

# **Insight Funds**

## **Annual report**

### **For the year ended 30 June 2020**

This financial report covers the following Insight Funds:

**Insight Diversified Inflation Plus Fund**

ARSN 167 582 818

**Insight Global Absolute Return Bond Fund**

ARSN 607 869 081

# Insight Funds

## Annual report

### For the year ended 30 June 2020

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Independent auditor's report to the unit holders of Insight Funds

This annual report covers the following Funds as individual entities:

Insight Diversified Inflation Plus Fund

Insight Global Absolute Return Bond Fund

The Responsible Entity of the Funds 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 the Insight Funds (the "Funds"), present their report together with the financial statements of the following Funds for the year ended 30 June 2020.

Insight Diversified Inflation Plus Fund

Insight Global Absolute Return Bond Fund

The Funds are collectively known as "Insight Funds".

### Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Funds' current Product Disclosure Statement and its Constitution.

The Funds did not have any employees during the year.

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

The various service providers for the Funds are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Insight Investment Management (Global) Ltd
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	KPMG

### Directors

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

Philip D Gentry	(Chairman)
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

## Directors' report (continued)

### Review and results of operations

During the year, the Funds continued to invest their funds in accordance with their Product Disclosure Statement and the provisions of their Funds' Constitution.

The Funds' performance and Funds' benchmark return for the year ended 30 June 2020 were as follows:

Fund name	Benchmark	Net return (net of fees)	Benchmark return
Insight Diversified Inflation Plus Fund	RBA CPI Trimmed Mean	-5.20%	1.20%
Insight Global Absolute Return Bond Fund	Bloomberg AusBond Bank Bill Index	-0.88%	0.85%

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

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Operating profit/(loss) for the year (\$'000)	<b>(13,984)</b>	13,619	<b>(5,823)</b>	(2,236)
Distributions paid and payable (\$'000)	-	6,196	<b>8,954</b>	-
Distributions (cents per unit)	-	3.42	<b>6.49</b>	-

### Significant changes in the state of affairs

As at 12 June 2020, the directors of the Responsible Entity made the decision to terminate the Insight Global Absolute Return Bond Fund and the wind up process has commenced. Consequently, the directors of the Responsible Entity have determined that the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis for this Fund.

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

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## Directors' report (continued)

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

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

The Funds 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 Funds' constitution but for the Global Absolute Return Bond Fund up until the time of its termination.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### COVID-19 Outbreak

In March 2020, the World Health Organisation (WHO) officially declared COVID-19 a pandemic.

The Directors and the Investment Manager acknowledge the current outbreak of COVID-19 and the increased market volatility it has created within the markets the Funds operate. This volatility has had a corresponding impact on the fair value of the Funds' investment portfolio both during the financial year as well as subsequent to the reporting date.

The Responsible Entity and Investment Manager are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Funds. The Investment Manager however, actively manages the financial risks that the Funds are exposed to, with the approach outlined further within Note 3 of these Financial Statements and the Net Asset Values of the Funds continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

### Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds 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 Funds' Constitution and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

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## Directors' report (continued)

### Indemnification of auditor

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

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

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 18 to the financial statements.

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

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 18 to the financial statements.

### Interests in the Funds

The movement in units on issue in the Funds during the year is disclosed in Note 11 to the financial statements.

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

### Environmental regulation

The operations of the Funds 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.

### Financial statements presentation

The Funds are entities of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial reports.

## Directors' report (continued)

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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  
10 September 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Equity Trustees Limited, the Responsible Entity for the following funds:

- Insight Diversified Australian Inflation Plus Fund
- Insight Global Absolute Return Bond Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of the Funds for the financial year ended 30 June 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Andrew Reeves  
*Partner*

Sydney  
10 September 2020



## Statements of comprehensive income

	Note	Insight Diversified Inflation Plus Fund Year ended		Insight Global Absolute Return Bond Fund Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
<b>Investment income</b>					
Interest income from financial assets at amortised cost		36	100	738	3,477
Interest income from financial assets at fair value through profit or loss		222	294	4,625	6,466
Dividend and distribution income		3,839	3,333	907	949
Net foreign exchange gain/(loss)		(369)	61	4,444	693
Net gains/(losses) on financial instruments at fair value through profit or loss	6	(15,278)	11,920	(13,752)	(10,150)
Other income		4	-	73	76
<b>Total investment income/(loss)</b>		<b>(11,546)</b>	<b>15,708</b>	<b>(2,965)</b>	<b>1,511</b>
<b>Expenses</b>					
Management fees	18	1,832	1,717	2,213	2,972
Custody and administration fees		133	107	168	221
Withholding taxes		-	-	-	2
Transaction costs		309	238	435	528
Other expenses		164	27	42	24
<b>Total expenses</b>		<b>2,438</b>	<b>2,089</b>	<b>2,858</b>	<b>3,747</b>
<b>Operating profit/(loss) for the year</b>		<b>(13,984)</b>	<b>13,619</b>	<b>(5,823)</b>	<b>(2,236)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>(13,984)</b>	<b>13,619</b>	<b>(5,823)</b>	<b>(2,236)</b>

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

## Statements of financial position

	Note	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
		As at		As at	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
Cash and cash equivalents	13	6,430	4,010	8,540	7,886
Receivables	15	99	154	93	1,465
Due from brokers - receivable for securities sold		240	596	1,823	11,790
Financial assets at fair value through profit or loss	7	237,232	189,477	4,606	411,816
Margin accounts		20,817	17,773	450	21,581
<b>Total assets</b>		<b>264,818</b>	<b>212,010</b>	<b>15,512</b>	<b>454,538</b>
<b>Liabilities</b>					
Distributions payable	12	-	6,196	6,031	-
Payables	16	282	1,125	62	4,039
Due to brokers - payable for securities purchased		801	2,474	-	4,115
Financial liabilities at fair value through profit or loss	8	12,686	8,194	889	15,074
Margin accounts		-	-	61	-
<b>Total liabilities</b>		<b>13,769</b>	<b>17,989</b>	<b>7,043</b>	<b>23,228</b>
<b>Net assets attributable to unit holders - equity</b>	11	<b>251,049</b>	<b>194,021</b>	<b>8,469</b>	<b>431,310</b>

