65,924	43,949	64,930
Finance costs attributable to unitholders*						
Distributions to unitholders	3 8,396	1,950	24,327	-	-	-
Net assets attributable to unitholders - liability	2 21,755	6,848	73,414	-	-	-
Profit/(loss) for the half-year	-	-	-	65,924	43,949	64,930
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	65,924	43,949	64,930

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

***Infrastructure Value Fund - Hedged**

During the half-year, the Fund issued two additional classes of units. As a result, net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

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

Statements of financial position

	Notes	Infrastructure Income Fund		Infrastructure Value Fund - Hedged		Infrastructure Value Fund - Unhedged	
		31 December 2020	30 June 2020	31 December 2020	30 June 2020	31 December 2020	30 June 2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents		10,231	5,308	24,066	18,101	18,650	10,988
Receivables		3,179	1,454	1,543	4,798	1,718	4,478
Due from brokers - receivable for securities sold		7,614	7,398	-	-	-	9,837
Financial assets at fair value through profit or loss	4	326,648	192,862	854,131	768,506	791,687	739,753
Total assets		347,672	207,022	879,740	791,405	812,055	765,056
Liabilities							
Distributions payable	3	5,156	5,481	12,320	2,008	12,934	3,168
Payables		302	162	983	3,009	789	2,440
Due to brokers - payable for securities purchased		4,079	8,011	-	1,589	-	1,648
Financial liabilities at fair value through profit or loss	5	2,147	443	2,787	14,513	-	5
Total liabilities (excluding net assets attributable to unitholders)		11,684	14,097	16,090	21,119	13,723	7,261
Net assets attributable to unitholders - liability*	2	335,988	192,925	863,650	-	-	-
Net assets attributable to unitholders - equity	2	-	-	-	770,286	798,332	757,795

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

***Infrastructure Value Fund - Hedged**

During the half-year, the Fund issued two additional classes of units. As a result, net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

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

RARE Infrastructure Limited
Managed Investment Schemes
Statements of changes in net assets attributable to unitholders - equity/liability
For the half-year ended 31 December 2020

Statements of changes in net assets attributable to unitholders - equity/liability

	Notes	Infrastructure Income Fund*		Infrastructure Value Fund - Hedged*		Infrastructure Value Fund - Unhedged	
		31 December	31 December	31 December	31 December	31 December	31 December
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets attributable to unitholders - equity/liability at the beginning of the financial half-year		192,925	38,291	770,286	974,599	757,795	970,351
Comprehensive income for the half-year							
Profit/(loss) for the half-year		-	-	-	65,924	43,949	64,930
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	65,924	43,949	64,930
Transactions with unitholders							
Operating profit/(loss) attributable to unitholders		30,151	8,798	97,741	-	-	-
Applications	2	139,013	118,349	219,620	78,493	92,734	84,838
Redemptions	2	(17,705)	(3,540)	(199,670)	(184,338)	(78,714)	(177,353)
Reinvestment of distributions	2	-	-	-	4,583	1,973	12,588
Distributions paid and payable	2	(8,396)	(1,950)	(24,327)	(20,947)	(19,405)	(27,381)
Total transactions with unitholders		143,063	121,657	93,364	(122,209)	(3,412)	(107,308)
Net assets attributable to unitholders - equity/liability at the end of the financial half-year		335,988	159,948	863,650	918,314	798,332	927,973

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

***Infrastructure Value Fund - Hedged**

During the half-year, the Fund issued two additional classes of units. As a result, net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime. Refer to note 1 and note 2 for further detail.

The above statements of changes net assets attributable to unitholders - equity/liability should be read in conjunction with the accompanying notes.

RARE Infrastructure Limited
Managed Investment Schemes
Statements of cash flows
For the half-year ended 31 December 2020

