

Annual report for the year ended 30 June 2021

ClearBridge RARE Infrastructure Value Fund – Hedged (previously known as RARE Infrastructure Value Fund – Hedged)

ARSN 121 027 709

ClearBridge RARE Infrastructure Income Fund (previously known as RARE Infrastructure Income Fund)

ARSN 132 182 631

ClearBridge RARE Emerging Markets Fund (previously known as RARE Emerging Markets Fund)

ARSN 132 182 462

ClearBridge RARE Infrastructure Value Fund – Unhedged (previously known as RARE Infrastructure Value Fund - Unhedged)

ARSN 150 677 017

Annual report for the year ended 30 June 2021

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Directors' report

The directors of Legg Mason Asset Management Australia Limited (ABN 76 004 835 849), the Responsible Entity of the following managed investment schemes (the "Funds") present their report together with the financial statements of the Funds for the financial year ended 30 June 2021.

- ClearBridge RARE Infrastructure Value Fund - Hedged (referred to in this document as "Infrastructure Value Fund - Hedged") constituted on 1 August 2006;
- ClearBridge RARE Infrastructure Income Fund (referred to in this document as "Infrastructure Income Fund") constituted on 9 July 2008;
- ClearBridge RARE Emerging Markets Fund (referred to in this document as "Emerging Markets Fund") constituted on 9 July 2008;
- ClearBridge RARE Infrastructure Value Fund - Unhedged (referred to in this document as "Infrastructure Value Fund - Unhedged") constituted on 2 May 2011.

Principal Activities

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.

The Funds did not have any employees during the financial 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.

On 22 January 2021, RARE Infrastructure Limited changed its name to ClearBridge Investments Limited.

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

Directors

The following persons held office as directors of Legg Mason Asset Management Australia Limited during the financial year or since the end of the financial 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)

Review and results of operations

During the financial 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.

Directors' report
For the year ended 30 June 2021

Directors' report (continued)

Results

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

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	Year ended		Year ended		Year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	134,429	(46,564)	36,613	1,463	12,957	(19,055)
<i>Distributions - A Class</i>						
Distribution paid and payable (\$'000)	68,043	31,105	13,565	1,822	1,678	1,237
Distributions (cents per unit)	9.3709	3.7500	13.7163	7.5190	2.2510	2.0000
<i>Distributions - C Class</i>						
Distribution paid and payable (\$'000)	3,637	–	–	–	–	–
Distributions (cents per unit)	10.5240	–	–	–	–	–
<i>Distributions - I Class</i>						
Distribution paid and payable (\$'000)	9,253	–	–	–	–	–
Distributions (cents per unit)	10.7892	–	–	–	–	–
<i>Distributions - X Class</i>						
Distribution paid and payable (\$'000)	–	–	22,416	8,093	–	–
Distributions (cents per unit)	–	–	10.1736	6.0788	–	–

	Infrastructure Value Fund – Unhedged	
	Year ended	
	30 June 2021	30 June 2020
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	92,264	(20,531)
<i>Distributions - A Class</i>		
Distribution paid and payable (\$'000)	44,905	50,407
Distributions (cents per unit)	6.8978	7.5000
<i>Distributions - C Class</i>		
Distribution paid and payable (\$'000)	–	–
Distributions (cents per unit)	2.9158	–

Further information on distributions to unitholders is disclosed in note 11 to the financial statements.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Funds that occurred during the financial year.

Matters subsequent to the end of the financial year

As disclosed in note 16 to the financial statements, no matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years; or
- (ii) the results of those operations in future financial years; or

Directors' report (continued)

Matters subsequent to the end of the financial year (continued)

(iii) the state of affairs of the Funds in future financial years.

Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

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.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of Legg Mason Asset Management Australia Limited or the auditors of the Funds. So long as the officers of Legg Mason Asset Management Australia Limited act in accordance with the Funds' Constitutions and the law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

Indemnity of auditors

The auditors of the Funds are in no way indemnified out of the assets of the Funds.

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

Fees paid to the Responsible Entity and its associates out of the Funds' property during the financial year are disclosed in note 15 to the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the financial year.

Interests in the Funds

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

The value of the Funds' assets and liabilities is disclosed on the balance sheets and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

The 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 statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Directors' report (continued)

Single set of financial statements

The Schemes are of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* issued by the Australian Securities and Investments Commission ("ASIC") and in accordance with that ASIC Instrument, Schemes with a common Responsible Entity (or related responsible entities) can include their financial statements in adjacent columns in a single set of financial statements.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

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

DocuSigned by:

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Director _____
Q. Lupo

Melbourne

29 September 2021



Auditor's Independence Declaration

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

As lead auditor for the audit of the Funds for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
29 September 2021

Statements of comprehensive income
For the year ended 30 June 2021

Statements of comprehensive income

		Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
		Year ended		Year ended		Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Note							
Investment income							
		3	175	7	42	2	32
		14,871	25,808	13,447	6,558	2,882	3,142
		2,285	1,739	3,433	1,067	415	–
		125,679	(64,000)	22,586	(5,024)	11,248	(20,548)
		400	251	338	8	–	–
		143,238	(36,027)	39,811	2,651	14,547	(17,374)
Expenses							
	15	8,023	9,092	2,175	833	1,460	1,514
		778	1,445	1,023	355	128	145
		8	–	–	–	2	22
		8,809	10,537	3,198	1,188	1,590	1,681
		134,429	(46,564)	36,613	1,463	12,957	(19,055)
Finance costs attributable to unitholders*							
	11	(80,933)	–	(35,981)	(9,915)	–	–
	10	34,385	–	(632)	8,452	–	–
		87,881	(46,564)	–	–	12,957	(19,055)
		–	–	–	–	–	–
		87,881	(46,564)	–	–	12,957	(19,055)

Statements of comprehensive income
For the year ended 30 June 2021

Statements of comprehensive income (continued)

		Infrastructure Value Fund – Unhedged	
		Year ended	
		30 June 2021	30 June 2020
	Note	\$'000	\$'000
Investment income			
Interest income		10	182
Dividend income		14,542	25,652
Distribution income		2,294	1,720
Net gains/(losses) on financial instruments at fair value through profit or loss		83,314	(37,768)
Other operating income		430	–
Total net investment income/(loss)		100,590	(10,214)
Expenses			
Responsible Entity's fees	15	7,799	8,835
Transaction costs		527	1,435
Other operating expenses		–	47
Total operating expenses		8,326	10,317
Operating profit/(loss)		92,264	(20,531)
Finance costs attributable to unitholders*			
Distributions to unitholders	11	(44,905)	–
(Increase)/decrease in net assets attributable to unitholders	10	1,320	–
Profit/(loss) for the year		48,679	(20,531)
Other comprehensive income		–	–
Total comprehensive income for the year		48,679	(20,531)

*Effective from 30 November 2020 and 31 March 2021, the units have been classified from financial equity to liability for Infrastructure Value Fund - Hedged and Infrastructure Value Fund - Unhedged, respectively. Refer to note 1 for further detail.

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

Balance sheets
As at 30 June 2021

Balance sheets

		Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
		As at		As at		As at	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
	Note						
Assets							
Cash and cash equivalents	12	17,999	18,101	21,701	5,308	3,007	4,359
Receivables		1,321	1,182	910	276	37	33
Accrued income		1,111	3,616	1,561	1,178	711	765
Due from brokers - receivable for securities sold		–	–	56	7,398	–	–
Financial assets at fair value through profit or loss	6	899,165	768,506	418,725	192,862	126,621	111,742
Total assets		919,596	791,405	442,953	207,022	130,376	116,899
Liabilities							
Distribution payable	11	44,093	2,008	20,226	5,481	559	–
Payables		1,901	3,009	604	162	433	155
Due to brokers - payable for securities purchased		–	1,589	8,221	8,011	429	–
Financial liabilities at fair value through profit or loss	7	14,406	14,513	10,052	443	–	–
Total liabilities (excluding net assets attributable to unitholders)		60,400	21,119	39,103	14,097	1,421	155
Net assets attributable to unitholders - equity*	10	–	770,286	–	–	128,955	116,744
Net assets attributable to unitholders - liability*	10	859,196	–	403,850	192,925	–	–

Balance sheets
As at 30 June 2021

Balance sheets (continued)

		Infrastructure Value Fund – Unhedged	
		As at	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents	12	15,924	10,988
Receivables		1,256	819
Accrued income		1,052	3,659
Due from brokers - receivable for securities sold		–	9,837
Financial assets at fair value through profit or loss	6	830,114	739,753
Total assets		848,346	765,056
Liabilities			
Distribution payable	11	17,307	3,168
Payables		1,625	2,440
Due to brokers - payable for securities purchased		–	1,648
Financial liabilities at fair value through profit or loss	7	–	5
Total liabilities (excluding net assets attributable to unitholders)		18,932	7,261
Net assets attributable to unitholders - equity*	10	–	757,795
Net assets attributable to unitholders - liability*	10	829,414	–

*Effective from 30 November 2020 and 31 March 2021, the units have been classified from financial equity to liability for Infrastructure Value Fund - Hedged and Infrastructure Value Fund - Unhedged, respectively. Refer to note 1 for further detail.

