

# **Putnam Securitised Opportunities Fund**

ARSN 119 308 771

## **Annual report**

**For the year ended 30 June 2023**

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ARSN 119 308 771

## Annual report

### For the year ended 30 June 2023

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This annual report covers Putnam Securitised Opportunities Fund as an individual entity.

The Responsible Entity of Putnam Securitised Opportunities Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Putnam Securitised Opportunities Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2023.

### Principal activities

The Fund invests mainly in mortgage-related fixed income securities in accordance with Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund invests in fixed income securities, which may include agency residential mortgages, non-agency residential mortgages, commercial mortgages, assets backed securities and structured securities which includes interest only, inverse interest only and principal only securities.

The Fund may also use derivative instruments, such as forward delivery contracts, swaps, futures and options (including swaptions).

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Putnam Advisory Company, LLC
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	PricewaterhouseCoopers

### 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
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

### Review and results of operations

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

The Fund's performance was 8.56% (net of fees) for Fund Class-F and 9.17% (net of fees) for Fund Class-A for the year ended 30 June 2023. The Fund's benchmark, which is ICE BoFAML US Treasury Bill Index, returned 2.44% for the same period.

The return achieved by the Fund for the reporting period is calculated as the % movement in NAV/ units on issue from 30 June 2022 to 30 June 2023.

## Directors' report (continued)

### Review and results of operations (continued)

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

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	26,645	37,461
<b>Distributions - Class A</b>		
Distributions paid and payable (\$'000)	69	13,769
Distributions (cents per unit)*	0.06	11.70
<b>Distributions - Class F</b>		
Distributions paid and payable (\$'000)	39	32,101
Distributions (cents per unit)	0.02	8.77

\*Distributions (cents per unit) excludes special distribution paid in its calculation. The cents per unit figure for special distribution is disclosed at Note 10 to the financial statements.

### Significant changes in the state of affairs

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

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

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

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

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

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

### Indemnification and insurance of officers

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

### Indemnification of auditor

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

## Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 16 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 9 to the financial statements.

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

### Environmental regulation

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

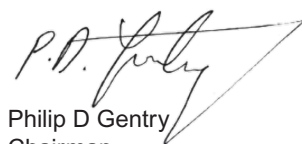
### Rounding of amounts to the nearest thousand dollars

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

### Auditor's independence declaration

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

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



Philip D Gentry  
Chairman

Melbourne  
28 September 2023



## Auditor's Independence Declaration

As lead auditor for the audit of Putnam Securitised Opportunities Fund for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'CJ Cummins', written over a horizontal line.

CJ Cummins  
Partner  
PricewaterhouseCoopers

Sydney  
28 September 2023

## Statement of comprehensive income

	Note	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Investment income</b>			
Net foreign exchange gain/(loss)		(11,638)	(18,797)
Net gains/(losses) on financial instruments at fair value through profit or loss		40,093	58,729
Other income		-	16
<b>Total investment income/(loss)</b>		<u>28,455</u>	<u>39,948</u>
<b>Expenses</b>			
Management fees and costs		1,596	2,296
Withholding taxes		-	1
Transaction costs		186	190
Other expenses		28	-
<b>Total expenses</b>		<u>1,810</u>	<u>2,487</u>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<u>26,645</u>	<u>37,461</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	10	(108)	(45,870)
(Increase)/decrease in net assets attributable to unit holders	9	<u>(26,537)</u>	<u>8,409</u>
<b>Profit/(loss) for the year</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		-	-

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

## Statement of financial position

	Note	As at	
		30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	11	31,423	14,595
Receivables	13	7,545	5,340
Due from brokers - receivable for securities sold		573,204	453,837
Financial assets at fair value through profit or loss	6	1,106,044	1,182,658
Margin accounts		<u>2,968</u>	<u>5,309</u>
<b>Total assets</b>		<u>1,721,184</u>	<u>1,661,739</u>
<b>Liabilities</b>			
Distributions payable	10	108	44,745
Payables	14	5,272	4,799
Due to brokers - payable for securities purchased		840,768	721,044
Financial liabilities at fair value through profit or loss	7	585,880	539,248
Margin accounts		<u>3,467</u>	<u>-</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>1,435,495</u>	<u>1,309,836</u>
<b>Net assets attributable to unit holders - liability</b>		<u>285,689</u>	<u>351,903</u>

