

**BNY Mellon Global Bond Fund**

ARSN 153 023 664

**Annual report**

**For the year ended 30 June 2020**

# **BNY Mellon Global Bond Fund**

ARSN 153 023 664

## **Annual report**

**For the year ended 30 June 2020**

### **Contents**

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of BNY Mellon Global Bond Fund

This annual report covers BNY Mellon Global Bond Fund as an individual entity.

The Responsible Entity of BNY Mellon Global Bond 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 BNY Mellon Global Bond Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2020.

### Principal activities

The Fund aims to maximise performance by investing primarily in international fixed income securities issued by governments and companies located in various countries, including emerging markets, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	BNY Mellon Investment Management Australia Ltd
Sub Investment Manager	Mellon Investments Corporation
Custodian and Administrator	JPMorgan Chase Bank, N.A.
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)
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)

### 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 2.72% (net of fees) for the year ended 30 June 2020. The Fund's benchmark, the Barclays Capital Global Aggregate Bond Index (100% hedged to Australian dollars), returned 5.18% for the same period.

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

	Year ended	
	30 June 2020	30 June 2019
Operating profit/(loss) for the year (\$'000)	1,604	7,274
Distributions paid and payable (\$'000)	7,326	-
Distributions (cents per unit)	7.08	-

### Significant changes in the state of affairs

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

## **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.

During the year, the directors of the Responsible Entity made the decision to terminate the Fund within 12 months of the date the Directors' declaration was executed, being 10 August 2020. 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.

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 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.

### **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 Fund operates. This volatility has had a corresponding impact on the fair value of the Fund's 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 Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, with the approach outlined further within Note 3 of these Financial Statements and the Net Asset Values of the Fund 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 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.

### **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 Funds' property during the year are disclosed in Note 17 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 17 to the financial statements.

## **Directors' report (continued)**

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 10 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 4.

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  
16 October 2020



## *Auditor's Independence Declaration*

As lead auditor for the audit of BNY Mellon Global Bond Fund for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is positioned above the printed name.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
16 October 2020

**BNY Mellon Global Bond Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2020**

**Statement of comprehensive income**

	Note	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Investment income</b>			
Interest income from financial assets at fair value through profit or loss		2,906	2,654
Interest income from financial assets at amortised cost		-	15
Net gains/(losses) on financial instruments at fair value through profit or loss	6	(177)	5,093
Net foreign exchange gain/(loss)		(441)	45
Other income		<u>20</u>	<u>-</u>
<b>Total investment income/(loss)</b>		<u><b>2,308</b></u>	<u><b>7,807</b></u>
<b>Expenses</b>			
Management fees	17	652	508
Interest expense		3	-
Other expenses		<u>49</u>	<u>25</u>
<b>Total expenses</b>		<u><b>704</b></u>	<u><b>533</b></u>
<b>Operating profit/(loss) for the year</b>		<u><b>1,604</b></u>	<u><b>7,274</b></u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>1,604</b></u>	<u><b>7,274</b></u>

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

**Statement of financial position**

	Note	As at	
		30 June 2020 \$'000	30 June 2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	12	7,801	8,266
Receivables	14	608	565
Due from brokers - receivable for securities sold		-	5,132
Financial assets at fair value through profit or loss	7	105,006	131,337
Margin accounts		<u>1,059</u>	<u>295</u>
<b>Total assets</b>		<u><b>114,474</b></u>	<u><b>145,595</b></u>
 <b>Liabilities</b>			
Distributions payable		6,457	-
Payables	15	90	63
Due to brokers - payable for securities purchased		1,407	9,345
Financial liabilities at fair value through profit or loss	8	1,080	451
Margin accounts		<u>3,147</u>	<u>301</u>
<b>Total liabilities</b>		<u><b>12,181</b></u>	<u><b>10,160</b></u>
<b>Net assets attributable to unit holders - equity</b>	10	<u><b>102,293</b></u>	<u><b>135,435</b></u>

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

**Statement of changes in equity**

	Note	Year ended	
		30 June	30 June
		2020	2019
		\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>		135,435	95,268
<b>Comprehensive income for the year</b>			
Profit/(loss) for the year		1,604	7,274
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>1,604</u>	<u>7,274</u>
<b>Transactions with unit holders</b>			
Applications	10	361	32,893
Redemptions	10	(28,650)	-
Reinvestment of distributions	10	869	-
Distributions paid and payable	10	<u>(7,326)</u>	<u>-</u>
<b>Total transactions with unit holders</b>		<u>(34,746)</u>	<u>32,893</u>
<b>Total equity at the end of the financial year</b>		<u>102,293</u>	<u>135,435</u>