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

**Statements of changes in equity
For the year ended 30 June 2021**

Statements of changes in equity

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	Year ended		Year ended		Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Total equity at the beginning of the year	770,286	974,599	–	–	116,744	125,267
Reclassification due to new class of units issued	(823,964)	–	–	–	–	–
Comprehensive income for the year						
Profit/(loss) for the year	87,881	(46,564)	–	–	12,957	(19,055)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	87,881	(46,564)	–	–	12,957	(19,055)
Transactions with unitholders						
Applications	63,415	142,702	–	–	12,555	26,329
Redemptions	(89,152)	(278,672)	–	–	(12,639)	(18,316)
Units issued upon reinvestment of distributions	3,541	9,326	–	–	1,016	3,756
Distributions paid and payable	(12,007)	(31,105)	–	–	(1,678)	(1,237)
Total transactions with unitholders	(34,203)	(157,749)	–	–	(746)	10,532
Total equity at the end of the year	–	770,286	–	–	128,955	116,744

**Statements of changes in equity
For the year ended 30 June 2021**

Statements of changes in equity (continued)

	Infrastructure Value Fund – Unhedged	
	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Total equity at the beginning of the year	757,795	970,351
Reclassification due to new class of units issued	(806,996)	–
Comprehensive income for the year		
Profit/(loss) for the year	48,679	(20,531)
Other comprehensive income	–	–
Total comprehensive income for the year	48,679	(20,531)
Transactions with unitholders		
Applications	139,540	135,476
Redemptions	(117,357)	(297,470)
Units issued upon reinvestment of distributions	5,938	20,376
Distributions paid and payable	(27,599)	(50,407)
Total transactions with unitholders	522	(192,025)
Total equity at the end of the year*	–	757,795

*Effective from 30 November 2020 and 31 March 2021, the units have been classified from financial equity to liability for Infrastructure Value Fund - Hedged and Infrastructure Value Fund - Unhedged, respectively. Refer to note 1 for further detail.

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

Statements of cash flows
For the year ended 30 June 2021

Statements of cash flows

	Note	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
		Year ended		Year ended		Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities							
Proceeds from sale of financial instruments at fair value through profit or loss		576,584	845,372	338,234	106,450	35,010	52,604
Purchases of financial instruments at fair value through profit or loss		(583,288)	(704,404)	(524,407)	(268,373)	(38,242)	(62,500)
Transaction costs		(778)	(1,445)	(1,023)	(355)	(128)	(145)
Dividends/distributions received		19,881	31,103	16,306	6,751	3,363	2,690
Interest received		4	175	8	42	2	32
Other income received		406	302	313	–	–	4
Management fees paid		(8,098)	(9,163)	(2,039)	(734)	(1,465)	(1,508)
Payment of other expenses		(8)	–	–	(16)	(4)	(22)
Net cash inflow/ (outflow) from operating activities	13(a)	<u>4,703</u>	<u>161,940</u>	<u>(172,608)</u>	<u>(156,235)</u>	<u>(1,464)</u>	<u>(8,845)</u>
Cash flows from financing activities							
Proceeds from applications by unitholders		304,512	142,698	263,056	173,159	12,553	26,330
Payments for redemptions by unitholders		(279,893)	(277,275)	(55,126)	(10,929)	(12,356)	(18,298)
Distributions paid from operating activities		(29,468)	(22,092)	(18,946)	(3,769)	(103)	(415)
Net cash inflow/ (outflow) from financing activities		<u>(4,849)</u>	<u>(156,669)</u>	<u>188,984</u>	<u>158,461</u>	<u>94</u>	<u>7,617</u>
Net increase/(decrease) in cash and cash equivalents		<u>(146)</u>	<u>5,271</u>	<u>16,376</u>	<u>2,226</u>	<u>(1,370)</u>	<u>(1,228)</u>
Cash and cash equivalents at the beginning of the financial year		18,101	15,220	5,308	3,390	4,359	5,821
Effects of foreign currency exchange rate changes on cash and cash equivalents		44	(2,390)	17	(308)	18	(234)
Cash and cash equivalents at the end of the financial year	12	<u>17,999</u>	<u>18,101</u>	<u>21,701</u>	<u>5,308</u>	<u>3,007</u>	<u>4,359</u>

Statements of cash flows
For the year ended 30 June 2021

Statements of cash flows (continued)

	Note	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
		Year ended		Year ended		Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Non-cash financing activities	13(b)	<u>9,378</u>	<u>9,326</u>	<u>2,291</u>	<u>836</u>	<u>1,016</u>	<u>3,756</u>
	Note	Infrastructure Value Fund – Unhedged					
		Year ended					
		30 June 2021 \$'000	30 June 2020 \$'000				
Cash flows from operating activities							
Proceeds from sale of financial instruments at fair value through profit or loss						495,993	805,053
Purchases of financial instruments at fair value through profit or loss						(494,870)	(612,009)
Transaction costs						(526)	(1,435)
Dividends/distributions received						19,055	31,436
Interest received						10	183
Other income received						434	257
Management fees paid						(7,836)	(8,919)
Performance fees paid						–	(3,175)
Payment of other expenses						–	(47)
Net cash inflow/(outflow) from operating activities	13(a)	<u>12,260</u>	<u>211,344</u>				
Cash flows from financing activities							
Proceeds from applications by unitholders						173,241	135,722
Payments for redemptions by unitholders						(155,788)	(297,320)
Distributions paid from operating activities						(24,828)	(56,857)
Net cash inflow/(outflow) from financing activities		<u>(7,375)</u>	<u>(218,455)</u>				
Net increase/(decrease) in cash and cash equivalents		<u>4,885</u>	<u>(7,111)</u>				
Cash and cash equivalents at the beginning of the financial year		10,988	20,367				
Effects of foreign currency exchange rate changes on cash and cash equivalents		51	(2,268)				
Cash and cash equivalents at the end of the financial year	12	<u>15,924</u>	<u>10,988</u>				
Non-cash financing activities	13(b)	<u>5,938</u>	<u>20,376</u>				

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

1 General information

These financial statements cover the following managed investment schemes (the "Funds"). The Funds are registered managed investment schemes under the *Corporations Act 2001*. The Funds may be terminated in accordance with the provisions of the Funds' Constitutions. The Funds are domiciled in Australia. The respective constitution dates are as follows:

- ClearBridge RARE Infrastructure Value Fund - Hedged (referred to in this document as "Infrastructure Value Fund - Hedged") constituted on 1 August 2006;
- ClearBridge RARE Infrastructure Income Fund (referred to in this document as "Infrastructure Income Fund") constituted on 9 July 2008;
- ClearBridge RARE Emerging Markets Fund (referred to in this document as "Emerging Markets Fund") constituted on 9 July 2008;
- ClearBridge RARE Infrastructure Value Fund - Unhedged (referred to in this document as "Infrastructure Value Fund - Unhedged") constituted on 2 May 2011.

The Responsible Entity of the Fund is Legg Mason Asset Management Australia Limited (ABN 76 004 835 849) (the "Responsible Entity"). The Responsible Entity's registered office is Level 47, 120 Collins Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency.

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

Net assets attributable to unitholders of Infrastructure Value Fund – Hedged, Infrastructure Income Fund and Infrastructure Value Fund – Unhedged remain disclosed as a liability as its multi-class structure means they have not met the strict criteria for recognition as equity, despite their election into the AMIT tax regime. See note 10 for further information.

The financial statements were authorised for issue by the directors of the Responsible Entity on 29 September 2021. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Funds are for-profit entities for the purpose of preparing the financial statements.

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

The balance sheets are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

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

(i) Compliance with International Financial Reporting Standards

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

(ii) Significant accounting policies

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

There are no standards that are not yet effective and that are expected to have a material impact on the Funds in the prior periods or will affect the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

Assets

The Funds classify their investments based on their business models for managing financial assets and the contractual cash flow characteristics of the financial assets. The Funds' portfolios of financial assets are managed and their performance are evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds use fair value information to assess performance of the portfolios and to make decisions to rebalance the portfolios or to realise fair value gains or minimise losses through sales or other trading strategies. The Funds' policies are for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

(ii) Recognition/derecognition

The Funds recognise financial instruments on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Funds have transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

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

The fair value of financial instruments traded in active markets is subsequently measured based on their quoted market prices at the end of the financial year without any deduction for estimated future selling costs. The market price used for financial assets held by the Funds are the current last price and the market price used for financial liabilities are the current asking price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Funds recognise the difference in the statements of comprehensive income to reflect a change in factors, including time that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 5.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 4 for further information.

(c) Net assets attributable to unitholders

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

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

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Funds. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB132 *Financial instruments: Presentation*:

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

As a result of the reclassification of net assets attributable to unitholders from equity to liabilities, the Funds' distributions, except for the Emerging Markets Fund, are no longer classified as dividends paid in the statements of net assets attributable to unitholders - equity/liability, but rather as finance costs in the statements of comprehensive income.

(d) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Funds' main income generating activity.

(e) Investment income

Interest income and expenses are recognised in the statements of comprehensive income using the effective interest method for all financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded at paid date as an expense. The Funds currently incur withholding tax imposed by certain countries on dividend income. Such income is recorded net of withholding tax in the statements of comprehensive income.