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

## Statements of changes in equity

	Note	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
		Year ended		Year ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>		<b>194,021</b>	201,869	<b>431,310</b>	418,215
Profit/(loss) for the year		<b>(13,984)</b>	13,619	<b>(5,823)</b>	(2,236)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>(13,984)</b>	13,619	<b>(5,823)</b>	(2,236)
<b>Transactions with unit holders</b>					
Applications	11	<b>80,970</b>	26,458	<b>429</b>	15,557
Redemptions	11	<b>(15,751)</b>	(41,729)	<b>(408,493)</b>	(226)
Reinvestment of distributions	11	<b>5,793</b>	-	-	-
Distributions paid and payable	11	-	(6,196)	<b>(8,954)</b>	-
<b>Total transactions with unit holders</b>		<b>71,012</b>	(21,467)	<b>(417,018)</b>	15,331
<b>Total equity at the end of the financial year</b>		<b>251,049</b>	194,021	<b>8,469</b>	431,310

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

## Statements of cash flows

	Insight Diversified Inflation Plus Fund Year ended		Insight Global Absolute Return Bond Fund Year ended	
	30 June	30 June	30 June	30 June
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>				
Proceeds from sale of financial instruments at fair value through profit or loss	441,580	309,590	942,078	640,765
Payments for purchase of financial instruments at fair value through profit or loss	(500,772)	(303,823)	(554,446)	(649,364)
Net foreign exchange gain/(loss)	(372)	76	4,436	686
Net movement in margin accounts	(3,044)	11,139	21,131	(8,812)
Interest income received	316	431	4,281	6,099
Dividends and distributions received	3,169	2,648	901	949
Other income received	5	-	81	-
Management fees paid	(1,781)	(1,733)	(2,591)	(2,989)
Custody and administration fees paid	(139)	(116)	(203)	(237)
Other expenses paid	(473)	(266)	(4,035)	(566)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(61,511)</b>	<b>17,946</b>	<b>411,633</b>	<b>(13,469)</b>
	14(a)			
<b>Cash flows from financing activities</b>				
Proceeds from applications by unit holders	80,970	26,458	429	15,557
Payments for redemptions by unit holders	(16,639)	(40,846)	(408,493)	(226)
Distributions paid to unit holders	(403)	(2,776)	(2,923)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>63,928</b>	<b>(17,164)</b>	<b>(410,987)</b>	<b>15,331</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,417</b>	<b>782</b>	<b>646</b>	<b>1,862</b>
Cash and cash equivalents at the beginning of the year	4,010	3,243	7,886	6,017
Effect of foreign currency exchange rate changes on cash and cash equivalents	3	(15)	8	7
<b>Cash and cash equivalents at the end of the year</b>	<b>6,430</b>	<b>4,010</b>	<b>8,540</b>	<b>7,886</b>
	13			
Non-cash operating and financing activities	14(b)	660	-	-

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

## Notes to the financial statements

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## 1 General information

These financial statements cover the below Funds (the “Funds”) as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates in the below table and will terminate in accordance with the provisions of the Funds’ Constitution or by Law.

Insight Diversified Inflation Plus Fund	16 January 2014
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Insight Global Absolute Return Bond Fund	25 August 2015
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The Responsible Entity of the Funds 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 principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the respective Funds’ current Product Disclosure Statement and its 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 years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

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

#### **Insight Global Absolute Return Bond Fund**

As at 12 June 2020, the directors of the Responsible Entity made the decision to terminate the Insight Global Absolute Return Bond Fund and the wind up process has commenced. Consequently, the directors of the Responsible Entity have determined that the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis.

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

Assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there is a present obligation at the balance sheet date. No adjustments have been made as a result of these account policies.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and financial liabilities at fair value through profit or loss and net assets attributable to unit holders.

The Funds manage 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 Funds also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Funds

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 amounts recognised in the prior periods or will affect the current or future periods.

#### (iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 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 Funds.

### (b) Financial instruments

#### (i) Classification

- Financial assets

The Funds classify their financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Funds classify their financial assets based on their business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Classification (continued)

The Funds' portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not solely represent 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 Funds' business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

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

- Financial liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

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

#### (ii) Recognition and derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise 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 Funds have transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.



## 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 and a financial liability at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements 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 statements 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 value of financial instruments is determined please see Note 5 to the financial statements.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, due from brokers, receivables are carried at amortised cost.

#### (iv) Impairment

At each reporting date, the Funds shall measure the loss allowance on financial assets at amortised cost (cash and cash equivalents, due from brokers, receivables and margin accounts) 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 Funds 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 the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (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 Funds expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Funds have 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.

Financial assets and liabilities that have been offset are disclosed in Note 4.

### (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 Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' 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 Funds.

The Funds' units are classified as equity as 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 Funds' 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 Funds, and is not a contract settled in the Funds' 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 statements 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.

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 Funds' main income generating activity.

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## 2 Summary of significant accounting policies (continued)

### (e) Margin accounts

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

### (f) Investment income

#### (i) Interest income

Interest income from financial assets at amortised cost is recognised 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 Funds estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but do 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, included in the net gains/(losses) on financial instruments at fair value through profit or loss. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### (ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlement basis.

### (g) Expenses

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

### (h) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unit holders on present entitlement basis.

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## 2 Summary of significant accounting policies (continued)

### (h) Income tax (continued)

The Insight Diversified Inflation Plus 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 statement of comprehensive income. Withholdings taxes are including in the statements of comprehensive income.

### (i) Distributions

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

### (j) Foreign currency translation

#### (i) Functional and presentation currency

Balances included in the Funds' 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 Funds compete for funds and is regulated. The Australian dollar is also the Funds' 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 statements of comprehensive income.

