

## **Macquarie Public Investment - Direct Equities Funds Booklet - 3**

### **Annual financial report - 30 June 2023**

#### **Arrowstreet Global Equity Fund**

ARSN 122 036 006

#### **IFP Global Franchise Fund**

ARSN 111 759 712

#### **IFP Global Franchise Fund II**

ARSN 636 430 165

#### **Macquarie Australian Shares Fund**

ARSN 117 134 746

#### **Macquarie International Equities Fund**

ARSN 113 559 210

## Macquarie Public Investment - Direct Equities Funds Booklet - 3

Annual financial report - 30 June 2023

### Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Statements of Comprehensive Income	5
Statements of Financial Position	6
Statements of Changes in Equity	7
Statements of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	38
Independent Auditor's Report	39

This financial report covers Arrowstreet Global Equity Fund, IFP Global Franchise Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund as individual entities.

The Responsible Entity of Arrowstreet Global Equity Fund, IFP Global Franchise Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund is Macquarie Investment Management Australia Limited (ABN 55 092 552 611). The Responsible Entity's registered office is No. 50 Martin Place, Sydney, NSW 2000.

## Directors' Report

30 June 2023

The directors of Macquarie Investment Management Australia Limited ("MIMAL" or the "Responsible Entity"), a wholly owned subsidiary of Macquarie Group Limited and the Responsible Entity of Arrowstreet Global Equity Fund, IFP Global Franchise Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund (individually the "Trust", collectively the "Trusts"), present their report together with the financial report of the Trusts for the financial year ended 30 June 2023.

### Principal activities

The principal activity of the Trusts is to invest in equity securities and derivatives in accordance with their respective Constitution.

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

### Directors

The following persons held office as directors of MIMAL during the financial year ended 30 June 2023 or since the end of the financial year and up to the date of this report:

M Aubrey

C Berger

C Marull (resigned 03/03/2023)

G Stephens

B Terry

### Review and results of operations

During the financial year, the Trusts were managed in accordance with the investment objective and strategy set out in the respective Trust's offer document and in accordance with their respective Constitution.

The performance of the Trusts, as represented by the results of their operations, was as follows:

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Profit/(loss) for the year attributable to unitholders (\$'000)	714,835	(161,549)	288,498	16,055	112,272	(17,761)	37,557	(12,712)	343,202	(95,578)
Distributions paid or payable (\$'000)	229,796	197,980	93,576	195,288	6,624	7,002	17,340	27,270	36,044	31,350
Distribution per unit (in cents)	7.02	6.74	12.83	30.04	1.44	1.65	9.58	20.91	4.55	5.17

### Significant changes in state of affairs

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

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Trusts in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trusts in future financial years.

## Directors' Report

30 June 2023

### **Likely developments and expected results of operations**

The Trusts will continue to be managed in accordance with the investment objective and strategy set out in the respective Trust's offer document and in accordance with their respective Constitution.

The results of the Trusts' operations will be affected by a number of factors, including the performance of investment markets in which the Trusts 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.

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Trusts in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Trusts. Under the respective Trust's Constitution, the Responsible Entity of the Trusts is entitled to be indemnified out of the assets of the Trusts for any liability incurred by it in properly performing its duties or exercising any of its powers in relation to the Trusts.

### **Fees paid to and units held in the Trusts by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of the Trusts' property during the financial year are disclosed in Note 8 of the financial statements.

No fees were paid out of the Trusts' property to the directors of the Responsible Entity during the financial year (2022: Nil).

The number of units in the Trusts held by the Responsible Entity, its directors or its associates as at the end of the financial year are disclosed in Note 8 of the financial statements.

### **Units in the Trusts**

The movement in units of the Trusts during the financial year is disclosed in Note 4 of the financial statements.

The value of the Trusts' assets and liabilities is disclosed on the statements of financial position and derived using the basis set out in Note 2 of the financial statements.

### **Environmental regulations**

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

### **Rounding of amounts**

In accordance with *Australian Securities and Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the directors' report and the financial report have been rounded to the nearest thousand Australian dollars, unless otherwise indicated.

### **Multi-fund booklet**

The relief available in *Australian Securities and Investments Commission Corporations (Related Scheme Reports) Instrument 2015/839* has been applied in the directors' report and the financial report, combining information related to multiple Trusts. In accordance with that, information related to each included Trust has been readily identified and amounts for each included Trust are presented in the adjacent columns in this report.

## Directors' Report

30 June 2023

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



Director: .....

B Terry

Sydney

7 September 2023

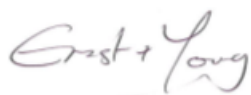
## Auditor's Independence Declaration to the Directors of Macquarie Investment Management Australia Limited as Responsible Entity of

- Arrowstreet Global Equity Fund
- IFP Global Franchise Fund
- IFP Global Franchise Fund II
- Macquarie Australian Shares Fund
- Macquarie International Equities Fund

referred to collectively as the Trusts.

As lead auditor for the audit of the financial report of the Trusts for the financial year ended 30 June 2023, I declare 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;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Darren J Handley-Greaves  
Partner  
07 September 2023

## Statements of Comprehensive Income

For the Year Ended 30 June 2023

Notes	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income/(loss)</b>										
Interest income	537	—	886	—	407	—	301	—	575	—
Dividend income	152,931	122,306	35,640	42,399	10,039	5,577	12,336	12,726	34,545	24,084
Net gains/(losses) on financial instruments held at fair value through profit or loss	630,079	(235,514)	283,337	1,545	110,787	(18,603)	26,765	(23,913)	315,392	(113,412)
Net foreign exchange gains/(losses)	(4,233)	7,882	(2,771)	(609)	178	(78)	—	—	2,413	702
Other operating income	—	—	—	—	—	—	—	2	4	—
<b>Total income/(loss)</b>	<b>779,314</b>	<b>(105,326)</b>	<b>317,092</b>	<b>43,335</b>	<b>121,411</b>	<b>(13,104)</b>	<b>39,402</b>	<b>(11,185)</b>	<b>352,929</b>	<b>(88,626)</b>
<b>Expenses</b>										
Responsible Entity fees	8 (46,084)	(43,216)	(21,068)	(23,721)	(7,216)	(4,056)	(1,823)	(1,523)	(4,848)	(3,969)
Withholding tax expenses	(18,344)	(12,997)	(7,526)	(3,559)	(1,923)	(601)	(22)	(4)	(4,879)	(2,983)
Other operating expenses	(51)	(10)	—	—	—	—	—	—	—	—
<b>Total expenses</b>	<b>(64,479)</b>	<b>(56,223)</b>	<b>(28,594)</b>	<b>(27,280)</b>	<b>(9,139)</b>	<b>(4,657)</b>	<b>(1,845)</b>	<b>(1,527)</b>	<b>(9,727)</b>	<b>(6,952)</b>
<b>Profit/(loss) for the year attributable to unitholders</b>	<b>4 714,835</b>	<b>(161,549)</b>	<b>288,498</b>	<b>16,055</b>	<b>112,272</b>	<b>(17,761)</b>	<b>37,557</b>	<b>(12,712)</b>	<b>343,202</b>	<b>(95,578)</b>
Other comprehensive income for the year	—	—	—	—	—	—	—	—	—	—
<b>Total comprehensive income/(loss) for the year attributable to unitholders</b>	<b>714,835</b>	<b>(161,549)</b>	<b>288,498</b>	<b>16,055</b>	<b>112,272</b>	<b>(17,761)</b>	<b>37,557</b>	<b>(12,712)</b>	<b>343,202</b>	<b>(95,578)</b>

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

## Statements of Financial Position

As at 30 June 2023

		Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>											
Cash and cash equivalents	5	64,779	135,620	51,579	30,233	19,297	13,869	12,546	5,758	27,379	24,911
Margin accounts		—	—	—	—	—	—	904	551	8,841	5,699
Applications receivable		1,031	—	489	—	45	—	1,211	—	—	—
Due from brokers - receivable for securities sold		139,462	24,067	5,211	921	3,914	293	—	6,614	23	4,471
Dividends receivable		10,544	10,943	2,206	2,393	455	472	1,324	1,133	1,737	1,250
Other receivables		9,546	6,412	8,664	8,679	1,170	461	61	45	2,283	1,710
Financial assets held at fair value through profit or loss	6	4,150,753	3,334,162	1,813,045	1,580,934	624,131	482,487	355,960	227,640	2,013,842	1,277,258
<b>Total assets</b>		<b>4,376,115</b>	<b>3,511,204</b>	<b>1,881,194</b>	<b>1,623,160</b>	<b>649,012</b>	<b>497,582</b>	<b>372,006</b>	<b>241,741</b>	<b>2,054,105</b>	<b>1,315,299</b>
<b>Liabilities</b>											
Due to brokers - payable for securities purchased		55,247	27,045	7,537	1	2,508	—	—	731	—	3,292
Redemptions payable		55,946	61,475	11,430	27,420	664	1,011	610	252	3,998	24,293
Distributions payable		80,843	76,748	64,623	154,966	1,408	1,329	6,422	12,058	13	13
Responsible Entity fees payable	8	8,721	2,831	3,872	1,323	1,364	451	532	385	1,420	1,001
Withholding tax payable		1	—	1	2	—	—	3	7	—	—
Financial liabilities held at fair value through profit or loss	7	87,201	144,983	—	—	—	—	39	13	9	26
<b>Total liabilities</b>		<b>287,959</b>	<b>313,082</b>	<b>87,463</b>	<b>183,712</b>	<b>5,944</b>	<b>2,791</b>	<b>7,606</b>	<b>13,446</b>	<b>5,440</b>	<b>28,625</b>
<b>Net assets attributable to unitholders - equity</b>	4	<b>4,088,156</b>	<b>3,198,122</b>	<b>1,793,731</b>	<b>1,439,448</b>	<b>643,068</b>	<b>494,791</b>	<b>364,400</b>	<b>228,295</b>	<b>2,048,665</b>	<b>1,286,674</b>