Dividends declared on securities sold are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

(f) Expenses

All expenses, including management fees, Responsible Entity's fees, Responsible Entity's fees, administration and other Funds' costs are recognised in the statements of comprehensive income on an accrual basis. Administration and other Funds' costs include administrative fees, compliance fees, regulatory charges, custodian fees and audit fees.

(g) Income Tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Funds are not subject to capital gains tax.

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

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

(h) Distributions

In accordance with the Funds' Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

(i) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where units of Funds' units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs.

(j) Unsettled trades

Unsettled trades represent receivables for unit trust sales and payables for unit trust purchases that have been contracted for but not yet delivered by the end of the financial year. Trades are recorded on trade date, and normally settled within three business days.

2 Summary of significant accounting policies (continued)

(k) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

The Funds do not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(m) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each financial year from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

(n) Payables

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the financial year.

The distribution amount payable to unitholders as at the end of each financial year is recognised separately in the balance sheets as unitholders are presently entitled to the distributable income under the Funds' Constitutions.

(o) Applications and redemptions

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

2 Summary of significant accounting policies (continued)

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as audit fees, custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%, hence expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheets. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(q) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Trustee, independent of the area that created them.

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

For more information on how fair value is calculated please see note 5 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the fund. Please see note 3 for more information on credit risk.

(r) Investment entity exception

AASB 10 *Consolidated Financial Statements* for investment entities includes an exception to the consolidation rules for those entities qualifying as "investment entities". Subsidiaries of investment entities will be accounted for at fair value through profit or loss, in accordance with AASB 9 *Financial Instruments: Recognition and Measurement*.

A parent entity will need to make an assessment of whether it meets the definition of an investment entity. An investment entity is defined as an entity that:

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

Certain Funds have multiple investments that they control. However, these Funds have determined that they are investment entities under the definition in AASB 10 as they meet the following criteria:

- (a) These Funds have obtained funds from unitholders for the purpose of providing them with investment management services;
- (b) These Funds business purpose, which is communicated directly to unitholders, is investing solely for return from capital appreciation and investment income; and
- (c) The performance of investments made by these funds are measured and evaluated on a fair value basis.

These Funds also meet all of the typical characteristics of an investment entity, including:

- (a) holding more than one investment;
- (b) having more than one investor;
- (c) having investors that are not related parties of the entity; and
- (d) having ownership interests in the form of equity or similar interests.

As these Funds measure all of their controlled entities at fair value through profit or loss, they only present separate financial statements.

(s) Rounding of amounts

The Funds are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollar in accordance with that Instrument, unless otherwise indicated.

3 Financial risk management

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

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds may use derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment manager of the Responsible Entity under policies approved by the directors.

The Funds use different methods to measure different types of risks to which it is exposed. These methods include Value at Risk ("VaR") analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk. VaR analysis is explained in note 3(b).

(a) Market risk

(i) Price risk

Price risk arises from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates.

The majority of the Funds' directly held financial assets are in international equity securities.

Investments are made when price risks are assessed as relatively attractive and are liquidated as price risks are assessed as relatively less attractive. Price risk is managed by ongoing monitoring of portfolio exposures relative to the Funds' investment guidelines.

(ii) Foreign exchange risk

The Funds hold assets and liability denominated in currencies other than the Australian dollar through its underlying investments. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk.

Foreign exchange risk arises as the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using VaR.

Investments are made when foreign exchange risks are assessed as relatively attractive and are liquidated as foreign exchange risks are assessed as relatively less attractive. Foreign exchange risk is managed by ongoing monitoring of portfolio exposures relative to the Funds' investment guidelines.

When the investment manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Funds, the investment manager factors that into its portfolio allocation decisions. While the Funds have direct exposure to foreign exchange rate changes on the price of non Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain companies in which the Funds invest, even if those companies' securities are denominated in Australian dollars.

The following tables summarises the Fund's assets and liabilities at fair values and amortised costs, that are denominated in major currencies other than the Australian dollar:

	Infrastructure Value Fund – Hedged					
	US Dollars	Euros	Canadian	British Pound	Japanese	Other
	\$'000	\$'000	Dollars \$'000	\$'000	Yen \$'000	Currencies \$'000
30 June 2021						
Assets						
Cash and cash equivalents	139	–	–	19	–	–
Receivables	71	414	67	–	–	49
Accrued income	142	–	87	545	–	–
Financial assets at fair value through profit or loss	414,968	252,544	83,447	51,703	25,733	–
Total assets	415,320	252,958	83,601	52,267	25,733	49

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	Infrastructure Value Fund – Hedged					
	US Dollars \$'000	Euros \$'000	Canadian Dollars \$'000	British Pound \$'000	Japanese Yen \$'000	Other Currencies \$'000
Liabilities						
Financial liabilities at fair value through profit or loss	9,015	2,786	1,416	881	264	–
Total liabilities (excluding net assets attributable to unitholder)	<u>9,015</u>	<u>2,786</u>	<u>1,416</u>	<u>881</u>	<u>264</u>	<u>–</u>
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	13,356	11,698	–	–	–	–
- Sell foreign currency	(432,617)	(262,632)	(83,439)	(50,452)	(25,541)	–
Net exposure including foreign currency forward contracts	<u>(12,956)</u>	<u>(762)</u>	<u>(1,254)</u>	<u>934</u>	<u>(72)</u>	<u>49</u>
30 June 2020						
Assets						
Cash and cash equivalents	1,089	–	–	–	–	–
Receivables	–	827	–	–	–	–
Accrued income	360	1,619	–	1,233	–	15
Financial assets at fair value through profit or loss	359,419	216,855	18,556	59,240	–	24,993
Total assets	<u>360,868</u>	<u>219,301</u>	<u>18,556</u>	<u>60,473</u>	<u>–</u>	<u>25,008</u>

3 Financial risk management (continued)**(a) Market risk (continued)***(ii) Foreign exchange risk (continued)*

	Infrastructure Value Fund – Hedged					
	US Dollars \$'000	Euros \$'000	Canadian Dollars \$'000	British Pound \$'000	Japanese Yen \$'000	Other Currencies \$'000
Liabilities						
Due to brokers - payable for securities purchased	651	–	–	–	–	–
Financial liabilities at fair value through profit or loss	483	430	–	–	–	–
Total liabilities (excluding net assets attributable to unitholder)	1,134	430	–	–	–	–
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	921,224	458,303	–	26,718	–	–
- Sell foreign currency	(1,284,893)	(674,451)	(22,847)	(87,395)	–	(28,024)
Net exposure including foreign currency forward contracts	(3,935)	2,723	(4,291)	(204)	–	(3,016)

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	Infrastructure Income Fund					
	Euros	US Dollars	Canadian Dollars	British Pound	Brazilian Real	Other Currencies
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021						
Assets						
Cash and cash equivalents	464	117	–	–	–	–
Receivables	146	17	75	–	–	–
Accrued income	332	–	287	757	–	–
Due from brokers - receivable for securities sold	–	56	–	–	–	–
Financial assets at fair value through profit or loss	110,385	108,509	51,712	33,344	17,937	18,672
Total assets	111,327	108,699	52,074	34,101	17,937	18,672
Liabilities						
Due to brokers - payable for securities purchased	2,145	2,181	1,146	517	399	157
Financial liabilities at fair value through profit or loss	1,311	2,092	893	549	2,195	601
Total liabilities (excluding net assets attributable to unitholder)	3,456	4,273	2,039	1,066	2,594	758
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	2,150	33,214	1,145	518	401	157
- Sell foreign currency	(111,375)	(136,294)	(51,694)	(30,914)	(19,756)	(17,926)
Net exposure including foreign currency forward contracts	(1,354)	1,346	(514)	2,639	(4,012)	145
30 June 2020						
Assets						
Cash and cash equivalents	–	–	–	–	–	86
Receivables	23	–	–	–	–	–
Accrued income	411	–	37	321	–	52
Financial assets at fair value through profit or loss	40,545	55,925	16,313	25,873	6,322	12,242
Total assets	40,979	55,925	16,350	26,194	6,322	12,380

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	Infrastructure Income Fund					
	Euros	US Dollars	Canadian	British Pound	Brazilian Real	Other
	\$'000	\$'000	Dollars	\$'000	\$'000	Currencies
			\$'000			\$'000
Liabilities						
Due to brokers - payable for securities purchased	1,083	1,493	435	3,873	170	329
Financial liabilities at fair value through profit or loss	107	37	—	—	—	—
Total liabilities (excluding net assets attributable to unitholder)	<u>1,190</u>	<u>1,530</u>	<u>435</u>	<u>3,873</u>	<u>170</u>	<u>329</u>
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	113,183	209,168	3,746	—	—	24
- Sell foreign currency	(151,334)	(266,097)	(20,301)	(21,613)	(6,396)	(10,620)
Net exposure including foreign currency forward contracts	<u><u>1,638</u></u>	<u><u>(2,534)</u></u>	<u><u>(640)</u></u>	<u><u>708</u></u>	<u><u>(244)</u></u>	<u><u>1,455</u></u>