The Funds do not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the 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 year end. Trades are recorded on trade date, and for equities normally settled within two business days. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

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## 2 Summary of significant accounting policies (continued)

### (l) Receivables

Receivables may include amounts for interest, dividends and trust distributions. 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. The receivables is held for collection and is recognised initially at fair value and subsequently at amortised cost.

### (m) Payables

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

A separate distribution payable is recognised in the statements 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 year.

### (n) Applications and redemptions

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

### (o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify 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 statements 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 statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### (p) Use of estimates and judgements

The Funds make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements 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.

## 2 Summary of significant accounting policies (continued)

### (p) Use of estimates and judgements (continued)

For the majority of the Funds' 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 and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Funds estimate the expected credit loss (ECL) using impairment model, which has not materially impacted the Funds. Please see Note 3 for more information on credit risk.

For more information on how fair value is calculated refer to Note 5 to the financial statements.

### (q) Rounding of amounts

The Funds are entities 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.

### (r) Comparative revisions

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

## 3 Financial risk management

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

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities and unit trusts is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

### 3 Financial risk management (continued)

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

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

#### (a) Market risk

##### (i) Price risk

The Funds are exposed to price risk on their investments in equity securities, fixed interest securities and collective investment schemes. Price risk arises from investments held by the Funds 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.

The Funds' price risk is managed by the Investment Manager within a risk management framework. The framework consists of both desk level and independent oversight through a range of qualitative and quantitative risk measures and frequencies including formal review on a monthly basis. The Funds invest in a wide range of securities in accordance with respective investment objectives as detailed in the Product Disclosure Statement.

The tables at Note 3(b) summarises the sensitivities of the Funds' financial assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Funds invest move by +/-5% (2019: +/-5%).

##### (ii) Foreign exchange risk

The Funds operate internationally and 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.

The Funds aim to be predominantly hedged into Australian dollars with the goal of reducing the impact of adverse movements in overseas currencies.

However, for accounting purposes, the Funds do not designate any derivatives as hedges in a hedging relationship, and hence, these derivative financial instruments are classified as at fair value through profit or loss.

### 3 Financial risk management (continued)

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

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

The tables below summarise the fair value of the Funds' financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

#### Insight Diversified Inflation Plus Fund

As at 30 June 2020	US Dollars A\$ '000	Euro A\$ '000	GBP A\$ '000	All other foreign currencies A\$ '000
Cash and cash equivalents	896	390	4,471	305
Receivables	2	8	90	-
Due from brokers - receivable from securities sold	-	-	-	240
Financial assets at fair value through profit or loss	73,413	55,713	106,992	1,077
Margin accounts	5,663	2,852	11,250	(2,551)
Due to brokers - payable from securities purchased	-	-	(564)	(237)
Financial liabilities at fair value through profit or loss	<u>(3,590)</u>	<u>(2,210)</u>	<u>(4,597)</u>	<u>(2,272)</u>
<b>Net exposure</b>	<u>76,384</u>	<u>56,753</u>	<u>117,642</u>	<u>(3,438)</u>
Net increase/(decrease) in exposure from forward currency contract	<u>(84,685)</u>	<u>(59,470)</u>	<u>(111,003)</u>	<u>7,089</u>
<b>Net exposure including forward currency contracts</b>	<u>(8,301)</u>	<u>(2,717)</u>	<u>6,639</u>	<u>3,651</u>



### 3 Financial risk management (continued)

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

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

Insight Diversified Inflation Plus Fund

As at 30 June 2019	US Dollars A\$ '000	Euro A\$ '000	GBP A\$ '000	All other foreign currencies A\$ '000
Cash and cash equivalents	425	240	3,102	224
Receivables	31	7	100	-
Due from brokers - receivable from securities sold	-	148	238	210
Financial assets at fair value through profit or loss	54,125	49,316	85,680	285
Margin accounts	4,839	3,782	3,997	1,294
Payables	-	-	(26)	-
Due to brokers - payable from securities purchased	(2,161)	(137)	-	(176)
Financial liabilities at fair value through profit or loss	<u>(3,785)</u>	<u>(3,083)</u>	<u>(647)</u>	<u>(679)</u>
Net exposure	<u>53,474</u>	<u>50,273</u>	<u>92,444</u>	<u>1,158</u>
Net increase/(decrease) in exposure from forward currency contract	<u>(56,764)</u>	<u>(51,181)</u>	<u>(87,881)</u>	<u>-</u>
Net exposure including forward currency contracts	<u>(3,290)</u>	<u>(908)</u>	<u>4,563</u>	<u>1,158</u>

### 3 Financial risk management (continued)

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

(ii) Foreign exchange risk (continued)

#### Insight Global Absolute Return Bond Fund

As at 30 June 2020	US Dollars A\$ '000	Euro A\$ '000	GBP A\$ '000	All other foreign currencies A\$ '000
Cash and cash equivalents	-	440	1	-
Due from brokers - receivable from securities sold	1,823	-	-	-
Receivables	5	-	71	-
Financial assets at fair value through profit or loss	2,569	1,713	314	10
Margin accounts payables	(36)	-	(25)	-
Financial liabilities at fair value through profit or loss	<u>(140)</u>	<u>(651)</u>	<u>(86)</u>	<u>(12)</u>
<b>Net exposure</b>	<u>4,221</u>	<u>1,502</u>	<u>275</u>	<u>(2)</u>
Net increase/(decrease) in exposure from forward currency contract	<u>(4,300)</u>	<u>(1,503)</u>	<u>(227)</u>	<u>-</u>
<b>Net exposure including forward currency contracts</b>	<u>(79)</u>	<u>(1)</u>	<u>48</u>	<u>(2)</u>

