

**Low Correlation Strategy Trust**  
**Financial Report**  
**For the year ended 30 June 2021**

<b>Contents</b>	<b>Page</b>
Directors' Report	2
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Unitholders' Funds	6
Statement of Cash Flows	7
Notes to the financial statements	8
Directors' Declaration	18
Independent Auditor's Report	19

## **Directors' Report**

The Directors of MLC Investments Limited, the Trustee of Low Correlation Strategy Trust (the 'Scheme'), present their report together with the financial report of the Scheme for the year ended 30 June 2021 and the independent audit report thereon.

### **Directors of the Trustee**

The names of the persons who were Directors of MLC Investments Limited during or since the year ended 30 June 2021 are as follows:

<b>Name</b>	<b>Appointment / Resignation Date</b>
J G Duffield	Resigned 31 December 2020
P Gupta	Resigned 31 May 2021
M A Joiner	Appointed 1 January 2021
G J Mulcahy	Appointed 7 July 2014
J Selak	Appointed 31 May 2021
K A Watt	Appointed 5 December 2016

The registered office of MLC Investments Limited is located at Ground Floor, MLC Building, 105-153 Miller Street, North Sydney NSW 2060.

### **Principal activities**

The Scheme is an unlisted unregistered managed investment scheme domiciled in Australia and is open to wholesale investors only.

The Scheme invests and transacts in a range of hedge funds, alternative strategies, securities, indices and cash, and may utilise derivatives to achieve its investment strategy in accordance with the provisions of its Constitution.

The Scheme did not have any employees during the current and previous year.

There have been no significant changes to the activities of the Scheme during the year.

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

### **Result and review of operations**

The result of the operations of the Scheme is disclosed in the Statement of Profit or Loss and Other Comprehensive Income. The result is affected by the performance of the markets to which the Scheme has exposure.

For details in relation to the Scheme's investment exposure and strategy, information can be obtained from the Information Memorandum ('IM') located on JANA's website at [jana.com.au](http://jana.com.au).

### **Distributions**

The distribution for the year ended 30 June 2021 was as follows:

	<b>\$'000</b>	<b>cents per unit</b>
Distributions paid/payable	143,329	0.18

### **Units on issue**

Units on issue as at year end and movements during the year are shown in the Statement of Changes in Unitholders' Funds.

The total assets of the Scheme are set out in the Statement of Financial Position. The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

### **State of affairs**

The sale of MLC Wealth from National Australia Bank Limited to IOOF Holdings Limited was completed on 31 May 2021, representing a change in the Trustee's ultimate parent entity. In the opinion of the Directors, this transaction does not impact the Trustee's ability to provide its fiduciary duties.

In the opinion of the Trustee, there were no other significant changes in the state of affairs of the Scheme that occurred during the year unless otherwise disclosed.

### Likely developments

The investment strategy of the Scheme will be maintained in accordance with the Scheme's Constitution and investment objectives.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

### Events subsequent to the balance date

Between the year end and the date of this report, there has not been any other item, transaction or event of a material and unusual nature that, in the opinion of the Trustee, is likely to significantly affect the operations of the Scheme, the results of those operations or the state of affairs of the Scheme, in future financial years.

### Interests of the Trustee

Units held by MLC Investments Limited and its related parties in the Scheme during the financial year ended 30 June 2021 are detailed in Note 7(g) to the financial statements.

Fees paid to the Trustee during the financial year ended 30 June 2021 are detailed in Note 7(e) to the financial statements.

### Environmental regulation

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

### Indemnities and insurance premiums for Officers or Auditors

#### *Indemnification*

The Scheme has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer of the Trustee or an auditor of the Scheme during the year.

#### *Insurance premiums*

The previous ultimate parent company of the Trustee, National Australia Bank Limited, and current ultimate parent company of the Trustee, IOOF Holdings Ltd, have paid, or agreed to pay, premiums in respect of its officers for liability, legal expenses, insurance contracts, and premiums in respect of such insurance contracts for the financial year ended 30 June 2021. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the officers of the Trustee.