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



## Statements of Changes in Equity

For the Year Ended 30 June 2023

	Notes	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Total equity at the beginning of the year</b>		<b>3,198,122</b>	3,064,814	<b>1,439,448</b>	1,817,893	<b>494,791</b>	240,574	<b>228,295</b>	233,658	<b>1,286,674</b>	1,144,955
<b>Comprehensive income/(loss) for the year</b>											
Profit/(loss) for the year attributable to unitholders	4	<b>714,835</b>	(161,549)	<b>288,498</b>	16,055	<b>112,272</b>	(17,761)	<b>37,557</b>	(12,712)	<b>343,202</b>	(95,578)
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
<b>Total comprehensive income/(loss) for the year</b>		<b>714,835</b>	(161,549)	<b>288,498</b>	16,055	<b>112,272</b>	(17,761)	<b>37,557</b>	(12,712)	<b>343,202</b>	(95,578)
<b>Transactions with unitholders in their capacity as owners</b>											
Applications	4	<b>1,273,619</b>	1,271,312	<b>476,212</b>	262,474	<b>122,850</b>	288,213	<b>149,318</b>	68,222	<b>627,653</b>	435,867
Redemptions	4	<b>(1,001,446)</b>	(894,208)	<b>(345,803)</b>	(502,006)	<b>(85,437)</b>	(14,906)	<b>(39,500)</b>	(45,208)	<b>(208,843)</b>	(198,549)
Units issued upon reinvestment of distributions	4	<b>132,822</b>	115,733	<b>28,952</b>	40,320	<b>5,216</b>	5,673	<b>6,070</b>	11,605	<b>36,023</b>	31,329
Distributions	4	<b>(229,796)</b>	(197,980)	<b>(93,576)</b>	(195,288)	<b>(6,624)</b>	(7,002)	<b>(17,340)</b>	(27,270)	<b>(36,044)</b>	(31,350)
<b>Total transactions with unitholders in their capacity as owners</b>		<b>175,199</b>	294,857	<b>65,785</b>	(394,500)	<b>36,005</b>	271,978	<b>98,548</b>	7,349	<b>418,789</b>	237,297
<b>Total equity at the end of the year</b>	4	<b>4,088,156</b>	3,198,122	<b>1,793,731</b>	1,439,448	<b>643,068</b>	494,791	<b>364,400</b>	228,295	<b>2,048,665</b>	1,286,674

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 2023

	Notes	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>											
Proceeds related to financial instruments held at fair value through profit or loss		3,352,500	5,074,579	461,625	757,118	158,064	82,701	169,409	151,626	80,949	104,296
Payments related to financial instruments held at fair value through profit or loss		(3,683,953)	(5,148,898)	(409,859)	(447,321)	(189,835)	(334,543)	(265,055)	(174,801)	(501,547)	(398,252)
Interest received		537	—	886	—	407	—	301	—	575	—
Net margin received/(paid)		—	—	—	—	—	—	(353)	(444)	(3,142)	17,650
Dividends received		133,027	99,282	28,821	36,521	7,631	4,280	12,115	12,534	28,643	19,965
Other income received		—	—	—	—	—	—	—	2	4	—
Responsible Entity fees paid		(41,369)	(43,388)	(19,024)	(24,025)	(6,510)	(3,827)	(1,684)	(1,467)	(4,466)	(3,649)
Payment of other expenses		(51)	(10)	—	—	—	—	—	—	—	—
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>(239,309)</b>	<b>(18,435)</b>	<b>62,449</b>	<b>322,293</b>	<b>(30,243)</b>	<b>(251,389)</b>	<b>(85,267)</b>	<b>(12,550)</b>	<b>(398,984)</b>	<b>(259,990)</b>
<b>Cash flows from financing activities:</b>											
Proceeds from applications by unitholders		1,272,588	1,271,312	475,723	262,474	122,805	288,213	148,107	68,222	627,653	435,867
Payments for redemptions made to unitholders		(1,006,975)	(1,010,105)	(361,793)	(493,306)	(85,784)	(14,054)	(39,142)	(45,033)	(229,138)	(182,139)
Distributions paid to unitholders		(92,878)	(208,609)	(154,966)	(74,735)	(1,329)	(51)	(16,885)	(8,305)	(21)	(27)
Withholding tax paid		—	—	(2)	—	—	—	(25)	(9)	—	—
<b>Net cash inflow/(outflow) from financing activities</b>		<b>172,735</b>	<b>52,598</b>	<b>(41,038)</b>	<b>(305,567)</b>	<b>35,692</b>	<b>274,108</b>	<b>92,055</b>	<b>14,875</b>	<b>398,494</b>	<b>253,701</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(66,574)</b>	<b>34,163</b>	<b>21,411</b>	<b>16,726</b>	<b>5,449</b>	<b>22,719</b>	<b>6,788</b>	<b>2,325</b>	<b>(490)</b>	<b>(6,289)</b>
Cash and cash equivalents at the beginning of the year		135,620	93,999	30,233	13,518	13,869	(8,843)	5,758	3,433	24,911	30,333
Effects of foreign currency exchange rate changes on cash and cash equivalents		(4,267)	7,458	(65)	(11)	(21)	(7)	—	—	2,958	867
<b>Cash and cash equivalents at the end of the year</b>	5	<b>64,779</b>	<b>135,620</b>	<b>51,579</b>	<b>30,233</b>	<b>19,297</b>	<b>13,869</b>	<b>12,546</b>	<b>5,758</b>	<b>27,379</b>	<b>24,911</b>
Non-cash financing activities	10(b)	132,822	115,733	28,952	40,320	5,216	5,673	6,070	11,605	36,023	31,329

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

## Notes to the Financial Statements

### For the Year Ended 30 June 2023

#### 1 General information

This financial report covers Arrowstreet Global Equity Fund, IFP Global Franchise Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund (individually the "Trust", collectively the "Trusts") as individual entities. The Trusts are registered managed investment schemes domiciled in Australia. The Trusts did not have any employees during the financial years ended 30 June 2023 and 30 June 2022. The financial report of the Trusts is presented in Australian dollars, which is also the functional currency of the Trusts. The respective Trust's Constitution dates are as follows:

- Arrowstreet Global Equity Fund - 21 September 2006
- IFP Global Franchise Fund - 10 November 2004
- IFP Global Franchise Fund II - 25 September 2019
- Macquarie Australian Shares Fund - 14 November 2005
- Macquarie International Equities Fund - 24 March 2005

The Responsible Entity of the Trusts is Macquarie Investment Management Australia Limited ("MIMAL" or the "Responsible Entity"). The Responsible Entity's registered office is No. 50 Martin Place, Sydney, NSW 2000.

The respective Trust's Constitution allows the Attribution Managed Investment Trust ("AMIT") tax regime to apply to the Trust. The Trusts met the AMIT eligibility criteria for the tax years ended 30 June 2023 and 30 June 2022. Consequently, the Responsible Entity is not contractually obligated to pay distributions to the unitholders and the units in the Trusts are classified as equity (see Note 2(d), Note 2(k) and Note 4).

In addition, disclosures applicable to certain Trusts are as below:

- **Arrowstreet Global Equity Fund**

The Investment Manager of the Trust is Arrowstreet Capital L.P. (the "Investment Manager").

- **IFP Global Franchise Fund**

The Investment Manager of the Trust is Independent Franchise Partners LLP (the "Investment Manager").

- **IFP Global Franchise Fund II**

The Investment Manager of the Trust is Independent Franchise Partners LLP (the "Investment Manager").

During the financial year ended 30 June 2022, Return to Work Corporation of South Australia ceased to be the parent and the ultimate parent of the Trust, upon issue of further units by the Trust.

