

# **AllianceBernstein Managed Volatility Equities Fund**

ARSN 099 739 447

## **Annual Report**

**For the year ended 30 June 2020**

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ARSN 099 739 447

## Annual Report

### For the year ended 30 June 2020

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This annual report covers AllianceBernstein Managed Volatility Equities Fund as an individual entity.

The Responsible Entity of AllianceBernstein Managed Volatility Equities Fund is AllianceBernstein Investment Management Australia Limited (ABN 58 007 212 606). The Responsible Entity's registered office is:

Level 32 Aurora Place, 88 Phillip Street, Sydney, NSW 2000.

## Directors' report

The directors of AllianceBernstein Investment Management Australia Limited ("ABIMAL") (ABN 58 007 212 606), the Responsible Entity of AllianceBernstein Managed Volatility Equities Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2020.

### Principal activities

The Fund is a multi-class Attribution Managed Unit Investment Trust ("AMIT") with two unit classes on issue, MVE class and MVE Green Class.

The MVE Class and the MVE Green Class both implement a managed volatility equities strategy that invests in Australian and global listed equities and derivatives. The MVE Green class also seeks to reduce the net greenhouse gas emissions associated with its portfolio holdings by facilitating the cancellation or retirement of carbon credits. Refer note 7 and 12.

The Fund did not have any employees in the year.

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

### Directors

The following persons held office as directors of ABIMAL during the year and up to the date of this report:

Stuart Campbell Rae  
 Steven Michael Eisenberg  
 Ajai Mohan Kaul  
 Jennifer Agnes Driscoll  
 Emma Catherine Quinn

### Review and results of operations

During the year, the Fund invested its assets in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Operating profit/(loss) before finance costs attributable to unitholders	<u>(25,647,443)</u>	<u>54,016,663</u>
<b>Distributions - MVE Class</b>		
Distributions paid and payable	<u>5,004,560</u>	<u>10,155,560</u>
Distributions (cents per unit)	<u>0.93</u>	<u>3.60</u>
<b>Distributions - MVE Green Class</b>		
Distributions paid and payable	<u>779,615</u>	<u>659,258</u>
Distributions (cents per unit)	<u>3.54</u>	<u>3.35</u>

## Directors' report (continued)

### Unit redemption prices

Unit redemption prices (quoted ex-distribution) are shown as follows:

	2020	2019	2018	2017	2016
At 30 June	\$	\$	\$	\$	\$
MVE Class	1.5983	1.6334	1.4942	1.3458	1.2408
MVE Green Class	1.6034	1.6598	-	-	-

### 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.

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

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (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 governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020, which has led to increased market volatility. The period over which such volatility will persist, as well as any longer-term adverse effect on world economies and markets, is difficult to predict as the situation is still evolving. The Fund may be adversely impacted by COVID-19, and the extent of such impact will depend on how long the outbreak lasts and other factors, including its effect on world economies and markets.

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.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

### Indemnity 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 ABIMAL or the auditors of the Fund. So long as the officers of ABIMAL 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.

### Indemnity of auditors

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

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 19 of the financial statements.

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

## Directors' report (continued)

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 19 of the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 12 of 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 of the financial statements.

### Environmental regulation

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

### Rounding of amounts to the nearest dollar

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 dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

### Auditor's independence declaration

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

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



Jennifer Agnes Driscoll  
Director

Sydney  
10 September 2020



## *Auditor's Independence Declaration*

As lead auditor for the audit of AllianceBernstein Managed Volatility Equities Fund for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'Joe Sheeran', with a long horizontal flourish extending to the right.

Joe Sheeran  
Partner  
PricewaterhouseCoopers

Sydney  
10 September 2020

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Statement of comprehensive income

		Year ended	
		30 June 2020	30 June 2019
	Notes	\$	\$
<b>Investment income</b>			
Dividend income		25,527,028	14,568,476
Interest income		81,334	126,222
Net gains/(losses) on financial instruments at fair value through profit or loss	6	(45,312,928)	42,098,489
Other operating income		-	97,438
<b>Total net investment income/(loss)</b>		<u>(19,704,566)</u>	<u>56,890,625</u>
<b>Expenses</b>			
Manager's fees	19	4,359,845	2,010,017
Dividend withholding tax expenses		591,046	358,250
Transaction costs		923,571	462,384
Other operating expenses		68,415	43,311
<b>Total operating expenses</b>		<u>5,942,877</u>	<u>2,873,962</u>
<b>Operating profit/(loss)</b>		<u>(25,647,443)</u>	<u>54,016,663</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(5,784,175)	(10,814,818)
(Increase)/decrease in net assets attributable to unitholders	12	31,431,618	(43,201,845)
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