### 3 Financial risk management (continued)

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

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

Insight Global Absolute Return Bond Fund

As at 30 June 2019	US Dollars A\$ '000	Euro A\$ '000	GBP A\$ '000	All other foreign currencies A\$ '000
Cash and cash equivalents	2,185	1,621	1,795	444
Margin accounts	2,641	12,599	2,198	110
Due from brokers - receivable from securities sold	304	3,545	7,941	-
Receivables	715	445	175	-
Financial assets at fair value through profit or loss	195,911	78,681	130,317	35
Due to brokers - payable from securities purchased	-	(3,051)	(1,064)	-
Payables	(2,961)	(603)	(1)	-
Financial liabilities at fair value through profit or loss	<u>(3,334)</u>	<u>(11,364)</u>	<u>(328)</u>	<u>(48)</u>
Net exposure	<u>195,461</u>	<u>81,873</u>	<u>141,033</u>	<u>541</u>
Net increase/(decrease) in exposure from forward currency contract	<u>(195,314)</u>	<u>(83,821)</u>	<u>(142,713)</u>	<u>2,331</u>
Net exposure including forward currency contracts	<u>147</u>	<u>(1,948)</u>	<u>(1,680)</u>	<u>2,872</u>

The tables at Note 3(b) summarises the sensitivities of the Funds' monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened or strengthened by 5% (2019: +/-5%) against the material foreign currencies to which the Funds are exposed.

##### (iii) Interest rate risk

The Funds' interest bearing financial assets expose them to risks associated with the effects of fluctuation in the prevailing levels of market interest rate on its financial positions and cash flows. The impact of interest rate risk on net assets attributable to unit holders and operating profit are considered immaterial to the Funds.

The Funds' main interest rate risk arises from their investments in fixed interest securities and fixed interest derivatives.

Where the Funds hold investments in debt securities or other interest bearing investments, the Investment Manager regularly monitors the interest rate sensitivity and the maturity profile to ensure the portfolio is consistent with the Funds' objective.

### 3 Financial risk management (continued)

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

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

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

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>As at 30 June 2020</b>								
<b>Financial assets</b>								
Cash and cash equivalents	6,430	-	-	6,430	8,540	-	-	8,540
Receivables	-	-	99	99	-	-	93	93
Due from brokers - receivable for securities sold	-	-	240	240	-	-	1,823	1,823
Financial assets at fair value through profit and loss	-	7,642	229,590	237,232	-	-	4,606	4,606
Margin account	20,817	-	-	20,817	450	-	-	450
<b>Total financial assets</b>	<b>27,247</b>	<b>7,642</b>	<b>229,929</b>	<b>264,818</b>	<b>8,990</b>	<b>-</b>	<b>6,522</b>	<b>15,512</b>
<b>Financial liabilities</b>								
Distributions payable	-	-	-	-	-	-	6,031	6,031
Payables	-	-	282	282	-	-	62	62
Due to brokers - payable for securities purchased	-	-	801	801	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	12,686	12,686	-	-	889	889
Payable for margin accounts	-	-	-	-	61	-	-	61
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>13,769</b>	<b>13,769</b>	<b>61</b>	<b>-</b>	<b>6,982</b>	<b>7,043</b>
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	(20,023)	20,023	-	-	-	-	-	-
<b>Net exposure</b>	<b>7,224</b>	<b>27,665</b>	<b>216,160</b>	<b>251,049</b>	<b>8,929</b>	<b>-</b>	<b>(460)</b>	<b>8,469</b>

### 3 Financial risk management (continued)

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

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

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2019								
Financial assets								
Cash and cash equivalents	4,010	-	-	4,010	7,886	-	-	7,886
Receivables	-	-	154	154	-	-	1,465	1,465
Due from brokers - receivable for securities sold	-	-	596	596	-	-	11,790	11,790
Financial assets at fair value through profit and loss	4,212	8,414	176,851	189,477	165,142	136,548	110,126	411,816
Margin account	17,773	-	-	17,773	21,581	-	-	21,581
Total financial assets	25,995	8,414	177,601	212,010	194,609	136,548	123,381	454,538
Financial liabilities								
Distributions payable	-	-	6,196	6,196	-	-	-	-
Payables	-	-	1,125	1,125	-	-	4,039	4,039
Due to brokers - payable for securities purchased	-	-	2,474	2,474	-	-	4,115	4,115
Financial liabilities at fair value through profit and loss	-	99	8,095	8,194	-	9,678	5,396	15,074
Total financial liabilities	-	99	17,890	17,989	-	9,678	13,550	23,228
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	(14,582)	14,582	-	-	325,217	(325,217)	-	-
Net exposure	11,413	22,897	159,711	194,021	519,826	(198,347)	109,831	431,310

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Funds' 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 reasonably possible shift that the interest rates changed by +/-25 basis points (2019: +/-25 basis points) from the year end rates with all other variables held constant.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' 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 Funds' 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 Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

Insight Diversified Inflation Plus Fund	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-5%	+5%	-25bps	+25bps
	\$ '000	\$ '000	\$ '000	\$ '000
As at 30 June 2020	(9,538)	9,538	(68)	68
As at 30 June 2019	(8,601)	8,601	(65)	65

	Impact on operating profit/Net assets attributable to unit holders					
	Foreign exchange risk					
	-5%	+5%	-5%	+5%	-5%	+5%
	USD	USD	EUR	EUR	GBP	GBP
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
As at 30 June 2020	(328)	328	(163)	163	(762)	762
As at 30 June 2019	(157)	157	(202)	202	(371)	371

### 3 Financial risk management (continued)

Insight Global Absolute Return Bond Fund	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-5%	+5%	-25bps	+25bps
	\$ '000	\$ '000	\$ '000	\$ '000
As at 30 June 2020	-	-	(22)	22
As at 30 June 2019	(5,027)	5,027	(487)	487

	Impact on operating profit/Net assets attributable to unit holders					
	Foreign exchange risk					
	-5%	+5%	-5%	+5%	-5%	+5%
	USD	USD	EUR	EUR	GBP	GBP
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
As at 30 June 2020	(125)	125	(53)	53	(9)	9
As at 30 June 2019	(9,622)	9,622	(3,463)	3,463	(6,583)	6,583

#### (c) Credit risk

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

The main concentration of credit risk, to which the Funds are exposed, arises from the Funds' investment in debt securities. The Funds are also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to from brokers and other receivables.