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

**BNY Mellon Global Bond Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

**Statement of cash flows**

		Year ended	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		366,224	177,887
Payments for purchase of financial instruments at fair value through profit or loss		(342,247)	(208,249)
Net movement in margin accounts		2,082	195
Interest income received from financial assets at fair value through profit or loss		2,875	2,860
Interest income received from financial assets at amortised cost		-	13
Other income received		20	-
Management fees paid		(614)	(535)
Interest expense paid		(3)	-
Other expenses paid		(72)	(43)
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<u>28,265</u>	<u>(27,872)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		361	32,893
Payments for redemptions by unit holders		(28,650)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(28,289)</u>	<u>32,893</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(24)	5,021
Cash and cash equivalents at the beginning of the year		8,266	3,200
Effects of foreign currency exchange rate changes on cash and cash equivalents		(441)	45
<b>Cash and cash equivalents at the end of the year</b>	12	<u>7,801</u>	<u>8,266</u>
Non-cash operating and financing activities	13(b)	869	-

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

## **Notes to the financial statements**

### **Contents**

- 1 General information
- 2 Summary of significant accounting policies
- 3 Financial risk management
- 4 Offsetting financial assets and financial liabilities
- 5 Fair value measurement
- 6 Net gains/(losses) on financial instruments at fair value through profit or loss
- 7 Financial assets at fair value through profit or loss
- 8 Financial liabilities at fair value through profit or loss
- 9 Derivative financial instruments
- 10 Net assets attributable to unit holders - equity
- 11 Distributions to unit holders
- 12 Cash and cash equivalents
- 13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
- 14 Receivables
- 15 Payables
- 16 Remuneration of auditor
- 17 Related party transactions
- 18 Events occurring after the reporting period
- 19 Contingent assets and liabilities and commitments

## 1 General information

These financial statements cover BNY Mellon Global Bond Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on September 2, 2011 and will terminate within 12 months of the date of the Directors' declaration.

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 aims to maximise performance by investing primarily in international fixed income securities issued by governments and companies located in various countries, including emerging markets, in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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.

As at 30 June 2020, the directors of the Responsible Entity made the decision to terminate the Fund within 12 months of the date the Directors' declaration was executed, being 10 August 2020. 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.

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 accounting policies.

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

The statement of financial position is presented on a liquidation basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All investments were redeemed on 10 August 2020. Unit holders were paid on 10 August 2020.

#### (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 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 Fund.

## 2 Summary of significant accounting policies (continued)

### (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 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 model's 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 flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

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

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers, margin accounts, management fees payable 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 liabilities are discharged, cancelled or expired.

#### (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 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 costs

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 and margin accounts are carried at amortised cost.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iv) Impairment*

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker, margin accounts and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party 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 Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

#### *(v) Offsetting financial instruments*

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

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

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

The Fund's 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 Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the 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 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 represent the Fund's main income generating activity.

### **(e) Margin accounts**

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

## **2 Summary of significant accounting policies (continued)**

### **(f) Investment income**

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

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

### **(g) Expenses**

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

### **(h) Income tax**

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

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

### **(i) Distributions**

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

### **(j) 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.

The Fund does 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 the end of the year. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

## **2 Summary of significant accounting policies (continued)**

### **(l) 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.

### **(m) 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.

### **(n) 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.

### **(o) 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.

### **(p) Use of estimates and judgments**

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 the expected credit loss (ECL) using impairment model, which 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.

### **(q) Rounding of amounts**

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

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

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

All securities investments present a risk of loss of capital. The maximum loss of capital on debt securities is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts 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, BNY Mellon Investment Management Australia Ltd, under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement. BNY Mellon Investment Australia Ltd has also appointed a Sub-Investment Manager, Mellon Investments Corporation, under a Sub-Investment Management Agreement (sub IMA).