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



**Statement of changes in equity**

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year*</b>	-	-

\*Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

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

## Statement of cash flows

	Note	Year ended	
		30 June 2023	30 June 2022
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		8,644,999	5,502,859
Payments for purchase of financial instruments at fair value through profit or loss		(8,492,460)	(5,434,289)
Net movement in margin accounts		5,808	(7,496)
Other income received		-	1,366
Management fees and costs paid		(1,794)	(2,093)
Transactions costs paid		(186)	(190)
Other expenses paid		(1,681)	-
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<u>154,686</u>	<u>60,157</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		149	663
Payments for redemptions by unit holders		(125,000)	(98,875)
Distributions paid to unit holders		(12,644)	(1,125)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(137,495)</u>	<u>(99,337)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		17,191	(39,180)
Cash and cash equivalents at the beginning of the year		14,595	53,900
Effect of foreign currency exchange rate changes on cash and cash equivalents		(363)	(125)
<b>Cash and cash equivalents at the end of the year</b>	11	<u>31,423</u>	<u>14,595</u>
Non-cash operating and financing activities	12(b)	32,101	3,347

*The above statement 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 Putnam Securitised Opportunities Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 13 April 2006 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

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

The Fund invests mainly in mortgage-related fixed income securities in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund invests in fixed income securities, which may include agency residential mortgages, non-agency residential mortgages, commercial mortgages, assets backed securities and structured securities which includes interest only, inverse interest only and principal only securities.

The Fund may also use derivative instruments, such as forward delivery contracts, swaps, futures and options (including swaptions).

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 Fund is a for-profit entity for the purpose of preparing the financial statements.

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

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

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

#### (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 2023 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### (b) Financial instruments

#### (i) *Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

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

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's 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 derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers, margin accounts and receivables, 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, margin accounts and other payables).

#### (ii) *Recognition and derecognition*

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Recognition and derecognition (continued)

from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### (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 and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

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, receivables, due from brokers, distributions payable, payables, due to brokers and margin accounts are carried at amortised cost.

#### (iv) Repurchase and reverse repurchase agreements

- Repurchase agreements

Under repurchase agreements, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time.

The underlying securities are held in safekeeping by the Fund's custodian under a tri-party repurchase agreement. The market value of the collateral is equal to or greater than the total amount of the repurchase obligations, including interest.

Securities purchased under repurchase agreements are reflected as a financial asset at fair value. Interest earned is recorded as a component of interest income.

In the event of counterparty default, the Fund has the right to use the collateral to offset losses incurred. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral.

#### (v) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents, receivables, due from brokers 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 Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (v) Impairment (continued)

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 Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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

#### (vi) Offsetting financial instruments

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

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

#### (vii) To be announced commitments (TBA)

The Fund may enter into TBA commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price and par amount have been established, the actual securities have not been specified. However, it is anticipated that the amount of the commitments will not significantly differ from the principal amount. The Fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the Fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date.

The Fund may also enter into TBA sale commitments to hedge its portfolio positions, to sell mortgage-backed securities it owns under delayed delivery arrangements or to take a short position in mortgage-backed securities. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, either equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date are held as "cover" for the transaction, or other liquid assets in an amount equal to the notional value of the TBA sale commitment are segregated. If the TBA sale commitment is closed through the acquisition of an offsetting TBA purchase commitment, the Fund realizes a gain or loss. If the Fund delivers securities under the commitment, the Fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into.

TBA commitments, which are accounted for as purchase and sale transactions, may be considered securities themselves, and involve a risk of loss due to changes in the value of the security prior to the settlement date as well as the risk that the counterparty to the transaction will not perform its obligations. Counterparty risk is mitigated by having a master agreement between the Fund and the counterparty.

Unsettled TBA commitments are valued at their fair value according to the procedures described under "Measurement" above. The contract is marked to market daily and the change in fair value is recorded by the Fund as an unrealized gain or loss. Based on market circumstances, the Manager will determine whether to take delivery of the underlying securities or to dispose of the TBA commitments prior to settlement.