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

### Rounding

The Scheme meets the criteria set out in the *Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission, and in accordance with that Corporations Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of MLC Investments Limited:

Garry Mulcahy

Director: \_\_\_\_\_

Signature:  \_\_\_\_\_

Dated at Sydney this 11th day of November 2021

**Low Correlation Strategy Trust**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
<b>Investment income</b>			
Dividend and distribution income		79	-
Interest income		179	2,292
Changes in the fair value of financial assets and liabilities at fair value through profit or loss		76,617	(7,555)
Other income		<u>166</u>	<u>28</u>
<b>Total investment income/(loss)</b>		<u>77,041</u>	<u>(5,235)</u>
<b>Expenses</b>			
Management fees	7(e)	3,930	6,390
Investment management fees		-	1,318
Legal and professional fees		<u>37</u>	<u>16</u>
<b>Total operating expenses</b>		<u>3,967</u>	<u>7,724</u>
<b>Net profit/(loss)</b>		<b>73,074</b>	<b>(12,959)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><b>73,074</b></u>	<u><b>(12,959)</b></u>

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

**Low Correlation Strategy Trust**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	9(b)	151,638	210,381
Receivables	5	141	141,770
Financial assets at fair value through profit or loss	4	<u>891,400</u>	<u>955,621</u>
<b>Total assets</b>		<u>1,043,179</u>	<u>1,307,772</u>
<b>Liabilities</b>			
Payables	6	3,091	270,647
Financial liabilities at fair value through profit or loss	8(c)	46,632	42,804
Distribution payable	3	<u>143,329</u>	<u>-</u>
<b>Total liabilities (2020: excluding net assets attributable to unitholders)</b>		<u>193,052</u>	<u>313,451</u>
<b>Net assets attributable to unitholders - liability</b>		<u>-</u>	<u>994,321</u>
<b>Net assets attributable to unitholders - equity*</b>		<u>850,127</u>	<u>-</u>

\* The net assets attributable to unitholders have been reclassified from liability to equity as at 30 June 2021 due to the closure of Class B.

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

**Low Correlation Strategy Trust**  
**Statement of Changes in Unitholders' Funds**  
**For the year ended 30 June 2021**

	<b>Class A</b>		<b>Class B</b>	
	<b>\$'000</b>	<b>Number of Units No. '000</b>	<b>\$'000</b>	<b>Number of Units No. '000</b>
<b>Net assets attributable to unitholders</b>				
<b>Total liability at 30 June 2019</b>	1,033,978	888,197	499,218	457,693
Applications	76,658	66,073	6,750	6,188
Redemptions	(109,650)	(94,612)	(499,674)	(463,881)
Change in net assets attributable to unitholders	<u>(6,665)</u>	<u>-</u>	<u>(6,294)</u>	<u>-</u>
<b>Total liability at 30 June 2020</b>	994,321	859,658	-	-
<b>Unitholders' funds at 30 June 2020 - liability*</b>	<b>994,321</b>	<b>859,658</b>	-	-
Net profit/(loss)	<b>73,074</b>	-	-	-
Applications	<b>45,651</b>	<b>37,583</b>	-	-
Redemptions	<b>(119,590)</b>	<b>(98,734)</b>	-	-
Distributions paid/payable	<u><b>(143,329)</b></u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unitholders' funds at 30 June 2021 - equity*</b>	<u><b>850,127</b></u>	<u><b>798,507</b></u>	<u>-</u>	<u>-</u>

\*The net assets attributable to unitholders have been reclassified from liability to equity as at 30 June 2021 due to the closure of Class B.

The above Statement of Changes in Unitholders' Funds is to be read in conjunction with the accompanying notes.