- **Macquarie Australian Shares Fund**

The Investment Manager of the Trust is Macquarie Investment Management Global Limited ("MIMGL" or the "Investment Manager").

- **Macquarie International Equities Fund**

The Investment Manager of the Trust is MIMGL (the "Investment Manager").

The parent and the ultimate parent of the Trust is Macquarie True Index International Equities Fund.

The Trusts will continue to be managed in accordance with the investment objective and strategy set out in the respective Trust's offer document and in accordance with their respective Constitution.

The financial statements of the Trusts were authorised for issue by the directors on 7 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial report.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 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 financial years presented, unless otherwise stated in this note.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Trusts are for-profit trusts for the purpose of preparing financial statements.

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

The statements of financial position 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 items. All of the Trusts' assets and liabilities are either held for trading or are expected to be realised within twelve months.

The Trusts' financial assets and financial liabilities are held at fair value through profit or loss and are managed based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the respective Trust's portfolio will be realised within twelve months, however, an estimate of that amount cannot be reliably determined as at the reporting date.

Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

The Novel Coronavirus (COVID-19) has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments and regulators. The impact of COVID-19, where applicable, has been incorporated into the determination of the Trusts' results of operations and measurement of their assets and liabilities as at the reporting date. There has been no impact on the going concern ability of the Trusts.

#### *Changes to accounting standards and interpretations*

There are no new accounting standards, amendments or interpretations that are effective for annual periods beginning on 1 July 2022 that have a material impact on the financial statements of the Trusts. In addition, there are no other standards, amendments or interpretations issued but not yet effective as at 30 June 2023 that are expected to have a material impact on the Trusts' financial statements.

#### *Compliance with International Financial Reporting Standards*

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

#### (b) Financial instruments

##### (i) Classification

The Trusts manage their investments on a fair value basis. All other assets and liabilities are carried at amortised cost. These are classified as below:

- *Financial assets held at fair value through profit or loss ("FVTPL")*

The Trusts classify their investments based on both their respective business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Trusts are primarily focussed on fair value information, and use that information to assess the assets' performance and to make decisions in accordance with the Trusts' documented investment strategy.

The Trusts' investments in equity securities and unlisted unit trusts are measured at fair value through profit or loss. For any investment in debt securities, the contractual cash flows are solely principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Trusts' business models' objective. Consequently, the debt securities are also measured at fair value through profit or loss.

In addition, the derivative financial instruments are measured at fair value through profit or loss. Derivative financial instruments are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. The Trusts do not designate any securities as hedges in a hedging relationship.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

#### (b) Financial instruments (continued)

##### (i) Classification (continued)

- *Financial assets held at amortised cost*

A financial asset is measured at amortised cost, if it is held within a business model whose objective is to hold to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that represent solely payment of principal and interest.

The Trusts may hold short-term receivables at amortised cost.

- *Financial liabilities*

A financial liability is measured at FVTPL if it meets the definition of held for trading. Derivative contracts that have a negative fair value are also included in this category.

Financial liabilities, other than those measured at FVTPL, are measured at amortised cost. These may include short-term payables.

##### (ii) Recognition/derecognition

The Trusts recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the investments has expired and the Trusts have transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities is discharged, cancelled or has expired.

##### (iii) Measurement

- *Financial instruments held at FVTPL*

Financial assets and financial liabilities held at FVTPL are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial instruments held at FVTPL are expensed immediately in the statements of comprehensive income.

Subsequent to initial recognition, all financial instruments held at FVTPL are measured at fair value, with changes in their fair value recognised as net gains or losses on financial instruments held at fair value through profit or loss in the statements of comprehensive income.

*Fair value in an active market*

The fair value of financial instruments traded in active markets is based on their quoted market prices as at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current ask prices.

*Fair value in an inactive or unquoted market*

The fair value of financial instruments 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 reasonable estimate of the market prices.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and discount rate at the reporting date applicable for an instrument with similar terms and conditions.

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

## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

#### (b) Financial instruments (continued)

##### (iii) Measurement (continued)

- *Financial instruments held at FVTPL (continued)*

##### *Fair value in an inactive or unquoted market (continued)*

The fair value of derivative financial instruments that are not exchange traded is estimated at the amount that the Trusts would receive or pay to terminate the contract as at the reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

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

Details on how the fair value of financial instruments is determined are disclosed in Note 9(e).

- *Financial instruments held at amortised cost*

Financial assets and liabilities, other than those classified as FVTPL, are initially measured at fair value adjusted by transaction costs and subsequently amortised using the effective interest rate ("EIR") method.

The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in the statements of comprehensive income over the life of a financial asset or a financial liability. The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where applicable, to the net carrying amount of the financial asset or liability.

- *Impairment*

The Expected Credit Loss ("ECL") requirements for the Trusts apply to financial assets measured at amortised cost. The Trusts apply a three-stage approach (Stage I - 12 month ECL, Stage II - Lifetime ECL not credit impaired and Stage III - Lifetime ECL credit impaired) to measure ECL based on changes in the financial asset's underlying credit risk and includes forward-looking and macro-economic information. The 12 month ECL is the portion of lifetime ECL that results from default events that are possible within the 12 months after the reporting date. ECL is modelled as the product of the probability of default, the loss given default and the exposure at default.

##### (iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, 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 financial asset and settle the financial liability simultaneously.

#### (c) Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statements of financial position as the Trusts retain substantially all the risks and rewards of ownership.

Under repurchase agreements, the Trusts sell securities that they hold with an agreement to repurchase the same security at an agreed upon price and date. Amounts received from sold securities under repurchase agreements are reflected as a financial liability. Interest payments are recorded as a component of interest expense. The Trusts may receive a fee for the use of the security by the counterparty, which may result in interest income to the Trusts.

A repurchase agreement involves the risk that the market value of the security sold by the Trusts may decline below the repurchase price of the security. The Trusts segregate assets determined to be liquid or otherwise to cover their obligations under repurchase agreements.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

#### (d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option based on the redemption price, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) as at the reporting date if unitholders exercised their right to redeem their units.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain criteria are met. The Trusts classify the net assets attributable to unitholders as equity as they satisfy all of the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trusts' 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 Trusts, and it is not a contract settled in the Trusts' 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 of the Trusts over the life of the instrument.

#### (e) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash includes cash on hand and deposits held at call with financial institutions. Cash equivalents include 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, which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank overdrafts, if any, are considered as cash and cash equivalents. However, these are disclosed under liabilities on the statements of financial position.

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 Trusts' main income generating activity.

#### (f) Cash collateral receivable/payable

Cash collateral receivable/payable comprises cash paid/received as collateral for over-the-counter derivative transactions and is receivable from/payable to the counterparty.

#### (g) Margin accounts

Margin accounts comprise cash held with brokers for derivative transactions. The cash is only available to meet margin calls.

#### (h) Income

The Trusts may have the following income which are recognised as below:

- Interest income is recognised in the statements of comprehensive income using the EIR method for all financial instruments that are not held at fair value through profit or loss. Interest income on assets held at fair value through profit or loss is included in the net gains or losses on financial instruments.
- Distribution income is received from the underlying unit trusts. This is recognised when the right to receive payment is established.
- Dividend income is recognised on the ex-dividend date, when the right to receive payment is established, with any related withholding tax recorded separately as an expense in the statements of comprehensive income. Any portion of withholding tax, which is reclaimable, is disclosed net of withholding tax expense in the statements of comprehensive income and recognised under other receivables in the statements of financial position.
- Fee rebates from the Responsible Entity are recognised in the statements of comprehensive income on an accruals basis.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

#### (h) Income (continued)

- Gains or losses arising from changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b).

#### (i) Expenses

All expenses, including Responsible Entity fees and performance fees, as applicable, are recognised in the statements of comprehensive income on an accruals basis.

#### (j) Income tax

Under current legislation, the Trusts are not subject to income tax as income of the Trusts is attributed to the 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 attributed to unitholders so that the Trusts are not subject to capital gains tax.

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

The Trusts may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax, and withholding tax is recognised as an expense in the statements of comprehensive income.

The benefits of imputation credits and tax paid are generally passed on to unitholders.

#### (k) Distributions to unitholders

In accordance with the respective Trust's Constitution, distributions to unitholders are determined by the Responsible Entity of the Trusts. The Responsible Entity attributes the Trusts' income to unitholders on a fair and reasonable basis, however, the Responsible Entity does not have a requirement under the respective Trust's Constitution to distribute the Trusts' income to unitholders. Distributions to unitholders in the form of cash or reinvestments, are recognised in the statements of changes in equity.

#### (l) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the Trusts' 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 Trusts compete for funds and are regulated. The Australian dollar is also the Trusts' 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 as at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

The Trusts do not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at FVTPL 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 held at FVTPL.