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	Hong Kong Dollars \$'000	Indian Rupee \$'000	Brazilian Real \$'000	Emerging Markets Fund Mexican Peso \$'000	Philippine Peso \$'000	Other Currencies \$'000
30 June 2021						
Assets						
Accrued income	549	–	163	–	–	–
Financial assets at fair value through profit or loss	33,058	30,541	19,757	17,979	9,400	15,887
Total assets	33,607	30,541	19,920	17,979	9,400	15,887
Liabilities						
Due to brokers - payable for securities purchased	–	–	–	–	–	429
Total liabilities (excluding net assets attributable to unitholder)	–	–	–	–	–	429
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	–	–	–	–	–	58
Net exposure including foreign currency forward contracts	33,607	30,541	19,920	17,979	9,400	15,516
30 June 2020						
Assets						
Cash and cash equivalents	–	–	–	105	–	8
Accrued income	714	–	35	–	–	16
Financial assets at fair value through profit or loss	26,367	28,937	11,635	16,902	6,550	21,352
Total assets	27,081	28,937	11,670	17,007	6,550	21,376
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Sell foreign currency	–	–	–	–	–	(8)
Net exposure including foreign currency forward contracts	27,081	28,937	11,670	17,007	6,550	21,368

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

	Infrastructure Value Fund – Unhedged					
	US Dollars	Euros	Canadian	British Pound	Japanese	Other
	\$'000	\$'000	Dollars \$'000	\$'000	Yen \$'000	Currencies \$'000
30 June 2021						
Assets						
Cash and cash equivalents	134	–	–	18	–	–
Receivables	68	470	65	–	–	49
Accrued income	133	–	82	522	–	–
Financial assets at fair value through profit or loss	388,522	236,492	78,114	48,416	24,097	–
Total assets	388,857	236,962	78,261	48,956	24,097	49
Net exposure including foreign currency forward contracts	388,857	236,962	78,261	48,956	24,097	49
30 June 2020						
Assets						
Cash and cash equivalents	978	–	–	–	–	–
Receivables	–	284	–	–	–	16
Accrued income	365	1,639	–	1,245	–	–
Due from brokers - receivable for securities sold	5,278	2,651	31	785	–	348
Financial assets at fair value through profit or loss	358,870	216,667	18,500	59,073	–	25,001
Total assets	365,491	221,241	18,531	61,103	–	25,365

3 Financial risk management (continued)**(a) Market risk (continued)***(ii) Foreign exchange risk (continued)*

	Infrastructure Value Fund – Unhedged					
	US Dollars \$'000	Euros \$'000	Canadian Dollars \$'000	British Pound \$'000	Japanese Yen \$'000	Other Currencies \$'000
Liabilities						
Due to brokers - payable for securities purchased	675	–	–	–	–	–
Financial liabilities at fair value through profit or loss	1	–	–	–	–	–
Total liabilities (excluding net assets attributable to unitholder)	676	–	–	–	–	–
Net increase/ (decrease) in exposure from foreign currency forward contracts						
- Buy foreign currency	572	–	–	–	–	–
- Sell foreign currency	(977)	–	–	–	–	–
Net exposure including foreign currency forward contracts	364,410	221,241	18,531	61,103	–	25,365

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Funds are not directly subject to interest rate risk as securities held for investment purposes are not typically interest bearing securities.

The following tables summarise the Funds' exposure to interest rate risks. It includes the Funds' assets and liabilities at fair values and amortised costs, categorised by the earlier of contractual repricing or maturity dates.

	Infrastructure Value Fund – Hedged			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2021				
Financial assets				
Cash and cash equivalents	17,999	–	–	17,999
Receivables	–	–	1,321	1,321
Accrued income	–	–	1,111	1,111
Financial assets at fair value through profit or loss	–	–	899,165	899,165
Total assets	17,999	–	901,597	919,596
Financial liabilities				
Distribution payable	–	–	44,093	44,093
Payables	–	–	1,901	1,901
Financial liabilities at fair value through profit or loss	–	–	14,406	14,406
Total liabilities (excluding net assets attributable to unitholders)	–	–	60,400	60,400
Net assets attributable to unitholders - liability	17,999	–	841,197	859,196
Net exposure	17,999	–	841,197	859,196
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2020				
Financial assets				
Cash and cash equivalents	18,101	–	–	18,101
Receivables	–	–	1,182	1,182
Accrued income	–	–	3,616	3,616
Financial assets at fair value through profit or loss	–	–	768,506	768,506
Total assets	18,101	–	773,304	791,405
Financial liabilities				
Distribution payable	–	–	2,008	2,008
Payables	–	–	3,009	3,009
Due to brokers - payable for securities purchased	–	–	1,589	1,589
Financial liabilities at fair value through profit or loss	–	–	14,513	14,513
Total liabilities (excluding net assets attributable to unitholders)	–	–	21,119	21,119
Net assets attributable to unitholders - liability	18,101	–	752,185	770,286
Net exposure	18,101	–	752,185	770,286

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Infrastructure Income Fund			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2021				
Financial assets				
Cash and cash equivalents	21,701	–	–	21,701
Receivables	–	–	910	910
Accrued income	–	–	1,561	1,561
Due from brokers - receivable for securities sold	–	–	56	56
Financial assets at fair value through profit or loss	–	–	418,725	418,725
Total assets	21,701	–	421,252	442,953
Financial liabilities				
Distribution payable	–	–	20,226	20,226
Payables	–	–	604	604
Due to brokers - payable for securities purchased	–	–	8,221	8,221
Financial liabilities at fair value through profit or loss	–	–	10,052	10,052
Total liabilities (excluding net assets attributable to unitholders)	–	–	39,103	39,103
Net assets attributable to unitholders - liability	21,701	–	382,149	403,850
Net exposure	21,701	–	382,149	403,850
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2020				
Financial assets				
Cash and cash equivalents	5,308	–	–	5,308
Receivables	–	–	276	276
Accrued income	–	–	1,178	1,178
Due from brokers - receivable for securities sold	–	–	7,398	7,398
Financial assets at fair value through profit or loss	–	–	192,862	192,862
Total assets	5,308	–	201,714	207,022
Financial liabilities				
Distribution payable	–	–	5,481	5,481
Payables	–	–	162	162
Due to brokers - payable for securities purchased	–	–	8,011	8,011
Financial liabilities at fair value through profit or loss	–	–	443	443
Total liabilities (excluding net assets attributable to unitholders)	–	–	14,097	14,097
Net assets attributable to unitholders - liability	5,308	–	187,617	192,925
Net exposure	5,308	–	187,617	192,925

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Emerging Markets Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2021				
Financial assets				
Cash and cash equivalents	3,007	—	—	3,007
Receivables	—	—	37	37
Accrued income	—	—	711	711
Financial assets at fair value through profit or loss	—	—	126,621	126,621
Total assets	3,007	—	127,369	130,376
Financial liabilities				
Distribution payable	—	—	559	559
Payables	—	—	433	433
Due to brokers - payable for securities purchased	—	—	429	429
Total liabilities (excluding net assets attributable to unitholders)	—	—	1,421	1,421
Net assets attributable to unitholders - equity	3,007	—	125,948	128,955
Net exposure	3,007	—	125,948	128,955
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2020				
Financial assets				
Cash and cash equivalents	4,359	—	—	4,359
Receivables	—	—	33	33
Accrued income	—	—	765	765
Financial assets at fair value through profit or loss	—	—	111,742	111,742
Total assets	4,359	—	112,540	116,899
Financial liabilities				
Payables	—	—	155	155
Total liabilities (excluding net assets attributable to unitholders)	—	—	155	155
Net assets attributable to unitholders - equity	4,359	—	112,385	116,744
Net exposure	4,359	—	112,385	116,744

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	Infrastructure Value Fund – Unhedged			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2021				
Financial assets				
Cash and cash equivalents	15,924	–	–	15,924
Receivables	–	–	1,256	1,256
Accrued income	–	–	1,052	1,052
Financial assets at fair value through profit or loss	–	–	830,114	830,114
Total assets	15,924	–	832,422	848,346
Financial liabilities				
Distribution payable	–	–	17,307	17,307
Payables	–	–	1,625	1,625
Total liabilities (excluding net assets attributable to unitholders)	–	–	18,932	18,932
Net assets attributable to unitholders - liability	15,924	–	813,490	829,414
Net exposure	15,924	–	813,490	829,414
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2020				
Financial assets				
Cash and cash equivalents	10,988	–	–	10,988
Receivables	–	–	819	819
Accrued income	–	–	3,659	3,659
Due from brokers - receivable for securities sold	–	–	9,837	9,837
Financial assets at fair value through profit or loss	–	–	739,753	739,753
Total assets	10,988	–	754,068	765,056
Financial liabilities				
Distribution payable	–	–	3,168	3,168
Payables	–	–	2,440	2,440
Due to brokers - payable for securities purchased	–	–	1,648	1,648
Financial liabilities at fair value through profit or loss	–	–	5	5
Total liabilities (excluding net assets attributable to unitholders)	–	–	7,261	7,261
Net assets attributable to unitholders - liability	10,988	–	746,807	757,795
Net exposure	10,988	–	746,807	757,795

3 Financial risk management (continued)

(b) Value-at-Risk ("VaR")

VaR is a statistical technique that attempts to summarise the exposure of a given portfolio to market risk by making assumptions about the expected probability distribution of future portfolio returns. VaR represents the maximum reasonable loss that an investor could expect during a time period, with a given probability.