**Low Correlation Strategy Trust**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distribution income received		79	25,526
Interest received		179	2,292
Other income received		166	28
Management fees paid		(3,930)	(6,508)
Investment management fees paid		-	(3,343)
Other expenses paid		(37)	(16)
RITC received/(paid)		(23)	-
<b>Net cash provided by/(used in) operating activities</b>	9(a)	<u>(3,566)</u>	<u>17,979</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		650,512	723,612
Purchases of investments		<u>(365,828)</u>	<u>(466,774)</u>
<b>Net cash provided by/(used in) investing activities</b>		<u>284,684</u>	<u>256,838</u>
<b>Cash flows from financing activities</b>			
Applications received		45,651	58,083
Redemptions paid		<u>(387,146)</u>	<u>(338,677)</u>
<b>Net cash provided by/(used in) financing activities</b>		<u>(341,495)</u>	<u>(280,594)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(60,377)	(5,777)
Cash and cash equivalents at the beginning of the financial year		210,381	217,787
Effects of exchange rate changes on the balances of foreign currencies		<u>1,634</u>	<u>(1,629)</u>
<b>Cash and cash equivalents at the end of the financial year</b>	9(b)	<u>151,638</u>	<u>210,381</u>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.



## NOTE 1 - 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.

The financial report of the Scheme for the financial year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors of the Trustee on 11 November 2021.

### (a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB').

### (b) Basis of preparation

The Scheme's year end financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the AASB. The assets and liabilities are measured on a fair value basis, 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 designated as current assets and liabilities as they are expected to be recovered or settled within twelve months. Financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders are expected to be settled upon contractual requirements.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The financial statements are presented in Australian Dollars, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

### (c) Basis of consolidation

The Scheme is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* and, as such, does not consolidate any entities subject to its control. The Scheme does not hold a controlling interest in any of its underlying investments and therefore is not required to provide additional disclosures.

### (d) Unit price

The unit price for the units of the Scheme is calculated as at the last day of the month for applications and the last day of a relevant quarter for redemptions or any other day deemed appropriate by the Trustee.

### (e) Terms and conditions on units

Each unit issued confers upon the unitholders of the Scheme an equal interest in the Scheme, and is of equal value within the same class. A unit does not confer any interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution, including the right to:

- (i) have their units redeemed;
- (ii) accumulate income, which is reflected in the unit price;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of the Scheme are identical in all respects.

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

The Scheme has classified all of its investments as at fair value through profit or loss including derivatives which are held for risk management purposes.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value with movements taken to the Statement of Profit or Loss and Other Comprehensive Income. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

#### *Foreign Exchange Forward Contracts*

The value of a foreign exchange forward contract fluctuates with changes in currency exchange rates. The forward is marked to market daily.

### (g) Fair value measurement

Assets and liabilities measured at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety as detailed below:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### (h) Significant accounting judgements, estimates or assumptions

The Scheme may make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

#### *Estimates and assumptions*

Estimates are continually evaluated and based on historical experience, available information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Fair value of financial assets and liabilities at fair value through profit or loss*

Fair value is the price that would be received from disposing an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Scheme measures investments in financial assets and liabilities at fair value through profit or loss. Management applies judgement in selecting valuation techniques where there is no market price available for an instrument. Further details on the determination of fair values of financial instruments are set out in Note 8(g).

The Scheme has assessed the impact of credit/debit value adjustments to its derivative positions to comply with the requirements of AASB 13 *Fair Value Measurement*, and concluded that there are no significant adjustments to the valuation of derivatives.

#### *Judgements*

The Scheme meets the definition of an investment entity under AASB 10 *Consolidated Financial Statements* and therefore is required to measure its interests in controlled entities at fair value through profit or loss. The criteria which define an investment entity are as follows:

- (a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

### (i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short term deposits at call.

### (j) Receivables

Receivables may include amounts for interest, distributions, outstanding settlements and other income and are measured initially at fair value plus transaction costs. The impact of expected credit losses on financial assets measured at amortised cost is insignificant. Amounts are generally received within 12 months of being recorded as a receivable.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Payables

Payables include unsettled unit redemptions and accrued expenses owing by the Scheme which are unpaid as at balance date. They are measured initially at fair value plus transaction costs.