### (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 are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's constitution.

## 2 Summary of significant accounting policies (continued)

### (c) Net assets attributable to unit holders (continued)

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

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

### (d) Cash and cash equivalents

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

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 represents the Fund's main income generating activity.

### (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 measured at fair value through the profit or loss.

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

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

### (g) Expenses

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

Management fees and costs covers certain ordinary expenses such as management fees, Responsible Entity fees, custodian fees, audit fees, cost of unitholder meetings, special valuation of assets and other operating expenses.

### (h) Income tax

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



## 2 Summary of significant accounting policies (continued)

### (h) Income tax (continued)

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

### (i) Distributions

The Fund distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (j) Increase/decrease in net assets attributable to unit holders

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

### (k) Foreign currency translation

#### (i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### (ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

### (l) Due from/to brokers

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

### (m) Receivables

Receivables may include amounts for interest and other receivables. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

## 2 Summary of significant accounting policies (continued)

### (n) Payables

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

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

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

### (o) Applications and redemptions

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

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

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

### (q) Use of estimates and judgements

The Fund makes 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.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

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

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Fund. 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.

### (r) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* 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.

### (s) Comparative revisions

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

### 3 Financial risk management

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

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

All investments present a risk of loss of capital. The maximum loss of capital on long debt securities is limited to the fair value of those positions. The maximum loss of capital on long futures is limited to the notional contract values of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Putnam Advisory Company, LLC under an Investment Management Agreement (the "IMA") approved by the Responsible Entity and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

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

#### (a) Market risk

##### (i) Price risk

The Fund is exposed to price risk on debt securities measured at fair value. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Value at Risk (VaR) risk measure estimates the maximum expected loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. Given the interdependencies between market variables, the Fund also estimates the VaR or threshold loss that is not expected to be exceeded at the 99th percentile confidence level over a 1-day horizon. The Investment Manager uses a proprietary multi-factor model to estimate the active risk (also referred to as tracking error) from which VaR estimates can be analytically derived. The VaR estimates presented below are point-in-time and vary over time as a function of market and portfolio composition changes and are representative of activity during the period.

Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or sudden shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future risk. Different VaR methodologies and distributional assumptions could produce a materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. Changes in VaR between reporting periods are generally due to changes in levels of exposure, volatilities and/or correlations among asset classes.

### 3 Financial risk management (continued)

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

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

The table below shows the VaR of the Fund for both start and end of the review period.

	<b>Portfolio</b>	<b>Benchmark*</b>	<b>Ratio</b>
<b>As at 30 June 2023</b>	<b>1.55</b>	<b>1.52</b>	<b>2.04</b>
As at 30 June 2022	1.70	1.68	2.02

\*The factor risk breakdown for the Fund for both start and end of the financial year is presented in the table below. The risk decomposition is based on expected annualised volatility (1 standard deviation). Active Risk (or Estimated Tracking Error "TE") measures the predicted standard deviation of the return difference between the portfolio and the benchmark using the current positions of each and the risk model's factor covariance matrix.

		<b>Portfolio</b>	<b>Benchmark</b>	<b>Estimated TE</b>
<b>As at 30 June 2023</b>	<b>Total risk</b>	<b>10.59</b>	<b>10.37</b>	<b>6.69</b>
As at 30 June 2022	Total risk	11.61	11.49	5.96

The following table summarises the estimated risk of the Fund as measured by VaR. The estimated impact has been calculated on the basis of a VaR model incorporating various factors: currency, interest rate, credit spread factors into an overall risk to portfolio value.

	<b>As at 30 June 2023</b>		<b>As at 30 June 2022</b>	
	<b>VaR (A\$'000)</b>	<b>% of Net assets</b>	<b>VaR (A\$'000)</b>	<b>% of Net assets</b>
Putnam Securitised Opportunities Fund	<b>19,113</b>	<b>6.69</b>	20,973	5.96

##### (ii) Foreign exchange risk

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

Foreign exchange risk is managed as a part of price risk and measured using VaR analysis.