## Statement of financial position

		As at	
	Notes	30 June 2020 \$	30 June 2019 \$
<b>Assets</b>			
Cash and cash equivalents	14	65,642,768	17,114,889
Due from brokers - receivable for securities sold		-	2,294,464
Receivables	17	13,567,925	2,993,446
Financial assets at fair value through profit or loss	8	<u>1,011,623,167</u>	<u>520,219,404</u>
<b>Total assets</b>		<b><u>1,090,833,860</u></b>	<b><u>542,622,203</u></b>
<b>Liabilities</b>			
Payables	18	13,787,960	2,867,786
Due to brokers - payable for securities purchased		24,040,748	4,104,089
Distributions payable	13	2,884,001	6,930,826
Financial liabilities at fair value through profit or loss	9, 10	<u>2,268,617</u>	<u>1,423,829</u>
<b>Total liabilities (30 June 2019: excluding net assets attributable to unitholders)</b>		<b><u>42,981,326</u></b>	<b><u>15,326,530</u></b>
<b>Net assets attributable to unitholders - liability</b>	12	<b><u>1,047,852,534</u></b>	<b><u>527,295,673</u></b>

As at 30 June 2019, the Fund's units were reclassified from equity to financial liability as the two classes do not have identical features and the Fund no longer meets all the criteria under AASB 132.

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



**Statement of changes in equity**

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

As at 30 June 2019, the Fund's units were reclassified from equity to financial liability as the two classes do not have identical features and the Fund no longer meets all the criteria under AASB 132.

*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 2020	30 June 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		362,749,305	205,891,250
Purchase of financial instruments at fair value through profit or loss		(875,777,476)	(425,653,171)
Dividends received		24,010,587	12,731,672
Interest received		91,623	121,917
Other income received		(10,271,982)	(1,381,629)
Manager's fees paid		(3,703,083)	(1,703,719)
Payment of other operating expenses		<u>9,262,719</u>	<u>962,194</u>
<b>Net cash inflow/(outflow) from operating activities</b>	15(a)	<u>(493,638,307)</u>	<u>(209,031,486)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		615,464,197	248,291,219
Payments for redemptions by unitholders		(65,644,791)	(28,091,020)
Distributions paid		<u>(7,636,815)</u>	<u>(4,430,532)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>542,182,591</u>	<u>215,769,667</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>48,544,284</b>	<b>6,738,181</b>
Cash and cash equivalents at the beginning of the year		<b>17,114,889</b>	10,377,970
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>(16,405)</u>	<u>(1,262)</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>65,642,768</b></u>	<u>17,114,889</u>
Non-cash financing activities	15(b)		

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

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## 1 General Information

These financial statements cover AllianceBernstein Managed Volatility Equities Fund (the “Fund”) as an individual entity. The Fund was constituted on 22 February 2002, registered by ASIC as a managed investment scheme on 13 March 2002 and commenced operations on 26 May 2005. The Fund will terminate on 26 May 2085 unless terminated earlier in accordance with the provisions of the Fund’s Constitution.

The Responsible Entity of the Fund is AllianceBernstein Investment Management Australia Limited (“ABIMAL”) (ABN 58 007 212 606) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 32 Aurora Place, 88 Phillip Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

The Fund is a multi-class AMIT with two unit classes on issue, MVE class and MVE Green Class.

The MVE Class and the MVE Green Class both implement a managed volatility equities strategy that invests in Australian and global listed equities and derivatives. The MVE Green class also seeks to reduce the net greenhouse gas emissions associated with its portfolio holdings by facilitating the cancellation or retirement of carbon credits. Refer note 7 and 12.

The financial statements were authorised for issue by the directors on 10 September 2020. 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 Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for profit entity for the purpose of preparing the financial statements.

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

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder’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

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

#### (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 2019 that have a material impact on the Fund.

## 2 Summary of significant accounting policies (continued)

### (b) Financial assets and liabilities at fair value through profit or loss

#### (i) Classification

##### Assets

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

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

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 business models' objective. Consequently, the debt securities are measured at fair value through profit or loss.

##### 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 are presented as liabilities at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, due to brokers, management fees payable and other payable).

#### (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.

#### (iii) Measurement

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 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.

For further details on how the fair values of financial instruments are determined please see Note 5 to the financial statements.

#### (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.

Refer to note 4 to the financial statements for further information.

## 2 Summary of significant accounting policies (continued)

### (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, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

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

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- 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 unfavorable 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 are classified as financial liabilities as the Fund's two unit classes do not have identical features and therefore, the Fund does not meet all the above criteria under AASB 132.

### (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, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### (e) 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 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.

