

# **PIMCO Diversified Fixed Interest Fund**

ARSN 093 519 558

## **Interim report**

**For the half-year ended 31 December 2023**

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ARSN 093 519 558

## Interim report

## For the half-year ended 31 December 2023

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The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made in respect of PIMCO Diversified Fixed Interest Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers PIMCO Diversified Fixed Interest Fund as an individual entity.

The Responsible Entity of PIMCO Diversified Fixed Interest Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505).

The Responsible Entity's registered office is:

Level 19, 5 Martin Place  
Sydney, NSW 2000.

## Directors' report

The directors of PIMCO Australia Management Limited, the Responsible Entity of PIMCO Diversified Fixed Interest Fund (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2023.

### Principal activities

The Fund mainly invests in unlisted unit trusts, the PIMCO Australian Bond Fund and the PIMCO Global Bond Fund ("Unit Trusts"), which hold interest bearing securities in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

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

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	PIMCO Australia Management Limited
Investment Manager	PIMCO Australia Pty Limited
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	PricewaterhouseCoopers

### Directors

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

Alec Kersman

V Mangala Ananthanarayanan

Brendon D Rodda

(retired on 25 January 2024)

David Erdonmez

Samuel Watkins

### Review and results of operations

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

The Fund's performance for the half-year ended 31 December 2023 was 3.97% (net of fees) for the Institutional Class and 3.95% (net of fees) for the Wholesale Class. The Fund's benchmark (50% Bloomberg AusBond Composite 0 + Yr Index and 50% Bloomberg Barclays Global Aggregate Index hedged into AUD) returned 3.33% for the same period.

## Directors' report (continued)

### Review and results of operations (continued)

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

	Half-year ended	
	31 December 2023	31 December 2022
Operating profit/(loss) before finance costs attributable to unit holders (\$'000)	120,072	(48,293)
<b>Distributions - Institutional Class Units</b>		
Distributions (\$'000)	2,146	2,492
Distributions (cents per unit)	570.98	572.70
<b>Distributions - Wholesale Class Units</b>		
Distributions (\$'000)	18,885	21,771
Distributions (cents per unit)	0.59	0.59

### Significant changes in the state of affairs

There were no significant changes in the state of affairs impacting the financial position of the Fund during the half-year ended 31 December 2023.

### Rounding of amounts to the nearest thousand dollars

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

### 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 4.

This report is made in accordance with a resolution of the directors of PIMCO Australia Management Limited.



Director

Sydney  
 13 March 2024



## Auditor's Independence Declaration

As lead auditor for the review of PIMCO Diversified Fixed Interest Fund for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Alexandra Richardson', written in a cursive style.

Alexandra Richardson  
Partner  
PricewaterhouseCoopers

Sydney  
13 March 2024

## Condensed statement of comprehensive income

	Note	Half-year ended	
		31 December 2023 \$'000	31 December 2022 \$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		55	26
Distribution income		21,010	23,809
Net gains/(losses) on financial instruments at fair value through profit or loss		<u>99,811</u>	<u>(71,190)</u>
<b>Total investment income/(loss)</b>		<u>120,876</u>	<u>(47,355)</u>
<b>Expenses</b>			
Management fee	9	795	918
Transactional and operational costs		<u>9</u>	<u>20</u>
<b>Total expenses</b>		<u>804</u>	<u>938</u>
<b>Operating profit/(loss)</b>		<u>120,072</u>	<u>(48,293)</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	6	(21,031)	(24,263)
(Increase)/decrease in net assets attributable to unit holders	5	<u>(99,041)</u>	<u>72,556</u>
<b>Profit/(loss) for the half-year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year</b>		<u>-</u>	<u>-</u>