### 3 Financial risk management (continued)

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

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

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

	US Dollars A\$'000
<b>As at 30 June 2023</b>	
Cash and cash equivalents	31,415
Receivables	6,760
Due from brokers - receivable for securities sold	573,204
Financial assets at fair value through profit or loss	1,106,044
Margin accounts	2,968
Payables	(2,866)
Due to brokers - payable for securities purchased	(840,768)
Financial liabilities at fair value through profit or loss	(585,880)
Margin accounts	(3,467)
<b>Net exposure</b>	<b>287,410</b>
US Dollars A\$'000	
<b>As at 30 June 2022</b>	
Cash and cash equivalents	13,734
Receivables	9,287
Due from brokers - receivable for securities sold	453,837
Financial assets at fair value through profit or loss	1,182,658
Margin accounts	5,309
Payables	(491)
Due to brokers - payable for securities purchased	(721,044)
Financial liabilities at fair value through profit or loss	(539,248)
Net exposure	404,042

##### (iii) Interest rate risk

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

The Fund's interest bearing financial instruments expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The impact of interest rate risk on the profit and net assets attributable to unit holders is considered immaterial to the Fund.

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

The values of bonds and other debt investments usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the value of existing debt investments, and rising interest rates generally decrease the value of existing debt investments. Changes in a debt investment's value usually will not affect the amount of interest income paid to the Fund but will affect the Net Asset Value of the Fund. Interest rate risk is generally greater for investments with longer maturities.

Interest rate risk is managed as a part of price risk and measured using VaR analysis.

### 3 Financial risk management (continued)

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

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

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

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>As at 30 June 2023</b>				
<b>Financial assets</b>				
Cash and cash equivalents	31,423	-	-	31,423
Receivables	-	-	7,545	7,545
Due from brokers - receivable for securities sold	-	-	573,204	573,204
Financial assets at fair value through profit or loss	165,591	926,935	13,518	1,106,044
Margin accounts	2,968	-	-	2,968
<b>Total financial assets</b>	<u>199,982</u>	<u>926,935</u>	<u>594,267</u>	<u>1,721,184</u>
<b>Financial liabilities</b>				
Distributions payable	-	-	108	108
Payables	-	-	5,272	5,272
Due to brokers - payable for securities purchased	-	-	840,768	840,768
Financial liabilities at fair value through profit or loss	-	566,555	19,325	585,880
Margin accounts	3,467	-	-	3,467
<b>Total financial liabilities (excluding net assets attributable to unit holders)</b>	<u>3,467</u>	<u>566,555</u>	<u>865,473</u>	<u>1,435,495</u>
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	207,617	(207,617)	-	-
fixed interest rate swap (notional principal)	<u>(443,552)</u>	<u>443,552</u>	-	-
<b>Net exposure</b>	<u>(39,420)</u>	<u>596,315</u>	<u>(271,206)</u>	<u>285,689</u>

### 3 Financial risk management (continued)

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

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

As at 30 June 2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	14,595	-	-	14,595
Receivables	-	-	5,340	5,340
Due from brokers - receivable for securities sold	-	-	453,837	453,837
Financial assets at fair value through profit or loss	188,618	980,314	13,726	1,182,658
Margin accounts	<u>5,309</u>	<u>-</u>	<u>-</u>	<u>5,309</u>
Total financial assets	<u>208,522</u>	<u>980,314</u>	<u>472,903</u>	<u>1,661,739</u>
Financial liabilities				
Distributions payable	-	-	44,745	44,745
Payables	-	-	4,799	4,799
Due to brokers - payable for securities purchased	-	-	721,044	721,044
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>500,132</u>	<u>39,116</u>	<u>539,248</u>
Total financial liabilities (excluding net assets attributable to unit holders)	<u>-</u>	<u>500,132</u>	<u>809,704</u>	<u>1,309,836</u>
Net increase/(decrease) in exposure from fixed interest rate swap (notional principal)	<u>(501,112)</u>	<u>501,112</u>	<u>-</u>	<u>-</u>
Net exposure	<u>(292,590)</u>	<u>981,294</u>	<u>(336,801)</u>	<u>351,903</u>

#### (b) Credit risk

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

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

The Fund determines credit risk and measures 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 2023 and 30 June 2022, 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. 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 Fund.