Dividend and distribution income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

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

## 2 Summary of significant accounting policies (continued)

### (f) Expenses

All expenses, including Responsible Entity's fees, manager's fees and custodian's fees, are recognised in the statement of comprehensive income on an accruals basis.

### (g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

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

### (h) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

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

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

### (j) 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.

#### (ii) Transactions and balances

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

Non-monetary items that are measured at fair value in 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 values 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.

### (k) 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

## 2 Summary of significant accounting policies (continued)

### (k) Due from/to brokers (continued)

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.

### (l) Deposits held with brokers for margin

Deposits held with brokers for margin comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

### (m) Receivables

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

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

### (n) Payables

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

### (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.

Unit prices are determined by reference to the net assets of the Fund divided by the number of units on issue at or immediately prior to the close of business each day. Issues and redemptions of units are processed simultaneously.

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment 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 investment management fees, custodial 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.



## 2 Summary of significant accounting policies (continued)

### (q) Use of estimates

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

For the majority of the 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 Responsible Entity, independent of the area that created them.

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

For certain other financial instruments, including receivables, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the 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 dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

## 3 Financial risk management

The Fund's investment activities expose it to a number of risks primarily market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Fund's Investment Manager manages these risks by researching markets and securities, selecting securities and constructing a portfolio consistent with the Fund's Investment Strategy set out in its Product Disclosure Statement. The Fund's Investment Strategy sets out the Fund's financial risk management policies and investment restrictions. The Investment Manager monitors compliance with the Fund's Investment Strategy daily and reports monthly to the Responsible Entity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of price risk of the investments of the Fund.

### (a) Market risk

#### (i) Price Risk

The Fund's equity investments expose it to risks associated with fluctuations in security prices. Price risk is measured and managed against exposure limits set out in the Fund's Investment Strategy. Where non-monetary financial instruments are denominated in currencies other than Australian Dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risks to which the Fund is exposed. The Fund may use derivative financial instruments to alter certain risk exposures.

The table on page 20 summarises sensitivity analysis to price risk.

#### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

Listed international equity securities are held and an exposure to foreign exchange risk arises as these offshore securities are valued in foreign currency.

Foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies have been entered into. However, derivatives that do not qualify for hedge accounting are accounted for as held for trading Instruments.

Exceptions to compliance with the foreign exchange policy are reported to management on a regular basis.

The table below summarises the Fund's assets and liabilities that are denominated in a currency other than the Australian Dollar.

	US Dollars \$	Japanese Yen \$	Danish Krone \$	Israeli Shequel \$	Other Currencies \$
<b>As at 30 June 2020</b>					
Cash and cash equivalents	96,755	137,207	42,857	112,968	674,463
Financial assets at fair value through profit or loss	90,369,740	25,357,020	7,459,381	9,449,164	81,088,336
Receivables	94,739	67,882	49,289	-	194,618
Due from brokers - receivable for securities sold	-	-	-	-	-
Financial liabilities at fair value through profit or loss	(1,288,746)	(277,520)	-	(162,949)	(539,402)
Payables	-	(45)	(66)	(33)	(302)
Due to brokers - payable for securities purchased	(6,808,441)	-	-	-	(4,541,300)
Net increase/(decrease) in exposure from foreign currency contract (notional principle)	<u>(37,417,441)</u>	<u>(23,393,644)</u>	<u>(6,072,761)</u>	<u>(9,033,556)</u>	<u>(70,828,807)*</u>
<b>Net Exposure</b>	<u>45,046,606</u>	<u>1,890,900</u>	<u>1,478,700</u>	<u>365,594</u>	<u>6,047,606</u>

\*Other currencies include net exposure of (23,911,614) in Canadian Dollar, (25,613,539) in Swiss Franc, (3,673,311) in Euro, (5,815,677) in British Pound, (7,708,826) in Norwegian Krone and (4,105,840) in Singapore Dollar.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

	US Dollars \$	Japanese Yen \$	Danish Krone \$	Israeli Shequel \$	Other Currencies \$
As at 30 June 2019					
Cash and cash equivalents	67,219	77,164	10,722	49,691	271,570
Financial assets at fair value through profit or loss	47,779,259	9,540,186	1,974,591	2,972,602	39,853,558
Receivables	70,981	38,206	38,485	-	83,955
Due from brokers - receivable for securities sold	2,294,464	-	-	-	-
Financial liabilities at fair value through profit or loss	(449,209)	(283,183)	(24,312)	(47,658)	(619,467)
Payables	-	(23)	(13)	(39)	(148)
Due to brokers - payable for securities purchased	(1,596,930)	-	-	-	(642,732)
Net increase/(decrease) in exposure from foreign currency contract (notional principle)	<u>(32,030,285)</u>	<u>(8,769,833)</u>	<u>(1,423,290)</u>	<u>(2,888,774)</u>	<u>(36,622,122)</u>
Net Exposure	<u>16,135,499</u>	<u>602,517</u>	<u>576,183</u>	<u>85,822</u>	<u>2,324,614</u>

The Fund has no significant foreign exchange risk exposure, as a result of hedging arrangements using foreign currency contracts.