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

#### (a) Market risk

##### (i) Price risk

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

The Investment Manager uses a number of quantitative techniques to assess the impact of market risks including credit events, changes in interest rates, credit spreads and recovery values on the Fund's investment portfolio. The Investment Manager uses Value at Risk ("VaR") analysis, a technique widely used by financial institutions to quantify, assess, and report market risks. VaR is a statistical framework that supports the quantification of market risk within a portfolio at a specified confidence interval over a defined holding period. VaR seeks to quantify the expected maximum dollar losses that may result from the interactive behaviour of all material market prices, spreads, volatilities, and rates based on the historically observed relationships between these markets.

Although the use of derivatives (whether for hedging or investment purposes) may give rise to additional leveraged exposure, any such additional exposure will be covered and will be risk managed using the VaR methodology. The Investment Manager monitors portfolio risk using market factor exposures on a daily basis.

Potential market risk is calculated using the factor model approach. VaR is calculated and reported automatically each day using the closing prices and market information of the most recent business day. Depending on the application of the risk statistics, various confidence levels (such as 95% or 99%) and time horizons (daily or monthly) might be selected.

In addition to daily VaR measures, three types of stress tests are also conducted for the Fund. The first test includes scenario duration tests that measure what happens to the value of the portfolio if unexpected movements in yields occur in the market. The second test involves a database of historical crisis scenarios that can be executed to test reactions to these crises. The historical crisis scenarios contain many unexpected changes in market conditions and correlation matrices. The third test involves correlation matrices which can be manipulated manually to reflect conditions that may happen in the future but have not happened so far.

The daily VaR measures for the portfolios are an estimate, using a confidence level of 95% or 99%, of the potential worst case portfolio loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for the horizon period (i.e. one day or one month). For a one month horizon, the use of a 99% confidence level means that, within a one month horizon, losses exceeding the VaR figure should not occur, on average, more than once every one hundred months. For example, when a portfolio is estimated to have a VaR of \$1 million over a monthly horizon at the 99 percent confidence level, under normal market conditions, the expected losses should not exceed \$1 million over the next eight year period (with 99% probability). The following table sets out the potential maximum monthly risk of loss for the portfolios as at 30 June 2020 and 30 June 2019 as indicated by the VaR model. The VaR calculation presented here for the fund uses a 95% confidence interval (30 June 2019: 99%) and assumes one month holding period.

	As at 30 June 2020		As at 30 June 2019	
	VaR (A\$'000)	% of net assets	VaR (A\$'000)	% of net assets
BNY Mellon Global Bond Fund	3,180	3.00%	2,275	1.69%

### 3 Financial risk management (continued)

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

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

Not all risks to which the portfolio may be exposed are intended to be captured by the VaR and, in particular, the framework does not seek to capture liquidity risk, counterparty credit risk, or extreme credit events such as an issuer default. In practice, the actual trading results will differ from the VaR and may not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored to test the validity of the assumptions and parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

##### (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 also managed as part of price risk, and VaR analysis is utilised as one of the tools to manage the risk. Currency forward contracts are used both to hedge the currency exposure of account holdings as well as to take active currency positions relative to the benchmark. Less frequently, the strategy will purchase currency options if the risk/reward is viewed more favourably. Currency forwards are typically short term (one month) in nature and rolled month to month to limit counterparty risk.

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

	USD A\$'000	Euro A\$'000	JPY A\$'000	GBP A\$'000	Other currencies A\$'000
<b>As at 30 June 2020</b>					
Cash and cash equivalents	5,106	26	74	22	192
Receivables	393	171	-	1	7
Financial assets at fair value through profit or loss	72,146	28,489	725	1,377	1,471
Due to brokers - payable for securities purchased	(1,083)	(324)	-	-	-
Financial liabilities at fair value through profit or loss	(798)	(209)	(2)	(3)	(2)
Margin accounts	(1,989)	129	(154)	-	-
<b>Net exposure</b>	<u>73,775</u>	<u>28,282</u>	<u>643</u>	<u>1,397</u>	<u>1,668</u>
Net increase/(decrease) in exposure from forward currency contracts	(81,150)	(32,160)	2,927	(1,905)	7,444
<b>Net exposure including forward currency contracts</b>	<u>(7,375)</u>	<u>(3,878)</u>	<u>3,570</u>	<u>(508)</u>	<u>9,112</u>

