Alexander Fixed Income Fund

ARSN 629 915 199

Annual report
For the period 14 November 2018 to 30 June 2019

Alexander Fixed Income Fund

ARSN 629 915 199

Annual report
For the period 14 November 2018 to 30 June 2019

Contents

This annual report covers Alexander Fixed Income Fund as an individual entity.

The Responsible Entity of Alexander Fixed Income Fund is Equity Trustees Limited (ABN 46 004 031 298)

(AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Alexander Fixed Income Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 14 November 2018 to 30 June 2019.

Principal activities

The Fund was constituted on 9 November 2018 and commenced operations on 14 November 2018.

The Fund invests in a diversified portfolio of primarily, investment grade, Australasian fixed income credit markets in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Alexander Funds Management Pty Ltd.
Custodian	Sandhurst Trustees Ltd
Administrator	Unity Fund Services Pty Ltd.
Statutory Auditor	Ernst & Young

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the period and up to the date of this report:

Philip D Gentry (Chairman)
Harvey H Kalman
Ian C Westley
Michael J O'Brien

Review and results of operations

During the period, the Fund invests its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 4.18% (net of fees) for the period ended 30 June 2019. The Fund's benchmark, the AusBond Bank Bill Index plus 1% returned 1.66% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	For the period 14 November 2018 to 30 June 2019
Operating profit/(loss) for the period ($'000)	**533**
Distributions paid and payable ($'000)	**361**
Distributions (cents per unit)	**1.58**

Significant changes in the 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 period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may have a significant effect on:

i. the operations of the Fund in future financial years;
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 Product Disclosure Statement and 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

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Directors' report (continued)

Indemnification of auditor

The Responsible Entity has not, during or since the end of the financial period, except for the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 14(g) to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 14(h) to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to 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

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

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

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.

Philip D Gentry
Chairman

Melbourne
12 September 2019

Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Alexander Fixed Income Fund

As lead auditor for the audit of the financial report of Alexander Fixed Income Fund for the financial year ended 30 June 2019, 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; and

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

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
12 September 2019

Statement of comprehensive income

	Note	For the Period 14 November 2018 to 30 June 2019 $'000
Investment income		
Interest income from financial assets at fair value through profit or loss		**347**
Interest income from financial assets at amortised cost		**7**
Net gains/(losses) on financial instruments at fair value through profit or loss	5	**232**
Total investment income		**586**
Expenses		
Management fees	14(g)	**53**
Total expenses		**53**
Operating profit/(loss) for the period		**533**
Other comprehensive income		-
Total comprehensive income for the year		**533**

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

Statement of financial position

	Note	As at 30 June 2019 $'000
Assets		
Cash and cash equivalents	9	**1,477**
Receivables	11	**5**
Financial assets at fair value through profit or loss	6	**25,980**
Total assets		**27,462**
Liabilities		
Distributions payable	8	**331**
Payables	12	**20**
Total liabilities		**351**
Net assets attributable to unit holders - equity	7	**27,111**

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

Statement of changes in equity

	Note	For the period 14 November 2018 to 30 June 2019 $'000
Total equity at the beginning of the financial period		**-**
Comprehensive income for the financial period		
Profit/(loss) for the period		**533**
Other comprehensive income		**-**
Total comprehensive income		**533**
Transactions with owners in their capacity as owners		
Applications	7	**30,207**
Reinvestment of Distributions	7	**27**
Redemptions	7	**(3,295)**
Distributions	7	**(361)**
Total transactions with unit holders		**26,578**
Total equity at the end of the financial period		**27,111**

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

.

