Audited Annual Report – 30 June 2023

JPMorgan Global Strategic Bond Fund

ARSN 166 529 791

J.P.Morgan
ASSET MANAGEMENT

JPMorgan Global Strategic Bond Fund

ARSN 166 529 791

Annual report

For the year ended 30 June 2023

JPMorgan Global Strategic Bond Fund

ARSN 166 529 791

Annual report

For the year ended 30 June 2023

Contents

These financial statements cover JPMorgan Global Strategic Bond Fund as an individual entity.

The Responsible Entity of JPMorgan Global Strategic Bond Fund is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236 648).

The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Directors' report

Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236 648) is the responsible entity (the "Responsible Entity") of JPMorgan Global Strategic Bond Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2023.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests the majority of its assets, either directly or through the use of financial derivative instruments, in debt securities, including debt securities issued by governments and their agencies, state and provincial governmental entities and supranational organisations, corporate debts securities, asset-backed securities and mortgage-backed securities and currencies. Issuers of these securities are located in any country, including emerging markets. The investment policy of the Fund continues to be in accordance with the governing documents of the Fund and the provisions of the Fund's Constitution.

The Fund was constituted on 29 October 2013 and commenced operations on 20 December 2013.

The Fund did not have any employees during the year.

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

Directors

The Directors of Perpetual Trust Services Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Glenn Foster	
Phillip Blackmore	
Richard McCarthy	
Vicki Riggio	Alternate Director for Phillip Blackmore

Review of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

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

	Year ended	
	30 June 2023	30 June 2022
Operating profit/(loss) ($'000)	**15,456**	(25,306)
Distributions		
Distributions paid and payable ($'000)	**10,723**	11,339
Distributions (cents per unit)	**2.87**	2.99

Significant changes in state of affairs

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

Directors' report (continued)

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 Fund in future financial years; or

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

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

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. 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 were paid for out of the assets of the Fund in regard to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act, 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

The estimated fees and costs of the Fund was revised and took effect on 22 December 2022. Ordinary fund expenses were absorbed into the Fund’s management fee which resulted in an increase in the management fee of the Fund. However this increase did not affect the overall estimated total management fees and costs for the Fund as all fund expenses incurred in the ordinary course of business of the Fund were paid out of the management fee at no additional charge. As a result of these changes, the estimated total management fees and costs for the Fund remain unchanged.

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

No fees were paid out of Fund's property to the Directors of the Responsible Entity during the year.

Units in the Fund

The movement in units on issue in the Fund during the year are disclosed in Note 10 of the financial statements.

The value of the Fund's assets and liabilities are disclosed on the Statement of financial position and derived using the basis set out in Note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Auditor's independence declaration

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

This report is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.

Director

Perpetual Trust Services Limited

Sydney

20 September 2023

Auditor's Independence Declaration

As lead auditor for the audit of JPMorgan Global Strategic Bond Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Paul Collins
Partner
PricewaterhouseCoopers

Sydney
20 September 2023

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Statement of comprehensive income

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Investment income			
Interest income from financial assets at fair value through profit or loss		**11,329**	11,769
Interest income from financial assets at amortised cost		**299**	27
Distribution income		**132**	-
Net gains/(losses) on financial instruments at fair value through profit or loss		**5,100**	(35,740)
Net foreign exchange gains/(losses) on cash and cash equivalents		**558**	640
Management costs reimbursement	15	**269**	181
Total investment income/(loss)		**17,687**	(23,123)
Expenses			
Management fees	15	**2,006**	1,984
Transaction costs		**225**	196
Other expenses		**-**	3
Total operating expenses		**2,231**	2,183
Operating profit/(loss)		**15,456**	(25,306)
Profit/(loss) for the year		**15,456**	(25,306)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**15,456**	(25,306)

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

Statement of financial position

	Notes	As at 30 June 2023 $'000	As at 30 June 2022 $'000
Assets			
Cash and cash equivalents	12	**3,925**	18,416
Margin accounts		**6,382**	1,131
Applications receivable		**157**	317
Other receivables		**315**	190
Due from brokers - receivable for securities sold		**45**	8,121
Financial assets at fair value through profit or loss	6	**372,351**	356,484
Total assets		**383,175**	384,659
Liabilities			
Distribution payable	11	**3,474**	3,297
Redemptions payable		**1,210**	826
Other payables		**401**	328
Due to brokers - payable for securities purchased		**33,092**	6,032
Financial liabilities at fair value through profit or loss	7	**6,328**	15,740
Total liabilities		**44,505**	26,223
Net assets attributable to unitholders - equity	10	**338,670**	358,436