### 3 Financial risk management (continued)

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

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

	USD A\$'000	Euro A\$'000	JPY A\$'000	GBP A\$'000	Other currencies A\$'000
As at 30 June 2019					
Cash and cash equivalents	5,081	73	44	157	155
Receivables	234	152	11	39	88
Due from brokers - receivable for securities sold	2,584	2,369	-	-	-
Financial assets at fair value through profit or loss	60,294	25,762	23,294	5,148	12,665
Payables	-	-	-	-	(11)
Due to brokers - payable for securities purchased	(7,762)	-	-	-	(1,583)
Financial liabilities at fair value through profit or loss	(10)	(90)	(11)	(4)	(312)
Margin accounts	<u>230</u>	<u>(209)</u>	<u>(21)</u>	<u>(36)</u>	<u>(35)</u>
Net exposure	<u>60,651</u>	<u>28,057</u>	<u>23,317</u>	<u>5,304</u>	<u>10,967</u>
Net increase/(decrease) in exposure from forward currency contracts	<u>(65,667)</u>	<u>(29,745)</u>	<u>(21,403)</u>	<u>(4,737)</u>	<u>(8,446)</u>
Net exposure including forward currency contracts	<u>(5,016)</u>	<u>(1,688)</u>	<u>1,914</u>	<u>567</u>	<u>2,521</u>

##### (iii) Interest rate risk

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

The Fund's main interest rate risk arises from its investments in fixed and floating interest securities.

Interest rate risk is also managed as part of price risk, and VaR analysis is utilised as one of the tools to manage the risk. Active duration and yield curve positioning are not central to the Investment Manager's investment philosophy. The Investment Manager's policy is for their portfolio managers to only take active duration positions when they are highly confident that interest rates materially deviate from fair value. Regarding the term structure of interest rates, the following considerations are made:

- 1) inflation expectations,
- 2) growth expectations,
- 3) central bank policy expectations and
- 4) other technical or flow-driven factors.

From a risk management standpoint, the Investment Manager regularly conducts analyses that show the sensitivity of the Fund's investments to duration of changes in interest rates.

### 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 2020</b>				
<b>Financial assets</b>				
Cash and cash equivalents	7,801	-	-	7,801
Receivables	-	-	608	608
Financial assets at fair value through profit or loss	5,315	99,624	67	105,006
Margin accounts	<u>1,059</u>	<u>-</u>	<u>-</u>	<u>1,059</u>
<b>Total financial assets</b>	<u><b>14,175</b></u>	<u><b>99,624</b></u>	<u><b>675</b></u>	<u><b>114,474</b></u>
<b>Financial liabilities</b>				
Distributions payable	-	-	6,457	6,457
Payables	-	-	90	90
Due to brokers - payable for securities purchased	-	-	1,407	1,407
Financial liabilities at fair value through profit or loss	-	531	549	1,080
Margin accounts	<u>3,147</u>	<u>-</u>	<u>-</u>	<u>3,147</u>
<b>Total financial liabilities</b>	<u><b>3,147</b></u>	<u><b>531</b></u>	<u><b>8,503</b></u>	<u><b>12,181</b></u>
Net increase/(decrease) in exposure from interest rate futures and swaps (notional principal)	<u>(1,974)</u>	<u>11,224</u>	<u>-</u>	<u>9,250</u>
<b>Net exposure</b>	<u><b>9,054</b></u>	<u><b>110,317</b></u>	<u><b>(7,828)</b></u>	<u><b>111,543</b></u>
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Cash and cash equivalents	8,266	-	-	8,266
Receivables	-	-	565	565
Due from brokers - receivable for securities sold	-	-	5,132	5,132
Financial assets at fair value through profit or loss	5,744	124,039	1,554	131,337
Margin accounts	<u>295</u>	<u>-</u>	<u>-</u>	<u>295</u>
<b>Total financial assets</b>	<u><b>14,305</b></u>	<u><b>124,039</b></u>	<u><b>7,251</b></u>	<u><b>145,595</b></u>
<b>Financial liabilities</b>				
Payables	-	-	63	63
Due to brokers - payable for securities purchased	-	-	9,345	9,345
Financial liabilities at fair value through profit or loss	10	185	256	451
Margin accounts	<u>301</u>	<u>-</u>	<u>-</u>	<u>301</u>
<b>Total financial liabilities</b>	<u><b>311</b></u>	<u><b>185</b></u>	<u><b>9,664</b></u>	<u><b>10,160</b></u>
Net increase/(decrease) in exposure from interest rate futures and swaps (notional principal)	<u>1,867</u>	<u>11,605</u>	<u>-</u>	<u>13,472</u>
<b>Net exposure</b>	<u><b>15,861</b></u>	<u><b>135,459</b></u>	<u><b>(2,413)</b></u>	<u><b>148,907</b></u>

### 3 Financial risk management (continued)

#### (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 to 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 consider 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 A-1 or higher and are either callable on demand or due to be settled within 1 week. Management consider 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.