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

## Condensed statement of financial position

		As at	
		31 December 2023	30 June 2023
	Note	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		250	119
Receivables	7	11,881	11,937
Receivable for units redeemed		1,733	6,423
Financial assets at fair value through profit or loss	4	<u>3,172,084</u>	<u>3,230,048</u>
<b>Total assets</b>		<u><b>3,185,948</b></u>	<u><b>3,248,527</b></u>
<b>Liabilities</b>			
Distributions payable	6	10,489	10,746
Payables	8	2,145	6,868
Payable for units purchased		<u>1,385</u>	<u>1,170</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u><b>14,019</b></u>	<u><b>18,784</b></u>
<b>Net assets attributable to unit holders - liability</b>	5	<u><b>3,171,929</b></u>	<u><b>3,229,743</b></u>

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

**Condensed statement of changes in equity**

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
<b>Total equity at the beginning of the half-year</b>	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the half-year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

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



## Condensed statement of cash flows

	Half-year ended	
	31 December 2023 \$'000	31 December 2022 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	532,858	538,804
Purchase of financial instruments at fair value through profit or loss	(348,897)	(319,004)
Interest income received	55	26
Other income (paid)	-	(2)
Management fee paid	(828)	(957)
Transactional and operational costs paid	(9)	(20)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>183,179</u>	<u>218,847</u>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unit holders	348,898	318,170
Payments for redemptions by unit holders	(512,866)	(514,861)
Distributions paid to unit holders	(19,080)	(21,915)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>(183,048)</u>	<u>(218,606)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>131</b>	<b>241</b>
Cash and cash equivalents at the beginning of the half-year	<u>119</u>	<u>156</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u>250</u>	<u>397</u>
<b>Non-cash operating and financing activities</b>		
Issue of units under the distribution reinvestment plan	2,208	3,024
Distribution income reinvested	21,281	24,657

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

## Notes to the condensed financial statements

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## **1 General information**

These interim financial statements cover PIMCO Diversified Fixed Interest Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 16 June 1998 and will terminate on 15 June 2078, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, 5 Martin Place, Sydney, NSW 2000.

The Fund mainly invests in unlisted unit trusts, the PIMCO Australian Bond Fund and the PIMCO Global Bond Fund ("Unit Trusts"), which hold interest bearing securities in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

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

## **2 Basis of preparation**

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **(a) New accounting standards and interpretations**

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these interim financial statements. These standards, amendments or interpretations are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Other than as noted below, there are no standards or amendments to accounting standards and interpretations that are effective for the first time for the annual period beginning 1 July 2023 that have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

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

AASB 2021-2 became effective for annual reporting periods beginning on or after 1 January 2023. It amends Australian Accounting Standards to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates. The adoption of this standard is not expected to have a material impact on the accounting policy disclosures in the interim financial statements.

The principal accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, unless otherwise stated.

### 3 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

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

#### (a) Fair value in an inactive or unquoted market (level 2)

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.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

#### (b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

As at 31 December 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss:</b>				
Unit trusts	-	3,172,084	-	3,172,084
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>3,172,084</b>	<b>-</b>	<b>3,172,084</b>

As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss:</b>				
Unit trusts	-	3,230,048	-	3,230,048
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>3,230,048</b>	<b>-</b>	<b>3,230,048</b>

#### (c) Transfer between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

### 3 Fair value measurement (continued)

#### (d) 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 unit holders' carrying value differ 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 reporting period.

### 4 Financial assets at fair value through profit or loss

	As at	
	31 December 2023	30 June 2023
	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>		
Unit trusts	<u>3,172,084</u>	<u>3,230,048</u>
<b>Total financial assets at fair value through profit or loss</b>	<u><b>3,172,084</b></u>	<u><b>3,230,048</b></u>