##### (iii) Interest rate risk

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

The Fund's exposure to interest rate risk is limited to cash at bank and deposits held with broker for margin.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The following table summarises the Fund's exposure to interest rate risk. It includes the Fund's assets and liabilities at fair value, categorised by the earlier of contractual repricing or maturity date.

30 June 2020	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	65,642,768	-	-	65,642,768
Receivables	-	-	13,567,925	13,567,925
Financial assets at fair value through profit or loss	-	-	1,011,623,167	1,011,623,167
<b>Liabilities</b>				
Payables	-	-	13,787,960	13,787,960
Due to brokers - payable for securities purchased	-	-	24,040,748	24,040,748
Distributions payable	-	-	2,884,001	2,884,001
Financial liabilities at fair value through profit or loss	-	-	2,268,617	2,268,617
Net exposure	<u>65,642,768</u>	<u>-</u>	<u>982,209,766</u>	<u>1,047,852,534</u>

30 June 2019	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	17,114,889	-	-	17,114,889
Due from brokers - receivable for securities sold	-	-	2,294,464	2,294,464
Receivables	-	-	2,993,446	2,993,446
Financial assets at fair value through profit or loss	-	-	520,219,404	520,219,404
<b>Liabilities</b>				
Payables	-	-	2,867,786	2,867,786
Due to brokers - payable for securities purchased	-	-	4,104,089	4,104,089
Distributions payable	-	-	6,930,826	6,930,826
Financial liabilities at fair value through profit or loss	-	-	1,423,829	1,423,829
Net exposure	<u>17,114,889</u>	<u>-</u>	<u>510,180,784</u>	<u>527,295,673</u>

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

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk. The Fund does not have a significant exposure to interest rate 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 of the Fund's investments with the relevant benchmark and market volatility. However, actual

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis (continued)

movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

		<b>Price risk</b>	
		<b>Impact on operating profit/Net assets attributable to unitholders</b>	
		-12%	+12%
		\$	\$
<b>30 June 2020</b>		<b>(121,122,546)</b>	<b>121,122,546</b>
30 June 2019		(62,203,589)	62,203,589

		<b>Foreign exchange risk</b>							
		<b>Impact on operating profit/Net assets attributable to unitholders</b>							
		-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
		USD	USD	JPY	JPY	DKK	DKK	ILS	ILS
		\$	\$	\$	\$	\$	\$	\$	\$
<b>30 June 2020</b>		<b>(4,504,661)</b>	<b>4,504,661</b>	<b>(189,090)</b>	<b>189,090</b>	<b>(147,870)</b>	<b>147,870</b>	<b>(36,559)</b>	<b>36,559</b>
30 June 2019		(1,613,550)	1,613,550	(60,252)	60,252	(57,618)	57,618	(8,582)	8,582

The sensitivity factors for 30 June 2019 were +/-11.99% for price risk and +/-10% for foreign exchange risk.

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 based on market information in order to determine a reasonably possible shift in assumptions.

#### (c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The Fund's exposure to credit risk is limited to cash and cash equivalents held with financial institutions and amounts due from brokers. The fund is also exposed to counterparty credit risk on derivative financial instruments. None of these assets are impaired nor past due but not impaired.

The clearing and depository operations of the Fund's security transactions are mainly concentrated with one counterparty namely State Street Australia Limited. At 30 June 2020, State Street Australia Limited had a credit rating of AA (2019: A). As at 30 June 2020, substantially all cash and investments are held in custody by State Street Australia Limited.

#### (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.

The Fund is exposed to daily cash redemptions of redeemable units. The Fund holds marketable securities and derivatives that can be readily sold to fund redemption requirements.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer or counterparty. No such investments were held at year end.