The Fund minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties. The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. While the Fund may be exposed to credit (issuer or counterparty) risk in relation to amounts treated as cash and cash equivalents, due from brokers and other receivables, the credit risk associated with these exposures is considered low and therefore has not been incorporated in the following table. Given existing collateral arrangements associated with open derivative contracts, the credit risk has been assessed as low and not incorporated in the following table.

### 3 Financial risk management (continued)

#### (b) Credit risk (continued)

##### (i) Debt securities

The Fund invests into debt securities subject to its limits as set out in the Product Disclosure Statement. The overall credit risk of the debt securities held is actively monitored by the Investment Manager. The credit rating used for debt securities is based on the following order, where available: Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings. Where a credit rating is not provided by the credit rating agencies, the security issuer's own credit rating may be used, or otherwise the security is treated as unrated.

The table below summarises the credit rating composition for the Fund's interest bearing securities assets using Standard and Poor's or Moody's ratings.

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
<b>Australian debt securities rating</b>		
AAA	2,317	2,181
AA	16,993	599
A	14,828	12,204
BBB	33,995	44,708
BB	19,892	13,637
B	16,922	15,391
CCC	8,683	7,526
CC	1,719	1,647
C	915	6
Not rated	<u>402,399</u>	<u>546,032</u>
<b>Total</b>	<u>518,663</u>	<u>643,931</u>

##### (ii) Repurchase and reverse repurchase agreements

The Fund may engage in repurchase and reverse repurchase transactions. Under the terms of a repurchase agreement, the Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and the Fund to resell the obligation at an agreed upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund's custodian. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Securities purchased under repurchase agreements are reflected as an asset in the statement of financial position. If the counterparty should default, the Fund will seek to sell the securities which it holds as collateral to reduce its losses. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. There is no counterparty to the outstanding repurchase/reverse repurchase agreements as at 30 June 2023 (2022: BofA with a rating of Aa2).

#### (c) Liquidity risk

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

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests, margin calls on derivative transactions.

Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of.



### 3 Financial risk management (continued)

#### (c) Liquidity risk (continued)

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2023 and 2022.

##### (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.

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

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

As at 30 June 2023	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
Net settled derivatives					
Swaps contracts	-	-	-	(1,379)	(1,379)
Futures contracts	-	3,455	-	-	3,455
Option contracts	152	-	-	(727)	(575)
<b>Total net settled derivatives</b>	<b>152</b>	<b>3,455</b>	<b>-</b>	<b>(2,106)</b>	<b>1,501</b>
As at 30 June 2022	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
Net settled derivatives					
Swaps contracts	-	-	-	(31,116)	(31,116)
Option contracts	(466)	-	-	-	(466)
<b>Total net settled derivatives</b>	<b>(466)</b>	<b>-</b>	<b>-</b>	<b>(31,116)</b>	<b>(31,582)</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.

	Effects of offsetting on the statement of financial position			Related amounts 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 received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2023</b>						
<b>Financial assets</b>						
Derivative financial instruments	21,293	-	21,293	(15,127)	(91)	6,075
<b>Total</b>	<b>21,293</b>	<b>-</b>	<b>21,293</b>	<b>(15,127)</b>	<b>(91)</b>	<b>6,075</b>
<b>Financial liabilities</b>						
Derivative financial instruments	19,792	-	19,792	(15,127)	(3,845)	820
<b>Total</b>	<b>19,792</b>	<b>-</b>	<b>19,792</b>	<b>(15,127)</b>	<b>(3,845)</b>	<b>820</b>
<b>As at 30 June 2022</b>						
<b>Financial assets</b>						
Derivative financial instruments	15,059	-	15,059	(13,117)	-	1,942
<b>Total</b>	<b>15,059</b>	<b>-</b>	<b>15,059</b>	<b>(13,117)</b>	<b>-</b>	<b>1,942</b>
<b>Financial liabilities</b>						
Derivative financial instruments	46,641	-	46,641	(13,117)	(33,020)	504
<b>Total</b>	<b>46,641</b>	<b>-</b>	<b>46,641</b>	<b>(13,117)</b>	<b>(33,020)</b>	<b>504</b>

##### (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 Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position but have been presented separately in the above table.