#### (i) Debt securities

The Fund invests into debt securities which have an investment grade categorisation as rated by Moody's Investor Service (Moody's), Standard & Poor's Ratings Services (S&P) or Fitch Ratings (Fitch). 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 Fund's Product Disclosure Statement.

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

	As at	
	30 June 2020	30 June 2019
	\$'000	\$'000
<b>International debt securities rating</b>		
AAA to AA-	34,384	60,435
A+ to A-	17,858	37,440
BBB+ to BBB-	36,512	19,459
BB+ to BB-	7,419	1,955
B+ to B-	1,042	2,751
Not rated	7,312	7,273
<b>Total</b>	<b>104,527</b>	<b>129,313</b>

#### (ii) Settlement of securities transactions

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

#### (iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as they are mainly with one counterparty that has a rating of A-1 as determined by S&P.

#### (iv) Other

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

#### (v) 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.

### 3 Financial risk management (continued)

#### (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 or to fund foreign exchange related cash flow requirements.

The Fund manages liquidity risk by investing the majority of its assets in investments that can be readily disposed of. The Investment Manager monitors the Fund's liquidity position on a daily basis and undertakes reviews on a quarterly basis.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2020 and 2019.

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

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

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2020</b>					
Payables	90	-	-	-	90
Due to brokers - payable for securities purchased	1,407	-	-	-	1,407
Margin accounts	3,147	-	-	-	3,147
Distributions payable	<u>6,457</u>	-	-	-	<u>6,457</u>
<b>Contractual cash flows (excluding derivatives)</b>	<b><u>11,101</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,101</u></b>
<b>As at 30 June 2019</b>					
Payables	63	-	-	-	63
Due to brokers - payable for securities purchased	9,345	-	-	-	9,345
Margin accounts	<u>301</u>	-	-	-	<u>301</u>
<b>Contractual cash flows (excluding derivatives)</b>	<b><u>9,709</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,709</u></b>

### 3 Financial risk management (continued)

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

##### (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.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2020</b>					
Net settled derivatives					
Domestic fixed interest futures	-	111	-	-	111
International fixed interest futures	-	(399)	-	-	(399)
Forward currency contracts	(2)	(438)	-	-	(440)
International currency options	-	1	-	-	1
International interest rate swaps	-	-	-	126	126
<b>Total net settled derivatives</b>	<b>(2)</b>	<b>(725)</b>	<b>-</b>	<b>126</b>	<b>(601)</b>
<b>As at 30 June 2019</b>					
Net settled derivatives					
Domestic fixed interest futures	-	8	-	-	8
International fixed interest futures	-	217	-	-	217
Forward currency contracts	(12)	1,310	-	-	1,298
International currency options	(1)	121	-	-	120
International interest rate swaps	-	-	-	(84)	(84)
International fixed interest options	14	-	-	-	14
<b>Total net settled derivatives</b>	<b>1</b>	<b>1,656</b>	<b>-</b>	<b>(84)</b>	<b>1,573</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 2020</b>						
<b>Financial assets</b>						
Derivative financial instruments	479	-	479	(473)	-	6
<b>Total</b>	<b>479</b>	<b>-</b>	<b>479</b>	<b>(473)</b>	<b>-</b>	<b>6</b>
<b>Financial liabilities</b>						
Derivative financial instruments	1,080	-	1,080	(473)	(163)	444
<b>Total</b>	<b>1,080</b>	<b>-</b>	<b>1,080</b>	<b>(473)</b>	<b>(163)</b>	<b>444</b>
<b>As at 30 June 2019</b>						
<b>Financial assets</b>						
Derivative financial instruments	2,024	-	2,024	(308)	(301)	1,415
<b>Total</b>	<b>2,024</b>	<b>-</b>	<b>2,024</b>	<b>(308)</b>	<b>(301)</b>	<b>1,415</b>
<b>Financial liabilities</b>						
Derivative financial instruments	451	-	451	(308)	-	143
<b>Total</b>	<b>451</b>	<b>-</b>	<b>451</b>	<b>(308)</b>	<b>-</b>	<b>143</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 where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the 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 7 and Note 8)
- Derivative financial instruments (see Note 9)

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

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

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

### (b) Fair value in an inactive or unquoted market (level 2)

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. 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.