In order to estimate this future market risk, VaR assumes a normal or "bell shaped" curve of future portfolio returns and uses the unique characteristics of the normal distribution-primarily symmetry of future returns both higher and lower than the average future return to estimate the amount of the possible future losses.

To calculate VaR, the Responsible Entity uses the historic price volatility and correlations of current portfolio holdings to calculate both the historic average return and the historic standard deviation of returns around the average. These statistics are then extrapolated into the future using the assumption of normal distribution to calculate an expected loss if the future portfolio return volatility behaves according to these assumptions.

The VaR calculation presented here for the Funds use a 99% confidence interval and assumes a 3-month holding period.

Assumptions and limitations of VaR

The calculation process involves gathering the historical price volatility and correlations of the current portfolio holdings to arrive at an estimate of predicted future volatility and expected risk of loss.

These limitations and the nature of the VaR measures mean that the Funds can neither guarantee that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than is stipulated by the model.

VaR represents the probable expected loss that could be experienced during a given period - not the maximum loss that an investor could experience.

It must be noted however that while the VaR model is an important and valuable risk management tool, it cannot and does not take account of all possible market conditions and extremities that may impact market price risk. For further information regarding market price risk and other risk factors please refer to the Funds' Information Memorandum and Product Disclosure Statement or speak to your financial advisor.

The following table summarises the estimated market risk impact to the profitability of the Funds. The estimated impact has been calculated on the basis of a VaR number incorporating market price, currency and interest rate factors into an overall return risk.

Infrastructure Value Fund – Hedged	VaR Factor	Net assets attributable to unitholders	Estimated impact of net assets attributable to unitholders
	%	\$'000	\$'000
30 June 2021	4.30	859,196	36,945
30 June 2020	10.08	770,286	77,645
Infrastructure Income Fund	VaR Factor	Net assets attributable to unitholders	Estimated impact of net assets attributable to unitholders
	%	\$'000	\$'000
30 June 2021	3.35	403,850	13,529
30 June 2020	8.89	192,925	17,151
Emerging Markets Fund	VaR Factor	Net assets attributable to unitholders	Estimated impact of net assets attributable to unitholders
	%	\$'000	\$'000
30 June 2021	3.99	128,955	5,145
30 June 2020	7.72	116,744	9,013
Infrastructure Value Fund – Unhedged	VaR Factor	Net assets attributable to unitholders	Estimated impact of net assets attributable to unitholders
	%	\$'000	\$'000
30 June 2021	4.44	829,414	36,826
30 June 2020	10.13	757,795	76,765

3 Financial risk management (continued)

(c) Credit risk

The Funds are not directly subject to credit risk as securities held for investment purposes are not typically debt securities.

Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

There were no significant concentrations of credit risk to counterparties at 30 June 2021 or 30 June 2020. The maximum exposure at the end of each financial year is the carrying amount of financial assets. This also relates to financial assets carried at amortised cost, as they have a short term to maturity. None of these assets are impaired nor past due but not impaired.

(d) Liquidity risk

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

The Funds are exposed to daily cash redemptions of redeemable units. The Funds primarily hold investments that are traded in active markets and can be readily disposed.

Units are redeemed on demand at the unitholder's option. However, the directors of the Responsible Entity do not envisage that the contractual maturity disclosed in the following tables will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The Responsible Entity monitors liquidity of the Funds on a daily basis. In order to manage the Funds' overall liquidity, the Funds have the ability to suspend unit pricing and hence suspend redemption requests. The Funds did not suspend redemptions as a result of suspending unit pricing in the current or prior year.

The following tables analyse the Funds' non-derivative financial liabilities into relevant maturity groupings based on the financial year end to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

30 June 2021	Infrastructure Value Fund – Hedged				
	Less than 1 month	1 - 6 months	6 - 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value through profit or loss	4,386	10,020	–	–	14,406
Distribution payable	44,093	–	–	–	44,093
Payables	1,901	–	–	–	1,901
Net assets attributable to unitholders	859,196	–	–	–	859,196
Total	909,576	10,020	–	–	919,596
30 June 2020	Less than 1 month	1 - 6 months	6 - 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value through profit or loss	7,125	7,388	–	–	14,513
Distribution payable	2,008	–	–	–	2,008
Payables	3,009	–	–	–	3,009
Due to brokers - payable for securities purchased	1,589	–	–	–	1,589
Total	13,731	7,388	–	–	21,119

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(d) Liquidity risk (continued)

Infrastructure Income Fund					
30 June 2021	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	3,597	6,455	—	—	10,052
Distribution payable	20,226	—	—	—	20,226
Payables	604	—	—	—	604
Due to brokers - payable for securities purchased	8,221	—	—	—	8,221
Net assets attributable to unitholders	403,850	—	—	—	403,850
Total	436,498	6,455	—	—	442,953
30 June 2020	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	—	443	—	—	443
Distribution payable	5,481	—	—	—	5,481
Payables	162	—	—	—	162
Due to brokers - payable for securities purchased	8,011	—	—	—	8,011
Net assets attributable to unitholders	192,925	—	—	—	192,925
Total	206,579	443	—	—	207,022
Emerging Markets Fund					
30 June 2021	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Distribution payable	559	—	—	—	559
Payables	433	—	—	—	433
Due to brokers - payable for securities purchased	429	—	—	—	429
Total	1,421	—	—	—	1,421
30 June 2020	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Payables	155	—	—	—	155
Total	155	—	—	—	155

Notes to the financial statements
For the year ended 30 June 2021

3 Financial risk management (continued)

(d) Liquidity risk (continued)

30 June 2021	Infrastructure Value Fund – Unhedged				
	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Distribution payable	17,307	–	–	–	17,307
Payables	1,625	–	–	–	1,625
Net assets attributable to unitholders	829,414	–	–	–	829,414
Total	848,346	–	–	–	848,346

30 June 2020	Less than 1 month \$'000	1 - 6 months \$'000	6 - 12 months \$'000	Over 12 months \$'000	Total \$'000
Financial liabilities at fair value through profit or loss	5	–	–	–	5
Distribution payable	3,168	–	–	–	3,168
Payables	2,440	–	–	–	2,440
Due to brokers - payable for securities purchased	1,648	–	–	–	1,648
Total	7,261	–	–	–	7,261

Notes to the financial statements
For the year ended 30 June 2021

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have a right to be offset under certain circumstances in the balance sheets are disclosed in the first three columns of the tables below:

Infrastructure Value Fund – Hedged						
	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts set off in the balance sheet \$'000	Net amount of financial assets and liabilities presented in the balance sheet \$'000	Amount subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amount \$'000
30 June 2021						
Financial assets						
Derivatives financial instruments	12,583	–	12,583	(12,583)	–	–
Total	<u>12,583</u>	<u>–</u>	<u>12,583</u>	<u>(12,583)</u>	<u>–</u>	<u>–</u>
Financial liabilities						
Derivatives financial instruments	14,406	–	14,406	(12,583)	–	1,823
Total	<u>14,406</u>	<u>–</u>	<u>14,406</u>	<u>(12,583)</u>	<u>–</u>	<u>1,823</u>
	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts set off in the balance sheet \$'000	Net amount of financial assets and liabilities presented in the balance sheet \$'000	Amount subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amount \$'000
30 June 2020						
Financial assets						
Derivatives financial instruments	27,843	–	27,843	(14,513)	–	13,330
Total	<u>27,843</u>	<u>–</u>	<u>27,843</u>	<u>(14,513)</u>	<u>–</u>	<u>13,330</u>
Financial liabilities						
Derivatives financial instruments	14,513	–	14,513	14,513	–	–
Total	<u>14,513</u>	<u>–</u>	<u>14,513</u>	<u>14,513</u>	<u>–</u>	<u>–</u>

Notes to the financial statements
For the year ended 30 June 2021

4 Offsetting financial assets and financial liabilities (continued)

Infrastructure Income Fund						
	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts set off in the balance sheet \$'000	Net amount of financial assets and liabilities presented in the balance sheet \$'000	Amount subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amount \$'000
30 June 2021						
Financial assets						
Derivatives financial instruments	2,471	–	2,471	(2,471)	–	–
Total	<u>2,471</u>	<u>–</u>	<u>2,471</u>	<u>(2,471)</u>	<u>–</u>	<u>–</u>
Financial liabilities						
Derivatives financial instruments	10,052	–	10,052	(2,471)	–	7,581
Total	<u>10,052</u>	<u>–</u>	<u>10,052</u>	<u>(2,471)</u>	<u>–</u>	<u>7,581</u>

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts set off in the balance sheet \$'000	Net amount of financial assets and liabilities presented in the balance sheet \$'000	Amount subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amount \$'000
30 June 2020						
Financial assets						
Derivatives financial instruments	4,486	–	4,486	(443)	–	4,043
Total	<u>4,486</u>	<u>–</u>	<u>4,486</u>	<u>(443)</u>	<u>–</u>	<u>4,043</u>
Financial liabilities						
Derivatives financial instruments	443	–	443	(443)	–	–
Total	<u>443</u>	<u>–</u>	<u>443</u>	<u>(443)</u>	<u>–</u>	<u>–</u>

Emerging Markets Fund and Infrastructure Value Fund - Unhedged Fund

There were no derivatives within the financial assets and liabilities for Emerging Markets Fund and Infrastructure Value Fund - Unhedged Fund during the year ended 30 June 2021 and 30 June 2020.