Statements of cash flows

	Infrastructure Income Fund		Infrastructure Value Fund - Hedged		Infrastructure Value Fund - Unhedged	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities						
Proceeds from sale of financial instruments at fair value through profit or loss	131,421	29,383	271,956	395,320	233,204	381,473
Payments for purchase of financial instruments at fair value through profit or loss	(244,069)	(142,069)	(276,089)	(288,754)	(236,293)	(267,125)
Transaction costs	(151)	(192)	(205)	(863)	(191)	(854)
Dividends/distributions received	7,212	2,123	10,358	19,560	9,938	19,241
Interest received	7	27	3	125	10	136
Management fees paid	(786)	(231)	(4,106)	(4,840)	(3,860)	(4,560)
Other income received	96	8	78	5	76	31
Performance fees paid	-	-	-	36	-	(2,971)
Net cash inflow/(outflow) from operating activities	(106,270)	(110,951)	1,995	120,589	2,884	125,371
Cash flows from financing activities						
Proceeds from applications by unitholders	136,399	117,681	216,086	78,450	92,812	85,022
Payments for redemptions by unitholders	(17,650)	(3,514)	(201,642)	(184,570)	(80,368)	(177,963)
Distributions paid	(7,554)	(884)	(10,474)	(10,400)	(7,666)	(31,153)
Net cash inflow/(outflow) from financing activities	111,195	113,283	3,970	(116,520)	4,778	(124,094)
Net increase/(decrease) in cash and cash equivalents	4,925	2,332	5,965	4,069	7,662	1,277
Cash and cash equivalents at the beginning of the half-year	5,308	3,390	18,101	15,220	10,988	20,367
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2)	-	-	1	-	1
Cash and cash equivalents at the end of the half-year	10,231	5,722	24,066	19,290	18,650	21,645
Non-cash financing activities - distributions reinvested	1,167	241	3,541	4,583	1,973	12,588

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

Contents of the notes to the financial statements

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1 Basis of preparation of interim financial report

These condensed general purpose financial statements for the half-year ended 31 December 2020 have been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed interim financial statements cover the following Funds (the "Funds") which are Australian registered managed investment schemes under the *Corporations Act 2001*. The Funds were constituted on the dates set out below, and will terminate on the dates set out below unless terminated earlier in accordance with the provisions of the Funds' Constitutions.

Fund name	Referred to in this document as	Constituted Date	Termination Date
RARE Infrastructure Income Fund	Infrastructure Income Fund	9 July 2008	8 July 2088
RARE Infrastructure Value Fund - Hedged	Infrastructure Value Fund - Hedged	1 August 2006	31 July 2086
RARE Infrastructure Value Fund - Unhedged	Infrastructure Value Fund - Unhedged	2 May 2011	1 May 2091

These condensed interim financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Funds under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Funds are entities to which the Instrument applies.

The Responsible Entity of the Funds is Legg Mason Asset Management Australia Limited (the "Responsible Entity"), which is incorporated and domiciled in Australia. The Responsible Entity's registered office is:

Legg Mason Asset Management Australia Limited
Level 47
120 Collins Street
Melbourne VIC 3000

Effective 31 July 2020, Franklin Resources, Inc., a global investment organisation with subsidiaries operating as Franklin Templeton, acquired Legg Mason, Inc., its subsidiaries (including Legg Mason Asset Management Australia Limited) and specialist investment managers.

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement and its Constitution.

These condensed interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual reports for the year ended 30 June 2020 and any public announcements made in respect of the Funds during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Net assets attributable to unitholders of Infrastructure Income Fund and Infrastructure Value Fund - Hedged remains disclosed as liability as its multi-class structure means it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime.

The condensed interim financial statements were authorised for issue by the directors on 8 March 2021. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

Significant accounting policies

The accounting policies in these interim financial statements are the same as those applied in the Funds' financial statements for the year ended 30 June 2020.

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future financial years and on foreseeable future transactions.

2 Net assets attributable to unitholders - equity/liability

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

	31 December 2020 No. '000	31 December 2019 No. '000	31 December 2020 \$'000	31 December 2019 \$'000
Infrastructure Income Fund				
Opening balance			192,925	38,291
Class A				
Opening balance	29,717	3,546	40,575	4,972
Applications	48,603	16,899	70,063	24,455
Redemptions	(6,615)	(266)	(9,745)	(385)
Units issued upon reinvestment of distributions	81	9	111	12
Increase/(decrease) in net assets attributable to unitholders	-	-	5,504	1,100
Closing balance	71,786	20,188	106,508	30,154
Class X				
Opening balance	153,437	32,640	152,350	33,319
Applications	65,565	89,806	67,783	93,653
Redemptions	(7,496)	(3,100)	(7,960)	(3,155)
Units issued upon reinvestment of distributions	1,057	219	1,056	229
Increase/(decrease) in net assets attributable to unitholders	-	-	16,251	5,748
Closing balance	212,563	119,565	229,480	129,794
Closing balance			335,988	159,948