### (l) Foreign currency transactions

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and monetary items held, together with any accrued income, are translated at the exchange rate prevailing at the year end.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income as part of the 'Changes in the fair value of financial assets and liabilities at fair value through profit or loss'.

### (m) Income and expenses

Revenue is brought to account on an accrual basis except where otherwise stated.

Distribution income from unlisted managed investment schemes is recognised on the date the trust units are quoted ex distribution. Income from unlisted partnerships and unlisted equities are recognised when distributions or dividends are declared.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or initial fair value (if the investment was acquired during the year).

Expenses are brought to account on an accrual basis.

The Trustee is entitled to receive a fee, calculated in accordance with the Scheme's Constitution, for the provision of management services to the Scheme. The Trustee is entitled to be reimbursed, under the Scheme's Constitution, for certain expenses incurred in administering the Scheme. The amount reimbursed has been calculated in accordance with the Scheme's Constitution. The fees paid/payable to the Trustee are shown in Note 7(e).

Investment management fees also include fees paid to underlying investment management for managing the investments of the Scheme and are recognised on an accrual basis.

Other expenses also include government duties and bank interest expense. Auditor's remuneration has not been charged against the Scheme's income as this cost is borne by the Trustee.

### (n) Taxation

The Scheme elected to have the taxation regime (AMIT) for the taxation of managed investment schemes apply for the 2018 tax year and later years of income. The Scheme is not subject to income tax as the taxable income (including assessable realised net capital gains) is fully attributed to the unitholders each year. Unitholders are taxed on the income attributed to them.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess will be distributed and attributed to unitholders as assessable income for taxation purposes.

### (o) Distributions to unitholders

The income of the Scheme is accumulated and reinvested or paid to unitholders on an annual basis effective the last day of June. It may also be calculated on other dates as determined by the Trustee. All income distributions are reinvested.

Distributable income does not include unrealised gains and losses arising on movements in the fair value of investments; as such, unrealised gains and losses are transferred to net assets attributable to unitholders and are not attributed to unitholders as assessable income or distributed until realised.

Distributions are expressed as cents per unit for the distribution period.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Goods and services tax

Investment management fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amounts of GST included.

The net amount of GST recoverable from the ATO is included in payables in the Statement of Financial Position.

### (q) Derecognition of financial instruments

The derecognition of financial instruments takes place when the Scheme no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

### (r) Capital management

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

The Trustee monitors the level of applications and redemptions relative to the liquid assets in the Scheme.

In order to maintain or adjust the capital structure, the Trustee may return capital to unitholders. The Scheme does not have any externally imposed capital requirements.

### (s) Net assets attributable to unitholders

Units are redeemable at the unitholders' option. As the Scheme is multi-class, the units are equally subordinate but they do not have identical features and the units therefore continue to be classified as a liability in accordance with the requirements of AASB 132 *Financial Instruments: Presentation* relating to puttable instruments.

The units can be put back to the Scheme 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 financial year, if unitholders exercised their right to put the units back to the Scheme.

### (t) Application of accounting standards

#### *New and amended standards and interpretations*

Several standards and amendments, including AASB 17 *Insurance Contracts* apply to the Scheme for the first time in 2021, however does not have an impact on the financial statements of the Scheme. The Scheme has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

## NOTE 2 - AUDITOR'S REMUNERATION

	2021 \$	2020 \$
<b>Total amount paid or due and payable to Ernst &amp; Young:</b>		
Audit of financial reports	7,295	7,000
Audit of compliance plan	-	2,374
	<u>7,295</u>	<u>9,374</u>

Auditor's remuneration for the Scheme has been paid by the Trustee.