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

Statement of changes in equity

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Total equity at the beginning of the financial year		**358,436**	308,790
Comprehensive income/(loss) for the year			
Profit/(loss) for the year		**15,456**	(25,306)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**15,456**	(25,306)
Transactions with unitholders			
Applications		**80,149**	161,059
Redemptions		**(105,259)**	(75,638)
Units issued upon reinvestment of distributions		**611**	870
Distributions paid and payable	11	**(10,723)**	(11,339)
Total transactions with unitholders		**(35,222)**	74,952
Total equity at the end of the financial year		**338,670**	358,436

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

Statement of cash flows

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**385,104**	313,301
Payments for purchase of financial instruments at fair value through profit or loss		**(374,955)**	(384,048)
Transaction costs		**(165)**	(196)
Interest received from financial assets at fair value through profit and loss		**11,323**	12,733
Management costs reimbursement received		**138**	154
Management costs paid		**(1,993)**	(1,947)
Payment of other expenses		**-**	(4)
Net cash inflow/(outflow) from operating activities	13(a)	**19,452**	(60,007)
Cash flows from financing activities			
Proceeds from applications by unitholders		**80,309**	160,742
Payments for redemptions by unitholders		**(104,875)**	(74,812)
Distributions paid		**(9,935)**	(15,972)
Net cash inflow/(outflow) from financing activities		**(34,501)**	69,958
Net increase/(decrease) in cash and cash equivalents		**(15,049)**	9,951
Cash and cash equivalents at the beginning of the year		**18,416**	7,825
Effects of foreign currency exchange rate changes on cash and cash equivalents		**558**	640
Cash and cash equivalents at the end of the year	12	**3,925**	18,416
Non-cash operating activities	13(a)	**132**	-
Non-cash financing activities	13(b)	**611**	870

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

1 General information

These financial statements cover JPMorgan Global Strategic Bond Fund (the “Fund”) as an individual entity. The Fund was constituted on 29 October 2013. The Fund will terminate on 27 October 2093 unless terminated earlier in accordance with the provisions of the Fund Constitution.

Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236 648) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity’s registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Investment Manager of the Fund is JPMorgan Asset Management (Australia) Limited, ABN 55 143 832 080 AFSL 376919 (the “Investment Manager”). The Investment Manager’s registered office is Level 31, 101 Collins Street, Melbourne, VIC 3000.

The Fund invests the majority of its assets, either directly or through the use of financial derivative instruments, in debt securities, including debt securities issued by governments and their agencies, state and provincial governmental entities and supranational organisations, corporate debts securities, asset-backed securities and mortgage-backed securities and currencies. Issuers of these securities are located in any country, including emerging markets. The investment policy of the Fund continues to be in accordance with the governing documents of the Fund and the provisions of the Fund’s Constitution.

The financial statements of the Fund are for the year ended 30 June 2023. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 20 September 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

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

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss 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 portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder’s option. However, unitholders typically retain units for the medium to long-term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For derivatives and managed funds, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of 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 Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

Derivative instruments are measured at fair value through profit or loss unless an irrevocable option is taken to measure at fair value through other comprehensive income.

- Liabilities:

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers and payables).

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined are disclosed in Note 5.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities which could be offset in the Statement of financial position. Refer to Note 4 for further discussion.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Impairment

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

(c) Net assets attributable to unitholders

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

The units can be put back to the Fund at any time for cash based on the redemption price.

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

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation:*

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

The Fund's units have been classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

(d) Cash and cash equivalents

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, 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.

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 Fund's main income generating activity.

(e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker against existing margin calls and is restricted to only be available to meet margin calls. It is not included as a component of cash and cash equivalents.

2 Summary of significant accounting policies (continued)

(f) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest income from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within distribution income when the Fund’s right to receive payments is established.

The management reimbursement income is recognised when the management cost cap is exceeded and the difference is reimbursed back to the Fund by the Investment Manager.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(g) Expenses

Expenses covered by management costs, including fees payable to the Responsible Entity, Investment Manager, Custodian and third party professionals for auditor's remuneration, are recognised in the Statement of comprehensive income on an accruals basis. Transaction related expenses are not part of management cost and recognised in the statement of comprehensive income on a settlement basis.

(h) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income.

(i) Distributions

Distributions are payable as set out in the Fund’s offering document. Such distributions are determined by the Responsible Entity and the Investment Manager of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

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

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

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

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

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as equity, movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's 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 Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

2 Summary of significant accounting policies (continued)

(k) Foreign currency translation (continued)

(ii) Transactions and balances

Assets and liabilities in foreign currencies are translated into the functional currency at the prevailing exchange rate at the valuation date. Transactions denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. The Fund's income earned and expense incurred on foreign denominated balances are translated into the functional currency at the prevailing exchange rate on the date of such activity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(l) Due from/to brokers

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

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

(m) Receivables

Receivables may include amounts for interest and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(f) above. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. The Fund has applied a simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, receivables have been grouped based on days overdue.