### 3 Financial risk management (continued)

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

Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to defer, adjust or suspend a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unitholder's option. However, the Board of Directors 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	1-6 months	6-12 months	Over 12 months	No stated maturity
As at 30 June 2020	\$	\$	\$	\$	\$
Payables	13,787,960	-	-	-	-
Due to brokers - payable for securities purchased	24,040,748	-	-	-	-
Distributions payable	<u>2,884,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Contractual cash flows (excluding derivatives)</b>	<b><u>40,712,709</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

	Less than 1 month	1-6 months	6-12 months	Over 12 months	No stated maturity
As at 30 June 2019	\$	\$	\$	\$	\$
Payables	2,867,786	-	-	-	-
Due to brokers - payable for securities purchased	4,104,089	-	-	-	-
Distributions payable	<u>6,930,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contractual cash flows (excluding derivatives)	<u>13,902,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### (i) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Not stated maturity
At 30 June 2020	\$	\$	\$	\$	\$
Foreign currency forward contracts	12,513,262	27,263	-	-	-

  

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Not stated maturity
At 30 June 2019	\$	\$	\$	\$	\$
Foreign currency forward contracts	(1,278,737)	24,189	-	-	-

### 3 Financial risk management (continued)

#### (e) Other risks

Whilst the financial impact caused by the COVID-19 pandemic has been included in the current period results and asset valuations, its effects may last for an extended period of time and could result in further significant market volatility, exchange trading suspensions and closures, declines in global financial markets, higher default rates, and a substantial economic downturn or recession. The foregoing could impair the Fund's ability to maintain operational standards (such as with respect to satisfying redemption requests), disrupt the operations of the Fund's service providers, adversely affect the value and liquidity of the Fund's investments, and negatively impact the Fund's performance and your investment in the Fund. COVID-19 risk has arisen relatively recently and is therefore specifically noted above. The Fund is exposed to other risks and investors should refer to the offering documents for the Fund for further information.

### 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.

Financial assets	Effects of offsetting on the Statement of financial position			Related amount not offset		
	Gross amounts of financial assets	Gross amounts set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral received	Net amount
	\$	\$	\$	\$	\$	\$
<b>2020</b>						
Derivative financial instruments (i)	<u>14,809,142</u>	<u>-</u>	<u>14,809,142</u>	<u>(2,038,052)</u>	<u>-</u>	<u>12,771,090</u>
<b>Total</b>	<u>14,809,142</u>	<u>-</u>	<u>14,809,142</u>	<u>(2,038,052)</u>	<u>-</u>	<u>12,771,090</u>
<b>2019</b>						
Derivative financial instruments (i)	<u>169,281</u>	<u>-</u>	<u>169,281</u>	<u>(169,281)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>169,281</u>	<u>-</u>	<u>169,281</u>	<u>(169,281)</u>	<u>-</u>	<u>-</u>

#### 4 Offsetting financial assets and financial liabilities (continued)

Financial Liabilities	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral pledged	Net amount
	\$	\$	\$	\$	\$	\$
<b>2020</b>						
Derivative financial instruments (i)	<u>2,268,617</u>	<u>-</u>	<u>2,268,617</u>	<u>(2,038,052)</u>	<u>-</u>	<u>230,565</u>
<b>Total</b>	<u><b>2,268,617</b></u>	<u><b>-</b></u>	<u><b>2,268,617</b></u>	<u><b>(2,038,052)</b></u>	<u><b>-</b></u>	<u><b>230,565</b></u>
<b>2019</b>						
Derivative financial instruments (i)	<u>1,423,829</u>	<u>-</u>	<u>1,423,829</u>	<u>(169,281)</u>	<u>-</u>	<u>1,254,548</u>
<b>Total</b>	<u><b>1,423,829</b></u>	<u><b>-</b></u>	<u><b>1,423,829</b></u>	<u><b>(169,281)</b></u>	<u><b>-</b></u>	<u><b>1,254,548</b></u>

(i) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

#### 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 (FVTPL) (see note 8 and 9)
- Derivative financial instruments (see note 10)

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value 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 last traded prices at the end of the reporting period without any deduction for estimated future selling costs.



## 5 Fair value measurement (continued)

### *(i) Fair value in an active market (level 1) (continued)*

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 of the valuation of its investments.

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

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

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

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

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. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

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

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)

### Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2020.

As at 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Derivatives	-	14,809,142	-	14,809,142
Equity securities	986,305,076	-	-	986,305,076
Unit trusts	10,508,949	-	-	10,508,949
Total	<u>996,814,025</u>	<u>14,809,142</u>	<u>-</u>	<u>1,011,623,167</u>
<b>Financial liabilities</b>				
Derivatives	-	2,268,617	-	2,268,617
Total	<u>-</u>	<u>2,268,617</u>	<u>-</u>	<u>2,268,617</u>

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Derivatives	-	169,281	-	169,281
Equity securities	486,387,921	-	-	486,387,921
Unit trusts	33,662,202	-	-	33,662,202
Total	<u>520,050,123</u>	<u>169,281</u>	<u>-</u>	<u>520,219,404</u>
<b>Financial liabilities</b>				
Derivatives	-	1,423,829	-	1,423,829
Total	<u>-</u>	<u>1,423,829</u>	<u>-</u>	<u>1,423,829</u>

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

*(i) Transfer between levels*

There were no transfers between levels during the year.