## 5 Fair value measurement

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

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

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

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities traded in active markets such as publicly traded derivatives and listed equity securities are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

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

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

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

### (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.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

When market quotations are not considered to be readily available for certain debt securities and other investments; such investments are valued on the basis of valuation quotes obtained from an independent pricing service or broker selected by the Investment Manager. Such services or brokers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and adjusted for various relationships, generally recognised by institutional traders, between securities (which consider such factors as security prices, yields, maturities and ratings).

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

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

As at 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Swaps contracts	-	16,726	-	16,726
Futures contracts	3,455	-	-	3,455
Option contracts	-	1,112	-	1,112
Fixed interest securities	-	252,409	-	252,409
TBA securities	-	832,342	-	832,342
<b>Total financial assets</b>	<b>3,455</b>	<b>1,102,589</b>	<b>-</b>	<b>1,106,044</b>
<b>Financial liabilities</b>				
Swaps contracts	-	18,105	-	18,105
Options contracts	-	1,687	-	1,687
TBA securities	-	566,088	-	566,088
<b>Total financial liabilities</b>	<b>-</b>	<b>585,880</b>	<b>-</b>	<b>585,880</b>
As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Swaps contracts	-	15,029	-	15,029
Option contracts	-	30	-	30
Fixed interest securities	-	382,392	1,960	384,352
TBA securities	-	752,186	-	752,186
Repurchase agreement	-	31,061	-	31,061
<b>Total financial assets</b>	<b>-</b>	<b>1,180,698</b>	<b>1,960</b>	<b>1,182,658</b>
<b>Financial liabilities</b>				
Swaps contracts	-	46,145	-	46,145
Options contracts	-	496	-	496
TBA securities	-	492,607	-	492,607
<b>Total financial liabilities</b>	<b>-</b>	<b>539,248</b>	<b>-</b>	<b>539,248</b>

## 5 Fair value measurement (continued)

### (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) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 by class of financial instrument.

	<b>Debt securities \$'000</b>
<b>Opening balance - 1 July 2021</b>	2,726
Sales	(956)
Gains/(losses) recognised in the statement of comprehensive income	190
<b>Closing balance - 30 June 2022*</b>	1,960
Sales	(2,023)
Gains/(losses) recognised in the statement of comprehensive income	63
<b>Closing balance - 30 June 2023</b>	-

\* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting year.

#### (i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements. See Note 5(a) for the valuation techniques adopted.

As at 30 June 2023, the Fund did not hold level 3 investments.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2022				
Fixed interest securities	1,960	Brokerquote	N/A	Direct

#### (ii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period and are disclosed in Note (d) above.

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

The financial instruments not measured at fair value through profit or loss include:

- i. Cash and cash equivalents, balances due from/to brokers and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying approximate fair value, because of their short-term nature and the high credit quality of counterparties; and

## 5 Fair value measurement (continued)

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

ii. Net assets attributable to unit holders, as the Fund routinely redeems and issues units at an amount equal to the proportionate share of the Fund's net assets at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amounts of net assets attributable to unitholders approximates their fair value. Any difference is not material in the current year or prior year.

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

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Derivatives	21,293	15,059
Fixed interest securities	252,409	384,352
TBA securities	832,342	752,186
Repurchase agreements	-	31,061
<b>Total financial assets at fair value through profit or loss</b>	<b>1,106,044</b>	<b>1,182,658</b>

As at 30 June 2023, \$8,759,707 (2022: \$40,516,032) of treasury bill securities was pledged as collateral for derivative purposes and \$483,814 (2022: \$837,058) of treasury bill securities was pledged as collateral for mortgage backed securities purposes.

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.

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

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Derivatives	19,792	46,641
TBA securities	566,088	492,607
<b>Total financial liabilities at fair value through profit or loss</b>	<b>585,880</b>	<b>539,248</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.

## 8 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date 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.

## 8 Derivative financial instruments (continued)

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, 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.