#### (m) Due from/to underlying unit trusts

Amounts due from/to underlying unit trusts may include outstanding redemption proceeds receivable from and application money payable to the underlying unit trusts. The amounts are recognised as receivable/payable once the redemption/application notice has been made by the Trusts to the underlying unit trusts and is recognised at the fair value of the underlying unit trusts at the date of redemption/application.



## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

**(n) 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 delivered as at the reporting date.

**(o) Receivables**

Receivables include assets and accrued income owing to the Trusts which have not been received as at the reporting date. Amounts are generally received within 30 days of being recorded as receivables.

- Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 2(h). Interest receivable on assets held at fair value through profit or loss is included as part of the financial assets held at FVTPL in the statements of financial position.
- Distribution income and dividend income are accrued when the right to receive payment is established.
- Fee rebates receivable from the Responsible Entity is recognised in the statements of financial position on an accruals basis.

**(p) Payables**

Payables may include liabilities and accrued expenses owing by the Trusts which are unpaid as at the reporting date.

The amount payable to unitholders towards redemption of units and distributions as at the reporting date is recognised separately in the statements of financial position.

The withholding tax payable as at the reporting date is recognised separately in the statements of financial position as under certain circumstances tax is withheld from distributions to unitholders in accordance with applicable legislation.

**(q) Applications and redemptions**

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

**(r) Goods and Services Tax ("GST")**

Income, expenses and assets are recognised net of the amount of GST to the extent that the GST is recoverable from the Australian Taxation Office ("ATO"). The Trust is eligible to claim Reduced Input Tax Credit ("RITC") in relation to certain expenses. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are recognised inclusive of GST. GST recoverable from or payable to the ATO is recorded as receivables or payables in the statements of financial position.

Cash flows relating to GST, recoverable from, or payable to, the ATO are included as cash flows from operating activities and are disclosed in the statements of cash flows on a gross basis.

**(s) Use of estimates**

The Responsible Entity makes 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 exchange traded financial instruments quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives and 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 Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

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

#### (s) Use of estimates (continued)

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

For certain other financial instruments, including short-term receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

#### (t) Rounding of amounts

In accordance with *Australian Securities and Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*, amounts in the directors' report and the financial report have been rounded to the nearest thousand Australian dollars, unless otherwise indicated.

#### (u) Multi-fund booklet

The relief available in *Australian Securities and Investments Commission Corporations (Related Scheme Reports) Instrument 2015/839* has been applied in the directors' report and the financial report, combining information related to multiple Trusts. In accordance with that, information related to each included Trust has been readily identified and amounts for each included Trust are presented in the adjacent columns in this report.

### 3 Auditor's remuneration

During the financial year, the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Trusts:

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Audit services</b>										
Audit of financial reports	10,175	9,554	10,175	9,554	7,034	6,613	9,424	8,850	7,288	6,850
Other audit work under the <i>Corporations Act 2001</i>	965	904	965	904	965	904	965	904	965	904
<b>Non-audit services</b>										
Taxation compliance services	1,135	1,080	1,135	1,080	1,135	1,080	1,135	1,080	1,135	1,080
<b>Total remuneration paid/ payable</b>	<b>12,275</b>	<b>11,538</b>	<b>12,275</b>	<b>11,538</b>	<b>9,134</b>	<b>8,597</b>	<b>11,524</b>	<b>10,834</b>	<b>9,388</b>	<b>8,834</b>

Audit fees are paid out of the Responsible Entity's own resources except for Macquarie International Equities Fund, where it is borne by the Trust.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 4 Net assets attributable to unitholders

As stipulated within the respective Trust's Constitution, each unit represents an undivided share in the beneficial interest in the Trust. There are no separate classes of units and each unit in the Trust has the same rights attaching to it as all other units in that Trust.

The Trusts meet the criteria set out under AASB 132, hence the net assets attributable to unitholders is classified as equity (see Note 2(d)).

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

	Arrowstreet Global Equity Fund				IFP Global Franchise Fund			
	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000
Opening balance	3,047,451	2,628,717	3,198,122	3,064,814	668,821	744,771	1,439,448	1,817,893
Applications	1,133,374	1,051,094	1,273,619	1,271,312	212,357	102,936	476,212	262,474
Redemptions	(887,478)	(741,248)	(1,001,446)	(894,208)	(152,097)	(197,626)	(345,803)	(502,006)
Units issued upon reinvestment of distributions	112,359	108,888	132,822	115,733	11,959	18,740	28,952	40,320
Distributions to unitholders	–	–	(229,796)	(197,980)	–	–	(93,576)	(195,288)
Profit/(loss) for the year attributable to unitholders	–	–	714,835	(161,549)	–	–	288,498	16,055
<b>Closing balance</b>	<b>3,405,706</b>	<b>3,047,451</b>	<b>4,088,156</b>	<b>3,198,122</b>	<b>741,040</b>	<b>668,821</b>	<b>1,793,731</b>	<b>1,439,448</b>

	IFP Global Franchise Fund II				Macquarie Australian Shares Fund			
	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000
Opening balance	428,910	200,554	494,791	240,574	137,228	119,162	228,295	233,658
Applications	99,998	235,410	122,850	288,213	80,722	34,092	149,318	68,222
Redemptions	(68,123)	(11,972)	(85,437)	(14,906)	(21,411)	(22,715)	(39,500)	(45,208)
Units issued upon reinvestment of distributions	3,768	4,918	5,216	5,673	3,356	6,689	6,070	11,605
Distributions to unitholders	–	–	(6,624)	(7,002)	–	–	(17,340)	(27,270)
Profit/(loss) for the year attributable to unitholders	–	–	112,272	(17,761)	–	–	37,557	(12,712)
<b>Closing balance</b>	<b>464,553</b>	<b>428,910</b>	<b>643,068</b>	<b>494,791</b>	<b>199,895</b>	<b>137,228</b>	<b>364,400</b>	<b>228,295</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 4 Net assets attributable to unitholders (continued)

	Macquarie International Equities Fund			
	2023 No. '000	2022 No. '000	2023 \$'000	2022 \$'000
Opening balance	634,881	516,960	1,286,674	1,144,955
Applications	285,446	190,057	627,653	435,867
Redemptions	(94,669)	(86,910)	(208,843)	(198,549)
Units issued upon reinvestment of distributions	15,445	14,774	36,023	31,329
Distributions to unitholders	—	—	(36,044)	(31,350)
Profit/(loss) for the year attributable to unitholders	—	—	343,202	(95,578)
<b>Closing balance</b>	<b>841,103</b>	<b>634,881</b>	<b>2,048,665</b>	<b>1,286,674</b>

### Capital risk management

The Trusts manage their net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Trusts are subject to daily applications and redemptions at the discretion of unitholders.

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

### 5 Cash and cash equivalents

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash at bank	64,779	135,620	51,579	30,233	19,297	13,869	12,542	5,754	27,379	24,911
Deposits at call	—	—	—	—	—	—	4	4	—	—
<b>Total cash and cash equivalents</b>	<b>64,779</b>	<b>135,620</b>	<b>51,579</b>	<b>30,233</b>	<b>19,297</b>	<b>13,869</b>	<b>12,546</b>	<b>5,758</b>	<b>27,379</b>	<b>24,911</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 6 Financial assets held at fair value through profit or loss

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000
Derivatives	97,234	216,117	—	—	—	—	—	—	420	180
Equity securities	4,053,519	3,118,045	1,813,045	1,580,934	624,131	482,487	355,960	227,640	2,013,422	1,277,078
<b>Total financial assets held at fair value through profit or loss</b>	<b>4,150,753</b>	<b>3,334,162</b>	<b>1,813,045</b>	<b>1,580,934</b>	<b>624,131</b>	<b>482,487</b>	<b>355,960</b>	<b>227,640</b>	<b>2,013,842</b>	<b>1,277,258</b>

An overview of the risk exposures relating to financial assets held at FVTPL is included in Note 9.

### 7 Financial liabilities held at fair value through profit or loss

	Arrowstreet Global Equity Fund		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000	2023 Fair value \$'000	2022 Fair value \$'000
Derivatives	87,201	144,983	39	13	9	26
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>87,201</b>	<b>144,983</b>	<b>39</b>	<b>13</b>	<b>9</b>	<b>26</b>

An overview of the risk exposures relating to financial liabilities held at FVTPL is included in Note 9.

### 8 Related party disclosures

#### (a) Parent entity

- **IFP Global Franchise Fund II**

During the financial year ended 30 June 2022, Return to Work Corporation of South Australia ceased to be the parent and the ultimate parent of the Trust, which at 30 June 2022 owned 26.22% of the units of the Trust, upon issue of further units by the Trust.