*(ii) Movement in level 3 instruments*

There were no investments classified as level 3 within the Fund as at 30 June 2020 and 30 June 2019.

*(iii) Fair value of financial instruments not carried at fair value*

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

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

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
<b>Financial assets</b>		
Net gain/(loss) on financial assets at fair value through profit or loss	(30,268,498)	44,716,377
<b>Financial liabilities</b>		
Net gain/(loss) on financial liabilities at fair value through profit or loss	<u>(15,044,430)</u>	<u>(2,617,888)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>(45,312,928)</u>	<u>42,098,489</u>

## 7 Class Level Balance sheet

	MVE Class		MVE Green Class	
	As at		As at	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	63,826,161	16,161,843	1,816,607	953,046
Due from brokers - receivable for securities sold	-	2,159,986	-	134,478
Receivables	13,243,668	2,820,158	324,257	173,288
Financial assets at fair value through profit or loss	<u>976,365,327</u>	<u>487,724,417</u>	<u>35,257,840</u>	<u>32,494,987</u>
<b>Total assets</b>	<u>1,053,435,156</u>	<u>508,866,404</u>	<u>37,398,704</u>	<u>33,755,799</u>
<b>Liabilities</b>				
Payables	13,489,729	2,762,861	298,231	104,925
Due to brokers - payable for securities purchased	23,355,516	3,921,401	685,232	182,688
Distributions payable	2,276,432	6,271,568	607,569	659,258
Financial liabilities at fair value through profit or loss	<u>2,165,664</u>	<u>1,322,207</u>	<u>102,953</u>	<u>101,622</u>
<b>Total liabilities</b>	<u>41,287,341</u>	<u>14,278,037</u>	<u>1,693,985</u>	<u>1,048,493</u>
<b>Net assets attributable to unitholders - liability</b>	<u>1,012,147,815</u>	<u>494,588,367</u>	<u>35,704,719</u>	<u>32,707,306</u>

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

	As at	
	30 June 2020	30 June 2019
	\$	\$
<b>Financial assets at fair value through profit or loss</b>		
Derivatives	14,809,142	169,281
Equity securities	986,305,076	486,387,921
Unit trusts	<u>10,508,949</u>	<u>33,662,202</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>1,011,623,167</u>	<u>520,219,404</u>
<b>Comprising:</b>		
<b>Derivatives</b>		
Foreign currency forward contracts	<u>14,809,142</u>	169,281
Total derivatives	<u>14,809,142</u>	<u>169,281</u>
<b>Equity securities</b>		
Australian equity securities	787,390,576	384,437,006
International equity securities	<u>198,914,500</u>	<u>101,950,915</u>
Total Equity securities	<u>986,305,076</u>	<u>486,387,921</u>
<b>Unit trusts</b>		
Real estate unit trusts	<u>10,508,949</u>	<u>33,662,202</u>
Total Unit trusts	<u>10,508,949</u>	<u>33,662,202</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>1,011,623,167</u>	<u>520,219,404</u>

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

### Material investments

As at 30 June 2020, investment which constitute 5% or more by value of the net assets of the Fund is disclosed below. There were no investments that represented 5% or more by value of the net assets of the Fund as at 30 June 2019.

Security Description 30 June 2020	Principal activities	Fair Value \$	Percentage of equity securities held by the Fund %	Percentage of total net assets of the Fund %
COLES GROUP LTD COMMON STOCK	Consumer Staples	53,651,700	5	5

## 9 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2020	30 June 2019
	\$	\$
<b>Financial Liabilities at fair value through profit or loss</b>		
Derivatives	2,268,617	1,423,829
<b>Total financial liabilities at fair value through profit or loss</b>	<b>2,268,617</b>	<b>1,423,829</b>
<b>Comprising:</b>		
<b>Derivatives</b>		
Foreign currency forward contracts	2,268,617	1,423,829
Total Derivatives	2,268,617	1,423,829
<b>Total financial liabilities at fair value through profit or loss</b>	<b>2,268,617</b>	<b>1,423,829</b>

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

## 10 Derivative financial instruments

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

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

Derivative transactions include many different instruments such as futures. 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 adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

The Fund holds the following derivative instruments:

### (a) Foreign currency contracts

Foreign currency 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. Foreign currency 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.

