

BWA Diversified Fund

ARSN 639 339 352

Financial report

**For the reporting period from 22 December 2020 to
30 June 2021**

BWA Diversified Fund

ARSN 639 339 352

Financial report

**For the reporting period from 22 December 2020 to
30 June 2021**

Contents

	Page
Directors' report	2
Auditor's independence declaration	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	12
Directors' declaration	29
Independent auditor's report to the unitholders of BWA Diversified Fund	30

Directors' report

The directors of Ironbark Asset Management (Fund Services) Ltd (the "Responsible Entity"), the Responsible Entity of BWA Diversified Fund (the "Fund"), present their report together with the financial statements of the Fund for the reporting period from 22 December 2020 to 30 June 2021 and the auditor's report thereon.

Responsible Entity

The registered office and principal place of business of the Responsible Entity and the Fund is Level 13, 1 Margaret Street, Sydney, NSW 2000.

Directors

The following persons held office as directors of the Responsible Entity of the Fund for the period from 22 December 2020 to the date of this report:

B Carpenter
A Donald
C Larsen

The following person has been appointed and held office as director of the Ironbark Asset Management (Fund Services) Ltd from 8 February 2021 to the date of report:

R Kellerman

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. The Fund was constituted on 5 March 2020 and commenced operations on 22 December 2020.

The Fund provides exposure to a portfolio of investments in various managed funds and listed securities in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

Review and results of operations

During the period, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and the provisions of the Fund's Constitution.

Directors' report (continued)*Results*

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

	Period from 22 December 2020 to 30 June 2021
Operating profit/(loss) (\$'000)	11,777
<i>Distributions - Defensive</i>	
Distributions paid and payable (\$'000)	769
Distributions (cents per unit)	1.5355
<i>Distributions - Growth</i>	
Distributions paid and payable (\$'000)	4,799
Distributions (cents per unit)	3.6285
<i>Distributions - Blended Growth</i>	
Distributions paid and payable (\$'000)	1,581
Distributions (cents per unit)	2.9228
<i>Unit price as at 30 June - Defensive</i>	
Application price (\$)	0.9816
Redemption price (\$)	0.9816
<i>Unit price as at 30 June - Growth</i>	
Application price (\$)	1.0759
Redemption price (\$)	1.0759
<i>Unit price as at 30 June - Blended Growth</i>	
Application price (\$)	1.0466
Redemption price (\$)	1.0466

Significant changes in the state of affairs

As the spread of COVID-19 impacted business globally, Ironbark's priorities have continued to be the wellbeing of all staff, clients and funds.

Ironbark has continued to follow government guidance and implemented a work from home strategy for over 95% of our staff. Through investment in technology, our policy and procedure framework and the services offered by our external service providers, Ironbark has continued to operate with minimal disruption.

During FY21, Ironbark has followed plans to bring staff back to the office in safe and controlled manner where it was safe to do so in accordance with the government's guidelines. Throughout this time and beyond Ironbark plans to respond appropriately as conditions continually change during these volatile periods.

Directors' report (continued)

All key services providers, including the administrator and custodian of the Fund, reported no difficulties in providing ongoing services and continued to meet current delivery times. They have periodically provided Ironbark with updates on their status as the situation evolves. As responsible entity, Ironbark continues to oversee its investment partners who provide regular updates regarding their business continuity, pandemic planning procedures, impacts to their business, operational functions and portfolio analysis and monitoring.

COVID-19 has no doubt had an impact on the Fund, the fair value and the capital flows. Whilst there is uncertainty about how the pandemic will continue to develop, Ironbark continues to actively monitor the Fund's liquidity position including assessment of cashflows, investment needs, distributions, redemptions and its equity commitments. We continue to monitor for any regulatory developments applicable to the Fund, fund investments and investors.

While the COVID-19 pandemic has caused uncertainty and market volatility during the period, the Responsible Entity has continued to follow its established policies and process (as set out in note 3) for managing risk, determining fair values and classifying assets and liabilities in the fair value hierarchy for disclosure purposes as at the reporting date.