- **Macquarie International Equities Fund**

The parent and the ultimate parent of the Trust is Macquarie True Index International Equities Fund, which at 30 June 2023 owns 90.09% (2022: 85.20%) of the units of the Trust.

#### (b) Responsible Entity

The Responsible Entity of the Trusts is MIMAL, a wholly owned subsidiary of Macquarie Group Limited ("MGL").

#### (c) Investment Manager

The Investment Manager of Macquarie Australian Shares Fund and Macquarie International Equities Fund is MIMGL, a wholly owned subsidiary of MGL.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Related party disclosures (continued)

#### (d) Key management personnel

Key management personnel services are provided by MIMAL. The following individuals comprise the key management personnel of the Trusts and held office as directors of MIMAL during the financial years ended 30 June 2023 and 30 June 2022, unless indicated otherwise:

M Aubrey (appointed 01/10/2021)

C Berger

R Gohil (resigned 01/10/2021)

C Marull (resigned 03/03/2023)

G Stephens

B Terry

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

#### (e) Key management personnel unitholdings

No key management personnel held units in Arrowstreet Global Equity Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund at any time during the financial year (2022: Nil).

Key management personnel and their close family members held units in IFP Global Franchise Fund as follows:

##### • IFP Global Franchise Fund

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
M Aubrey*	18,393	18,393	18,393	18,393	0.00	0.00	–	–	–	–	2,570	–
C Berger	41,962	36,821	44,187	41,962	0.01	0.01	2,225	5,141	–	–	5,386	11,061

\*On 1 October 2021, M Aubrey was appointed as a director on the MIMAL board and from that date became part of the key management personnel of the Trust. Consequently, the opening unitholdings represent units held on 1 October 2021.

On 30 June 2023, C Berger holds 44,187 units (2022: 41,962 units) in the Trust (including units held through a discretionary trust), representing 0.01% (2022: 0.01%) share of units in the Trust.

#### (f) Key management personnel loan disclosures

The Trusts have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the financial year (2022: Nil).

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Related party disclosures (continued)

#### (g) Responsible Entity fees and other transactions

For the financial year ended 30 June 2023, in accordance with the respective Trust's Constitution, the Responsible Entity is entitled to receive a total fee detailed in below table, which is calculated as a percentage of net asset value (inclusive of GST, net of RITC available to the Trust).

Trust names	Management fees	
	2023 %	2022 %
Arrowstreet Global Equity Fund	1.28	1.28
IFP Global Franchise Fund	1.28	1.28
IFP Global Franchise Fund II	1.28	1.28
Macquarie Australian Shares Fund	0.60	0.60
Macquarie International Equities Fund	0.30	0.30

The proportion of the GST on the fees that can be recovered by the Trust as RITCs or otherwise varies. The fee paid by the Trust will equal the rate disclosed in the respective Trust's offer document (inclusive of GST, net of RITCs) regardless of the rate of GST recovery in any period.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity except for Macquarie International Equities Fund.

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

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Management fees charged to the Trusts by the Responsible Entity	(46,084,479)	(43,215,757)	(21,068,283)	(23,720,504)	(7,216,481)	(4,055,729)	(1,822,601)	(1,523,354)	(4,847,954)	(3,968,857)
Management fees payable by the Trusts to the Responsible Entity as at the reporting date	8,720,578	2,830,921	3,871,993	1,322,583	1,363,992	450,599	532,423	384,577	1,419,666	1,000,854

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Related party disclosures (continued)

#### (h) Related party unitholdings

Parties related to the Trusts (including MIMAL, its affiliates and other schemes managed by MIMAL or other wholly owned subsidiaries of MGL) held units in the respective Trust as follows:

##### • Arrowstreet Global Equity Fund

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Arrowstreet Global Equity No. 1 Fund	981,660	11,214	16,892,969	981,660	0.50	0.03	16,781,400	996,600	870,091	26,154	1,030,857	57,991
Arrowstreet Global Equity No. 2 Fund	233,833,608	244,761,271	228,149,597	233,833,608	6.70	7.67	98,747,504	70,653,655	104,431,515	81,581,318	15,215,053	15,079,726
Macquarie Global Equities Fund	951,656,251	970,304,966	1,356,302,165	951,656,251	39.82	31.23	613,864,983	380,316,466	209,219,069	398,965,181	89,181,533	60,283,689
Macquarie Professional Series Global Equity Fund	2,457,757	1,539,107	2,173,298	2,457,757	0.06	0.08	320,278	1,315,904	604,737	397,254	146,933	157,169

There are no distributions payable to the above parties as at 30 June 2023 (2022: Nil).

The Trust has redemptions payable of \$53,713,065 to the above parties as at 30 June 2023 (2022: \$60,636,800).



## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Related party disclosures (continued)

#### (h) Related party unitholdings (continued)

##### • IFP Global Franchise Fund

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
IFP Global Franchise Fund (Hedged)	103,105,986	84,413,045	188,903,258	103,105,986	25.49	15.42	109,951,927	49,818,414	24,154,655	31,125,473	23,024,786	27,178,765
IFP Global Franchise Fund (Wholesale)	1,551,185	192,440	2,642,622	1,551,185	0.36	0.23	1,375,347	1,562,326	283,910	203,581	322,100	408,893

There are no distributions payable to the above parties as at 30 June 2023 (2022: Nil).

The Trust has redemptions payable of \$10,310,479 to the above parties as at 30 June 2023 (2022: \$26,459,000).

##### • IFP Global Franchise Fund II

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
IFP Global Franchise Fund II (Hedged)	—	—	35,431,479	—	7.63	—	36,354,602	—	923,123	—	504,112	—
IFP Global Franchise Fund II (Wholesale)	64,704,255	15,320,509	62,747,695	64,704,255	13.51	15.09	30,228,564	52,041,016	32,185,124	2,657,270	892,762	1,053,531
Macquarie Professional Series Global Equity Fund	1,802,909	1,399,979	1,512,675	1,802,909	0.33	0.42	165,421	748,087	455,655	345,157	21,522	29,355

There are no distributions payable to the above parties as at 30 June 2023 (2022: Nil).

The Trust has redemptions payable of \$643,738 to the above parties as at 30 June 2023 (2022: \$1,006,400).

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Related party disclosures (continued)

#### (h) Related party unitholdings (continued)

##### • Macquarie Australian Shares Fund

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Macquarie Asset Management Holdings Pty Limited	<b>432,355</b>	517,973	<b>522,430</b>	432,355	<b>0.26</b>	0.32	<b>132,013</b>	21,041	<b>41,938</b>	106,659	<b>50,068</b>	90,412
Macquarie Equity Index Fund	<b>22,006,787</b>	19,474,939	<b>23,345,626</b>	22,006,787	<b>11.68</b>	16.04	<b>1,338,839</b>	2,531,848	–	–	<b>2,155,702</b>	4,179,827

The Trust has distributions payable of \$25,232 to Macquarie Asset Management Holdings Pty Limited as at 30 June 2023 (2022: \$68,851).

There are no redemptions payable to the above parties as at 30 June 2023 (2022: Nil).

##### • Macquarie International Equities Fund

Unitholders	Number of units held opening (Units)		Number of units held closing (Units)		Interest held %		Number of units acquired (Units)		Number of units disposed (Units)		Distributions declared by the Trust \$	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Macquarie Asset Management Holdings Pty Limited	<b>385,164</b>	469,200	<b>463,093</b>	385,164	<b>0.06</b>	0.06	<b>105,821</b>	1,457	<b>27,892</b>	85,493	<b>21,058</b>	19,901
Macquarie Balanced Growth Fund	<b>91,666,527</b>	94,319,233	<b>81,250,011</b>	91,666,527	<b>9.66</b>	14.44	<b>1,916,075</b>	2,491,555	<b>12,332,591</b>	5,144,261	<b>3,756,908</b>	4,672,595
Macquarie Capital Stable Fund	<b>599,273</b>	890,579	<b>589,409</b>	599,273	<b>0.07</b>	0.09	<b>13,824</b>	18,926	<b>23,688</b>	310,232	<b>26,810</b>	34,858
Macquarie Diversified Growth Fund	<b>1,332,111</b>	1,296,201	<b>1,084,568</b>	1,332,111	<b>0.13</b>	0.21	<b>27,022</b>	35,910	<b>274,565</b>	–	<b>50,283</b>	67,565
Macquarie True Index International Equities Fund	<b>540,897,630</b>	419,984,309	<b>757,716,190</b>	540,897,630	<b>90.09</b>	85.20	<b>298,828,529</b>	202,283,609	<b>82,009,969</b>	81,370,288	<b>32,188,768</b>	26,554,507

The Trust has distributions payable of \$13,338 to Macquarie Asset Management Holdings Pty Limited as at 30 June 2023 (2022: \$12,531).