Statement of cash flows

	Note	For the period 14 November 2018 to 30 June 2019 $'000
Cash flows from operating activities		
Proceeds from sales of financial instruments at fair value through profit or loss		**17,316**
Purchase of financial instruments at fair value through profit or loss		**(43,064)**
Interest income received at fair value through profit or loss		**345**
Interest income received at amortised cost		**7**
Management and performance fees paid		**(33)**
RITC/GST paid		**(3)**
Net cash inflow/(outflow) from operating activities	10(a)	**(25,432)**
Cash flows from financing activities		
Proceeds from applications by unit holders		**30,207**
Payments for redemptions by unit holders		**(3,295)**
Distributions paid to unit holders		**(3)**
Net cash inflow/(outflow) from financing activities		**26,909**
Net increase/(decrease) in cash and cash equivalents		**1,477**
Cash and cash equivalents at the beginning of the period		**-**
Effect of foreign currency exchange rate changes on cash and cash equivalents		**-**
Cash and cash equivalents at the end of the period	9	**1,477**
Non-cash operating and financing activities	10(b)	**27**

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

Notes to the financial statements

Contents

1 General information

These financial statements cover Alexander Fixed Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 9th November 2018, commenced operations on 14 November 2018 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in a diversified portfolio of primarily, investment grade Australasian fixed income credit assets in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the 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 periods 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 do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

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 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

i. Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS 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 or the financial period that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

iii. New standard and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, 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.

b. Financial instruments

i. Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:
- those to be measured at fair value through profit or loss
- those to be measured at amortised cost

The Fund classifies its financial assets 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, 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.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

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, distributions payable, management fees payable, applications received in advance, audit and tax fees payable, administration fees payables and custodian fees payable).

ii. Recognition and 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 the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

2 Summary of significant accounting policies (continued)

b. Financial instruments (continued)

iii. Measurement

- Financial instruments at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or 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 expenses on short sales of securities, which have been classified at fair value through profit of loss. For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

iv. Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (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 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 gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The ECL approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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 offset or with the right to offset in the statement of financial position.

c. Net assets attributable to unit holders

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

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

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

2 Summary of significant accounting policies (continued)

c. Net assets attributable to unit holders (continued)

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 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.

d. Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

e. Investment income

i. Interest 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 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate 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 appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. 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) to the financial statements.

f. Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

2 Summary of significant accounting policies (continued)

g. Income tax

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

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. Withholding taxes are included in the statement of comprehensive income within other operating expenses.

h. Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

i. Foreign currency translation

i. Functional and presentation currency

Balances 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.

j. 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 period. Trades are recorded on trade date, and normally settled within two business days. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

k. Receivables

Receivables may include amounts for interest. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

l. Payables

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

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial period.

m. 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.

2. Summary of significant accounting policies (continued)

n. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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.

o. Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. 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, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

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

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

p. Comparative period

The Fund was constituted on 9 November 2018 and commenced operations on 14 November 2018. The reporting period covers the period 14 November 2018 to 30 June 2019, hence there is no comparative information.

q. Rounding of amounts

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

3. Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

3. Financial risk management (continued)

The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Alexander Funds Management Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement and Regulatory Guide.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

a. Market risk

i. Price risk

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

Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moves by +/- 10%.

ii. Foreign exchange risk

The Fund can operate internationally and can hold both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed by Alexander Funds Management Pty Ltd.

Foreign exchange risk is managed as a part of price risk.

As at 30 June 2019, the Fund has no financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

iii. Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

The Fund's interest bearing financial assets 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 the risk that a loss is incurred by the Fund's investments due to a change in the level of interest rates. Interest rate risk is measured though interest rate duration which represents loss in price of the Fund in percentage terms if interest rates widen by 100 basis points. As at 30 June 2019 the Funds interest rate duration was 0.56 years.

The Fund's main interest rate risk arises from its investments in bonds.

Interest rate risk is managed as a part of price risk.

