Daintree Hybrid Opportunities Fund (Managed Fund)

ARSN 651 905 314

Annual financial statements for the year ended 30 June 2023

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Contents

These financial statements cover Daintree Hybrid Opportunities Fund (Managed Fund) as an individual entity.

The Responsible Entity of Daintree Hybrid Opportunities Fund (Managed Fund) is Perennial Investment Management Limited (ABN 13 108 747 637). The Responsible Entity's registered office is Level 27, 88 Phillip Street, Sydney, NSW 2000.

Directors' report

The Directors of Perennial Investment Management Limited, the Responsible Entity of Daintree Hybrid Opportunities Fund (Managed Fund), present their report together with the financial statements of Daintree Hybrid Opportunities Fund (Managed Fund) ("the Scheme") from 1 July 2022 to 30 June 2023 ("the year").

The Scheme is a registered managed investment scheme domiciled in Australia.

Responsible Entity

The Responsible Entity of Daintree Hybrid Opportunities Fund (Managed Fund) is Perennial Investment Management Limited (ABN 13 108 747 637). The Responsible Entity's registered office is Level 27, 88 Phillip Street, Sydney, NSW 2000.

Principal activities

During the period, the Scheme continued to invest funds in accordance with the following investment objective:

To provide a steady stream of income over the medium term, by investing in a diversified portfolio of Australian and global hybrid securities and cash, and to provide a total return (after fees) that exceeds the benchmark measured throughout a market cycle.

The investment objective is disclosed in the current Product Disclosure Statement ("PDS") and is in accordance with the provision of the Scheme's Constitution.

The Scheme did not have any employees during the year.

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

Directors

The following persons held office as Directors of Perennial Investment Management Limited during the year or since the end of the year and up to the date of this report, unless otherwise stated:

A. Patterson

C. Love

M. Bennett

Review and results of operations

There have been no significant changes to the operations of the Scheme during the year. The Investment Manager invested funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	Year ended	
	30 June 2023	30 June 2022
Total comprehensive (loss) for the year ended ($'000)	**(29)**	(873)
Distributions paid and payable ($'000)	**706**	121
Distributions (cents per unit - "CPU")	**32.000**	7.600

Distributions to unitholders are disclosed in note 7 of the financial statements.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme that occurred during the year.

Directors' report (continued)

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment markets in which the Scheme 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.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

There is a Directors' and Officers' insurance policy which indemnifies the Directors and Officers of Perennial Investment Management Limited against liabilities to persons outside Perennial Investment Management Limited that arise out of the performance of their normal duties. The premiums have not been paid for out of the assets of the Scheme. The auditor of the Scheme is in no way indemnified out of the assets of the Scheme.

Fees and expense recoveries paid to and interests held in the Scheme by the Responsible Entity or its related parties

Fees and expense recoveries paid to the Responsible Entity and its related parties out of the Scheme property during the year are disclosed in note 13 of the financial statements.

No fees were paid out of Scheme property to the Directors of the Responsible Entity during the year.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the year are disclosed in note 13 of the financial statements.

Interests in the Scheme

The movements in units on issue in the Scheme during the year are disclosed in note 6 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed in 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 Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Environmental, social and governance (ESG) risks, including climate change, are identified in accordance with the Responsible Entity's risk management framework.

Events occurring after the reporting period

Effective 26 August 2023, HSBC Bank Australia Limited replaced NAS Asset Servicing as fund administrator and custodian.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

Directors' report (continued)

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5 and forms part of the Directors' Report for the period ended 30 June 2023.

Signed in accordance with a resolution of the Directors of Perennial Investment Management Limited.

A. Patterson
Director

Sydney
21 September 2023

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

To the Directors of Perennial Investment Management Limited (the Responsible Entity) of Daintree Hybrid Opportunities Fund (Managed Fund)

I declare that, to the best of my knowledge and belief, in relation to the audit of Daintree Hybrid Opportunities Fund (Managed Fund) for the financial year ended 30 June 2023 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.