The Trust has redemptions payable of \$3,998,296 to the above parties as at 30 June 2023 (2022: \$24,292,786 payable to Macquarie True Index International Equities Fund).

## Notes to the Financial Statements

### For the Year Ended 30 June 2023

#### 8 Related party disclosures (continued)

##### (i) Investments

The Trusts held no investments in any scheme which is managed by MIMAL or other wholly owned subsidiaries of MGL (2022: Nil).

The following Trust held investments in the following listed equity security, which is a related party of the Trust:

- **Macquarie Australian Shares Fund**

	Number of shares		Fair value		Dividend income	
	2023 No.	2022 No.	2023 \$	2022 \$	2023 \$	2022 \$
Macquarie Group Limited	18,885	17,783	3,354,354	2,925,304	138,332	285,869

The Trust has dividends receivable of \$84,983 from the above party as at 30 June 2023 (2022: \$179,148).

##### (j) Other transactions within the Trusts

From time to time, the Trusts may purchase or sell securities from/to other schemes managed by the Responsible Entity or its affiliates at the prevailing market rates.

No directors of the Responsible Entity have entered into a material contract with the Trusts in the current or previous financial year and there were no material contracts involving directors' interests subsisting at 30 June 2023 or 30 June 2022.

During the year, the Trusts closed the bank accounts previously held with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL. The Trusts may use MBL or other wholly owned subsidiaries of MGL for broking and clearing services. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

In addition, disclosures applicable to certain Trusts are as below:

- **Macquarie Australian Shares Fund**

The Trust held futures, with MBL as counterparty/ broker, with the fair value at 30 June 2023 of (\$38,575) (2022: (\$9,973)).

- **Macquarie International Equities Fund**

The Trust held futures, with MBL as counterparty/ broker, with the fair value at 30 June 2023 of \$365,447 (2022: \$106,607).

#### 9 Financial risk management

##### (a) Strategy in using financial instruments

The Trusts' activities expose them to a variety of financial risks: market risk, credit risk and liquidity risk.

The Responsible Entity's overall risk management programme focuses on ensuring compliance with the Trusts' investment guidelines and seeks to maximise the returns derived for the level of risk to which the Trusts are exposed.

Financial risk management is monitored by the Responsible Entity's risk management department under policies approved by the Responsible Entity's senior managers or by the Board of Directors of the Responsible Entity.

The Responsible Entity reviews any identified high and medium severity exceptions to internal risk policies and procedures on a quarterly basis.

The Trusts may use derivative and other financial instruments:

- for trading purposes or in connection with its risk management activities;
- to gain market exposure for any cash in the portfolio;
- to gain or reduce the Trust's exposure to a particular security or index;

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (a) Strategy in using financial instruments (continued)

- to gain or reduce market exposure in the portfolio;
- for currency hedging or to take currency positions;
- to hedge the credit exposure within the portfolio; and
- to facilitate the settlement of investment transactions and to manage foreign exchange risk within the portfolio.

Derivatives are not used to gear (leverage) the portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceed the underlying value of the Trusts.

#### (b) Market risk

Market risk is the risk of changes in the value of the Trusts' financial instruments from changes in market prices or volatility arising from price risk, foreign exchange risk and interest rate risk.

##### (i) Price risk

Price risk is the risk of changes in the value of the Trusts' financial instruments from changes in market prices.

All securities investments present a risk of loss of capital. The Investment Manager manages this risk through a careful selection of securities and other financial instruments within specified limits. The Trusts' positions are monitored on a daily basis by the Responsible Entity.

The Trusts exposure to price risk arises from their investments such as exchange traded instruments, over-the-counter derivatives and unlisted equity securities.

Price risk may be managed by:

- managing the cash levels within the Trust;
- managing exposure to non-index stocks;
- seeking to ensure stock weights are within defined limits;
- ensuring the Trust is tracking its benchmark within permitted limits;
- ensuring the Trust is investing in permitted investments or fully invested in underlying unit trusts as per the Trust's offer document or stated objective;
- managing exposure to index futures contracts;
- restricting the Trust from stock lending, short selling or stock borrowing;
- managing exposure to geographical regions or to specific countries within defined limits;
- managing exposure to foreign currency price fluctuations;
- seeking to ensure sector weights are within defined limits;
- restricting the maximum leveraged exposure of the Trust; and
- managing the number of securities to ensure diversification across multiple stocks.

The Trusts' equity securities and derivatives are susceptible to market price risk arising from uncertainties about future prices of the instruments.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Price risk (continued)

The Trusts' market risk is affected by changes in market prices. The impact on profit/net assets attributable to unitholders owing to a 10% (2022: 10%) market price movement, with all other variables held constant, would amount to the following.

In practice, the actual results may differ from the below sensitivity analysis and the difference could be significant.

	2023		2022	
	Effect on profit/(loss) and net assets attributable to unitholders			
	10%	10%	10%	10%
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Arrowstreet Global Equity Fund	406,355	(406,355)	318,918	(318,918)
IFP Global Franchise Fund	181,305	(181,305)	158,093	(158,093)
IFP Global Franchise Fund II	62,413	(62,413)	48,249	(48,249)
Macquarie Australian Shares Fund	36,079	(36,079)	22,829	(22,829)
Macquarie International Equities Fund	204,412	(204,412)	128,477	(128,477)

##### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk, not foreign exchange risk.

Foreign exchange risk on monetary and non-monetary assets and liabilities may be managed by:

- managing currency exposure within limits or managing active currency within the limits as per the investment guidelines; and
- hedging undesired currency exposure or not hedging foreign exchange exposure as the Trust's strategy is to remain unhedged.

The Trusts are exposed to currencies other than the Australian dollar as below:

- Arrowstreet Global Equity Fund - Monetary and non-monetary assets and liabilities held directly.
- IFP Global Franchise Fund - Monetary and non-monetary assets and liabilities held directly.

The Trust is not exposed to significant foreign exchange risk on monetary assets and liabilities as the majority of the Trust's monetary assets and liabilities are denominated in Australian dollars.

- IFP Global Franchise Fund II - Monetary and non-monetary assets and liabilities held directly.

The Trust is not exposed to significant foreign exchange risk on monetary assets and liabilities as the majority of the Trust's monetary assets and liabilities are denominated in Australian dollars.

- Macquarie Australian Shares Fund - Monetary assets and liabilities held directly.

The Trust is not exposed to significant foreign exchange risk on monetary assets and liabilities as the majority of the Trust's monetary assets and liabilities are denominated in Australian dollars.

- Macquarie International Equities Fund - Monetary and non-monetary assets and liabilities held directly.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

*Concentration and monitoring of currency risk for Arrowstreet Global Equity Fund and Macquarie International Equities Fund*

Notwithstanding that investments in non-monetary items do not give rise to currency risk under the accounting standards, the Trusts monitor their exposure to each currency on both monetary and non-monetary assets and liabilities as a percentage of net assets attributable to unitholders.

The table below summarises the Trusts' monetary and non-monetary assets and liabilities denominated in Australian dollars and other currencies as a percentage of net assets attributable to unitholders.

	Arrowstreet Global Equity Fund				Macquarie International Equities Fund			
	Monetary assets and liabilities as a % of net assets attributable to unitholders*	Total assets and liabilities as a % of net assets attributable to unitholders	Monetary assets and liabilities as a % of net assets attributable to unitholders*	Total assets and liabilities as a % of net assets attributable to unitholders	Monetary assets and liabilities as a % of net assets attributable to unitholders*	Total assets and liabilities as a % of net assets attributable to unitholders	Monetary assets and liabilities as a % of net assets attributable to unitholders*	Total assets and liabilities as a % of net assets attributable to unitholders
	2023	2023	2022	2022	2023	2023	2022	2022
Currency								
AUD	-3%	-3%	-4%	-4%	-	-	-2%	-2%
USD	3%	59%	4%	63%	-	71%	2%	72%
Other currencies	-	44%	-	41%	-	29%	-	30%
<b>Total</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>

\*The foreign currency exposure relating to monetary assets and liabilities as a percentage of net assets attributable to unitholders is shown as Nil in the table above where it is individually not material to the Trust (which is considered as less than 1% of net assets attributable to unitholders).

Foreign exchange risk on monetary assets and monetary liabilities is measured using sensitivity analysis. The following table summarises the sensitivity of the Trusts to foreign exchange risk as at 30 June 2023 and 30 June 2022. The sensitivity of profit/(loss) for the financial year attributable to unitholders and the impact on net assets attributable to unitholders is the effect of a reasonably possible change in foreign exchange rates on monetary assets and liabilities held as at the reporting date. If exchange rates increased or decreased by 15% (2022: 15%), with all other variables remaining constant, the approximate movement in profit/net assets attributable to unitholders would amount to the following.

In practice, the actual results may differ from the below sensitivity analysis and the difference could be significant.