(i) Master netting arrangement - not currently enforceable

As the Funds do not presently have the legally enforceable right of set-off, these amounts have not been offset in the balance sheets, but have been presented separately in the above tables.

5 Fair value measurement

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis;

- Financial assets/liabilities at fair value through profit or loss (see note 6 and 7); and
- Derivative financial instruments (see note 8).

The Funds have no assets or liabilities measured at fair value on a non-recurring basis in the current financial year.

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

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

5 Fair value measurement (continued)

(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 year without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2 of the financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The market price used for financial assets held by the Funds is the current last price; the market price used for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply 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.

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

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

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 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 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 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.

Notes to the financial statements
For the year ended 30 June 2021

5 Fair value measurement (continued)

Recognised fair value measurements

The following tables present the Funds' assets and liabilities measured and recognised at fair value as at 30 June 2021 and 30 June 2020:

Infrastructure Value Fund – Hedged				
At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Foreign currency contracts	–	12,583	–	12,583
Listed equities	745,121	–	–	745,121
Listed unit trusts	141,461	–	–	141,461
Total	886,582	12,583	–	899,165
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	–	14,406	–	14,406
Total	–	14,406	–	14,406
At 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Foreign currency contracts	–	27,843	–	27,843
Listed equities	679,063	–	–	679,063
Listed unit trusts	61,600	–	–	61,600
Total	740,663	27,843	–	768,506
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	–	14,513	–	14,513
Total	–	14,513	–	14,513
Infrastructure Income Fund				
At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Foreign currency contracts	–	2,471	–	2,471
Listed equities	326,220	–	–	326,220
Listed unit trusts	90,034	–	–	90,034
Total	416,254	2,471	–	418,725
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	–	10,052	–	10,052
Total	–	10,052	–	10,052
At 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Foreign currency contracts	–	4,486	–	4,486
Listed equities	163,554	–	–	163,554
Listed unit trusts	24,822	–	–	24,822
Total	188,376	4,486	–	192,862
Financial liabilities at fair value through profit or loss				
Foreign currency contracts	–	443	–	443
Total	–	443	–	443

Notes to the financial statements
For the year ended 30 June 2021

5 Fair value measurement (continued)

Recognised fair value measurements (continued)

At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Emerging Markets Fund				
Financial assets at fair value through profit or loss				
Listed equities	122,040	–	–	122,040
Listed unit trusts	4,581	–	–	4,581
Total	126,621	–	–	126,621

At 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	111,742	–	–	111,742
Listed unit trusts	–	–	–	–
Total	111,742	–	–	111,742

At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Infrastructure Value Fund – Unhedged				
Financial assets at fair value through profit or loss				
Listed equities	697,699	–	–	697,699
Listed unit trusts	132,415	–	–	132,415
Total	830,114	–	–	830,114

At 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	678,111	–	–	678,111
Listed unit trusts	61,642	–	–	61,642
Total	739,753	–	–	739,753

Financial liabilities at fair value through profit or loss				
Foreign currency contracts	–	5	–	5
Total	–	5	–	5

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

(iii) Transfers between levels

There were no transfers between levels during the financial year ended 30 June 2021 and 30 June 2020.

(iv) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 30 June 2021 and 30 June 2020.

(v) 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 or prior financial year.

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6 Financial assets at fair value through profit or loss

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	As at		As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Financial assets at fair value through profit or loss						
Derivatives	12,583	27,843	2,471	4,486	–	–
Equity securities	745,121	679,063	326,220	163,554	122,040	111,742
Listed unit trusts	141,461	61,600	90,034	24,822	4,581	–
Total financial assets at fair value through profit or loss	<u>899,165</u>	<u>768,506</u>	<u>418,725</u>	<u>192,862</u>	<u>126,621</u>	<u>111,742</u>
Comprising:						
Derivatives						
Forward currency contracts	12,583	27,843	2,471	4,486	–	–
Total derivatives	<u>12,583</u>	<u>27,843</u>	<u>2,471</u>	<u>4,486</u>	<u>–</u>	<u>–</u>
Equity securities						
Australian equity securities listed on a prescribed stock exchange	–	–	17,152	–	–	–
International equity securities listed on a prescribed stock exchange	745,121	679,063	309,068	163,554	122,040	111,742
Total equity securities	<u>745,121</u>	<u>679,063</u>	<u>326,220</u>	<u>163,554</u>	<u>122,040</u>	<u>111,742</u>
Listed unit trusts						
Australian listed trusts	58,187	61,600	58,614	24,822	–	–
International listed trusts	–	–	5,946	–	–	–
International listed property trusts	83,274	–	25,474	–	4,581	–
Total listed unit trusts	<u>141,461</u>	<u>61,600</u>	<u>90,034</u>	<u>24,822</u>	<u>4,581</u>	<u>–</u>
Total financial assets at fair value through profit or loss	<u>899,165</u>	<u>768,506</u>	<u>418,725</u>	<u>192,862</u>	<u>126,621</u>	<u>111,742</u>

Notes to the financial statements
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6 Financial assets at fair value through profit or loss (continued)

		Infrastructure Value Fund – Unhedged	
		As at	
		30 June 2021 \$'000	30 June 2020 \$'000
Financial assets at fair value through profit or loss			
Equity securities		697,699	678,111
Listed unit trusts		132,415	61,642
Total financial assets at fair value through profit or loss		830,114	739,753
Comprising:			
Equity securities			
International equity securities listed on a prescribed stock exchange		697,699	678,111
Total equity securities		697,699	678,111
Listed unit trusts			
Australian listed trusts		54,474	61,642
International listed property trusts		77,941	–
Total listed unit trusts		132,415	61,642
Total financial assets at fair value through profit or loss		830,114	739,753

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

7 Financial liabilities at fair value through profit or loss

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	As at		As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Financial liabilities at fair value through profit or loss						
Derivatives	14,406	14,513	10,052	443	–	–
Total financial liabilities at fair value through profit or loss	14,406	14,513	10,052	443	–	–
Comprising:						
Derivatives						
Forward currency contracts	14,406	14,513	10,052	443	–	–
Total derivatives	14,406	14,513	10,052	443	–	–
Total financial liabilities at fair value through profit or loss	14,406	14,513	10,052	443	–	–

Notes to the financial statements
For the year ended 30 June 2021

7 Financial liabilities at fair value through profit or loss (continued)

	Infrastructure Value Fund – Unhedged	
	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Financial liabilities at fair value through profit or loss		
Derivatives	–	5
Total financial liabilities at fair value through profit or loss	<u>–</u>	<u>5</u>
Comprising:		
Derivatives		
Forward currency contracts	–	5
Total derivatives	<u>–</u>	<u>5</u>
Total financial liabilities at fair value through profit or loss	<u>–</u>	<u>5</u>

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

8 Derivative financial instruments

In the normal course of business the Funds enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

While derivatives are used for trading purposes, they are not used to gear (leverage) a Funds. Gearing a Funds would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

The Funds hold the following derivative financial instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Funds to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing last price at the end of each financial year. The Funds recognise a gain or loss equal to the change in fair value at the end of each financial year.

Notes to the financial statements
For the year ended 30 June 2021

8 Derivative financial instruments (continued)

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

Infrastructure Value Fund – Hedged						
	30 June 2021				30 June 2020	
	Fair Values				Fair Values	
	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	879,736	12,583	14,406	3,503,857	27,843	14,513
	879,736	12,583	14,406	3,503,857	27,843	14,513

Infrastructure Income Fund						
	30 June 2021				30 June 2020	
	Fair Values				Fair Values	
	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	405,545	2,471	10,052	802,482	4,486	443
	405,545	2,471	10,052	802,482	4,486	443

Emerging Markets Fund						
	30 June 2021			30 June 2020		
	Fair Values			Fair Values		
	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	58	-	-	-	-	-
	58	-	-	-	-	-

Infrastructure Value Fund – Unhedged						
	30 June 2021			30 June 2020		
	Fair Values			Fair Values		
	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	—	—	—	1,548	—	5
	—	—	—	1,548	—	5

Risk exposures and fair value measurements

Information about the Funds' exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure of the derivative to credit risk at the end of the financial year is the carrying amount of each class of derivative financial instruments disclosed above.

9 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

The Funds consider all investment funds to be structured entities. The Funds invest in managed funds for the purpose of capital appreciation and/or earning investment income.

Notes to the financial statements
For the year ended 30 June 2021

9 Structured entities (continued)

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Funds. Such interests include holdings of units in a unit trust.

The nature and extent of the Funds' interest in structured entities are summarised in notes 6 and 15.

10 Net assets attributable to unitholders - equity/liability

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Otherwise the financial instrument should be disclosed as a liability.

Net assets attributable to unitholders of Infrastructure Income Fund remain disclosed as a 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.

During the financial year, Infrastructure Value Fund – Hedged and Infrastructure Value Fund – Unhedged issued a new class of units, I Class and C Class. Consequently, as there is now a new class of units the Funds no longer satisfy the criteria under AASB 132 that would allow them to classify net assets attributable to unit holders as equity. As at 30 June 2020, net assets attributable to unit holders were classified as equity. Effective from 30 November 2020 and 31 March 2021, the units have been classified from financial equity to liability for Infrastructure Value Fund - Hedged and Infrastructure Value Fund - Unhedged, respectively. Refer to note 1 for further detail.