KPMG

KPMG

Joshua Pearse

Partner

Melbourne

21 September 2023

Statement of comprehensive income

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Investment income			
Interest income	3	**166**	2
Dividend and distribution income	4	**608**	251
Net (losses) on financial instruments at fair value through profit or loss	5	**(216)**	(824)
Net (losses) on foreign exchange		**(427)**	(121)
Swap income/(loss)		**5**	(81)
Total investment income/(loss)		**136**	(773)
Expenses			
Responsible Entity's fees	13	**121**	76
Transaction costs		**26**	15
Other expenses		**18**	9
Total expenses		**165**	100
Other comprehensive income for the year		**-**	-
Total comprehensive (loss) for the year ended		**(29)**	(873)

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

Statement of financial position

	Notes	As at 30 June 2023 $'000	30 June 2022 $'000
Assets			
Cash and cash equivalents		**2,120**	4,757
Receivables		**36**	978
Financial assets at fair value through profit or loss	8	**24,090**	13,420
Total assets		**26,246**	19,155
Liabilities			
Distributions payable	7	**286**	-
Payables		**102**	1,036
Financial liabilities at fair value through profit or loss	9	**159**	444
Total liabilities		**547**	1,480
Net assets attributable to unitholders - equity	6	**25,699**	17,675

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

Statement of changes in equity

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Total equity at the beginning of the year		**17,675**	6,096
Comprehensive income for the year			
(Loss) for the year		**(29)**	(873)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**(29)**	(873)
Transactions with unitholders			
Applications	6	**9,925**	13,479
Redemptions	6	**(1,487)**	(1,025)
Units issued upon reinvestment of distributions	6	**321**	119
Distributions paid and payable	6	**(706)**	(121)
Total equity at the end of the year		**25,699**	17,675

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

Statement of cash flows

	Notes	Year ended 30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**13,827**	2,737
Payments for the purchase of financial instruments at fair value through profit or loss		**(25,347)**	(12,532)
Transaction costs on financial instruments at fair value through profit or loss		**(26)**	(15)
Dividends and distributions received		**610**	251
Interest received/(paid)		**134**	(74)
Responsible Entity's fees paid		**(116)**	(67)
Reduced input tax credits (paid)		**(1)**	(2)
Other expenses paid		**(18)**	(9)
Net cash (outflow) from operating activities	14(a)	**(10,937)**	(9,711)
Cash flows from financing activities			
Proceeds from applications by unitholders		**10,904**	12,501
Payments for redemptions by unitholders		**(2,511)**	-
Distributions paid		**(99)**	(18)
Net cash inflow from financing activities		**8,294**	12,483
Net increase/(decrease) in cash and cash equivalents		**(2,643)**	2,772
Cash and cash equivalents at the beginning of the year		**4,757**	1,983
Effects of foreign currency exchange rate changes on cash and cash equivalents		**6**	2
Cash and cash equivalents at the end of the year		**2,120**	4,757

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

1 General information

These financial statements cover Daintree Hybrid Opportunities Fund (Managed Fund) ("the Scheme") as an individual entity. The Scheme was constituted on 14 October 2019. The Scheme will terminate on 14 October 2099 unless terminated earlier in accordance with the provisions of the Scheme's Constitution. The Scheme invests in hybrid securities and derivatives in accordance with the provisions of the Scheme's Constitution.

The Responsible Entity of the Scheme is Perennial Investment Management Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 27, 88 Phillip Street, Sydney, NSW 2000. The Responsible Entity's ABN is 13 108 747 637.

The Scheme is an Australian registered scheme from 21 July 2021. The Responsible Entity is incorporated and domiciled in Australia. The Scheme was listed on 3 November 2021.

The financial statements are presented in the Australian currency.

The financial statements are for the period 1 July 2022 to 30 June 2023 ("the year").

The financial statements were authorised for issue by the Directors on 21 September 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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 generally expected to be recovered or settled within twelve months, except for investments in financial assets. The amount expected to be recovered or settled within twelve months after the end of the year cannot be reliably determined.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

The financial statements of the Scheme comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New/Amended standards and interpretations adopted by the Scheme

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

(b) Financial instruments

(i) Classification

Classification and measurement of debt securities is driven by the Scheme's investment strategy for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the investment strategy is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest ("SPPI").