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

(n) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

2 Summary of significant accounting policies (continued)

(o) Applications and redemptions

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

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (“ATO”). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(q) Use of estimates

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

For the majority of the Fund’s financial instruments, quoted market prices are readily available. However, certain financial instruments, including unquoted securities are fair valued using valuation techniques determined by the Investment Manager, in accordance with the valuation procedures approved by the Responsible Entity. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

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

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(r) Rounding of amounts

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

(s) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary comparative figures have been adjusted to conform with changes in presentation in the current period.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market risk

(i) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The Fund invests in the JPMorgan Liquidity Funds - USD Liquidity LVNAV Fund (the "Money Market Fund"), in which the majority of its assets are short-term USD-denominated debt securities, deposits with credit institutions and reverse repurchase agreements. The Money Market Fund may have exposure to investments with zero or negative yields in adverse market conditions. The weighted average maturity of the investments will not exceed 60 days and the initial or remaining maturity of each debt security will not exceed 397 days at the time of purchase.

The market risk in the Money Market Fund is managed by JPMorgan Asset Management (UK) Limited taking into account the asset allocation of each holding of the Money Market Fund in order to minimise the risk associated with particular countries or sectors while continuing to follow their respective investment objective, it achieves this primarily through the diversification of investments across investment types, industries and regions.

At 30 June, the Fund's overall exposure to securities which are subject to price risk including notional exposure on derivative contracts were as follows:

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Managed funds	**7,058**	13,930
Notional value of pricing swaps contracts	**52,111**	-
Total exposure to price risk	**59,169**	13,930

The table presented in Note 3(c) summarises the impact of an increase/decrease of 5% (2022: 10%) in the Money Market Fund on the Fund's net assets attributable to unitholders. The impact mainly arises from the reasonably possible changes in the fair value of the Money Market Fund.

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to foreign exchange risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

Foreign currency contracts and other derivatives are used to manage foreign exchange risk.

The table below summarises the Fund's net exposure to different major currencies, including the notional value of forward foreign currency exchange contracts:

	30 June 2023	30 June 2022
	$'000	$'000
United States Dollar	**(13,957)**	(1,168)
Euro Currency	**(1,410)**	(76)
British Pound	**(322)**	99
Chinese Yuan	**1,570**	1,634
Other Currencies	**8,757**	(3,305)

As at 30 June 2023, the Fund held forward currency contracts with a net notional exposure of $340,017,614 (2022: $346,493,308).

The table in Note 3(c) summarises the sensitivities of the Fund's monetary and non-monetary assets and liabilities to foreign exchange risk based on the Investment Manager's best estimate of a reasonably possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

(iii) Interest rate risk

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

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

The Fund's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with the investment mandate, overall investment strategy and within approved limits.

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risk.

As at 30 June 2023	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Assets				
Cash and cash equivalents	3,925	-	-	3,925
Margin accounts	6,382	-	-	6,382
Applications receivable	-	-	157	157
Other receivables	-	-	315	315
Due from brokers - receivable for securities sold	-	-	45	45
Financial assets at fair value through profit or loss	41,203	313,787	17,361	372,351
Total assets	51,510	313,787	17,878	383,175
Liabilities				
Distribution payable	-	-	3,474	3,474
Redemptions payable	-	-	1,210	1,210
Other payables	-	-	401	401
Due to brokers - payable for securities purchased	-	-	33,092	33,092
Financial liabilities at fair value through profit or loss	1	770	5,557	6,328
Total liabilities (excluding net assets attributable to unitholders)	1	770	43,734	44,505
Net assets attributable to unitholders	51,509	313,017	(25,856)	338,670
Net increase/(decrease) in exposure from International fixed interest futures (notional principal)	-	(21,997)	-	(21,997)
Net increase/(decrease) in exposure from Swaps (notional principal)	3,065	10,692	52,111	65,868
Net exposure	54,574	301,712	26,255	382,541

An analysis of financial liabilities by maturities is provided in Note 3(e).