3. Financial risk management (continued)

a. Market risk (continued)

iii. Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
As at 30 June 2019			
Assets			
Cash and cash equivalents	1,477	-	1,477
Receivables	-	5	5
Financial assets at fair value through profit or loss	25,980	-	25,980
Total assets	27,457	5	27,462
Liabilities			
Distributions payable	-	331	331
Payables	-	20	20
Total liabilities	-	351	351
Net increase/(decrease) in exposure from interest rate futures	-	-	-
Net exposure	27,457	(346)	27,111

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/- 100 basis points from the period end rates with all other variables held constant.

b. Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. 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 levels of changes in foreign exchange rates, interest rates and the historical correlation 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 variances in the risk variables

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-10% $'000	10% $'000	-100bps $'000	+100bps $'000
As at 30 June 2019	(2,598)	2,598	(275)	275

3. Financial risk management (continued)

c. Credit risk

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

This is the primary risk within the portfolio and it is analysed in many different ways by the Investment Manager. Credit limits, which are set through risk management processes, provide a framework for the amount of credit risk that the Fund can take, and this risk can be supplemented or hedged through the use of tools as credit derivative products.

Credit risk is the risk that a loss is incurred when the borrower or an issuer of a security fails to pay their principal or interest obligations when they are due. The primary way to measure this risk is through credit dollar value a basis point (credit DV01) and credit duration. Credit DV01 represents the amount that the Fund will lose if credit spreads widen in each asset that the Fund owns by one basis point. Credit duration represents the loss in price of the Fund in percentage terms if credit spreads widen by 100 basis points.

The following table sets out the credit DV01 an credit duration

	30 June 2019
Credit DV01	**$5,615.05**
Credit Duration	**2.02 years**

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to from brokers and other receivables.

i. Debt securities

The Fund invests in debt securities which are investment grade, non-investment grade and not rated. All debt securities must have a minimum investment grade as outlined in the Fund's Product Disclosure Statement.

An analysis of debt by rating is set out in the table below.

	For the period 14 November 2018 to 30 June 2019 $'000
Cash and cash equivalents rating	
A	**1,477**
Total	**1,477**
Australian debt securities rating	
AAA	**1,008**
AA	**1,013**
A	**4,103**
BBB	**3,668**
BB	**1,005**
B	**3,143**
Unrated	**12,040**
Total	**25,980**
Total	**27,457**

3. Financial risk management (continued)

c. Credit risk (continued)

ii. Derivative financial instruments

The Fund can restrict its exposure to credit losses on the trading of derivative instruments. As at 30 June 2019, the Fund did not hold any derivative instruments.

iii. Concentration risk

Concentration risk is the risk the Fund is not diversified enough. The Fund targets an asset allocation range that aims to reduce concentration risk although this does not take effect until the Fund is greater than $100 million in funds under management.

iv. Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once the securities purchased have been received by the broker. The trade will fail if either party fails to meet its obligations.

v. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A (as determined by the Standard & Poor's).

vi. Other

The Fund is not materially exposed to credit risk on other financial assets.

vii. Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

d. 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.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by holding some of the portfolio assets in securities that are liquid even in time of heightened volatility and conducting its investing activities in accordance with agreed guidelines and leverage ratios to ensure a minimal concentration of risk.

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 unit holders. The Fund did not reject or withhold any redemptions during the period.

i. Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option.

3. Financial risk management (continued)

d. Liquidity risk (continued)

i. Maturities of non-derivative financial liabilities (continued)

However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month	1 to 6 months	Total
	$'000	$'000	$'000
As at 30 June 2019			
Distributions payable	**331**	**-**	**331**
Payables	**20**	**-**	**20**
Net assets attributable to unit holders	**27,111**	**-**	**27,111**
Contractual cash flows	**27,462**	**-**	**27,462**

4. Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

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

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

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

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

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

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period 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 period. 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.

4. Fair value measurement (continued)

b. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 June 2019				
Financial assets				
Asset backed securities	-	17,036	-	17,036
Corporate bonds	-	8,944	-	8,944
Total financial assets	-	25,980	-	25,980

c. Transfer between levels

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

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

d. Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

5. Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	For the period 14 November 2018 to 30 June 2019 $'000
Financial assets	
Net realised gain/(loss) on financial assets at fair value through profit or loss	61
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	171
Net gains/(losses) on financial instruments at fair value through profit or loss	232

6. Financial assets at fair value through profit or loss

	For the period 14 November 2018 to 30 June 2019 $'000
Asset backed securities	17,036
Corporate bonds	8,944
Total financial assets at fair value through profit or loss	**25,980**

7. Net assets attributable to unit holders

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

	For the period 14 November 2018 to 30 June 2019 Units '000	$'000
Opening balance	-	-
Applications	29,584	30,207
Redemptions	(3,211)	(3,295)
Reinvestment of distributions	27	27
Distributions paid and payable	-	(361)
Profit/(loss) for the period	-	533
Closing balance	**26,400**	**27,111**

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

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. 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 redemption of units if the exercise of such discretion is in the best interests of unit holders.