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

	Infrastructure Value Fund – Hedged			
	As at			
	30 June 2021		30 June 2020	
	No.'000	\$'000	No.'000	\$'000
A Class				
Opening balance	803,278	770,287	923,800	974,599
Applications	159,434	164,617	139,897	142,702
Redemptions	(251,210)	(260,306)	(269,530)	(278,672)
Units issued upon reinvestment of distributions	6,748	6,736	9,110	9,326
Distributions paid and payable	–	–	–	(31,105)
Profit/(loss) for the year	–	87,881	–	(46,564)
Increase/(decrease) in net assets attributable to unitholders	–	(28,928)	–	–
Closing balance	<u>718,250</u>	<u>740,287</u>	<u>803,277</u>	<u>770,286</u>
C Class				
Opening balance	–	–	–	–
Applications	43,375	45,644	–	–
Redemptions	(10,177)	(10,716)	–	–
Increase/(decrease) in net assets attributable to unitholders	–	(1,542)	–	–
Closing balance	<u>33,198</u>	<u>33,386</u>	<u>–</u>	<u>–</u>
I Class				
Opening balance	–	–	–	–
Applications	89,716	94,633	–	–
Redemptions	(7,372)	(7,837)	–	–
Units issued upon reinvestment of distributions	2,518	2,642	–	–
Increase/(decrease) in net assets attributable to unitholders	–	(3,915)	–	–
Closing balance	<u>84,862</u>	<u>85,523</u>	<u>–</u>	<u>–</u>
Total		<u>859,196</u>		<u>770,286</u>

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

Infrastructure Income Fund				
As at				
	30 June 2021		30 June 2020	
	No.'000	\$'000	No.'000	\$'000
A Class				
Opening balance	29,717	40,575	3,546	4,972
Applications	113,397	165,213	30,300	43,668
Redemptions	(22,622)	(33,140)	(4,169)	(5,709)
Units issued upon reinvestment of distributions	172	244	40	54
Increase/(decrease) in net assets attributable to unitholders	–	(3,502)	–	(2,410)
Closing balance	<u>120,664</u>	<u>169,390</u>	<u>29,717</u>	<u>40,575</u>
X Class				
Opening balance	153,437	152,350	32,640	33,319
Applications	93,940	98,211	125,303	129,560
Redemptions	(20,893)	(22,282)	(5,289)	(5,269)
Units issued upon reinvestment of distributions	1,987	2,047	783	782
Increase/(decrease) in net assets attributable to unitholders	–	4,134	–	(6,042)
Closing balance	<u>228,471</u>	<u>234,460</u>	<u>153,437</u>	<u>152,350</u>
Total		<u>403,850</u>		<u>192,925</u>

Emerging Markets Fund				
As at				
	30 June 2021		30 June 2020	
	No.'000	\$'000	No.'000	\$'000
Opening balance	73,632	116,744	64,854	125,267
Applications	8,091	12,555	16,379	26,329
Redemptions	(7,875)	(12,639)	(9,519)	(18,316)
Units issued upon reinvestment of distributions	628	1,016	1,918	3,756
Distributions paid and payable	–	(1,678)	–	(1,237)
Profit/(loss) for the year	–	12,957	–	(19,055)
Closing balance	<u>74,476</u>	<u>128,955</u>	<u>73,632</u>	<u>116,744</u>

Notes to the financial statements
For the year ended 30 June 2021

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

	Infrastructure Value Fund – Unhedged			
	As at			
	30 June 2021		30 June 2020	
	No.'000	\$'000	No.'000	\$'000
A Class				
Opening balance	633,497	757,795	743,930	970,351
Applications	140,759	173,331	102,498	135,476
Redemptions	(125,515)	(155,009)	(228,653)	(297,470)
Units issued upon reinvestment of distributions	4,880	5,938	15,722	20,376
Distributions paid and payable	–	–	–	(50,407)
Profit/(loss) for the year	–	48,679	–	(20,531)
Increase/(decrease) in net assets attributable to unitholders	–	(1,320)	–	–
Closing balance	<u>653,621</u>	<u>829,414</u>	<u>633,497</u>	<u>757,795</u>
C Class				
Opening balance	–	–	–	–
Closing balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total		<u>829,414</u>		<u>757,795</u>

Capital risk management

Infrastructure Value Fund – Hedged, Infrastructure Income Fund and Infrastructure Value Fund – Unhedged Fund 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.

Emerging Markets Fund considers its net assets attributable to unitholders as capital.

For all Funds, 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' Constitutions, 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.

The Responsible Entity monitors the impact of applications and redemptions relative to the liquid assets in the Funds.

Notes to the financial statements
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11 Distributions to unitholders

The distributions paid/payable were as follows:

	Infrastructure Value Fund – Hedged			
	Year ended			
	30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU
A Class				
Distribution paid				
- 30 September	12,007	1.5000	12,662	1.5000
- 31 December	10,387	1.5000	8,285	1.0000
- 31 March	10,664	1.5000	8,150	1.0000
Distribution payable				
- 30 June	34,985	4.8709	2,008	0.2500
	<u>68,043</u>		<u>31,105</u>	
C Class				
Distribution paid				
- 31 December	599	1.5000	–	–
- 31 March	540	1.5000	–	–
Distribution payable				
- 30 June	2,498	7.5240	–	–
	<u>3,637</u>		<u>–</u>	
I Class				
Distribution paid				
- 31 December	1,335	1.5000	–	–
- 31 March	1,308	1.5000	–	–
Distribution payable				
- 30 June	6,610	7.7892	–	–
	<u>9,253</u>		<u>–</u>	

11 Distributions to unitholders (continued)

	Infrastructure Income Fund			
	Year ended			
	30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU
A Class				
Distribution paid				
- 30 September	798	1.7499	71	1.1610
- 31 December	1,436	2.0000	123	0.6100
- 31 March	2,925	3.0000	514	2.0000
Distribution payable				
- 30 June	8,406	6.9664	1,114	3.7480
	<u>13,565</u>		<u>1,822</u>	
X Class				
Distribution paid				
- 30 September	2,442	1.2500	883	1.0000
- 31 December	3,720	1.7500	873	0.7326
- 31 March	4,434	2.0000	1,970	1.5000
Distribution payable				
- 30 June	11,820	5.1736	4,367	2.8462
	<u>22,416</u>		<u>8,093</u>	

	Emerging Markets Fund			
	Year ended			
	30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU
Distribution paid				
- 31 December	1,119	1.5000	1,237	2.0000
Distribution payable				
- 30 June	559	0.7510	—	—
	<u>1,678</u>		<u>1,237</u>	

Notes to the financial statements
For the year ended 30 June 2021

11 Distributions to unitholders (continued)

	Infrastructure Value Fund – Unhedged			
	Year ended			
	30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU
A Class				
Distribution paid				
- 30 September	6,471	1.0000	13,747	2.0000
- 31 December	12,934	2.0000	13,634	2.0000
- 31 March	8,193	1.2500	19,858	3.0000
Distribution payable				
- 30 June	17,307	2.6478	3,168	0.5000
	<u>44,905</u>		<u>50,407</u>	
C Class				
Distribution payable				
- 30 June	–	2.9158	–	–
	<u>–</u>		<u>–</u>	

12 Cash and cash equivalents

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	As at		As at		As at	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Domestic cash at bank	17,841	17,012	21,119	5,222	3,007	4,246
Foreign cash at bank	158	1,089	582	86	–	113
Total cash and cash equivalents	<u>17,999</u>	<u>18,101</u>	<u>21,701</u>	<u>5,308</u>	<u>3,007</u>	<u>4,359</u>

	Infrastructure Value Fund – Unhedged	
	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Domestic cash at bank	15,772	10,988
Foreign cash at bank	152	–
Total cash and cash equivalents	<u>15,924</u>	<u>10,988</u>

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

	Infrastructure Value Fund – Hedged Year ended		Infrastructure Income Fund Year ended		Emerging Markets Fund Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Operating profit/(loss) for the year	134,429	(46,564)	36,613	–	12,957	(19,055)
Change in net assets attributable to unitholders	–	–	–	(8,452)	–	–
Net (gains)/losses on financial instruments at fair value through profit or loss	(125,679)	64,000	(22,586)	5,024	(11,248)	20,548
Proceeds from sale of financial instruments at fair value through profit or loss	576,584	845,372	338,234	106,450	35,010	52,604
Purchases of financial instruments at fair value through profit or loss	(583,288)	(706,794)	(524,407)	(268,681)	(38,242)	(62,735)
Net change in accrued income and receivables	2,732	(554)	(608)	(31)	65	4
Net change in payables	(75)	(70)	146	98	(6)	6
Distributions to unitholders	–	–	–	9,915	–	–
Net change in dividends/distributions receivable	–	4,160	–	(866)	–	(452)
Net cash inflow/(outflow) from operating activities	<u>4,703</u>	<u>159,550</u>	<u>(172,608)</u>	<u>(156,543)</u>	<u>(1,464)</u>	<u>(9,080)</u>
(b) Components of cash and cash equivalents						
Cash and cash equivalents	<u>17,999</u>	<u>18,101</u>	<u>21,701</u>	<u>5,308</u>	<u>3,007</u>	<u>4,359</u>
	<u>17,999</u>	<u>18,101</u>	<u>21,701</u>	<u>5,308</u>	<u>3,007</u>	<u>4,359</u>