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

As at 30 June 2022	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Assets				
Cash and cash equivalents	18,416	-	-	18,416
Margin accounts	1,131	-	-	1,131
Application receivable	-	-	317	317
Other receivables	-	-	190	190
Due from brokers - receivable for securities sold	-	-	8,121	8,121
Financial assets at fair value through profit or loss	36,238	304,752	15,494	356,484
Total assets	55,785	304,752	24,122	384,659
Liabilities				
Distribution payable	-	-	3,297	3,297
Redemptions payable	-	-	826	826
Other payables	-	-	328	328
Due to brokers - payable for securities purchased	-	-	6,032	6,032
Financial liabilities at fair value through profit or loss	-	95	15,645	15,740
Total liabilities (excluding net assets attributable to unitholders)	-	95	26,128	26,223
Net assets attributable to unitholders	55,785	304,657	(2,006)	358,436
Net increase/(decrease) in exposure from Australian fixed interest futures (notional principal)	-	9,435	-	9,435
Net increase/(decrease) in exposure from International fixed interest futures (notional principal)	-	(319,021)	-	(319,021)
Net exposure	55,785	(4,929)	(2,006)	48,850

An analysis of financial liabilities by maturities is provided in Note 3(e).

3 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation and/or high/low returns of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit and net assets attributable to unitholders			
	As at			
	30 June 2023		30 June 2022	
	+5%	**-5%**	+10%	-10%
	$'000	**$'000**	$'000	$'000
Price risk	**2,958**	**(2,958)**	1,393	(1,393)

	As at			
	30 June 2023		30 June 2022	
	+150bps	**-150bps**	+150bps	-150bps
	$'000	**$'000**	$'000	$'000
Interest rate risk	**(3,707)**	**3,707**	(3,734)	3,734

Foreign exchange risk

	As at			
	30 June 2023		30 June 2022	
	Change %	**Impact ($'000)**	Change % +/-	Impact ($'000)
	+/-	**+/-**	+/-	+/-
United States Dollar	**5%**	**698**	10%	117
Euro Currency	**10%**	**141**	5%	4
British Pound	**10%**	**32**	5%	5
Chinese Yuan	**10%**	**157**	10%	163
Other Currencies	**10%**	**876**	10%	331

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonably possible shift in assumptions.

3 Financial risk management (continued)

(d) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund invests in fixed interest and floating rate interest securities which have credit ratings as rated by well-known rating agencies. For unrated fixed interest and floating rate securities a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies.

Credit risk is managed by ensuring that:

- Counterparty credit limits are established and approved by Perpetual as the Responsible Entity
- Exposures in derivative positions are fully collateralised; and
- Transactions are undertaken with a number of counterparties to address concentration risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of directly held fixed interest and floating interest securities by rating is set out in the table below:

	Year ended	
	30 June 2023	30 June 2022
Rating	**$'000**	$'000
AAA	**31,278**	27,341
AA+	**3,741**	3,429
AA	**2,655**	3,473
AA-	**2,625**	783
A+	**6,973**	2,917
A	**10,616**	11,448
A-	**30,293**	18,210
BBB+	**38,150**	27,639
BBB	**34,890**	32,020
BBB-	**23,477**	27,722
BB+	**19,809**	16,964
BB	**16,815**	22,527
BB-	**18,196**	20,609
B+	**6,856**	8,111
B	**7,045**	11,535
B-	**4,860**	6,737
CCC+	**1,077**	1,880
CCC	**1,361**	1,525
CCC-	**248**	84
CC	**20**	518
D	**76**	78
Not-rated	**93,430**	94,021
Total	**354,491**	339,571

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A or higher.

3 Financial risk management (continued)

(d) Credit risk (continued)

Derivatives

All foreign exchange contracts are settled with an approved broker or the Fund's custodian. The risk of default is considered low, as currency is delivered when payment is made.

For derivative financial instruments, the Responsible Entity has established limits such that all contracts are required to be transacted with counterparties that have a Board approved minimum issuer credit rating.

All derivative counterparties of the fund have a rating A or higher.

(e) Liquidity risk

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

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

The Responsible Entity and the Investment Manager monitor liquidity of the Fund on a daily basis. In order to manage the Fund’s overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2023 and 2022.