**NOTE 3 - DISTRIBUTIONS**

	\$'000	cents per unit
<b>2021</b>		
June (payable)	<u>143,329</u>	<u>0.18</u>
	<u>143,329</u>	<u>0.18</u>
<b>2020</b>		
June (payable)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**NOTE 4 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2021 \$'000	2020 \$'000
Unlisted investment funds	879,658	874,239
<b>Financial instruments</b>		
Derivatives	<u>11,742</u>	<u>81,382</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>891,400</u>	<u>955,621</u>

**NOTE 5 - RECEIVABLES**

	2021 \$'000	2020 \$'000
Outstanding settlements	-	141,652
GST receivable	<u>141</u>	<u>118</u>
<b>Receivables</b>	<u>141</u>	<u>141,770</u>

**NOTE 6 - PAYABLES**

	2021 \$'000	2020 \$'000
Unsettled unit redemptions	<u>3,091</u>	<u>270,647</u>
<b>Payables</b>	<u>3,091</u>	<u>270,647</u>

## **NOTE 7 - RELATED PARTIES**

### **(a) Trustee**

The Trustee of the Scheme is MLC Investments Limited ABN 30 002 641 661, whose immediate holding company is MLC Wealth Limited ABN 97 071 514 264. On 31 May 2021, the sale of MLC Wealth from National Australia Bank Limited to IOOF Holdings Ltd ABN 49 100 103 722 was completed, representing a change in the Trustee's ultimate parent entity.

The Trustee is incorporated and domiciled in Australia.

### **(b) Key Management Personnel**

Directors

The names of the persons who were Directors of MLC Investments Limited at any time during the financial year were as follows:

<b>Name</b>	<b>Appointment / Resignation Date</b>
J G Duffield	Resigned 31 December 2020
P Gupta	Resigned 31 May 2021
M A Joiner	Appointed 1 January 2021
G J Mulcahy	Appointed 7 July 2014
J Selak	Appointed 31 May 2021
K A Watt	Appointed 5 December 2016

In addition to the Directors noted above, the Trustee provides key management personnel services to the Scheme.

Key management personnel are paid by a related party of the Trustee. Payments made from the Scheme to the Trustee do not include any amounts directly attributable to key management personnel remuneration.

### **(c) Other related party transactions with the Scheme**

From time to time the Directors of MLC Investments Limited or their related entities may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

### **(d) Amounts payable to the Trustee**

There are no amounts payable to MLC Investments Limited by the Scheme at balance sheet date (2020: Nil).

### **(e) Management fees**

The management fees payable to the Trustee have been calculated in accordance with the Scheme's Constitution. Total fees paid and payable are as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Management fees	<b>3,930,083</b>	6,389,974

### **(f) Related party investments**

The Scheme did not hold any shares in IOOF Holdings Ltd or units in other managed investment schemes operated by the Trustee or its related parties at year end.

## NOTE 7 - RELATED PARTIES (CONTINUED)

### (g) Unitholder investing activities

Details of holdings in the Scheme by MLC Investments Limited and its related parties or other schemes managed by MLC Investments Limited and its related parties are set out below.

MLC Investments Limited and its related parties	Number of units held No.	Interest held in the Scheme %	Fair value of investment \$	Distributions paid/payable \$
<b>2021</b>				
MLC Super Fund	435,799,604	54.58	463,972,274	78,224,317
Masterkey Unit Trusts	122,592,983	15.35	130,518,120	22,004,959
WM Pool Trusts	211,405,715	26.48	225,072,234	37,946,495
MLC Investment Trusts	28,708,591	3.59	30,564,485	5,153,079
MLC Investments Limited	111	-	118	20
<b>2020</b>				
MLC Super Fund	487,206,706	56.67	563,526,260	-
Masterkey Unit Trusts	102,708,553	11.95	118,797,558	-
WM Pool Trusts	254,718,568	29.63	294,619,512	-
MLC Investment Trusts	15,024,031	1.75	17,377,503	-
MLC Investments Limited	111	-	128	-