8. Distributions to unit holders

The distributions declared during the period were as follows:

	For the period 14 November 2018 to 30 June 2019	
	$'000	CPU
Distributions		
December	7	0.22
March	23	0.10
June (payable)	331	1.26
Total distributions	**361**	**1.58**

9. Cash and cash equivalents

	As at 30 June 2019 $'000
Cash at bank	1,477
Total cash and cash equivalents	**1,477**

These accounts are earning a floating interest rate of between 0.0% and 0.5% as at 30 June 2019.

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

	For the period 14 November 2018 to 30 June 2019 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	533
Proceeds from sales of financial instruments at fair value through profit or loss	17,316
Purchase of financial instruments at fair value through profit or loss	(43,064)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(232)
Net change in receivables	(5)
Net change in payables	20
Net cash outflow from operating activities	**(25,432)**
(b) Non-cash operating and financing activities	
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan.	27
Total non-cash operating and financing activities	**27**

11. Receivables

	As at 30 June 2019 $'000
GST receivable	3
Interest receivable	2
Total receivables	**5**

12. Payables

	As at 30 June 2019 $'000
Management fees payable	20
Total payables	**20**

13. Remuneration of auditor

	For the period 14 November 2018 to 30 June 2019 $
Ernst & Young	
Audit and other assurance services	
Audit of financial statements	8,000
Audit of compliance plan	3,100
Total remuneration for audit and other assurance services	11,100
Taxation services	
Tax compliance services	6,612
Total remuneration for taxation services	6,612
Total remuneration of Ernst & Young	**17,712**

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

Auditor's remuneration for the period 14 November 2018 to 30 June 2019 will be paid out of the management fee.

14. Related party transactions

The Responsible Entity of Alexander Fixed Income Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Alexander Funds Management Pty Ltd, to act as Investment Manager for the Fund, and Sandhurst Trustees Ltd to act as Custodian and Unity Fund Services Pty Ltd as Administrator for the Fund. The contracts are on normal commercial terms and conditions.

a. Key management personnel

i. Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial period and up to the date of this report.

Philip D Gentry (Chairman)
Harvey H Kalman
Ian C Westley
Michael J O'Brien

ii. Other key management personnel

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

b. Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

c. Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2019.

d. Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

e. Key management personnel loans

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally related entities at any time during the reporting period.

f. Other transactions within the Fund

No key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving management personnel's interests existing at period end.

14. Related party transactions (continued)

g. Responsible Entity and Investment Manager's fees and other transactions

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

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

	For the period 14 November 2018 to 30 June 2019 $
Investment management fees for the period	**53,331**
Total fees payable to the Investment Manager at period end	**19,510**

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Expense recoveries include Responsible Entity fees, Custodian and Administrator fees and other expenses.

Investment Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

h. Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2019.

i. Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period.

15. Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the for the period on that date.

16. Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019**.**

Directors' declaration

In the opinion of the directors of the Responsible Entity:

a. The financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the financial period 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) confirms that the financial statements also comply with the 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 Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.

Philip D Gentry
Chairman

Melbourne
12 September 2019

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the unitholders of Alexander Fixed Income Fund

Opinion

We have audited the financial report of Alexander Fixed Income Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 14 November 2018 to 30 June 2019, 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 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 2019 and of its financial performance for the period 14 November 2018 to 30 June 2019; 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 Fund 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* (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 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 Fund'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 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 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 Fund'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 Fund'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 Fund 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

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
12 September 2019