The table below analyses the Fund’s non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 30 June 2023	**Less than 1 month**	**1 - 6 months**	**6 - 12 months**	**Over 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Derivatives	**3,781**	**681**	**-**	**1,866**	**6,328**
Distribution payable	**3,474**	**-**	**-**	**-**	**3,474**
Redemptions payable	**1,210**	**-**	**-**	**-**	**1,210**
Other payables	**401**	**-**	**-**	**-**	**401**
Due to brokers - payable for securities purchased	**33,092**	**-**	**-**	**-**	**33,092**
Total	**41,958**	**681**	**-**	**1,866**	**44,505**

As at 30 June 2022	Less than 1 month	1 - 6 months	6 - 12 months	Over 12 months	Total
	$'000	$'000	$'000	$'000	$'000
Derivatives	15,011	675	-	54	15,740
Distribution payable	3,297	-	-	-	3,297
Redemptions payable	826	-	-	-	826
Other payables	328	-	-	-	328
Due to brokers - payable for securities purchased	6,032	-	-	-	6,032
Total	25,494	675	-	54	26,223

4 Offsetting financial assets and financial liabilities

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

	Effects of offsetting on the Statement of financial position			Related amounts not offset		
30 June 2023	**Gross amounts of financial instruments**	**Gross amounts set off in the balance sheet**	**Net amount of financial instruments presented in the balance sheet**	**Amounts subject to enforceable netting arrangements**	**Cash collateral**	**Net amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets						
Derivatives	**10,802**	**-**	**10,802**	**(2,917)**	**-**	**7,885**
Margin accounts						
Citi Bank	**5,198**	**(170)**	**5,028**	**-**	**-**	**5,028**
Goldman Sachs	**1,511**	**(157)**	**1,354**	**-**	**-**	**1,354**
Total	**17,511**	**(327)**	**17,184**	**(2,917)**	**-**	**14,267**
Financial liabilities						
Derivatives	**6,328**	**-**	**6,328**	**(2,917)**	**-**	**3,411**
Margin accounts						
Citi Bank	**170**	**(170)**	**-**	**-**	**-**	**-**
Goldman Sachs	**157**	**(157)**	**-**	**-**	**-**	**-**
Total	**6,655**	**(327)**	**6,328**	**(2,917)**	**-**	**3,411**

4 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the Statement of financial position			Related amounts not offset		
30 June 2022	Gross amounts of financial instruments	Gross amounts set off in the balance sheet	Net amount of financial instruments presented in the balance sheet	Amounts subject to enforceable netting arrangements	Cash collateral	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Derivatives	2,983	-	2,983	(1,450)	-	1,533
Margin accounts						
Citi Bank	943	(512)	431	-	-	431
Goldman Sachs	3,596	(2,896)	700	-	-	700
Total	7,522	(3,408)	4,114	(1,450)	-	2,664
Financial liabilities						
Derivatives	15,740	-	15,740	(1,450)	-	14,290
Margin accounts						
Citi Bank	512	(512)	-	-	-	-
Goldman Sachs	2,896	(2,896)	-	-	-	-
Total	19,148	(3,408)	15,740	(1,450)	-	14,290

4 Offsetting financial assets and financial liabilities (continued)

Master Agreements

The Fund is a party to master netting arrangements with counterparties (“Master Agreements”). Master Agreements govern the terms of certain like transactions and reduce the counterparty risk associated with relevant transactions by specifying payment netting mechanisms across multiple transactions and providing standardisation that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded by different legal entities of a particular counterparty organisation, each type of transaction may be covered by a different Master Agreement, resulting in the need for multiple Master Agreements with a counterparty and its affiliates. As the Master Agreements are specific to unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty.

Prime Broker Agreements may be entered into to facilitate execution and/or clearing of equities, bonds, equity option transactions or short sales of securities between certain Funds and selected counterparties. These arrangements provide financing arrangements for such transactions and include guidelines surrounding the rights, obligations, and other events, including, but not limited to, margin, execution, and settlement. These agreements maintain provisions for, among other things, payments, maintenance of collateral, events of default, and termination. Cash and other assets delivered as collateral are typically in the possession of the prime broker and would offset any obligations due to the prime broker.