## 10 Derivative financial instruments (continued)

	Long Contract/ notional \$	Short Contract/ notional \$	Fair Values	
			Assets \$	Liabilities \$
<b>30 June 2020</b>				
Foreign currency contracts - forward	<u>28,996,640</u>	<u>193,173,626</u>	<u>14,809,142</u>	<u>2,268,617</u>
Total Derivatives	<u>28,996,640</u>	<u>193,173,626</u>	<u>14,809,142</u>	<u>2,268,617</u>

	Long Contract/ notional \$	Short Contract/ notional \$	Fair Values	
			Assets \$	Liabilities \$
<b>30 June 2019</b>				
Foreign currency contracts - forward	<u>3,623,964</u>	<u>85,259,822</u>	<u>169,281</u>	<u>1,423,829</u>
Total Derivatives	<u>3,623,964</u>	<u>85,259,822</u>	<u>169,281</u>	<u>1,423,829</u>

As at the reporting date, the Fund hedged transactions or positions by holding foreign currency contracts with a gross notional value of \$222,170,266 (2019: \$88,883,786) comprising of buy \$28,996,640 (2019: \$3,623,964) and sale \$193,173,626 (2019: \$85,259,822) resulting in net exposure of \$164,176,986 (2019: \$81,635,858).

### Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange, 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.

## 11 Structured entities

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

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in managed funds for the purpose of capital appreciation and or earning investment income.

The exposure to investments in unrelated funds at fair value, and any related gains/losses recognised in the statement of comprehensive income is disclosed at Note 6 to the financial statements.

## 12 Net assets attributable to unitholders

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

	30 June 2020 No.	30 June 2019 No.	30 June 2020 \$	30 June 2019 \$
<b>MVE Class</b>				
Opening balance	302,025,933	175,080,787	494,588,367	262,279,476
Applications	368,474,555	144,540,943	611,042,695	219,378,370
Redemptions	(40,187,197)	(19,083,291)	(65,669,903)	(28,694,502)
Units issued upon reinvestment of distributions	1,327,020	1,487,494	2,188,263	2,217,635
Increase/(decrease) in net assets attributable to unitholders	-	-	(30,001,607)	39,407,388
Closing balance	<u>631,640,311</u>	<u>302,025,933</u>	<u>1,012,147,815</u>	<u>494,588,367</u>
<b>MVE Green Class</b>				
Opening balance	19,656,444	-	32,707,306	-
Applications	2,552,175	19,656,444	4,421,502	28,912,849
Units issued upon reinvestment of distributions	3,541	-	5,922	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,430,011)	3,794,457
Closing balance	<u>22,212,160</u>	<u>19,656,444</u>	<u>35,704,719</u>	<u>32,707,306</u>

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

### Capital risk management

The Fund considers its net assets attributable to unitholders as liability, notwithstanding net assets attributable to unitholders were classified as an equity until 30 June 2018. 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 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 a redemption of units if the exercise of such discretion is in the best interests of unitholders.

### 13 Distributions to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2020 \$	30 June 2020 CPU	30 June 2019 \$	30 June 2019 CPU
<b>MVE Class</b>				
Distributions paid	2,728,128	0.57	3,883,992	1.52
Distributions payable	<u>2,276,432</u>	<u>0.36</u>	<u>6,271,568</u>	<u>2.08</u>
Total distributions	<u>5,004,560</u>	<u>0.93</u>	<u>10,155,560</u>	<u>3.60</u>
<b>MVE Green Class</b>				
Distributions paid	172,046	0.80	-	-
Distributions payable	<u>607,569</u>	<u>2.74</u>	<u>659,258</u>	<u>3.35</u>
Total distributions	<u>779,615</u>	<u>3.54</u>	<u>659,258</u>	<u>3.35</u>

### 14 Cash and cash equivalents

	As at	
	30 June 2020 \$	30 June 2019 \$
Cash at bank	<u>65,642,768</u>	<u>17,114,889</u>
	<u>65,642,768</u>	<u>17,114,889</u>

Interest rate applicable as at 30 June 2020 is from -1.75% to 0.10% (30 June 2019: -1.75% to 0.18%).



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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	<b>(31,431,618)</b>	43,201,845
Distributions to unitholders	<b>5,784,175</b>	10,814,818
Proceeds from sale of financial instruments at fair value through profit or loss	<b>362,749,305</b>	205,891,250
Purchase of financial instruments at fair value through profit or loss	<b>(875,777,476)</b>	(425,653,171)
Net (gains)/losses on financial instruments at fair value through profit or loss	<b>45,312,928</b>	(42,098,489)
Dividend Income reinvested	<b>(612,609)</b>	(1,176,532)
Net foreign exchange gains/(losses)	<b>16,405</b>	1,262
Net change in receivables	<b>(10,574,479)</b>	(1,785,395)
Net change in payables	<b>10,895,062</b>	1,772,926
Net cash inflow/(outflow) from operating activities	<b><u>(493,638,307)</u></b>	<b><u>(209,031,486)</u></b>
<b>(b) Non-cash financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distributions reinvestment plan	<b>2,194,185</b>	2,217,635