## NOTE 8 - FINANCIAL RISK MANAGEMENT

### (a) Financial risk management objectives, policies and processes

The Scheme's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, equity and other price risk), liquidity and cash flow risk. The Scheme's overall risk management programme is aligned to the investment strategy of the Scheme as detailed in its Constitution and IM. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance. The Trustee monitors the risk management framework, which is performed internally and reported on a quarterly basis. The Scheme may use derivative financial instruments to moderate certain risk exposures.

### (b) Credit risk

The Scheme takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

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

The Scheme restricts its exposure to credit losses on trading derivative instruments by entering into master netting arrangements with counterparties (approved brokers). The credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, there is the opportunity to settle outstanding amounts on a net basis.

There was no significant credit risk in the Scheme as at 30 June 2021 and 30 June 2020.

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

Financial assets and financial liabilities are presented on a gross basis in the Statement of Financial Position as there is not an enforceable legal right to offset the recognised amounts. In the normal course of business, the Scheme also enters into various master netting agreements or similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as default on contracts.

**NOTE 8 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Financial assets and liabilities at fair value through profit or loss (continued)**

**Offsetting financial assets and liabilities**

	2021			2020		
	Amounts not offset		Net amount	Amounts not offset		Net amount
	Other financial instruments	Cash collateral		Other financial instruments	Cash collateral	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Foreign exchange forward contracts	11,742	-	11,742	81,382	-	81,382
Closing balance	11,742	-	11,742	81,382	-	81,382
<b>Financial liabilities</b>						
Foreign exchange forward contracts	(46,632)	-	(46,632)	(42,804)	-	(42,804)
Closing balance	(46,632)	-	(46,632)	(42,804)	-	(42,804)

**(d) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme is exposed to foreign currency risk as a result of investments in financial instruments denominated in foreign currencies. The Scheme may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The foreign currency sensitivities set out below are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in foreign exchange rates and the Scheme's current foreign exchange risk profile.

The following table summarises the Scheme's direct exposure to foreign currency risk on its monetary assets and liabilities net of any applied foreign currency economic hedges at 30 June 2021. The analysis calculates the effect on the Statement of Profit or Loss and Other Comprehensive Income of the reasonably possible change in currency rate against the Australian dollar with all other variables held constant.

Currency	2021				2020			
	Change in currency rate		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000		Change in currency rate		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000	
USD	10 %	(10)%	149	(149)	10 %	(10)%	1,431	(1,431)
EUR	10 %	(10)%	56	(56)	- %	- %	-	-
GBP	10 %	(10)%	10	(10)	- %	- %	-	-
Total			215	(215)			1,431	(1,431)

**(ii) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

There was no significant direct interest rate risk in the Scheme as at 30 June 2021 and 30 June 2020.



## **NOTE 8 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **(d) Market risk (continued)**

#### **(iii) Equity and other price risk**

Equity and other price risk is the risk that the fair value of equities and unit prices decrease as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

To mitigate the impact of equity and other price risk the investment process ensures there is diversification of equity exposures within the Scheme.

Changes in price as disclosed in this note set out below are illustrative only and are based on simplified scenarios. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The effect on the Statement of Profit or Loss and Other Comprehensive Income due to reasonably possible changes in market prices, with all other variables held constant are indicated in the following table:

Category	2021				2020			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
Unlisted investment funds	10 %	(10)%	87,966	(87,966)	10 %	(10)%	87,424	(87,424)
Total			87,966	(87,966)			87,424	(87,424)

### **(e) Liquidity and cash flow risk**

Net assets attributable to unitholders are repayable subject to conditions as stated in the IM. Under the IM, the Trustee may, from time to time, reject applications (in whole or in part), impose conditions or restrictions on redemptions, or invest in cash in accordance with the Scheme's investment strategies and with the conditions surrounding its investments. In addition, the Scheme's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements.