Master Futures Client Account Agreements including an Addendum for Cleared Derivatives (“FCM Master Agreements”) govern centrally cleared derivative transactions, exchange-traded futures transactions and exchange-traded options transactions which are cleared through a central clearinghouse (“CCP”). On a daily basis, a CCP clears trades that it has received from brokers that are clearing members of the respective CCP and are registered as swap/futures commission merchants with the Commodity Futures Trading Commission ("CFTC"), or other applicable regulator. The Fund is therefore required to interface with brokers in order to trade centrally cleared derivative transactions, exchange-traded futures transactions and exchange-traded options. Upon entering into an exchange-traded or centrally cleared derivative contract the Fund may pledge cash and/or securities to a trading account as collateral to a central clearinghouse, through a broker, in accordance with the initial margin requirements of the central clearinghouse. Exchange-traded and centrally cleared derivatives contracts are revalued at least daily, and as such, the net appreciation or depreciation of the derivative contracts causes the value of the respective trading account to either move above or below the initial margin requirement. In accordance with the FCM Master Agreements, on a daily basis the Fund will pay or receive cash in an amount that will bring the total value of each trading account back in line with the respective initial margin requirement. Such receipts or payments of cash are known as variation margin. Variation margin is determined separately for exchange-traded futures and centrally cleared swaps and cannot be netted. The movement of variation margin between the Fund and the respective brokers usually occurs the morning after the close of a trading session, and therefore at the end of each day, the total value of a trading account deviates from the initial margin requirement by an amount equal to the current day’s net change in unrealised appreciation or depreciation of the derivative contracts.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes (“ISDA Master Agreements”) govern over-the-counter (“OTC”) derivative transactions entered into between certain Funds and a counterparty. ISDA Master Agreements maintain provisions for general obligations, representations, netting of settlement payments, agreements to deliver supporting documents, collateral transfer and events of default or termination. ISDA Master Agreements contain termination events applicable to the Fund or the counterparty. Such events may include a decline in the Fund’s net assets below a specified threshold over a certain period of time or a decline in the counterparty’s long-term and short-term credit ratings below a specified level, respectively. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all OTC swap and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by a party to elect early termination could impact the Fund’s future derivative activity.

Collateral pledged by the Fund pursuant to a Master Agreement is held by the counterparty and can be invested or repledged by such counterparty. Collateral pledged by the Fund is identified as an asset in the Fund’s Statement of financial position as a component of deposits pledged to brokers for margin.

Collateral received by the Fund pursuant to a Master Agreement is held by the Fund’s custodian and can be invested or repledged. Collateral received by the Fund is reflected as a liability in the Statement of financial position in deposits received from brokers for margin.

For financial reporting purposes, derivative assets and liabilities are presented within the Statements of financial position as a component of Financial assets at fair value through profit or loss and Financial liabilities at fair value through profit or loss on a gross basis, which reflects the full risks and exposures prior to netting under certain circumstances.

5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

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

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting year.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

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

The Fund values its investments and derivatives in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

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

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

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

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain corporate debt securities.

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

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

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

5 Fair value measurement (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The determination of what constitutes 'observable' requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that 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.

Recognised fair value measurement

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

As at 30 June 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at fair value through profit or loss				
Derivatives				
Forward currency contracts	**-**	**10,303**	**-**	**10,303**
Fixed interest futures	**477**	**-**	**-**	**477**
Swaps	**-**	**22**	**-**	**22**
Fixed interest securities	**-**	**338,253**	**1,436**	**339,689**
Managed funds	**-**	**7,058**	**-**	**7,058**
Convertible notes	**-**	**14,802**	**-**	**14,802**
Total	**477**	**370,438**	**1,436**	**372,351**
Financial liabilities at fair value through profit or loss				
Derivatives				
Forward currency contracts	**-**	**3,984**	**-**	**3,984**
Fixed interest futures	**478**	**-**	**-**	**478**
Swaps	**-**	**1,866**	**-**	**1,866**
Total	**478**	**5,850**	**-**	**6,328**

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Derivatives				
Forward currency contracts	-	1,124	-	1,124
Fixed interest futures	1,419	-	-	1,419
Swaps	-	440	-	440
Fixed interest securities	-	323,824	1,459	325,283
Managed funds	-	13,930	-	13,930
Convertible notes	-	14,288	-	14,288
Total	1,419	353,606	1,459	356,484
Financial liabilities at fair value through profit or loss				
Derivatives				
Forward currency contracts	-	15,591	-	15,591
Fixed interest futures	95	-	-	95
Swaps	-	54	-	54
Total	95	15,645	-	15,740

5 Fair value measurement (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

Transfers between levels

The following tables present the transfers between levels:

30 June 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Transfers between levels 2 and 3:			
Fixed interest securities	-	-	-
30 June 2022			
Transfers between levels 2 and 3:			
Fixed interest securities	-	397	(397)

(iii) Fair value measurement using significant unobservable inputs (level 3)

The following table presents the movement in level 3 financial instruments for the year ended 30 June 2023 and 30 June 2022.

30 June 2023	**Fixed interest securities $'000**
Opening balance	**1,459**
Losses recognised in the Statement of comprehensive income	**(23)**
Closing balance	**1,436**
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year	**(23)**

30 June 2022	Fixed interest securities $'000
Opening balance	504
Purchases	1,344
Gains recognised in the Statement of comprehensive income	8
Transfers out of Level 3	(397)
Closing balance	1,459
Total unrealised gains/(losses) for the year included in the Statement of comprehensive income for financial assets and liabilities held at the end of the year	106

(iv) Valuation inputs and relationships to fair value

The level 3 financial instrument noted above has been valued at cost in the absence of a vendor or broker coverage.