A debt instrument is measured at fair value through other comprehensive income if the objective of the investment strategy is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

All other debt instruments must be recognised at fair value through profit or loss. The Scheme may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Scheme does hold debt instruments as at 30 June 2023. Nil as at 30 June 2022.

Derivative and hybrid security instruments are measured at fair value through profit or loss unless, for hybrid security instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

Assets

The Responsible Entity classifies its investments based on its investment strategy for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Scheme's financial assets are managed performance evaluated on a fair value basis in accordance with the Scheme'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 hybrid securities and derivatives such as futures and foreign currency contracts, the contractual cash flows of these instruments do not represent SPPI. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are SPPI, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's investment strategy. Consequently, the debt securities are measured at fair value through profit or loss.

The Scheme holds hybrid securities which had previously been designated at fair value through profit or loss. In accordance with AASB 9 these securities are mandatorily classified as fair value through profit or loss.

The Scheme holds derivatives which had previously been classified as held for trading. In accordance with AASB 9 these securities are mandatorily classified as fair value through profit or loss.

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 an investment strategy with the objective to collect contractual cash flows through to maturity, and whose terms meet the 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.

Liabilities

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

The Scheme holds derivatives which had previously been classified as held for trading. In accordance with AASB 9 these securities are mandatorily classified as fair value through profit or loss.

(ii) Impairment

AASB 9 requires the Scheme to record an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss.

The ECL approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For receivables, due from brokers, margin accounts and applications receivable, the Scheme has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. The ECL approach is based on the Scheme's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Scheme considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Scheme may also consider a financial asset to be in default when internal or external information indicates that the Scheme is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Scheme.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Recognition/derecognition

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

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all of the risks and rewards of ownership.

(iv) Measurement

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. 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.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced using the last traded market price.

A financial instrument is regarded as quoted in 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.

The Scheme's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed hybrid securities to listed derivatives, where applicable.

Fair value in an inactive or unquoted market

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market rate at the end of the year applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the year.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, which market participants would consider in setting a price.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

The Scheme's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments from investments in unlisted unit trusts, unlisted hybrid securities where applicable.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is currently 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.

(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 can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Scheme. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2023 and 30 June 2022, net assets attributable to unitholders were classified as equity.

(d) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an effective interest method basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the year and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

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

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Scheme is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income and capital gains. Such income is recorded net of withholding tax in the statement of comprehensive income.

(h) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Scheme.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Scheme'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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme's presentation currency.

(ii) Transactions and balances

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

The Scheme does not isolate that portion of unrealised 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 or losses on financial instruments at fair value through profit or loss.

(j) Receivables

Receivables may include amounts for dividends, trust distributions, interest and securities sold 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 end of each year 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.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime ECLs 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 Scheme shall measure the loss allowance at an amount equal to 12-month ECLs. 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.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a 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 profit or loss.

2 Summary of significant accounting policies (continued)

(k) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the year.

Trades are recorded on trade date, and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

The distribution amount payable to unitholders' as at the end of each year is recognised separately in the statement of financial position.

(l) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

(m) Goods and Services Tax (GST)

Expenses of various services provided to the Scheme by third parties such as Responsible Entity fees are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(n) Use of judgements and estimates

The preparation of the Scheme's financial statements requires it to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Scheme's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Scheme. The Scheme considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

For certain other financial instruments, including amounts due from/to brokers, other payables and receivables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(o) New accounting standards, interpretations and other authoritative pronouncements

There are no new accounting standards and other authoritative pronouncements that are expected to have a material impact on the Scheme.

2 Summary of significant accounting policies (continued)

(p) Other legislative/government developments

Climate related and other emerging risk disclosure

The International Sustainability Standards Board (ISSB) Sustainability Disclosure Standards will become effective starting January 2024.

(q) Rounding of amounts

The Scheme is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Director's 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 off in accordance with that ASIC Instrument to the nearest thousand dollars, unless otherwise indicated.