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 period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect.

- (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 governing documents of the Fund 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 and auditor

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity 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. 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 Responsible Entity or its associates

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

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

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

Interests in the Fund

The movements in units on issue in the Fund during the period are disclosed in note 7 of the financial statements.

Directors' report (continued)

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

Environmental regulation

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

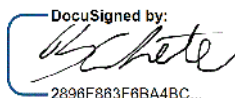
Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

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

DocuSigned by:

2896F883F6BA4BC...

Director

Sydney
27 September 2021



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

To the Directors of Ironbark Asset Management (Fund Services) Limited, as the
Responsible Entity of **BWA Diversified Fund**

I declare that, to the best of my knowledge and belief, in relation to the audit of BWA Diversified Fund
for the year ended 30 June 2021 there have been:

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

A stylized signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of David Kells, written in black ink.

David Kells
Partner
Sydney
27 September 2021

BWA Diversified Fund
Statement of comprehensive income
For the reporting period from 22 December 2020 to 30 June 2021

Statement of comprehensive income

	Notes	Period from 22 December 2020 to 30 June 2021 \$'000
Investment income		
Distribution and dividend income		7,088
Net gains/(losses) on financial instruments at fair value through profit or loss	6	5,032
Other operating income		<u>82</u>
Total investment income/(loss)		<u>12,202</u>
Expenses		
Management fees	14	330
Responsible Entity's fees	14	83
Transaction costs		<u>12</u>
Total operating expenses		<u>425</u>
Operating profit/(loss)		<u>11,777</u>
Finance costs attributable to unitholders		
Distributions to unitholders	8	<u>(7,149)</u>
(Increase)/decrease in net assets attributable to unitholders		
Total comprehensive income	7	<u>(4,628)</u>

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

Statement of financial position

	Notes	As at 30 June 2021 \$'000
Assets		
Cash and cash equivalents	9	5,125
Receivables	12	5,223
Financial assets at fair value through profit or loss	11	<u>248,122</u>
Total assets		<u>258,470</u>
Liabilities		
Payables	13	184
Distributions payable	8	<u>7,083</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>7,267</u>
Net assets attributable to unitholders - liability	7	<u>251,203</u>

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

Statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Fund has no equity, and no items of changes in equity have been presented for the current financial period.

BWA Diversified Fund
Statement of cash flows
For the reporting period from 22 December 2020 to 30 June 2021

Statement of cash flows

	Period from 22 December 2020 to 30 June 2021
Notes	\$'000
Cash flows from operating activities	
Distributions and dividends received	63
Management fee rebate income received	21
Responsible Entity's fees paid	(55)
Management fees paid	(216)
Other operating expenses paid	(27)
Net cash inflow/(outflow) from operating activities	10(a) <u>(214)</u>
Cash flows from investing activities	
Proceeds from sale of financial instruments at fair value through profit or loss	19,636
Purchase of financial instruments at fair value through profit or loss	<u>(260,848)</u>
Net cash inflow/(outflow) from investing activities	<u>(241,212)</u>
Cash flows from financing activities	
Proceeds from applications by unitholders	251,573
Payments for redemptions by unitholders	(4,956)
Distributions paid	<u>(66)</u>
Net cash inflow/(outflow) from financing activities	<u>246,551</u>
Net increase/(decrease) in cash and cash equivalents	5,125
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	9 <u>5,125</u>
Non-cash operating and financing activities	10(b) 1,878

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

Contents of the notes to the financial statements

	Page
1 General information	12
2 Summary of significant accounting policies	12
3 Financial risk management	16
4 Fair value measurement	20
5 Auditor's remuneration	22
6 Net gains/(losses) on financial instruments at fair value through profit or loss	22
7 Net assets attributable to unitholders	23
8 Distributions to unitholders	24
9 Cash and cash equivalents	24
10 Reconciliation of Operating profit/(loss) to net cash inflow/(outflow) from operating activities	25
11 Financial assets at fair value through profit or loss	25
12 Receivables	26
13 Payables	26
14 Related party transactions	26
15 Events occurring after the reporting period	27
16 Contingent assets and liabilities and commitments	28

1 General information

These financial statements cover BWA Diversified Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme under the *Corporations Act 2001* and was constituted on 5 March 2020 and commenced operations on 22 December 2020. The Fund will terminate on 21 December 2100 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Ironbark Asset Management (Fund Services) Ltd (ABN 63 116 232 154) (AFSL 298626) (the "Responsible Entity"). The Responsible Entity's registered office is Level 13, 1 Margaret Street, Sydney, NSW 2000.