(v) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, the Investment Manager performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting year.

5 Fair value measurement (continued)

(vi) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Derivatives	**10,802**	2,983
Fixed interest securities	**339,689**	325,283
Managed funds	**7,058**	13,930
Convertible notes	**14,802**	14,288
Total financial assets at fair value through profit or loss	**372,351**	356,484
Comprising:		
Derivatives		
Forward currency contracts	**10,303**	1,124
International fixed interest futures	**477**	1,419
Swaps	**22**	440
Total derivatives	**10,802**	2,983
Fixed interest securities		
International government bonds	**352**	85
International other public sector bonds	**29,572**	22,963
International corporate bonds	**97,698**	94,667
International commercial mortgages	**169,327**	169,745
International floating rate notes	**41,203**	36,238
International other fixed interest securities	**1,537**	1,585
Total fixed interest securities	**339,689**	325,283
Managed funds		
Australian managed funds	**-**	13,930
International managed funds	**7,058**	-
Total managed funds	**7,058**	13,930
Convertible notes		
International convertible notes	**14,802**	14,288
Total convertible notes	**14,802**	14,288
Total financial assets at fair value through profit or loss	**372,351**	356,484

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3.

7 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Derivatives	**6,328**	15,740
Total financial liabilities at fair value through profit or loss	**6,328**	15,740
Comprising:		
Derivatives		
Forward currency contracts	**3,984**	15,591
Australian fixed interest futures	**-**	72
International fixed interest futures	**478**	23
Swaps	**1,866**	54
Total derivatives	**6,328**	15,740
Total financial liabilities at fair value through profit or loss	**6,328**	15,740

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in Note 3.

8 Derivative financial instruments

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

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

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

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

Certain derivative transactions provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. The Investment Manager targets a level of volatility and sets leverage accordingly.

The Fund holds the following derivative financial instruments:

(a) Forward currency contracts

Forward foreign currency exchange contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward foreign currency exchange contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

(b) Futures

Futures are contractual obligations to purchase or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

8 Derivative financial instruments (continued)

(c) Swaps

A swap is an agreement between two parties to exchange their obligations, (payments) or receipts, at set intervals on a notional principal amount over an agreed time period.

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

	As at					
	30 June 2023			30 June 2022		
		Fair values			Fair values	
	Contract/ Notional	**Assets**	**Liabilities**	Contract/ Notional	Assets	Liabilities
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Forward currency contracts	**340,018**	**10,303**	**3,984**	346,493	1,124	15,591
Australian fixed interest futures	**-**	**-**	**-**	9,435	-	72
International fixed interest futures	**(21,997)**	**477**	**478**	(319,021)	1,419	23
Credit index swaps	**52,111**	**-**	**1,573**	-	-	-
Interest rate swaps	**13,758**	**22**	**293**	17,390	440	54
	383,890	**10,802**	**6,328**	54,297	2,983	15,740

Risk exposures and fair value measurements

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

9 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. The Fund considers investments in managed funds to be structured entities. The Fund invests in unrelated managed funds for the purpose of capital appreciation and/or earning investment income.

The exposure to investments in managed funds are disclosed in the following table:

Name of Entity	**Fair value of investments**		**Interest held**	
	30 June 2023	30 June 2022	**30 June 2023**	30 June 2022
	$'000	$'000	**%**	%
JPMorgan Liquidity Funds - USD Liquidity LVNAV Fund X (dist.)	**7,058**	-	**0.00***	-
JPMorgan Liquidity Funds - AUD Liquidity LVNAV Fund X (acc.)	**-**	13,930	-	2.68

* Rounded to nearest decimal.

The Fund has exposures to structured entities through its trading activities. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Exposure to trading assets is managed in accordance with financial risk management practices as set out in Note 3(b).

10 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation,* puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the AMIT tax regime and consequently the Fund's constitution has been amended. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

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

	As at			
	30 June 2023	30 June 2022	**30 June 2023**	30 June 2022
	No.'000	No.'000	**$'000**	$'000
Opening balance	**390,355**	305,022	**358,436**	308,790
Applications	**85,437**	161,483	**80,149**	161,059
Redemptions	**(112,352)**	(77,018)	**(105,259)**	(75,638)
Units issued upon reinvestment of distributions	**658**	868	**611**	870
Profit/(loss) for the year	**-**	-	**15,456**	(25,306)
Distributions paid and payable	**-**	-	**(10,723)**	(11,339)
Closing balance	**364,008**	390,355	**338,670**	358,436

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital Risk Management

The Fund classifies its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

11 Distributions to unitholders

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions during the year were as follows:

	Year ended			
	30 June 2023		30 June 2022	
	$'000	**CPU***	$'000	CPU*
Distributions paid				
— 30 September	**2,191**	**0.56**	2,249	0.64
— 31 December	**1,994**	**0.54**	2,682	0.71
— 31 March	**3,064**	**0.82**	3,111	0.80
Distributions payable				
— 30 June	**3,474**	**0.95**	3,297	0.84
	10,723		11,339	

* Distribution is expressed as cents per unit amount in Australian Dollar.