In accordance with the Scheme's policies, the Scheme's cash flows are managed by the Investment Manager, MLC Asset Management Services Limited (formerly known as NAB Asset Management Services Limited).

The Scheme's liabilities are expected to be settled within less than one month, except for underlying investment management performance fees which are settled annually.

### **(f) Derivatives**

The Scheme's derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at 30 June 2021, the overall direct market exposures were as follows:

	30 June 2021		30 June 2020	
	Contract amount \$'000	Fair value \$'000	Contract amount \$'000	Fair value \$'000
<b>Derivative instruments</b>				
Foreign exchange forward contracts	(35,256)	(34,890)	38,335	38,578
Total	(35,256)	(34,890)	38,335	38,578

## NOTE 8 - FINANCIAL RISK MANAGEMENT (CONTINUED)

### (g) Fair value of financial instruments

The Scheme's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table details how the fair values of these financial assets and liabilities are determined in particular, other than Level 1, the use of observable and unobservable inputs are applied.

Financial assets/(liabilities)	Fair Value Hierarchy	Valuation Techniques
Unlisted investment funds (e.g. unlisted managed investment schemes, partnerships and other securities)	2	Valued at redemption price as established by the trustee/fund manager of the underlying trust/entity.
Foreign exchange forward contracts	2	Valued based on observable market data i.e. broker quoted prices

Financial instruments	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted investment funds	-	-	879,658	-	874,239	-
Foreign exchange forward contracts	-	(34,890)	-	-	38,578	-
Total	-	(34,890)	879,658	-	912,817	-

There have been no transfers between the levels during the year.

## NOTE 9 - NOTES TO THE STATEMENT OF CASH FLOWS

	2021 \$'000	2020 \$'000
<b>(a) Reconciliation of operating profit to net cash flows from operating activities</b>		
Net profit/(loss)	73,074	(12,959)
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	(76,617)	7,555
Changes in the assets and liabilities during the year:		
(Increase)/decrease in distributions receivable	-	25,526
Decrease in other receivable	(23)	(118)
Increase/(decrease) in investment management fees payable	-	(2,025)
<b>Net cash provided by/(used in) operating activities</b>	<b>(3,566)</b>	<b>17,979</b>

### (b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash at bank and short term deposit at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	149,445	207,992
Cash on deposit - overseas	2,193	2,389
	<b>151,638</b>	<b>210,381</b>

## NOTE 10 - EVENTS OCCURRING AFTER THE BALANCE DATE

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee, to significantly affect the operations of the Scheme, the result of those operations or the state of affairs of the Scheme in future financial years.

## NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The Scheme had no known commitments or contingent liabilities as at 30 June 2021 and 30 June 2020.

## Directors' Declaration

In the opinion of the Directors of MLC Investments Limited, the Trustee of the Scheme:

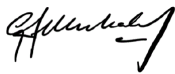
The financial statements and notes set out on pages 4 to 17 are prepared in accordance with the requirements under the Scheme's Constitution, including:

- (a) giving a true and fair view of the financial position of the Scheme as at 30 June 2021 and its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards;
- (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

This declaration is made in accordance with a resolution of the Directors.

Garry Mulcahy

Director: \_\_\_\_\_

Signature:  \_\_\_\_\_

Dated at Sydney this 11th day of November 2021



**Building a better  
working world**

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

## **Independent Auditor's Report to the Unitholders of Low Correlation Strategy Trust**

### **Opinion**

We have audited the financial report of Low Correlation Strategy Trust (the 'Scheme'), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statement, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Scheme as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### **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 are independent of the Scheme in accordance with the auditor independence 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.

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

### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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, 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 for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.



**Building a better  
working world**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Darren Handley-Greaves  
Partner  
Sydney  
11 November 2021