The Funds determine credit risk and measure expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2020 and 30 June 2019, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

##### (i) Debt securities

The Funds invest in debt securities which have an investment grade categorisation as rated by Standard and Poor's or Moody's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. All debt securities must have a minimum investment grade as outlined in the Funds' Product Disclosure Statement.

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

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
<b>Australian debt securities rating</b>				
AAA	-	-	-	123,033
AA	3,767	4,650	-	33,112
A	-	2,950	-	71,685
BBB	3,532	3,605	-	31,464
BB	-	-	-	24,709
B	-	-	-	7,701
CCC	-	-	-	1,398
Not rated	-	80	-	7,472
<b>Total</b>	<b>7,299</b>	<b>11,285</b>	<b>-</b>	<b>300,574</b>

##### (ii) Derivative financial instruments

The Funds also restrict their exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Funds' overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to Note 4 to the financial statements for further analysis of the Funds' master netting arrangements.



### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

##### (iii) 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 their obligations.

##### (iv) Cash and cash equivalents

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

##### (v) Other

The Funds are not materially exposed to credit risk on other financial assets.

##### (vi) 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 Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds 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 investing the majority of their assets in investments that can be readily disposed of. There may be times however when securities may not be readily sold (for example an exchange imposed limit on price fluctuations on a particular day in both falling and rising market conditions) and this may impact the investment and markets to which the Funds have exposure.

In order to manage the Funds' 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 Responsible Entity did not reject or withhold any redemptions during 2020 and 2019.

##### (i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

### 3 Financial risk management (continued)

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

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

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

#### Insight Diversified Inflation Plus Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2020</b>					
Net settled derivatives					
Forward currency contracts	(204)	26,286	-	-	26,082
Futures contracts	-	(15)	-	-	(15)
Options contracts	598	(173)	-	3	428
<b>Total net settled derivatives</b>	<b>394</b>	<b>26,098</b>	<b>-</b>	<b>3</b>	<b>26,495</b>
<b>As at 30 June 2019</b>					
Net settled derivatives					
Forward currency contracts	(1,813)	-	-	-	(1,813)
Swaps contracts	-	-	-	767	767
Futures contracts	61	1,747	-	(185)	1,623
Options contracts	(204)	(2,003)	(435)	53	(2,589)
<b>Total net settled derivatives</b>	<b>(1,956)</b>	<b>(256)</b>	<b>(435)</b>	<b>635</b>	<b>(2,012)</b>

### 3 Financial risk management (continued)

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

(ii) *Maturities of net settled derivative financial instruments (continued)*

#### Insight Global Absolute Return Bond Fund

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2020</b>					
Net settled derivatives					
Forward currency contracts	3,717	-	-	-	3,717
<b>Total net settled derivatives</b>	<b>3,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,717</b>
<b>As at 30 June 2019</b>					
Net settled derivatives					
Forward currency contracts	248	2,453	-	-	2,701
Swaps contracts	-	30	105	1,510	1,645
Futures contracts	-	(8,562)	-	-	(8,562)
Options contracts	51	(194)	-	(14)	(157)
<b>Total net settled derivatives</b>	<b>299</b>	<b>(6,273)</b>	<b>105</b>	<b>1,496</b>	<b>(4,373)</b>

#### 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.

##### Insight Diversified Inflation Plus Fund

	Effects of offsetting on the Statement of financial position			Related amount not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/ received	Net amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>As at 30 June 2020</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	<u>39,181</u>	<u>-</u>	<u>39,181</u>	<u>(10,349)</u>	<u>-</u>	<u>28,832</u>
<b>Total</b>	<u>39,181</u>	<u>-</u>	<u>39,181</u>	<u>(10,349)</u>	<u>-</u>	<u>28,832</u>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	<u>12,686</u>	<u>-</u>	<u>12,686</u>	<u>(10,349)</u>	<u>(2,040)</u>	<u>297</u>
<b>Total</b>	<u>12,686</u>	<u>-</u>	<u>12,686</u>	<u>(10,349)</u>	<u>(2,040)</u>	<u>297</u>
<b>As at 30 June 2019</b>						
<b>Financial assets</b>						
Derivative financial instruments (i)	<u>7,178</u>	<u>(996)</u>	<u>6,182</u>	<u>(2,999)</u>	<u>-</u>	<u>3,183</u>
<b>Total</b>	<u>7,178</u>	<u>(996)</u>	<u>6,182</u>	<u>(2,999)</u>	<u>-</u>	<u>3,183</u>
<b>Financial liabilities</b>						
Derivative financial instruments (i)	<u>9,190</u>	<u>(996)</u>	<u>8,194</u>	<u>(2,999)</u>	<u>-</u>	<u>5,195</u>
<b>Total</b>	<u>9,190</u>	<u>(996)</u>	<u>8,194</u>	<u>(2,999)</u>	<u>-</u>	<u>5,195</u>

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

##### Insight Global Absolute Return Bond Fund

	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 instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral pledged/ received	Net amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>As at 30 June 2020</b>						
<b>Financial assets</b>						
Derivative financial instruments	4,606	-	4,606	(266)	-	4,340
<b>Total</b>	<b>4,606</b>	<b>-</b>	<b>4,606</b>	<b>(266)</b>	<b>-</b>	<b>4,340</b>
<b>Financial liabilities</b>						
Derivative financial instruments	889	-	889	(266)	(450)	173
<b>Total</b>	<b>889</b>	<b>-</b>	<b>889</b>	<b>(266)</b>	<b>(450)</b>	<b>173</b>
<b>As at 30 June 2019</b>						
<b>Financial assets</b>						
Derivative financial instruments	21,300	(10,599)	10,701	(4,629)	-	6,072
<b>Total</b>	<b>21,300</b>	<b>(10,599)</b>	<b>10,701</b>	<b>(4,629)</b>	<b>-</b>	<b>6,072</b>
<b>Financial liabilities</b>						
Derivative financial instruments	25,673	(10,599)	15,074	(4,629)	(8,927)	1,518
<b>Total</b>	<b>25,673</b>	<b>(10,599)</b>	<b>15,074</b>	<b>(4,629)</b>	<b>(8,927)</b>	<b>1,518</b>

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

### (a) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only when 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 Funds do not presently have a legally enforceable right of set-off, these amounts have not been offset in the statements of financial position, but have been presented separately in the above tables.