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

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2020</b>				
<b>Financial assets</b>				
Derivatives	243	236	-	479
Fixed interest securities	-	98,991	-	98,991
Floating rate securities	-	5,314	-	5,314
Convertible notes	-	222	-	222
<b>Total financial assets</b>	<b>243</b>	<b>104,763</b>	<b>-</b>	<b>105,006</b>
<b>Financial liabilities</b>				
Derivatives	531	549	-	1,080
<b>Total financial liabilities</b>	<b>531</b>	<b>549</b>	<b>-</b>	<b>1,080</b>
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Derivatives	326	1,698	-	2,024
Fixed interest securities	-	123,699	-	123,699
Floating rate securities	-	5,614	-	5,614
<b>Total financial assets</b>	<b>326</b>	<b>131,011</b>	<b>-</b>	<b>131,337</b>
<b>Financial liabilities</b>				
Derivatives	101	350	-	451
<b>Total financial liabilities</b>	<b>101</b>	<b>350</b>	<b>-</b>	<b>451</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 assumed to approximate their fair values due to their short-term nature.

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:

	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	11,164	(4,673)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>(4,449)</u>	<u>9,150</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>6,715</u>	<u>4,477</u>
<b>Financial liabilities</b>		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(3,800)	1,137
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(3,092)</u>	<u>(521)</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(6,892)</u>	<u>616</u>
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<u>(177)</u>	<u>5,093</u>

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

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Domestic fixed interest futures	111	8
International fixed interest futures	132	318
Forward currency contracts	56	1,554
International currency options	1	130
International fixed interest options	-	14
International interest rate swaps	179	-
Australian fixed interest securities	666	2,732
International fixed interest securities	98,325	120,967
International floating rate securities	5,314	5,614
Convertible notes	<u>222</u>	<u>-</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>105,006</u>	<u>131,337</u>

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

	As at	
	30 June 2020	30 June 2019
	\$'000	\$'000
International currency options	-	10
International fixed interest futures	531	101
Forward currency contracts	496	256
International interest rate swaps	<u>53</u>	<u>84</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<b><u>1,080</u></b>	<b><u>451</u></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 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.

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.

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

The Fund holds the following 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. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

### (c) Forward currency contracts

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

## 9 Derivative financial instruments (continued)

### (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.

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.

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

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>As at 30 June 2020</b>			
Domestic fixed interest futures	7,040	111	-
International fixed interest futures	2,210	132	531
Forward currency contracts	134,903	56	496
International currency options	83,747	1	-
International interest rate swaps	<u>6,684</u>	<u>179</u>	<u>53</u>
<b>Total derivatives</b>	<b><u>234,584</u></b>	<b><u>479</u></b>	<b><u>1,080</u></b>
As at 30 June 2019			
International fixed interest options	26	14	-
Domestic fixed interest futures	493	8	-
International fixed interest futures	12,979	318	101
Forward currency contracts	171,541	1,554	256
International currency options	49,339	130	10
International interest rate swaps	<u>1,867</u>	<u>-</u>	<u>84</u>
Total derivatives	<b><u>236,245</u></b>	<b><u>2,024</u></b>	<b><u>451</u></b>

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 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 Net assets attributable to unit holders - equity

The Fund 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).

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

	Year ended		Year ended	
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	Units '000	\$'000	Units '000	\$'000
Opening balance	128,372	135,435	95,977	95,268
Applications	339	361	32,395	32,893
Redemptions	(28,373)	(28,650)	-	-
Reinvestment of distributions	824	869	-	-
Distributions paid and payable	-	(7,326)	-	-
Profit/(loss) for the year	-	1,604	-	7,274
<b>Closing balance</b>	<b>101,162</b>	<b>102,293</b>	<b>128,372</b>	<b>135,435</b>

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

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

The Fund is expected to terminate within 12 months of the date the Director's report was executed. Investors were paid on 10 August 2020.

### Capital risk management

The Fund considers its 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 Fund is subject to daily applications and redemptions at the discretion of unit holders.