The Fund provides exposure to a portfolio of investments in various managed funds and listed securities 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 the financial period presented, unless otherwise stated in the following text.

(a) Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

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

Management have taken into account the impacts of the COVID-19 pandemic on the valuation and presentation of the Fund's investments and its operating environment when preparing this financial report.

(i) Rounding of amounts

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

(ii) Compliance with International Financial Reporting Standards (IFRS)

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

(iii) Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. These estimates and associated assumptions are reviewed regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Use of estimates (continued)

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 4.

(b) Financial Instruments

(i) Classification and measurement

The Fund classifies its investments 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 Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and unit trusts, 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.

The Fund did not hold any debt securities.

For other receivables and payables, including amounts due to/from brokers, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the Solely Payments of Principal and Interest (SPPI) criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs are expensed in the statement of comprehensive income as incurred.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value without any deduction for estimated future selling cost. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'Net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For further details on how the fair values of financial instruments are determined please see note 4 to the financial statements.

Subsequent to initial recognition, financial assets and liabilities measured at amortised cost will use the effective interest rate method and are presented net of provisions for impairment.

(ii) Recognition/Derecognition

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

(iii) Offsetting financial instruments

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

At the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income.

The units can be added to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercise their right to redeem units from the Fund.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

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

Other changes in fair value for such instruments are recorded in accordance with the accounting policies described in note 2(b).

Other operating income is recognised on an accruals basis.

(f) Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the taxable income of the Fund (including assessable capital gains).

The benefits of franking credits and foreign tax paid are passed on to unitholders, providing certain conditions are met.

(h) Distributions

Distributions are payable as set out in the Fund's Constitution. Such distributions are recognised as payables when they are determined by the Responsible Entity of the Fund.

(i) Changes in net assets attributable to unitholders

Movements in net assets attributable to unitholders and distributions are recognised in the statement of comprehensive income as finance costs. In accordance with the Fund's Constitution, the Fund fully distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period 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 gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss in the statement of comprehensive income.

(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 period. The due from brokers balance is held for collection and consequently measured at amortised cost.

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

(l) Receivables

Receivables may include amounts for dividends, trust distributions, interest, management fee rebate income and applications received for units in the Fund where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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

2 Summary of significant accounting policies (continued)

(l) Receivables (continued)

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.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting date. Amounts are generally paid within 30 days of being accrued for.

The distribution amount payable to unitholders as at the end of the reporting period is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management fees and other expenses have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC), hence management fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Payables 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 flow on a gross basis.

3 Financial risk management

Overview

The Fund's assets primarily consist of financial instruments which comprise Australian listed equity securities, Australian listed and unlisted unit trusts. It holds these investments at the discretion of the Investment Manager, Boutique Wealth Australia Pty Ltd, in accordance with the provisions of the Fund's Constitution.

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the risks below, the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework. The risk management framework is in place to monitor the Fund's compliance with its governing documents and to minimise risks where appropriate in its investment activities. The risk framework also ensures the Investment Manager and the relevant service providers have adequate controls in place to manage the Fund's investment activities.

The risk management framework is in place to monitor the Fund's compliance with its governing documents and to minimise risks where appropriate in its investment activities. The risk framework also ensures the Investment Manager and the relevant service providers have adequate controls in place to manage the Fund's investment activities.

Reports from the Fund's Investment Manager include details of the controls it has in place to monitor compliance with the Fund's investment strategy, training and personnel management standards and procedures, and details of how the Investment Manager develops and maintains a disciplined and constructive control environment in which its employees understand their roles and obligations.