2 Net assets attributable to unitholders - equity/liability (continued)

	31 December 2020 No. '000	31 December 2019 No. '000	31 December 2020 \$'000	31 December 2019 \$'000
Infrastructure Value Fund - Hedged				
Opening Balance			770,286	974,599
Class A				
Opening balance	803,277	923,800	770,286	974,599
Applications	76,854	73,292	77,480	78,493
Redemptions	(191,367)	(172,939)	(196,912)	(184,338)
Units issued upon reinvestment of distributions	3,696	4,297	3,541	4,583
Increase/(decrease) in net assets attributable to unitholders	-	-	73,642	-
Distributions paid and payable	-	-	-	(20,947)
Profit/(loss) for the half-year	-	-	-	65,924
Closing balance	692,460	828,450	728,037	918,314
Class I				
Opening balance	-	-	-	-
Applications	89,708	-	94,624	-
Redemptions	(738)	-	(768)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(218)	-
Closing balance	88,970	-	93,638	-
Class C				
Opening balance	-	-	-	-
Applications	41,802	-	43,975	-
Redemptions	(1,897)	-	(1,990)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(10)	-
Closing balance	39,905	-	41,975	-
Closing balance			863,650	918,314

2 Net assets attributable to unitholders - equity/liability (continued)

	31 December 2020 No. '000	31 December 2019 No. '000	31 December 2020 \$'000	31 December 2019 \$'000
Infrastructure Value Fund - Unhedged				
Opening balance	633,497	743,930	757,795	970,351
Applications	75,170	63,318	92,734	84,838
Redemptions	(63,634)	(135,109)	(78,714)	(177,353)
Units issued upon reinvestment of distributions	1,663	9,575	1,973	12,588
Distributions paid and payable	-	-	(19,405)	(27,381)
Profit/(loss) for the half-year	-	-	43,949	64,930
Closing balance	646,696	681,714	798,332	927,973

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. There are up to two classes of unitholders in Infrastructure Income Fund being Class A and Class X. There are up to three classes of unitholders in Infrastructure Value Fund - Hedged being Class A, Class I and Class C. The management fees charged on Class A, Class I and Class C unitholdings are paid by Infrastructure Income Fund and Infrastructure Value Fund - Hedged to the Responsible Entity. Class X unitholders pay management fees directly to the Responsible Entity. In all other respects, the three classes of units carry equal rights.

Capital risk management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

3 Distributions to unitholders

The distributions for the year were as follows:

	31 December 2020 \$'000	31 December 2020 CPU	31 December 2019 \$'000	31 December 2019 CPU
Infrastructure Income Fund				
Distributions - Class A				
Distributions paid - September	798	1.75	71	1.16
Distributions payable - December	1,436	2.00	123	0.61
	<u>2,234</u>		<u>194</u>	
Distributions - Class X				
Distributions paid - September	2,442	1.25	883	1.00
Distributions payable - December	3,720	1.75	873	0.73
	<u>6,162</u>		<u>1,756</u>	
	31 December 2020 \$'000	31 December 2020 CPU	31 December 2019 \$'000	31 December 2019 CPU
Infrastructure Value Fund - Hedged				
Distributions - Class A				
Distributions paid - September	12,007	1.50	12,662	1.50
Distributions payable - December	10,387	1.50	8,285	1.00
	<u>22,394</u>		<u>20,947</u>	
Distributions - Class I				
Distributions payable - December	1,334	1.50	-	-
	<u>1,334</u>		<u>-</u>	
Distributions - Class C				
Distributions payable - December	599	1.50	-	-
	<u>599</u>		<u>-</u>	

3 Distributions to unitholders (continued)

	31 December 2020 \$'000	31 December 2020 CPU	31 December 2019 \$'000	31 December 2019 CPU
Infrastructure Value Fund - Unhedged				
Distributions				
Distributions paid - September	6,471	1.00	13,747	2.00
Distributions payable - December	12,934	2.00	13,634	2.00
	<u>19,405</u>		<u>27,381</u>	

4 Financial assets at fair value through profit or loss

	Infrastructure Income Fund		Infrastructure Value Fund - Hedged		Infrastructure Value Fund - Unhedged	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Financial assets at fair value through profit or loss						
Listed equities	264,804	163,554	745,183	679,063	736,217	678,111
Listed unit trusts	46,366	24,822	56,034	61,600	55,470	61,642
Forward foreign exchange contracts	15,478	4,486	52,914	27,843	-	-
Total	<u>326,648</u>	<u>192,862</u>	<u>854,131</u>	<u>768,506</u>	<u>791,687</u>	<u>739,753</u>