	Impact on profit/net assets attributable to unitholders			
	Arrowstreet Global Equity Fund		Macquarie International Equities Fund	
	+15%/-15%		+15%/-15%	
	2023	2022	2023	2022
	A\$'000	A\$'000	A\$'000	A\$'000
USD	17,508/(17,508)	17,479/(17,479)	-/-	3,230/(3,230)

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (b) Market risk (continued)

##### (iii) Interest rate risk

Interest rate risk is the risk of changes in the value of the Trusts' financial instruments from changes in market interest rates.

The Trusts are not exposed to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

#### (c) Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due, causing a financial loss to the Trusts.

The Trusts exposure to credit risk arises from their investments in cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and counterparties to derivatives. Application of the ECL has not resulted in any adjustment to the carrying value of these assets/recognition of the ECL allowance, as these assets are short-term in nature or of high quality, with no significant historical loss experience.

Credit risk may be managed by:

- managing the Trust's exposures to issuers, deposit taking institutions, brokers and other counterparties;
- using credit default swaps to manage credit exposure through limiting the aggregate long, short and net exposures permitted to such instruments by the Trust. For single issuer credit default swaps, exposures are also incorporated in existing Trust exposure limits by "looking-through" the contract to the underlying issuer-level exposure being provided;
- maintaining an approved broker and counterparty panel;
- ensuring over-the-counter derivatives are traded with appropriately rated counterparties; and
- transactions are generally undertaken with a number of counterparties to avoid a concentration of credit risk.

The maximum exposure to credit risk as at the reporting date is the carrying amount of financial assets.

The counterparties for cash and cash equivalents, deposits with banks and other financial institutions, and derivatives have an investment grade credit rating (2022: investment grade credit rating) as determined by Standard and Poor's or equivalent ratings from other credit rating agencies.

In accordance with the Trusts' policy, the Responsible Entity's risk management department monitors the Trusts' credit exposure on a daily basis.

#### (d) Liquidity risk

Liquidity risk is the risk that the Trusts may encounter difficulty in meeting their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trusts are exposed to daily cash redemptions of redeemable units. They therefore invest the majority of their assets in investments that can generally be liquidated within a short period of time.

The investments of the Trusts may become illiquid. As a result, the Trusts may not be able to liquidate quickly their investments in these instruments at an amount close to their fair value, or at all, to meet their liquidity requirements. No such investments were held as at the reporting date except for Arrowstreet Global Equity Fund and Macquarie International Equities Fund.

In order to manage the Trusts' overall liquidity, the Responsible Entity has the discretion to defer or adjust the redemption of units if the exercise of such discretion is in the best interests of unitholders.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (d) Liquidity risk (continued)

Liquidity risk may be managed by:

- managing the Trust's ownership of each security's issued capital;
- restricting the use of borrowing in order to ensure the Trust has no debt obligations which may compromise solvency; and
- managing the exposure to less liquid securities.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Trusts comprise derivative and non-derivative financial liabilities.

Derivative financial liabilities are generally settled in less than 3 months at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short-term at fair value.

All other liabilities are payable within 30 days (2022: 30 days).

#### (e) Fair value estimation

The Responsible Entity classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.



## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (e) Fair value estimation (continued)

The following tables present those of the Trusts' financial assets and financial liabilities (by class) which are measured at fair value.

##### • Arrowstreet Global Equity Fund

	30 June 2023				30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
- Derivatives	–	97,234	–	97,234	–	216,117	–	216,117
- Equity securities	4,053,438	–	81	4,053,519	3,117,971	–	74	3,118,045
<b>Total financial assets</b>	<b>4,053,438</b>	<b>97,234</b>	<b>81</b>	<b>4,150,753</b>	<b>3,117,971</b>	<b>216,117</b>	<b>74</b>	<b>3,334,162</b>
<b>Financial liabilities</b>								
- Derivatives	–	87,201	–	87,201	–	144,983	–	144,983
<b>Total financial liabilities</b>	<b>–</b>	<b>87,201</b>	<b>–</b>	<b>87,201</b>	<b>–</b>	<b>144,983</b>	<b>–</b>	<b>144,983</b>

During the financial year, there were no transfers between level 1 and 2 (2022: Nil).

##### • IFP Global Franchise Fund

	30 June 2023				30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
- Equity securities	1,813,045	–	–	1,813,045	1,580,934	–	–	1,580,934
<b>Total financial assets</b>	<b>1,813,045</b>	<b>–</b>	<b>–</b>	<b>1,813,045</b>	<b>1,580,934</b>	<b>–</b>	<b>–</b>	<b>1,580,934</b>

During the financial year, there were no transfers between level 1 and 2 or into/out of level 3 (2022: Nil).

##### • IFP Global Franchise Fund II

	30 June 2023				30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
- Equity securities	624,131	–	–	624,131	482,487	–	–	482,487
<b>Total financial assets</b>	<b>624,131</b>	<b>–</b>	<b>–</b>	<b>624,131</b>	<b>482,487</b>	<b>–</b>	<b>–</b>	<b>482,487</b>

During the financial year, there were no transfers between level 1 and 2 or into/out of level 3 (2022: Nil).

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (e) Fair value estimation (continued)

##### • Macquarie Australian Shares Fund

	30 June 2023				30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
- Equity securities	355,960	—	—	355,960	227,640	—	—	227,640
<b>Total financial assets</b>	<u>355,960</u>	<u>—</u>	<u>—</u>	<u>355,960</u>	<u>227,640</u>	<u>—</u>	<u>—</u>	<u>227,640</u>
<b>Financial liabilities</b>								
- Derivatives	39	—	—	39	13	—	—	13
<b>Total financial liabilities</b>	<u>39</u>	<u>—</u>	<u>—</u>	<u>39</u>	<u>13</u>	<u>—</u>	<u>—</u>	<u>13</u>

During the financial year, there were no transfers between level 1 and 2 or into/out of level 3 (2022: Nil).

##### • Macquarie International Equities Fund

	30 June 2023				30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
- Derivatives	420	—	—	420	180	—	—	180
- Equity securities	2,013,283	—	139	2,013,422	1,277,074	—	4	1,277,078
<b>Total financial assets</b>	<u>2,013,703</u>	<u>—</u>	<u>139</u>	<u>2,013,842</u>	<u>1,277,254</u>	<u>—</u>	<u>4</u>	<u>1,277,258</u>
<b>Financial liabilities</b>								
- Derivatives	9	—	—	9	26	—	—	26
<b>Total financial liabilities</b>	<u>9</u>	<u>—</u>	<u>—</u>	<u>9</u>	<u>26</u>	<u>—</u>	<u>—</u>	<u>26</u>

During the financial year, there were no transfers between level 1 and 2 (2022: Nil).

The carrying amounts of the Trusts' financial assets and financial liabilities, which are not fair valued, approximated their fair values as at the reporting date. These include short-term receivables and payables, and are not presented in the tables above.

The fair value of listed equity securities as well as publicly traded derivatives is based on quoted market prices or binding dealer price quotations as at the reporting date (bid price for long positions and ask price for short positions) and have therefore been classified as level 1 in the fair value hierarchy.

For over-the-counter derivatives and rights on listed equity securities, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models. These financial instruments have therefore been classified as level 2 in the fair value hierarchy.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (e) Fair value estimation (continued)

Investments classified within level 3 have significant unobservable inputs as they trade infrequently. The valuation inputs for these investments are not based on market observable data. The fair value of these securities has been assessed by the Valuation Committee of the Responsible Entity who has determined the best estimate valuation for the securities based on available information. Details related to the level 3 securities are disclosed for Arrowstreet Global Equity Fund, as the amounts related to other Trusts are not material.

- **Arrowstreet Global Equity Fund**

The following table shows a reconciliation of the movement in fair value of the level 3 investments held as at 30 June 2023 and 30 June 2022:

	Equity securities 2023 \$'000	Equity securities 2022 \$'000
Opening balance	74	–
Transfer into level 3	3,988	74
Unrealised gains/(losses) recognised in the statements of comprehensive income	(3,981)	–
Closing balance	81	74

At 30 June 2022, the Trust held one level 3 investment which was suspended from the stock exchange.

Consequent to the Russian invasion of Ukraine, the liquidity in Russian markets have frozen for an extended period of time and there is no foreseeable change to this condition. The Central Bank of Russia has imposed restrictions that do not allow residents of unfriendly states such as Australia, from selling Russian securities or receiving dividends. Hence, during the year, the Valuation Committee has valued the Russian securities at Nil price resulting in a transfer of eleven securities from level 1 to level 3. In addition, dividends receivable from these securities have also been valued at Nil.

At 30 June 2023, the Trust has twelve level 3 investments, one of which is suspended from the stock exchange and eleven of which are fair valued to Nil. For all level 3 securities held at 30 June 2023, the availability of market observable data is limited and insufficient for valuation purposes.