The Fund's investing activities expose it to the following risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

3 Financial risk management (continued)

Overview (continued)

While the COVID-19 pandemic has caused uncertainty and market volatility during the period, the Responsible Entity has continued to follow its established policies and process (as set out in this note) in managing risk, determining fair values and classifying assets and liabilities in the fair value hierarchy for disclosure as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. Market risk embodies the potential for both losses and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund's strategy on the management of the investment risk is driven by the Fund's investment objective and all transactions are carried out within the investment guidelines set by the Responsible Entity. Information relating to the investment objective and guidelines can be obtained from the Product Disclosure Statement.

(i) Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange risk and interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect income.

Price risk is managed by the Investment Manager through diversification of the portfolio in accordance with the investment strategy and asset composition described in the Product Disclosure Statement.

A sensitivity analysis of price risk is provided in note 3(a)(iv).

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to foreign exchange risk on financial instruments, cash held, receivables and liabilities that are denominated in a currency other than the functional currency (Australian dollars) of the Fund. These transactions are denominated in numerous currencies.

Foreign exchange risk is managed by seeking to hedge the foreign currency exposure of the Fund to the Australian dollars. The aim is to reduce the impact of currency movements on the overall performance of the Fund so that the gain/loss on hedging offsets the gain/loss of the Fund's value caused by currency movements. However, short term movements in cash flows or fluctuations in market values may reduce the effectiveness of the hedge.

The Fund did not have any significant direct exposure to foreign exchange risk at the reporting date.

(iii) Interest rate risk

The majority of the Fund's financial assets are non-interest bearing and as such the Fund is not exposed to significant levels of interest rate risk. However, the Fund holds cash for liquidity and transactional purposes. The cash is held at floating interest rates.

3 Financial risk management (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk	
	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	-5%	+5%
	\$'000	\$'000
30 June 2021	(12,406)	12,406

In determining the impact of an increase/decrease in operating profit/(loss) and net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio information in order to determine a reasonable possible shift in assumptions.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund's credit risk is minimised by the Investment Manager by monitoring counterparty creditworthiness and only dealing with listed exchanges and internally approved counterparties each with set limits. Internally approved counterparties and the associated credit limits are regularly reviewed and monitored by the Investment Manager.

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 relevant, historical analysis and forward looking information in determining any expected credit loss. At the reporting date, all receivables and cash and cash equivalents are held with approved counterparties and are either callable on demand or due within 30 days. Management consider the probability of default to be low, 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.

At 30 June 2021, the Fund is exposed to credit risk on its cash and cash equivalents and receivables. The total carrying amount of financial assets exposed to credit risk amounted to \$10,348,000.

(i) Settlement of securities transactions

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. The Fund minimises concentration of credit risk by undertaking transactions with numerous brokers. The risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. The Fund monitors the credit rating and financial positions of the brokers used to further mitigate credit risk.

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 on purchases of securities only when the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

3 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents

The Fund's cash and cash equivalents are held with State Street Bank and Trust Company, which is rated Aa1 based on rating agency Moody's rating. The Responsible Entity monitors the financial position of State Street Bank and Trust Company on a regular basis.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's Constitution provides for the daily application and redemptions of units and it is therefore exposed to the liquidity risk of meeting unitholders' redemptions.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The risk management guidelines adopted are designed to minimise liquidity risk through:

- Ensuring that there is no significant exposure to illiquid or thinly traded securities at the time of purchase.
- Applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

The Fund's investments in listed equity securities and listed unit trusts are considered to be readily realisable. The Fund primarily holds investments in an active market which can be readily disposed. Only a limited proportion of these investments are not actively traded on a stock exchange.

(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 balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unitholder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

As at 30 June 2021	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	At call \$'000	Total \$'000
Payables	184	-	-	-	184
Distributions payable	7,083	-	-	-	7,083
Net assets attributable to unitholders	-	-	-	251,203	251,203
Contractual cash flows	7,267	-	-	251,203	258,470

4 Fair value measurement

The Fund measures and recognises the financial assets and liabilities at fair value on a recurring basis.