12 Cash and cash equivalents

	As at	
	30 June 2023	30 June 2022
	$'000	$'000
Domestic cash at bank	**854**	1,705
Foreign cash at bank	**3,071**	16,711
Total cash and cash equivalents	**3,925**	18,416

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

	Year ended	
	30 June 2023	30 June 2022
	$'000	$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss)	**15,456**	(25,306)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(5,100)**	35,740
Net foreign exchange (gains)/losses on cash and cash equivalents	**(558)**	(640)
Proceeds from sale of financial instruments at fair value through profit or loss	**385,104**	313,301
Payments for purchase of financial instruments at fair value through profit or loss	**(374,955)**	(384,048)
Distribution income reinvested	**(132)**	-
Net change in other receivables	**(436)**	910
Net change in other payables	**73**	36
Net cash inflow/(outflow) from operating activities	**19,452**	(60,007)
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**611**	870

14 Auditor's remuneration

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

	Year ended	
	30 June 2023	30 June 2022
	$	$
PricewaterhouseCoopers		
Audit and other assurance services		
Audit of financial statements	**33,532**	35,841
Audit of compliance plan	**2,444**	2,284
Total remuneration for audit and other assurance services	**35,976**	38,125

All audit fees are borne by the Fund and included in its management costs.

15 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of JPMorgan Global Strategic Bond Fund is Perpetual Trust Services Limited (ABN 48 000 142 049) (AFSL 236 648).

Key management personnel

(a) Directors

Key management personnel includes persons who were Directors of Perpetual Trust Services Limited at any time during the financial year as follows:

Glenn Foster	
Phillip Blackmore	
Richard McCarthy	
Vicki Riggio	Alternate Director for Phillip Blackmore

(b) Other key management personnel

There were no other key management personnel responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unitholdings

During or since the end of the year, none of the Directors or Director-related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties.

Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has 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 reporting year.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving Director’s interests existing at year end.

15 Related party transactions (continued)

Responsible Entity's/Investment Manager's fees and other transactions

The Investment Manager of the Fund is JPMorgan Asset Management (Australia) Limited (ABN 55 143 832 080).

Under the terms of the Fund's Constitution the management costs are comprised of the management fees payable to the Responsible Entity and the Investment Manager as well as the expenses of the Fund such as costs associated with custody and administration of the Fund (excluding transaction related expenses) and, costs associated with the provision of audit and tax services for the Fund.

The management costs are capped at 0.50% (2022: 0.50%) per annum of the net asset value of the Fund, accruing daily and payable in arrears. Where actual expenses result in the management costs exceeding 0.50% (2022: 0.50%) of the net asset value of the Fund for the year, such expenses will be paid out of the assets of the Fund and the difference reimbursed back to the Fund by the Investment Manager. The costs are inclusive of GST and net of any applicable input tax credits and reduced input tax credit.

During the year the Investment Manager reimbursed $35,525 (2022: $54,497) into the Fund and $233,289 (2022: $126,399) as reimbursement receivable will be paid when the invoices are due to ensure the management cost cap was not exceeded.

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

	Year ended	
	30 June 2023	30 June 2022
	$	$
Management costs for the year	**2,006,428**	1,983,810
Management costs reimbursements for the year	**(268,814)**	(180,896)
Net management costs for the year	**1,737,614**	1,802,914
Management costs payable at year end	**341,189**	328,097

16 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

17 Contingent assets, contingent liabilities and commitments

There are no outstanding contingent assets, 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 set out on pages 6 to 35 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(c) Note 2(a)(i) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.

Director

Sydney

20 September 2023

Independent auditor's report

To the unitholders of JPMorgan Global Strategic Bond Fund

Our opinion

In our opinion:

The accompanying financial report of JPMorgan Global Strategic Bond Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- directors' declaration.

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

Independence

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

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

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

Responsibilities of the directors of the Responsible Entity for the financial 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 of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Fund 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 the financial report.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Paul Collins
Partner

Sydney
20 September 2023

For further information concerning J.P. Morgan Funds, please contact the J.P. Morgan Funds Team:

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