## 5 Fair value measurement

The Funds measure and recognise financial assets and financial liabilities at fair value through profit or loss on a recurring basis.

- Financial assets/liabilities at fair value through profit or loss (see Note 7 and Note 8)
- Derivative financial instruments (see Note 9)

The Funds have 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 Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

### (a) Fair value in an active market (level 1)

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

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

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

## 5 Fair value measurement (continued)

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

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

### (b) 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 Funds 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 unlisted unit trusts are recorded at the redemption value per unit as reported by the investment Managers of such funds. The Funds may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or their 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 Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The table below presents the Funds' financial assets and financial liabilities measured and recognised at fair value as at 30 June 2020.

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2020</b>								
<b>Financial assets</b>								
Forward currency contracts	-	33,684	-	33,684	-	4,603	-	4,603
Futures contracts	347	-	-	347	-	-	-	-
Options contracts	4,636	514	-	5,150	-	3	-	3
Collective Investment Schemes	190,752	-	-	190,752	-	-	-	-
Fixed interest securities	-	7,299	-	7,299	-	-	-	-
<b>Total financial assets</b>	<b>195,735</b>	<b>41,497</b>	<b>-</b>	<b>237,232</b>	<b>-</b>	<b>4,606</b>	<b>-</b>	<b>4,606</b>
<b>Financial liabilities</b>								
Forward currency contracts	-	7,602	-	7,602	-	886	-	886
Futures contracts	362	-	-	362	-	-	-	-
Options contracts	4,035	687	-	4,722	-	3	-	3
<b>Total financial liabilities</b>	<b>4,397</b>	<b>8,289</b>	<b>-</b>	<b>12,686</b>	<b>-</b>	<b>889</b>	<b>-</b>	<b>889</b>



## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements (continued)

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2019								
Financial assets								
Forward currency contracts	-	924	-	924	-	3,616	-	3,616
Swaps contracts	-	1,069	-	1,069	-	5,836	-	5,836
Futures contracts	2,111	-	-	2,111	1,116	-	-	1,116
Options contracts	1,947	131	-	2,078	-	133	-	133
Collective Investment Schemes	172,010	-	-	172,010	25,377	75,164	-	100,541
Fixed interest securities	-	11,285	-	11,285	-	300,574	-	300,574
<b>Total financial assets</b>	<b>176,068</b>	<b>13,409</b>	<b>-</b>	<b>189,477</b>	<b>26,493</b>	<b>385,323</b>	<b>-</b>	<b>411,816</b>
Financial liabilities								
Forward currency contracts	-	2,737	-	2,737	-	915	-	915
Swaps contracts	-	302	-	302	-	4,191	-	4,191
Futures contracts	488	-	-	488	9,678	-	-	9,678
Options contracts	4,107	560	-	4,667	-	290	-	290
<b>Total financial liabilities</b>	<b>4,595</b>	<b>3,599</b>	<b>-</b>	<b>8,194</b>	<b>9,678</b>	<b>5,396</b>	<b>-</b>	<b>15,074</b>

### (d) Transfer between levels

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

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

### (e) Financial instruments not carried at fair value

The carrying value of receivables and payables are to approximate their fair values due to their short-term nature.

## 5 Fair value measurement (continued)

### (e) Financial instruments not carried at fair value (continued)

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 year.

## 6 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:

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	Year ended 30 June 2020 \$'000	30 June 2019 \$'000	Year ended 30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial assets</b>				
Net realised gain/(loss) on financial assets at fair value through profit or loss	4,981	11,608	112,117	65,617
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>18,786</u>	<u>6,488</u>	<u>(24,941)</u>	<u>12,747</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>23,767</u>	<u>18,096</u>	<u>87,176</u>	<u>78,364</u>
<b>Financial liabilities</b>				
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(35,510)	(6,607)	(115,066)	(90,312)
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(3,535)</u>	<u>431</u>	<u>14,138</u>	<u>1,798</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(39,045)</u>	<u>(6,176)</u>	<u>(100,928)</u>	<u>(88,514)</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>(15,278)</u>	<u>11,920</u>	<u>(13,752)</u>	<u>(10,150)</u>

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

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Derivatives (Note 9)	39,181	6,182	4,606	10,701
Collective Investment Schemes	190,752	172,010	-	100,541
Fixed interest securities	7,299	11,285	-	300,574
<b>Total financial assets at fair value through profit or loss</b>	<b>237,232</b>	<b>189,477</b>	<b>4,606</b>	<b>411,816</b>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

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

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Derivatives (Note 9)	12,686	8,194	889	15,074
<b>Total financial liabilities at fair value through profit or loss</b>	<b>12,686</b>	<b>8,194</b>	<b>889</b>	<b>15,074</b>

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

## 9 Derivative financial instruments

In the normal course of business, the Funds enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date 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 forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' 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 Funds against a fluctuation in market values, foreign exchange risk 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 Funds.

The Funds hold the following derivatives:

### (a) Futures

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

### (b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Funds are exchange-traded. The Funds are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

A swaption is an agreement that grants an option to the owner to the right but not the obligation to enter into a swap.

## 9 Derivative financial instruments (continued)

### (c) Forward currency contracts

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

### (d) Swaps

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

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principal, to another counterparty in return for security against default by the underlying loan or asset.