5 Financial liabilities at fair value through profit or loss

	Infrastructure Income Fund		Infrastructure Value Fund - Hedged		Infrastructure Value Fund - Unhedged	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Financial liabilities at fair value through profit or loss						
Forward foreign exchange contracts	2,147	443	2,787	14,513	-	5
Total	<u>2,147</u>	<u>443</u>	<u>2,787</u>	<u>14,513</u>	<u>-</u>	<u>5</u>

6 Fair Value Measurements

The Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Fair value estimation

The carrying amounts of the Funds assets and liabilities at the end of each financial half-year approximate their fair values.

All financial assets and financial liabilities included in the statements of financial position are carried at fair value.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statements of comprehensive income.

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

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

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

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

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

6 Fair Value Measurements (continued)

(ii) Fair value in an inactive and unquoted market (level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the financial half-year applicable for an instrument with similar terms and conditions.

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the financial half-year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

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

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

6 Fair Value Measurements (continued)

(iii) Recognised fair value measurements

The tables below sets out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2020 and 30 June 2020.

Infrastructure Income Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	264,804	-	-	264,804
Listed unit trusts	46,366	-	-	46,366
Forward foreign currency contracts	-	15,478	-	15,478
Total	311,170	15,478	-	326,648
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	2,147	-	2,147
Total	-	2,147	-	2,147
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	163,554	-	-	163,554
Listed unit trusts	24,822	-	-	24,822
Forward foreign currency contracts	-	4,486	-	4,486
Total	188,376	4,486	-	192,862
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	443	-	443
Total	-	443	-	443

6 Fair Value Measurements (continued)

(iii) Recognised fair value measurements (continued)

Infrastructure Value Fund - Hedged	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	745,183	-	-	745,183
Listed unit trusts	56,034	-	-	56,034
Forward foreign currency contracts	-	52,914	-	52,914
Total	801,217	52,914	-	854,131
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	2,787	-	2,787
Total	-	2,787	-	2,787
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	679,063	-	-	679,063
Listed unit trusts	61,600	-	-	61,600
Forward foreign currency contracts	-	27,843	-	27,843
Total	740,663	27,843	-	768,506
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	14,513	-	14,513
Total	-	14,513	-	14,513

6 Fair Value Measurements (continued)

(iii) Recognised fair value measurements (continued)

Infrastructure Value Fund - Unhedged	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	736,217	-	-	736,217
Listed unit trusts	55,470	-	-	55,470
Total	791,687	-	-	791,687
 As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	678,111	-	-	678,111
Listed unit trusts	61,642	-	-	61,642
Total	739,753	-	-	739,753
 Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	5	-	5
Total	-	5	-	5

(iv) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as Level 3 within the Funds as at 31 December 2020 and year ended 30 June 2020.

(v) Transfers between levels

There have been no transfers between levels for the Funds for the half-year ended 31 December 2020 and year ended 30 June 2020.

(vi) Fair value of financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values. Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current half-year or for the year ended 30 June 2020.

7 Events occurring after the half-year

No significant events have occurred since the end of the half-year which would impact on the financial position of the Funds disclosed in the statements of financial position as at 31 December 2020 or on the results and cash flows of the Funds for the half-year ended on that date.

8 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2020 and 30 June 2020.

Directors' declaration

Legg Mason Asset Management Australia Limited present the Directors' declaration in respect of the following Funds:

RARE Infrastructure Income Fund
RARE Infrastructure Value Fund - Hedged
RARE Infrastructure Value Fund - Unhedged

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2020 and of their performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) note 1 confirms that the interim financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Q. Lupo
Director

Melbourne
16 March 2021



Independent auditor's review report to the unitholders of:

- RARE Infrastructure Income Fund
- RARE Infrastructure Value Fund - Hedged
- RARE Infrastructure Value Fund – Unhedged (collectively “the Funds”)

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of the Funds which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in net assets attributable to unitholders – equity/ liability and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors of the Responsible Entity's (Legg Mason Asset Management Australia) declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Funds does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Funds' financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of management for the half-year financial report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial reports that give a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Funds' financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Kate L Logan

Kate L Logan
Partner

Melbourne
16 March 2021