Notes to the financial statements
For the year ended 30 June 2021

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

	Infrastructure Value Fund – Hedged Year ended		Infrastructure Income Fund Year ended		Emerging Markets Fund Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
(c) Non-cash financing activities						
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>9,378</u>	<u>9,326</u>	<u>2,291</u>	<u>836</u>	<u>1,016</u>	<u>3,756</u>
					Infrastructure Value Fund – Unhedged Year ended	
					30 June 2021 \$'000	30 June 2020 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities						
Operating profit/(loss) for the year					92,264	(20,531)
Net (gains)/losses on financial instruments at fair value through profit or loss					(83,314)	37,768
Proceeds from sale of financial instruments at fair value through profit or loss					495,993	805,053
Purchases of financial instruments at fair value through profit or loss					(494,870)	(614,277)
Net change in accrued income and receivables					2,223	170
Net change in payables					(36)	(3,259)
Net change in dividends/distributions receivable					–	4,151
Net interest received/(paid) from debt securities					–	1
Net cash inflow/(outflow) from operating activities					<u>12,260</u>	<u>209,076</u>
(b) Components of cash and cash equivalents						
Cash and cash equivalents					<u>15,924</u>	<u>10,988</u>
					<u>15,924</u>	<u>10,988</u>
(c) Non-cash financing activities						
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan					<u>5,938</u>	<u>20,376</u>

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14 Remuneration of auditor

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

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	Year ended		Year ended		Year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$	\$	\$	\$	\$	\$
PricewaterhouseCoopers						
Audit and review of financial statements	19,473	18,905	19,935	19,354	11,846	11,500
Audit of compliance plan	2,961	2,875	2,961	2,875	2,961	2,875
Total remuneration for audit and other assurance services	22,434	21,780	22,896	22,229	14,807	14,375
Total remuneration of PricewaterhouseCoopers	22,434	21,780	22,896	22,229	14,807	14,375

	Infrastructure Value Fund – Unhedged	
	Year ended	
	30 June 2021	30 June 2020
	\$	\$
PricewaterhouseCoopers		
Audit and review of financial statements	19,473	18,905
Audit of compliance plan	2,961	2,875
Total remuneration for audit and other assurance services	22,434	21,780
Total remuneration of PricewaterhouseCoopers	22,434	21,780

15 Related party transactions

Responsible Entity

The Responsible Entity of the Funds is Legg Mason Asset Management Australia Limited (ABN 76 004 835 849).

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Legg Mason Asset Management Australia Limited during the financial year and at the date of the report are listed below:

Q. Lupo

E. Venner

A. Oimert

A. Stitt

A. Sowerby (resigned 1 October 2020)

M. Harrison (appointed 1 October 2020)

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15 Related party transactions (continued)

Key management personnel (continued)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial year.

Key management personnel unitholdings

As at 30 June 2021 and 30 June 2020, key management personnel held units in the Funds as per below:

Infrastructure Value Fund – Hedged							
30 June 2021	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/ receivable \$
Key management personnel	<u>–</u>	<u>33,676</u>	<u>34,710</u>	<u>0.05</u>	<u>1,357,579</u>	<u>(1,323,903)</u>	<u>41,363</u>
	<u>–</u>	<u>33,676</u>	<u>34,710</u>		<u>1,357,579</u>	<u>(1,323,903)</u>	<u>41,363</u>

As at 30 June 2020 no key management personnel of the Responsible Entity held units in the Fund.

Infrastructure Income Fund							
30 June 2021	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/ receivable \$
Key management personnel	<u>124,395</u>	<u>1,759</u>	<u>2,470</u>	<u>0.00</u>	<u>10,825</u>	<u>(133,461)</u>	<u>8,930</u>
	<u>124,395</u>	<u>1,759</u>	<u>2,470</u>		<u>10,825</u>	<u>(133,461)</u>	<u>8,930</u>

30 June 2020	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/ receivable \$
Key management personnel	<u>119,506</u>	<u>124,395</u>	<u>169,849</u>	<u>0.07</u>	<u>4,889</u>	<u>–</u>	<u>11,011</u>
	<u>119,506</u>	<u>124,395</u>	<u>169,849</u>		<u>4,889</u>	<u>–</u>	<u>11,011</u>

Emerging Markets Fund							
30 June 2021	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/ receivable \$
Key management personnel	<u>15,564</u>	<u>15,905</u>	<u>27,541</u>	<u>0.02</u>	<u>341</u>	<u>–</u>	<u>354</u>
	<u>15,564</u>	<u>15,905</u>	<u>27,541</u>		<u>341</u>	<u>–</u>	<u>354</u>

30 June 2020	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/ receivable \$
Key management personnel	<u>14,871</u>	<u>15,564</u>	<u>25,039</u>	<u>0.02</u>	<u>693</u>	<u>–</u>	<u>675</u>
	<u>14,871</u>	<u>15,564</u>	<u>25,039</u>		<u>693</u>	<u>–</u>	<u>675</u>

Notes to the financial statements
For the year ended 30 June 2021

15 Related party transactions (continued)

Key management personnel (continued)

(b) Other key management personnel (continued)

Infrastructure Value Fund – Unhedged							
30 June 2021	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/receivable \$
Key management personnel	1,113,232	45,639	57,916	0.01	20,907	(1,088,500)	13,862
	<u>1,113,232</u>	<u>45,639</u>	<u>57,916</u>		<u>20,907</u>	<u>(1,088,500)</u>	<u>13,862</u>
30 June 2020	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired Units	Number of units disposed Units	Distribution received/receivable \$
Key management personnel	1,013,402	1,113,232	1,335,005	0.18	99,830	–	94,095
	<u>1,013,402</u>	<u>1,113,232</u>	<u>1,335,005</u>		<u>99,830</u>	<u>–</u>	<u>94,095</u>

Key management personnel compensation

No amount is paid by the Funds directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Funds to Directors as key management personnel.

Key management personnel loan disclosures

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their directly related parties at any time during the financial year.

Other transactions within the Funds

From time to time directors of the Responsible Entity, or their directly related entities, may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

Responsible Entity's/manager's fees and other transactions

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

	Infrastructure Value Fund – Hedged		Infrastructure Income Fund		Emerging Markets Fund	
	Year ended		Year ended		Year ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$	\$	\$	\$	\$	\$
Management fees for the year paid by the Funds to the Responsible Entity	8,023,197	9,092,389	2,175,341	832,839	1,459,561	1,513,884
Total fees payable to the Responsible Entity at the year end	686,342	761,071	249,534	113,234	131,514	136,473

Notes to the financial statements
For the year ended 30 June 2021

15 Related party transactions (continued)

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

	Infrastructure Value Fund – Unhedged	
	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year paid by the Funds to the Responsible Entity	7,799,402	8,834,510
Total fees payable to the Responsible Entity at the year end	680,724	717,150
Performance fees for the year paid by the Funds to the Responsible Entity	–	209

There was nil performance fee expense and performance fee payable in 2021 and 2020 by the Infrastructure Value Fund - Hedged, Infrastructure Income Fund and Emerging Markets Fund to the investment manager ClearBridge Investments Limited.

The performance fees paid for all Funds' are in accordance with the Product Disclosure Statement. The performance fee paid in any one year is capped at 0.30% of the average of the daily net asset value of the Funds in any financial year. Historically, any additional performance fees earned but unpaid are accrued and payable in the future years subject to performance criteria being met per the Product Disclosure Statement.

16 Events occurring after the financial year

No significant events have occurred since the end of the financial year which would impact on the financial position of the Funds disclosed in the balance sheets as at 30 June 2021 or on the results of operations and cash flows of the Funds for the financial year.

17 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

Directors' declaration
For the year ended 30 June 2021

Directors' declaration

In the opinion of the directors of the Responsibility Entity:

- (a) the financial statements and notes set out on pages 6 to 55 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial positions as at 30 June 2021 and of their performance, for the financial year ended on that date;
- (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 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

DocuSigned by:

D96DBC094F8348F...

Director _____
Q. Lupo

Melbourne

29 September 2021



Independent auditor's report

To the unitholders of:

- Clearbridge RARE Infrastructure Value Fund – Hedged
- Clearbridge RARE Infrastructure Income Fund
- Clearbridge RARE Emerging Markets Fund
- Clearbridge RARE Infrastructure Value Fund – Unhedged (collectively “the Fund”)

Our opinion

In our opinion:

The accompanying financial report of the Funds are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports comprise:

- the balance sheets as at 30 June 2021
- the statements of comprehensive income for the year then ended
- the statements of changes in equity for the year ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the declaration of the directors of Legg Mason Asset Management Australia Limited (“the Responsible Entity”).

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Funds 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 audits of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Director's report for the year ended 30 June 2021, but does not include the financial reports and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial reports

The directors of the Responsible Entity of the Funds are responsible for the preparation of the 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 financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial report 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Kate L Logan
Partner

Melbourne
29 September 2021