The fair value of interest rate swaps is the estimated amount that the Funds would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

## 9 Derivative financial instruments (continued)

The Funds' derivative financial instruments measured at fair value at year end are detailed below:

	Insight Diversified Inflation Plus Fund			Insight Global Absolute Return Bond Fund		
	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2020</b>						
Forward currency contracts	413,945	33,684	7,602	185,378	4,603	886
Futures contracts	20,023	347	362	-	-	-
Options contracts	613,231	5,150	4,722	1,452	3	3
<b>Total derivatives</b>	<b>1,047,199</b>	<b>39,181</b>	<b>12,686</b>	<b>186,830</b>	<b>4,606</b>	<b>889</b>
<b>As at 30 June 2019</b>						
Forward currency contracts	214,758	924	2,737	537,779	3,616	915
Swaps contracts	27,930	1,069	302	407,619	5,836	4,191
Futures contracts	129,852	2,111	488	721,833	1,116	9,678
Options contracts	527,750	2,078	4,667	420,458	133	290
Total derivatives	900,290	6,182	8,194	2,087,689	10,701	15,074

Information about the Funds' exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 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.

## 10 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 arrangement.

The Funds consider all investments in managed investment schemes (the "Schemes") to be structured entities. The Funds invest in Schemes for the purpose of capital appreciation and or earning investment income.

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

### Insight Diversified Inflation Plus Fund

	Fair value of investment	
	30 June 2020	30 June 2019
	\$'000	\$'000
3i Infrastructure PLC	3,973	2,065
Absolute Insight Emerging Market Debt Fund	2,030	2,359
Absolute Insight Currency Fund	755	751
Absolute Insight Credit Fund	1,382	1,374
Amedeo Air Four Plus Ltd Common Stock	532	1,462
Amundi Prima Euro UCITS Corp	1,573	-
Aquila European Renewables Income Fund	403	409
BNY Mellon Absolute Return Bond Fund	1,446	1,429
BNY Mellon Emerging Markets Corporate Debt Fund	1,826	1,716
GCP Infrastructure Investment	3,231	2,973
Greencoat UK Wind PLC	3,362	2,791
HICL Infrastructure CO LTD	3,932	2,737
Insight Global (ex-UK) Bond Fund	4,468	4,192
Insight Liquidity Funds Plc - ILF EUR Cash Fund	16,456	29,524
Insight Liquidity Funds Plc - ILF GBP Liquidity Fund	45,431	46,406
Insight Liquidity Funds Plc - ILF USD Liquidity Fund	11,368	15,590
International Public Partnerships LTD	3,551	2,032
iShares 20+ Year Treasury Bond ETF	-	2,158
iShares Core Euro Corporate Bond Fund	6,354	-

## 10 Structured entities (continued)

### Insight Diversified Inflation Plus Fund

	Fair value of investment	
	30 June 2020 \$'000	30 June 2019 \$'000
iShares Core GBP Corporate Bond Fund	10,474	6,080
iShares Euro Corporate Bond	9,270	6,183
iShares Euro High Yield Corporate Bond	7,527	6,206
iShares JP Morgan Emerging Market Bond Fund	6,631	9,387
iShares J.P. Morgan EM Local Govt Bond UCITS ETF	-	4,795
iShares UCITS Corporate Bond Fund	-	6,343
iShares USD UCITS Corporate Bond	23,118	-
iShares USD High Yield Corp	11,577	6,111
John Laing Infrastructure Investment Fund	-	479
JLEN Environmental Assets Group	595	-
Renewables Infrastructure GR	1,782	1,363
UBS ETF Composite USD	1,234	2,969
USD Emerging Markets Bond UCITS ETF	6,471	2,126
<b>Total unrelated Schemes</b>	<b>190,752</b>	<b>172,010</b>



## 10 Structured entities (continued)

Insight Global Absolute Return Bond Fund	Fair value of investment	
	30 June 2020	30 June 2019
	\$'000	\$'000
BNY Mellon Emerging Markets Corporate Debt Fund	-	6,409
BNY Mellon Short-Dated High Yield Bond Fund	-	18,968
Global Senior Loans Fund Limited	-	7,808
IIFIG Loan Fund	-	7,619
Insight Emerging Markets Debt Fund	-	59,737
<b>Total unrelated Schemes</b>	<b>-</b>	<b>100,541</b>

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Funds' maximum exposure to loss from their interest in the Schemes is equal to the fair value of their investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Funds have disposed of their units in a Scheme, they cease to be exposed to any risk from that Scheme.

During the year ended 30 June 2020 the Funds' total gains/(losses) incurred on investments in the unrelated Schemes and the distribution income earned as a result of their interests in the unrelated Schemes were as follows:

Fund name	Total gains/(losses)		Distribution income	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$
Insight Diversified Inflation Plus Fund	13,617,219	2,510,357	9,862	934
Insight Global Absolute Return Bond Fund	-	1,029,247	-	4,346

## 11 Net assets attributable to unit holders - equity

The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2020	30 June 2020	30 June 2019	30 June 2019	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	Units'000	\$'000	Units'000	\$'000	Units'000	\$'000	Units'000	\$'000
Opening balance	181,060	194,021	195,426	201,869	449,614	431,310	433,772	418,215
Applications	76,894	80,970	25,281	26,458	443	429	31,577	15,557
Redemptions	(16,253)	(15,751)	(39,647)	(41,729)	(434,799)	(408,493)	(15,735)	(226)
Reinvestment of distributions	5,406	5,793	-	-	-	-	-	-
Distributions paid and payable	-	-	-	(6,196)	-	(8,954)	-	-
Profit/(loss) for the year	-	(13,984)	-	13,619	-	(5,823)	-	(2,236)
<b>Closing balance</b>	<b>247,107</b>	<b>251,049</b>	181,060	194,021	<b>15,258</b>	<b>8,469</b>	449,614	431,310

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

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

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 Funds consider their net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' 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.