The net amount of unrealised losses of (\$3,981,412) relates to those financial instruments held by the Trust at 30 June 2023 (2022: Nil).

The fair value of the securities has been assessed by the Valuation Committee of the Responsible Entity who has determined the best estimate valuation for the securities based on available information.

The fair valuation of the securities is the responsibility of the Responsible Entity and is reviewed by the Valuation Committee. The Valuation Committee meet on a quarterly basis, and more frequently as required, to consider where a fair value determination is required in order to price a security, which is not readily valued in the market.

The Valuation Committee considers the valuations and valuation methodologies applied to the relevant securities, and reviews available security-specific and general market information in order to make a fair value determination.

Securities which are fair valued by the Valuation Committee are monitored and reviewed to ensure their value remains in line with the statement of valuation principles as set out in the fair value policy of the Responsible Entity. Any security with stale price for more than 30 calendar days, is assessed to determine if a fair value determination is required according to the pricing policy.

Valuation techniques are set out in the pricing policy of the Responsible Entity and can include liquidity discounting and indexing.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (e) Fair value estimation (continued)

Because of the inherent uncertainty of valuation with respect to such securities, the Valuation Committee's estimates of fair value may differ significantly from fair values that would have been used had observable inputs been available for the valuation of such securities, and the differences could be material.

The table below discloses the valuation technique used in the valuation for the level 3 investments and quantifies the effect of significant unobservable inputs used to value the investments that fall in this category. Securities valued at Nil have not been included in the table below.

	Fair value as at 30 June 2023 \$'000	Valuation technique	Unobservable input	Adjustment rate to last traded market price %	Sensitivity used +/-	Effects on fair value \$'000
<b>Unlisted equity securities</b>						
Equity securities	81	Adjusted last determined price	Indexing capped*	(18%)	10%/(10%)	8/(8)
	Fair value as at 30 June 2022 \$'000	Valuation technique	Unobservable input	Adjustment rate to last traded market price %	Sensitivity used +/-	Effects on fair value \$'000
<b>Unlisted equity securities</b>						
Equity securities	74	Adjusted last determined price	Indexing capped*	(25%)	10%/(10%)	7/(7)

\*Indexing capped - Indexing capped refers to an adjustment applied to the fair valued price of securities. This adjustment is based on the movement in the relevant market index. Securities are subject to both positive and negative index movements and capped at the fair valued price.

#### (f) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the statements of financial position where the Trusts currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Certain derivative financial assets and financial liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association ("ISDA") master netting agreement. Under the terms of these arrangements, if on any date amounts would otherwise be payable in the same currency and in respect to the same transaction with the counterparty, the obligation may be automatically satisfied and discharged if the party with the larger aggregate amount pays to the other party the excess of the larger aggregate amount over the smaller aggregate amount. Accordingly, the amounts receivable or payable in respect of a single contract are netted in the statements of financial position, as long as they are in the same currency with the same counterparty.

In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed, and only a net amount is payable in settlement of all transactions. The aggregation into a net position owing to/ receivable from a single counterparty is subject to the terms of the arrangements and the insolvency laws of the relevant jurisdiction of the party in default.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Financial risk management (continued)

#### (f) Offsetting financial instruments (continued)

As at 30 June 2023 and 30 June 2022, there were no amounts which would be available for netting for IFP Global Franchise Fund, IFP Global Franchise Fund II, Macquarie Australian Shares Fund and Macquarie International Equities Fund.

The following tables provide information on the impact of offsetting of derivative financial instruments in the statements of financial position and in circumstances where all outstanding transactions under an ISDA agreement are terminated.

#### • Arrowstreet Global Equity Fund

##### Effects of offsetting in the statement of financial position

	Gross amounts of financial assets and financial liabilities \$'000	Gross amounts offset \$'000	Net amount presented in statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged/received \$'000	Net amount \$'000
<b>30 June 2023</b>						
<b>Financial assets</b>						
Derivatives	97,234	—	97,234	75,093	—	22,141
<b>Total</b>	<u>97,234</u>	<u>—</u>	<u>97,234</u>	<u>75,093</u>	<u>—</u>	<u>22,141</u>
<b>Financial liabilities</b>						
Derivatives	87,201	—	87,201	75,093	—	12,108
<b>Total</b>	<u>87,201</u>	<u>—</u>	<u>87,201</u>	<u>75,093</u>	<u>—</u>	<u>12,108</u>

##### Effects of offsetting in the statement of financial position

	Gross amounts of financial assets and financial liabilities \$'000	Gross amounts offset \$'000	Net amount presented in statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged/received \$'000	Net amount \$'000
<b>30 June 2022</b>						
<b>Financial assets</b>						
Derivatives	216,117	—	216,117	144,889	—	71,228
<b>Total</b>	<u>216,117</u>	<u>—</u>	<u>216,117</u>	<u>144,889</u>	<u>—</u>	<u>71,228</u>
<b>Financial liabilities</b>						
Derivatives	144,983	—	144,983	144,889	—	94
<b>Total</b>	<u>144,983</u>	<u>—</u>	<u>144,983</u>	<u>144,889</u>	<u>—</u>	<u>94</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 10 Reconciliation of profit/(loss) for the year to net cash inflow/(outflow) from operating activities

#### (a) Reconciliation of profit/(loss) for the year to net cash inflow/(outflow) from operating activities

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Profit/(loss) for the year attributable to unitholders	714,835	(161,549)	288,498	16,055	112,272	(17,761)	37,557	(12,712)	343,202	(95,578)
Movement in margin accounts	–	–	–	–	–	–	(353)	(444)	(3,142)	17,650
Movement in amounts due from brokers	(115,395)	332,259	(4,290)	2,652	(3,621)	15,770	6,614	(2,947)	4,448	(4,455)
Movement in dividends receivable	399	(6,992)	187	(608)	17	(413)	(191)	(178)	(487)	(508)
Movement in other receivables	(3,134)	(2,277)	15	(1,310)	(709)	(244)	(16)	(19)	(573)	(573)
Movement in amounts due to brokers	28,202	(55,643)	7,536	(3,278)	2,508	(1,139)	(731)	(312)	(3,292)	3,292
Movement in Responsible Entity fees payable	5,890	(849)	2,549	(705)	913	190	147	65	419	265
Movement in financial instruments held at fair value through profit or loss	(874,373)	(115,926)	(232,111)	309,476	(141,644)	(247,799)	(128,294)	3,997	(736,601)	(179,216)
Effects of foreign currency exchange rate changes on cash and cash equivalents	4,267	(7,458)	65	11	21	7	–	–	(2,958)	(867)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(239,309)</b>	<b>(18,435)</b>	<b>62,449</b>	<b>322,293</b>	<b>(30,243)</b>	<b>(251,389)</b>	<b>(85,267)</b>	<b>(12,550)</b>	<b>(398,984)</b>	<b>(259,990)</b>

#### (b) Non-cash financing activities

	Arrowstreet Global Equity Fund		IFP Global Franchise Fund		IFP Global Franchise Fund II		Macquarie Australian Shares Fund		Macquarie International Equities Fund	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Reinvestment of unitholder distributions	132,822	115,733	28,952	40,320	5,216	5,673	6,070	11,605	36,023	31,329

## Notes to the Financial Statements

### For the Year Ended 30 June 2023

**11 Events occurring after the reporting date**

No significant events have occurred since the reporting date which would impact on the financial position of the Trusts disclosed in the statements of financial position as at 30 June 2023 or on the results and cash flows of the Trusts for the financial year ended on that date.

**12 Contingent assets, contingent liabilities and commitments**

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2023 and 30 June 2022.

## Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes as set out on pages 5 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards as issued by the Australian Accounting Standards Board; and
  - (ii) giving a true and fair view of the Trusts' financial position as at 30 June 2023 and their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trusts will be able to pay their debts as and when they become due and payable.

The directors declare that the notes to the financial statements include an explicit and unreserved statement of compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (see Note 2(a)).

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



Director: .....

B Terry

Sydney

7 September 2023



## Independent auditor's report

To the unitholders of:

- Arrowstreet Global Equity Fund
- IFP Global Franchise Fund
- IFP Global Franchise Fund II
- Macquarie Australian Shares Fund
- Macquarie International Equities Fund

referred to collectively as the Trusts.

### Opinion

We have audited the financial report of the Trusts, which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Trust's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

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

### Information Other than the Financial Report and Auditor's Report thereon

The directors of Macquarie Investment Management Australia Limited ("the Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

### **Responsibilities of the directors for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

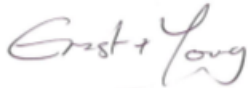
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Darren J Handley-Greaves  
Partner  
Sydney  
7 September 2023