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

## 11 Distributions to unit holders

The distributions during the year were as follows:

	Year ended		Year ended	
	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	\$'000	CPU	\$'000	CPU
<b>Distributions</b>				
December	747	0.58	-	-
March	122	0.12	-	-
June (payable)	6,457	6.38	-	-
<b>Total distributions</b>	<b>7,326</b>	<b>7.08</b>	<b>-</b>	<b>-</b>

## 12 Cash and cash equivalents

	As at	
	30 June 2020	30 June 2019
	\$'000	\$'000
Cash at bank	7,801	8,266
<b>Total cash and cash equivalents</b>	<b><u>7,801</u></b>	<b><u>8,266</u></b>

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

	Year ended	
	30 June 2020	30 June 2019
	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	1,604	7,274
Proceeds from sale of financial instruments at fair value through profit or loss	366,224	177,887
Payments for purchase of financial instruments at fair value through profit or loss	(342,247)	(208,249)
Net (gains)/losses on financial instruments at fair value through profit or loss	177	(5,093)
Net foreign exchange (gains)/losses on current accounts	441	(45)
Net change in margin accounts	2,082	195
Net change in receivables	(43)	195
Net change in payables	<u>27</u>	<u>(36)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>28,265</u></b>	<b><u>(27,872)</u></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 plans	<u>869</u>	<u>-</u>
<b>Total non-cash operating and financing activities</b>	<b><u>869</u></b>	<b><u>-</u></b>

## 14 Receivables

	As at	
	30 June 2020	30 June 2019
	\$'000	\$'000
Interest receivable from financial assets at fair value through profit or loss	567	532
Interest receivable from financial assets at amortised cost	-	2
Other receivables	<u>41</u>	<u>31</u>
<b>Total receivables</b>	<b><u>608</u></b>	<b><u>565</u></b>

## 15 Payables

	As at	
	30 June 2020	30 June 2019
	\$'000	\$'000
Management fees payable	90	52
Other payables	-	11
<b>Total payables</b>	<b><u>90</u></b>	<b><u>63</u></b>

## 16 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 2020	30 June 2019
	\$	\$
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of the financial statements	15,861	15,550
Audit of compliance plan	<u>4,000</u>	<u>2,954</u>
Total remuneration for audit and other assurance services	<u>19,861</u>	<u>18,504</u>
<i>Taxation services</i>		
Tax compliance services	<u>12,944</u>	<u>12,567</u>
Total remuneration for taxation services	<u>12,944</u>	<u>12,567</u>
<b>Total remuneration of PricewaterhouseCoopers</b>	<b><u>32,805</u></b>	<b><u>31,071</u></b>

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

## 17 Related party transactions

The Responsible Entity of the 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 BNY Mellon Investment Management Australia Limited to act as Investment Manager for the Fund and JPMorgan Chase Bank, N.A. 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)
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)

## 17 Related party transactions (continued)

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

#### (ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial 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 2020 (30 June 2019: nil).

### (d) Key management personnel compensation

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

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

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Management fees (gross) for the year	721,025	572,337
Management fees reimbursement received for the year	68,569	64,299
Management fees (net) for the year	652,456	508,038
Responsible Entity fees for the year	77,334	65,693
Management fees payable at year end	90,378	51,834

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

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

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

## **17 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 2020 (30 June 2019: nil).

### **(i) Investments**

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

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

The Fund terminated its operations on 10 August 2020 when predominantly all unit holder entitlements were redeemed. The Directors expect to settle remaining termination balances by 30 September 2020.

No other 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 2020 or on the results and cash flows of the Fund for the year ended on that date.

## **19 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 5 to 32 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 2020 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements 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  
16 October 2020



## *Independent auditor's report*

To the unitholders of BNY Mellon Global Bond Fund

---

### *Our opinion*

In our opinion:

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

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

---

### *Basis for opinion*

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

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

### ***Independence***

We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.



---

### *Emphasis of matter - going concern no longer appropriate*

We draw attention to Note 2(a) in the financial report, which discusses the intention of the directors of Equity Trustees Limited (the Responsible Entity) to wind up the Fund within 12 months of the date of the Directors' declaration. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

---

### *Other information*

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

---

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

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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.



---

### *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 blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'George Sagonas', written in a cursive style.

George Sagonas  
Partner

Melbourne  
16 October 2020