- Financial assets at fair value through profit or loss (FVTPL) (see note 11)

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 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);

(i) Fair value in an active market (level 1)

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

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

Financial assets and liabilities are priced at last traded prices.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

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.

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

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

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 credit worthiness of the counterparties. The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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.

4 Fair value measurement (continued)

(iii) Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2021.

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Equity securities	8,426	-	-	8,426
Unit trusts	11,499	228,197	-	239,696
Total	19,925	228,197	-	248,122

The Fund held investments in listed equity securities and listed and unlisted unit trusts as at 30 June 2021.

(iv) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy for the period ended 30 June 2021.

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

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the reporting period from 22 December 2020 to 30 June 2021.

(vi) Financial instruments not carried at fair value

The Fund did not hold any financial instruments which were not measured at fair value in the statement of financial position during the reporting period from 22 December 2020 to 30 June 2021. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate their fair value.

5 Auditor's remuneration

	Period from 22 December 2020 to 30 June 2021 \$
Audit and review services	
Audit and audit related services - KPMG	
Financial statements review and audit	11,165
Compliance plan audit	<u>3,550</u>
Total remuneration for audit and audit related services	<u>14,715</u>
Taxation services	
Tax compliance services - KPMG	<u>13,650</u>
Total remuneration for taxation services	<u>13,650</u>
Total remuneration	<u>28,365</u>

The Auditor's remuneration is borne by the Responsible Entity.

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

Net gains/(losses) arising from changes in the fair value measurement:

	Period from 22 December 2020 to 30 June 2021 \$'000
Financial assets	
Net realised gain/(loss) on financial assets at fair value through profit or loss	412
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>4,620</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>5,032</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>5,032</u>

BWA Diversified Fund
Notes to the financial statements
For the reporting period from 22 December 2020 to 30 June 2021
(continued)

7 Net assets attributable to unitholders

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

	Period from 22 December 2020 to 30 June 2021 Units '000	Period from 22 December 2020 to 30 June 2021 \$'000
Defensive		
Opening balance	-	-
Applications	54,940	54,578
Redemptions	(1,657)	(1,644)
Units issued upon reinvestment of distributions	-	-
Increase/(decrease) in net assets attributable to unitholders	-	(630)
Closing balance	53,283	52,304
Growth		
Opening balance	-	-
Applications	135,056	140,775
Redemptions	(2,803)	(2,984)
Units issued upon reinvestment of distributions	-	-
Increase/(decrease) in net assets attributable to unitholders	-	4,503
Closing balance	132,253	142,294
Blended Growth		
Opening balance	-	-
Applications	54,439	56,220
Redemptions	(353)	(370)
Units issued upon reinvestment of distributions	-	-
Increase/(decrease) in net assets attributable to unitholders	-	755
Closing balance	54,086	56,605
Total		251,203

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

BWA Diversified Fund
Notes to the financial statements
For the reporting period from 22 December 2020 to 30 June 2021
(continued)

8 Distributions to unitholders

	Period from 22 December 2020 to 30 June 2021 \$'000	Period from 22 December 2020 to 30 June 2021 CPU
Defensive		
Distributions paid	66	0.2162
Distributions payable 30 June	<u>703</u>	1.3193
Total distributions	<u>769</u>	
Growth		
Distributions payable 30 June	<u>4,799</u>	3.6285
Total distributions	<u>4,799</u>	
Blended Growth		
Distributions payable 30 June	<u>1,581</u>	2.9228
Total distributions	<u>1,581</u>	
Total distributions	<u>7,149</u>	

9 Cash and cash equivalents

	As at 30 June 2021 \$'000
Cash at bank	<u>5,125</u>
Total cash and cash equivalents	<u>5,125</u>

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

	Period from 22 December 2020 to 30 June 2021 \$'000
(a) Reconciliation of Operating profit/(loss) to net cash inflow/(outflow) from operating activities	
Increase/(decrease) in net assets attributable to unitholders (Total comprehensive income)	4,628
Distributions to unitholders	7,149
Distribution income reinvested	(1,878)
Net changes in financial instruments at fair value through profit or loss	(5,032)
Net change in receivables	(5,223)
Net change in payables	142
Net cash inflow/(outflow) from operating activities	<u>(214)</u>
(b) Non-cash operating and financing activities	
The following purchases of investments were satisfied by participating in dividend and distribution reinvestment plans	<u>1,878</u>
Total non-cash operating and financing activities	<u>1,878</u>

As described in note 2, income not distributed is included in net assets attributable to unitholders. The change in this amount (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.