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for the Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

To mitigate leverage risk, the Fund will set aside cash or cash equivalents and treasury bills that the Investment Manager reasonably believes to be sufficient to cover net long exposures resulting from swap, bond futures and forward positions held in the Fund. Cash equivalents and treasury bills are defined as Investment Grade securities (minimum S&P/Moody's rating of A3/P3, or equivalent) with a duration of 1 year or less. To the extent the Fund's net long positions are 'covered' by cash or cash equivalents and treasury bills, the Fund will be deemed not to be leveraged.

The Fund holds 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 Fund are exchange-traded. Options are settled on a gross basis. The Fund is 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 the owner of the derivative the right but not the obligation to enter into a swap.

### (c) 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 Fund 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.

## 8 Derivative financial instruments (continued)

### (c) Swaps (continued)

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

#### As at 30 June 2023

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Swaps contracts	502,333	16,726	18,105
Futures contracts	207,617	3,455	-
Options contracts	<u>135,621</u>	<u>1,112</u>	<u>1,687</u>
<b>Total derivatives</b>	<b><u>845,571</u></b>	<b><u>21,293</u></b>	<b><u>19,792</u></b>

#### As at 30 June 2022

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Swaps contracts	658,481	15,029	46,145
Options contracts	<u>40,862</u>	<u>30</u>	<u>496</u>
Total derivatives	<u>699,343</u>	<u>15,059</u>	<u>46,641</u>

Information about the Fund's 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.



## 9 Net assets attributable to unit holders - liability

The Fund's units are classified as a liability as they do not meet the definition of a financial instrument to be classified as equity.

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

	Year ended			
	30 June 2023 Units '000	30 June 2023 \$'000	30 June 2022 Units '000	30 June 2022 \$'000
<b>Class A</b>				
Opening balance	108,102	84,432	223,765	184,979
Applications	170	138	775	645
Redemptions	-	-	(117,951)	(98,875)
Reinvestment of distributions	-	-	1,513	1,251
Increase/(decrease) in net assets attributable to unit holders	-	7,680	-	(3,568)
<b>Closing balance</b>	<u>108,272</u>	<u>92,250</u>	<u>108,102</u>	<u>84,432</u>
<b>Class F</b>				
Opening balance	365,984	267,471	363,144	270,198
Applications	13	10	23	18
Redemptions	(166,046)	(125,000)	-	-
Reinvestment of distributions	43,924	32,101	2,817	2,096
Increase/(decrease) in net assets attributable to unit holders	-	18,857	-	(4,841)
<b>Closing balance</b>	<u>243,875</u>	<u>193,439</u>	<u>365,984</u>	<u>267,471</u>
<b>Closing balance</b>		<u>285,689</u>		<u>351,903</u>

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

There are two separate classes of units as at 30 June 2023 and 2022. Each unit within the same class has the same rights as all other units within that class.

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

### Capital risk management

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

## 10 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
<b>Distributions - Class A</b>				
February*	-	-	1,125	-
June (payable)	<u>69</u>	<u>0.06</u>	<u>12,644</u>	<u>11.70</u>
<b>Total distributions</b>	<u>69</u>		<u>13,769</u>	
<b>Distributions - Class F</b>				
June (payable)	<u>39</u>	<u>0.02</u>	<u>32,101</u>	<u>8.77</u>
<b>Total distributions</b>	<u>39</u>		<u>32,101</u>	
<b>Total distributions</b>	<u>108</u>		<u>45,870</u>	

\*The February 2022 distribution (CPU: 0.50) represents a special distribution paid by the Putnam Securitised Opportunities Fund - Class A which is due to a unit holder redemption of greater than 5% of the net assets of the Fund. Due to this redemption, as outlined in the Product Disclosure Statement, a portion of the withdrawal proceeds represented distributable income to the redeeming unit holder. Refer to the Fund's Product Disclosure Statement for details on special distributions.