## 12 Distributions to unit holders

The distributions declared during the year were as follows:

	Insight Diversified Inflation Plus Fund				Insight Global Absolute Return Bond Fund			
	Year ended		Year ended		Year ended		Year ended	
	30 June 2020 \$'000	30 June 2020 CPU	30 June 2019 \$'000	30 June 2019 CPU	30 June 2020 \$'000	30 June 2020 CPU	30 June 2019 \$'000	30 June 2019 CPU
<b>Distributions</b>								
May	-	-	-	-	2,923	2.54	-	-
June (payable)	-	-	6,196	3.42	6,031	3.95	-	-
<b>Total distributions</b>	-	-	6,196		8,954		-	-

## 13 Cash and cash equivalents

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Cash at bank	6,430	4,010	8,540	7,886
<b>Total cash and cash equivalents</b>	<b>6,430</b>	<b>4,010</b>	<b>8,540</b>	<b>7,886</b>

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

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Profit/(loss) for the year	(13,984)	13,619	(5,823)	(2,236)
Proceeds from sale of financial instruments at fair value through profit or loss	441,580	309,590	942,078	640,765
Payments for purchase of financial instruments at fair value through profit or loss	(500,772)	(303,823)	(554,446)	(649,364)
Net (gains)/losses on financial instruments at fair value through profit or loss	15,278	(11,920)	13,752	10,150
Net foreign exchange (gain)/loss	(3)	15	(8)	(7)
Dividend and distribution income reinvested	(696)	(660)	-	-
Net interest bought/(sold)	30	(7)	(2,417)	(3,408)
Net movement in margin accounts	(3,044)	11,139	21,131	(8,812)
Net change in receivables	55	19	1,343	(527)
Net change in payables	45	(26)	(3,977)	(30)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(61,511)</b>	<b>17,946</b>	<b>411,633</b>	<b>(13,469)</b>
<b>(b) Non-cash operating and financing activities</b>				
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	5,793	-	-	-
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	696	660	-	-
<b>Total non-cash operating and financing activities</b>	<b>6,489</b>	<b>660</b>	<b>-</b>	<b>-</b>

## 15 Receivables

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Interest receivable	31	59	-	1,335
Dividends and distributions receivable	67	93	-	-
GST receivable	-	-	15	19
Swap income receivable	-	-	-	29
Other receivables	1	2	78	82
<b>Total receivables</b>	<b>99</b>	154	<b>93</b>	1,465

## 16 Payables

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	As at		As at	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Interest payable	-	-	1	1
Management fees payable	269	218	60	438
Redemptions payable	1	889	-	-
Custody and administration fees payable	10	16	1	36
Withholding tax payable	-	-	-	6
Other payables	2	2	-	-
Net swap interest payable	-	-	-	3,558
<b>Total payables</b>	<b>282</b>	<b>1,125</b>	<b>62</b>	<b>4,039</b>

## 17 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditors of the Funds:

	Insight Diversified Inflation Plus Fund		Insight Global Absolute Return Bond Fund	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$
<b>KPMG Australian Firm</b>				
<i>Audit and other assurance services</i>				
Audit and review of financial statements	12,500	12,500	12,500	12,500
Audit of compliance plan	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>
Total remuneration of audit and other assurance services	<u>16,250</u>	<u>16,250</u>	<u>16,250</u>	<u>16,250</u>
<i>Taxation services</i>				
Taxation services	<u>5,581</u>	<u>5,539</u>	<u>5,681</u>	<u>5,639</u>
Total remuneration for taxation services	<u>5,581</u>	<u>5,539</u>	<u>5,681</u>	<u>5,639</u>
<b>Total remuneration of KPMG Australian Firm</b>	<u>21,831</u>	<u>21,789</u>	<u>21,931</u>	<u>21,889</u>

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

## 18 Related party transactions

The Responsible Entity of the Insight Funds 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 Insight Investment Management (Global) Ltd to act as Investment Manager for the Funds and State Street Australia Limited to act as Custodian and Administrator for the Funds. The contracts are on normal commercial terms and conditions.

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## 18 Related party transactions (continued)

### (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 year and up to the date of this report.

Philip D Gentry	(Chairman)
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

#### (ii) Other key management personnel

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

### (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 Funds as at 30 June 2020 (30 June 2019: nil).

### (d) Key management personnel compensation

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

### (e) Key management personnel loans

The Funds have 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.



## 18 Related party transactions (continued)

### (f) Other transactions within the Funds

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Funds during the financial year and there were no material contracts involving management personnel's interests existing at year end.

### (g) Responsible Entity fees, Investment Manager's fees and other transactions

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

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

	<b>Insight Diversified Inflation Plus Fund</b>		<b>Insight Global Absolute Return Bond Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management fees for the year	<b>1,719,982</b>	1,621,055	<b>2,062,293</b>	2,771,799
Responsible Entity fees for the year	<b>112,478</b>	95,994	<b>150,483</b>	200,511
Management fees payable at year end	<b>249,363</b>	209,782	<b>54,911</b>	422,304
Responsible Entity fees payable at year end	<b>20,466</b>	7,682	<b>5,175</b>	16,471

For information on how management fees are calculated please refer to the Funds' Product Disclosure Statement.

### (h) Related party unit holdings

Parties related to the Funds (including Equity Trustees Limited, their related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Funds as at 30 June 2020 (30 June 2019: nil).

### (i) Investments

The Funds did not hold any investments in Equity Trustees Limited or their related parties during the year (2019: nil).

## **19 Events occurring after the reporting period**

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

## **20 Contingent assets and liabilities and commitments**

There were no outstanding contingent assets, 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 8 to 57 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 Funds' financial position as at 30 June 2020 and of their performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Funds will be able to pay their 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  
10 September 2020



# Independent Auditor's Report

To the members of the Funds:

- Insight Diversified Australian Inflation Plus Fund
- Insight Global Absolute Return Bond Fund

## Opinion

We have audited each of the **Financial Reports** of the Funds.

In our opinion, the accompanying Financial Report of the Funds are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of each Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Reports** of the individual Funds comprises:

- Statement of financial position as at 30 June 2020
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration made by the Directors of Equity Trustees Limited (the Responsible Entity).

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Funds in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other Information

Other Information is financial and non-financial information in the respective Funds' annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing each Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the respective 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

KPMG

Andrew Reeves  
Partner

Sydney  
10 September 2020