### 5 Net assets attributable to unit holders

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

	Half-year ended			
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
	Units'000	\$'000	Units'000	\$'000
<b>Institutional Class Units</b>				
Opening balance	395	334,498	468	399,255
Applications	22	18,428	6	5,235
Redemptions	(46)	(38,442)	(54)	(46,254)
Reinvestment of distributions	2	1,707	2	2,007
Increase/(decrease) in net assets attributable to unit holders	<u>-</u>	<u>10,339</u>	<u>-</u>	<u>(7,308)</u>
<b>Closing balance</b>	<u>373</u>	<u>326,530</u>	<u>422</u>	<u>352,935</u>
<b>Wholesale Class Units</b>				
Opening balance	3,315,958	2,895,245	3,807,647	3,351,548
Applications	378,899	330,685	350,127	307,788
Redemptions	(539,470)	(469,734)	(525,983)	(461,428)
Reinvestment of distributions	577	501	1,170	1,017
Increase/(decrease) in net assets attributable to unit holders	<u>-</u>	<u>88,702</u>	<u>-</u>	<u>(65,248)</u>
<b>Closing balance</b>	<u>3,155,964</u>	<u>2,845,399</u>	<u>3,632,961</u>	<u>3,133,677</u>
<b>Closing balance</b>		<u><b>3,171,929</b></u>		<u><b>3,486,612</b></u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

## 5 Net assets attributable to unit holders (continued)

There are two open classes of units at 31 December 2023 and 2022. Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

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

## 6 Distributions to unit holders

The distributions declared during the half-year were as follows:

	Half-year ended			
	31 December 2023 \$'000	31 December 2023 CPU	31 December 2022 \$'000	31 December 2022 CPU
<b>Distributions - Institutional Class Units</b>				
September	1,067	281.61	1,276	284.37
December (payable)	<u>1,079</u>	<u>289.37</u>	<u>1,216</u>	<u>288.33</u>
<b>Total distributions</b>	<u>2,146</u>	<u>570.98</u>	<u>2,492</u>	<u>572.70</u>
<b>Distributions - Wholesale Class Units</b>				
September	9,475	0.29	10,974	0.29
December (payable)	<u>9,410</u>	<u>0.30</u>	<u>10,797</u>	<u>0.30</u>
<b>Total distributions</b>	<u>18,885</u>	<u>0.59</u>	<u>21,771</u>	<u>0.59</u>
<b>Total distributions</b>	<u>21,031</u>		<u>24,263</u>	

## 7 Receivables

	As at	
	31 December 2023 \$'000	30 June 2023 \$'000
Distribution receivable	10,469	10,740
Applications receivable	1,385	1,170
GST receivable	21	23
Other receivables	<u>6</u>	<u>4</u>
<b>Total receivables</b>	<u>11,881</u>	<u>11,937</u>

## 8 Payables

	As at	
	31 December 2023	30 June 2023
	\$'000	\$'000
Management fee payable	412	445
Redemptions payable	1,733	6,423
<b>Total payables</b>	<b>2,145</b>	<b>6,868</b>

## 9 Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

Management fees are calculated with reference to the rate in the applicable Product Disclosure Statement. Ordinary expenses such as those payable to the Investment Manager, Responsible Entity, Custodian, Administrator, Auditor and other ordinary expenses of operating the Fund are paid out of the management fee.

The transactions during the half-year and amounts payable as at half-year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Half-year ended	
	31 December 2023	31 December 2022
	\$	\$
Management fee expense for the period	794,672	917,884
Total management fee payable at period end	411,859	471,894

## 10 Events occurring after the reporting period

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2023 or on the results and cash flows of the Fund for the half-year ended on that date.

## 11 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2023 and 30 June 2023.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of PIMCO Australia Management Limited.



Director

Sydney  
13 March 2024





# ***Independent auditor's review report to the unitholders of PIMCO Diversified Fixed Interest Fund***

## **Report on the half-year financial report**

### ***Conclusion***

We have reviewed the half-year financial report of PIMCO Diversified Fixed Interest Fund (the Registered Scheme) which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### ***Basis for conclusion***

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

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

### ***Responsibilities of the directors of the Responsible Entity for the half-year financial report***

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

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### ***Auditor's responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Alexandra Richardson'.

Alexandra Richardson  
Partner

Sydney  
13 March 2024