## 11 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	8	861
Money market securities	<u>31,415</u>	<u>13,734</u>
<b>Total cash and cash equivalents</b>	<u>31,423</u>	<u>14,595</u>

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

	Year ended	
	30 June 2023	30 June 2022
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	26,537	(8,409)
Distributions to unit holders	108	45,870
Proceeds from sale of financial instruments at fair value through profit or loss	8,644,999	5,502,859
Payments for purchase of financial instruments at fair value through profit or loss	(8,492,460)	(5,434,289)
Net (gains)/losses on financial instruments at fair value through profit or loss	(40,093)	(58,729)
Net foreign exchange (gain)/loss	11,638	18,797
Net interest bought/(sold)	(118)	376
Net movement in margin accounts	5,808	(7,496)
Net change in receivables	(2,206)	(1,288)
Net change in payables	473	2,466
<b>Net cash inflow/(outflow) from operating activities</b>	<u>154,686</u>	<u>60,157</u>
<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	<u>32,101</u>	<u>3,347</u>
<b>Total non-cash operating and financing activities</b>	<u>32,101</u>	<u>3,347</u>

As described in Note 2(j), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 13 Receivables

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Interest receivable	3,057	3,598
Applications receivable	69	70
GST receivable	702	595
Swap income receivable	2,631	58
Other receivables	1,086	1,019
<b>Total receivables</b>	<u>7,545</u>	<u>5,340</u>

## 14 Payables

	As at	
	30 June 2023	30 June 2022
	\$'000	\$'000
Interest payable	946	688
Management fees and costs payable	1,716	1,914
Other payables	690	259
Net swap interest payable	<u>1,920</u>	<u>1,938</u>
<b>Total payables</b>	<u><b>5,272</b></u>	<u><b>4,799</b></u>

## 15 Remuneration of auditor

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	75,300	66,535
Audit of compliance plan	<u>2,346</u>	<u>2,346</u>
Total auditor remuneration and other assurance services	<u><b>77,646</b></u>	<u><b>68,881</b></u>
<i>Taxation services</i>		
Tax compliance services	<u>18,903</u>	<u>16,697</u>
Total remuneration for taxation services	<u><b>18,903</b></u>	<u><b>16,697</b></u>
<b>Total remuneration of PricewaterhouseCoopers</b>	<u><b>96,549</b></u>	<u><b>85,578</b></u>

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

## 16 Related party transactions

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

The Responsible Entity has contracted services to Putnam Advisory Company, LLC to act as Investment Manager for the Fund and State Street Australia Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

### (a) Key management personnel

#### (i) Directors

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

Philip D Gentry	Chairman
Michael J O'Brien	
Russell W Beasley	
Mary A O'Connor	
David B Warren	(appointed 6 March 2023)

## 16 Related party transactions (continued)

### (a) Key management personnel (continued)

#### (ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

#### (iii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial 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 Fund as at 30 June 2023 (30 June 2022: nil).

### (d) Key management personnel compensation

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

### (e) Key management personnel loans

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

### (f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund 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

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees for the year	1,230,264	1,936,170
Responsible Entity fees for the year	80,164	126,051
Management fees payable at year end	1,685,461	1,825,286
Responsible Entity fees payable at year end	12,420	35,700

Under the terms of the Fund's Constitution and Fund's Product Disclosure Statement, management fees and costs includes responsible entity fees paid to the Responsible Entity, management fees paid to the Investment Manager and other costs (such as custody fees, administration fees and audit fees) paid to other unrelated parties. Please refer to the Fund's Product Disclosure Statement for information on how management fees and costs are calculated.

## **16 Related party transactions (continued)**

### **(h) Related party unit holdings**

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2023 (30 June 2022: nil).

### **(i) Investments**

The Fund did not hold any investments in Equity Trustees Limited or its related parties for the year (30 June 2022: nil).

## **17 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 Fund as disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Fund for the year ended on that date.

## **18 Contingent assets and liabilities and commitments**

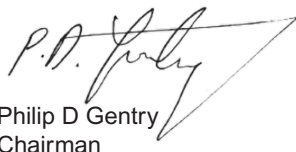
There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) 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  
28 September 2023



## Independent auditor's report

To the unit holders of Putnam Securitised Opportunities Fund

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### Our opinion

In our opinion:

The accompanying financial report of Putnam Securitised Opportunities Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The financial report comprises:

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

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### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### Independence

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

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### Other information

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins  
Partner

Sydney  
28 September 2023