11 Financial assets at fair value through profit or loss

	As at 30 June 2021 \$'000
Equity securities	8,426
Unit trusts	<u>239,696</u>
Total financial assets at fair value through profit or loss	<u>248,122</u>

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

12 Receivables

	As at 30 June 2021 \$'000
Distributions and dividends receivable	5,147
Management fee rebate receivable	61
Other receivables	15
Total receivables	5,223

13 Payables

	As at 30 June 2021 \$'000
Redemptions payable	42
Management fees payable	114
Responsible Entity fees payable	28
Total payables	184

14 Related party transactions

Responsible Entity

The Responsible Entity of BWA Diversified Fund is Ironbark Asset Management (Fund Services) Ltd (ABN 63 116 232 154) (AFSL 298626). Accordingly, transactions with entities related to Ironbark Asset Management (Fund Services) Ltd are disclosed below.

(a) Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel.

Key management personnel of the Responsible Entity include persons who held office as directors of the Responsible Entity at any time during the period and up to the date of this report:

B Carpenter
A Donald
C Larsen

The following person has been appointed and held office as director of the Ironbark Asset Management (Fund Services) Ltd from 8 February 2021 to the date of report:

R Kellerman

There were no other key management personnel during the financial period.

14 Related party transactions (continued)

(b) Key management personnel unitholdings

Key management personnel of the Responsible Entity did not hold units in the Fund as at 30 June 2021.

(c) Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity did not include any amounts directly attributable to the compensation of key management personnel.

(d) Key management personnel loan disclosures

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

(e) Other transactions within the Fund

Apart from those details disclosed in this note, the Responsible Entity has not entered into any other material contract with the Fund since the end of the previous financial period and there were no material contracts involving director's interests at period end.

(f) Responsible Entity's fees and other transactions

Management fees

Management fees are calculated in accordance with the Fund's Constitution. For the period ended 30 June 2021, the management fee was 0.770% per annum of the net asset value of the Fund, inclusive of the net effect of GST.

Balances with related parties

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

	30 June 2021 \$
Management fees and Responsible Entity's fees for the period	413,359
Aggregate amounts payable to the Responsible Entity at the reporting date	142,390

(g) Related party unitholdings

Parties related to the Fund including the Responsible Entity, its related parties and other funds managed by the Responsible Entity, did not hold any units in the Fund as at 30 June 2021.

(h) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the period.

15 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the period ended on that date.

16 Contingent assets and liabilities and commitments

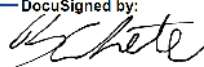
There were no outstanding contingent assets and liabilities or commitments as at 30 June 2021.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, 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 2021 and of its performance for the period ended on that date;
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors for and on behalf of the Responsible Entity.

DocuSigned by:

2896F803F0BA4BC...

Director

Sydney
27 September 2021



Independent Auditor's Report

To the unitholders of **BWA Diversified Fund**

Opinion

We have audited the **Financial Report** of BWA Diversified Fund (the Fund).

In our opinion, the accompanying **Financial Report** of the Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Fund's financial position as at 30 June 2021, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2021;
- Statement of comprehensive income for the year then ended;
- Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Other Information

Other Information is financial and non-financial information in the Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' report. The Directors of Ironbark Asset Management (Fund Services) Limited (the Responsible Entity) are responsible for the Other Information.

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

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



In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Directors for the Financial Report

The Directors of Ironbark Asset Management (Fund Services) Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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. This description forms part of our Auditor's Report.

KPMG

David Kells
Partner
Sydney
27 September 2021