As described in note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

## 16 Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the Fund and by PwC's related network firms:

	Year ended	
	30 June 2020 \$	30 June 2019 \$
<b>Auditors of the Fund - PwC Australian firm and related network firms</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	21,865	20,923
Other assurance services		
Audit of compliance plan	3,135	3,000
Other non-audit services		
Tax compliance services	13,821	11,226
Other services	<u>10,537</u>	-
Total other non-audit services	<u>24,358</u>	<u>11,226</u>
<b>Total services provided by PwC</b>	<u>49,358</u>	<u>35,149</u>

In 2020 and 2019, the remuneration of auditors is borne by the Responsible Entity. No audit fee is paid directly by the Fund.

## 17 Receivables

	As at	
	30 June 2020 \$	30 June 2019 \$
Interest receivable	-	10,289
Dividends receivable	1,793,490	1,480,704
Spot Contracts receivable	11,668,366	1,459,156
RITC receivable	<u>106,069</u>	<u>43,297</u>
	<u>13,567,925</u>	<u>2,993,446</u>

## 18 Payables

	As at	
	30 June 2020	30 June 2019
	\$	\$
Interest payable	358	222
Manager's fees payable	1,290,726	633,964
Carbon cost payable	5,723	4,967
Redemption payable	790,312	765,200
Spot Contracts payable	11,690,053	1,452,787
Other payables	<u>10,788</u>	<u>10,646</u>
	<u>13,787,960</u>	<u>2,867,786</u>

\*Carbon cost payable includes expenses for carbon cost which only relates to MVE Green class. During the year the MVE Green class carbon cost expense for the year ended 30 June 2020 was \$22,183.

## 19 Related party transactions

### Responsible Entity and Investment Manager

The Responsible Entity of the Fund is AllianceBernstein Investment Management Australia Limited (ABN 58 007 212 606). The ultimate holding company of the Responsible Entity is AllianceBernstein L.P. (incorporated in the United States).

The Investment Manager of the assets of the Fund is AllianceBernstein Australia Limited. The ultimate holding company of the Investment Manager is AllianceBernstein L.P. (incorporated in the United States).

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of the Responsible Entity at any time during the financial year as follows:

Stuart Campbell Rae  
Steven Michael Eisenberg  
Ajai Mohan Kaul  
Jennifer Agnes Driscoll  
Emma Catherine Quinn

#### (b) Other key management personnel

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

### Key management personnel unitholdings

At 30 June 2020 no key management personnel held units in the Fund (2019: Nil).

### Key management personnel compensation

Key management personnel are paid by related companies of ABIMAL. Payments made from the Fund to ABIMAL do not include any amounts directly attributable to the compensation of key management personnel.

## 19 Related party transactions (continued)

### 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 period.

### 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 directors' interests existing at year end.

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

The Fund's fees and ordinary expenses were bundled so that the Fund's maximum fees and ordinary expenses accrued would be up to 0.55% (2019: 0.55%) per annum of the average daily net assets of the Fund. All the Fund's fees and ordinary expenses such as investment management, custody, administration, external auditors and tax advisors are paid out of the fee.

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

	30 June 2020	30 June 2019
	\$	\$
Investment Manager's fees for the year incurred by the Fund	4,359,845	2,010,017
Aggregate amounts payable to the Investment Manager at the end of the reporting period	1,290,726	633,964

### Related party unitholdings

Related parties to the Fund and other schemes managed by ABIMAL, held no units in the Fund as at 30 June 2020 (2019: Nil).

### Investments

The Fund did not hold any investments in ABIMAL or its related parties during the year (2019: Nil).

## 20 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

## 21 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2020 and 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 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;
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 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) 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.



Jennifer Agnes Driscoll  
Director

Sydney  
10 September 2020



## *Independent auditor's report*

To the unitholders of AllianceBernstein Managed Volatility Equities Fund

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### *Our opinion*

In our opinion:

The accompanying financial report of AllianceBernstein Managed Volatility Equities 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 2020 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 2020
- 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
- the Directors' declaration.

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### *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 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.

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### *Other information*

The Directors of AllianceBernstein Investment Management Australia Limited, as the Responsible Entity of the Fund, are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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***PricewaterhouseCoopers, ABN 52 780 433 757***

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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.

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

The Directors of the Responsible Entity of the Fund 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 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 either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Joe Sheeran", with a long horizontal flourish extending to the right.

Joe Sheeran  
Partner

Sydney  
10 September 2020