3 Interest income

	Year ended	
	30 June 2023 $'000	30 June 2022 $'000
Cash and cash equivalents	**50**	2
Fixed interest securities	**116**	-
Total interest income	**166**	2

4 Dividend and distribution income

	Year ended	
	30 June 2023 $'000	30 June 2022 $'000
Dividend income	**608**	251
Total dividend and distribution income	**608**	251

5 Net (losses) on financial instruments at fair value through profit or loss

Net (losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended	
	30 June 2023 $'000	30 June 2022 $'000
Net (losses) on derivatives at fair value through profit or loss	**(29)**	(56)
Net (losses) on other financial instruments at fair value through profit or loss	**(187)**	(768)
Total net (losses) on financial instruments at fair value through profit or loss	**(216)**	(824)

6 Net assets attributable to unitholders

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

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

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

	Year ended			
	30 June 2023 No. '000	30 June 2022 No. '000	**30 June 2023 $'000**	30 June 2022 $'000
Balance as at 1 July	**1,889**	5,190	**17,675**	6,096
Applications	**1,103**	1,372	**9,925**	13,479
Redemptions	**(166)**	(4,721)	**(1,487)**	(1,025)
Units issued upon reinvestment of distributions	**35**	48	**321**	119
Distributions paid and payable	**-**	-	**(706)**	(121)
Total comprehensive (loss) for the year	**-**	-	**(29)**	(873)
Closing balance at 30 June	**2,861**	1,889	**25,699**	17,675

Capital risk management

The Scheme 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 Scheme is subject to daily applications and redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a regular basis by the Responsible Entity. Under the terms of the Scheme'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 as a whole.

7 Distributions to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2023 $'000	**30 June 2023 CPU**	30 June 2022 $'000	30 June 2022 CPU
Distributions				
25 July	**94**	**5.000**	-	-
30 September	**114**	**6.000**	31	0.600
31 December	**118**	**6.000**	75	6.000
31 March	**94**	**5.000**	15	1.000
30 June (payable)	**286**	**10.000**	-	-
Total distributions	**706**	**32.000**	121	7.600

8 Financial assets at fair value through profit or loss

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Financial assets at fair value through profit or loss		
Derivatives	**311**	354
Listed hybrid securities	**5,946**	2,244
Preference shares - redeemable	**14,976**	10,822
Fixed interest bonds	**596**	-
Floating rate notes	**2,261**	-
Total financial assets at fair value through profit or loss	**24,090**	13,420

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 11.

9 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Financial liabilities at fair value through profit or loss		
Derivatives	**159**	444
Total financial liabilities at fair value through profit or loss	**159**	444

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 11.

10 Derivative financial instruments

In the normal course of business the Scheme may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

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

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

The Scheme may hold the following derivative instruments:

(a) Futures

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

10 Derivative financial instruments (continued)

(b) Options

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

(c) Forward currency contracts

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

(d) Swaps

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

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the end of the year, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The Scheme's derivative financial instruments at year-end are detailed below:

		Fair Value	
30 June 2023	**Contract/ notional $'000**	**Assets $'000**	**Liabilities $'000**
Futures	**(6,396)**	**153**	**(81)**
Options	**35**	**5**	**(1)**
Forward foreign exchange contracts	**16,669**	**153**	**(77)**
Total derivative instruments	**10,308**	**311**	**(159)**

		Fair Value	
30 June 2022	Contract/ notional $'000	Assets $'000	Liabilities $'000
Swaps	3,345	96	-
Futures	1,037	72	(25)
Options	38	31	(2)
Forward foreign exchange contracts	30,583	155	(417)
Total derivative instruments	35,003	354	(444)

An overview of the risk exposures relating to derivatives is included in note 11.

11 Financial risk management

(a) Objectives, strategies, policies and processes

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

The Scheme's risk management focuses on ensuring compliance with the Scheme's PDS and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by the Investment Manager under policies approved by the Board of Directors of the Responsible Entity ("the Board").

11 Financial risk management (continued)

(a) Objectives, strategies, policies and processes (continued)

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Responsible Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

The Investment Manager may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, hybrid security price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign exchange risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held in the Scheme.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss)) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks 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 shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

At 30 June 2023 and 30 June 2022, the overall market exposures were as follows:

	As at	
	30 June 2023 $'000	30 June 2022 $'000
Derivatives assets at fair value through profit or loss	**311**	354
Derivatives liabilities at fair value through profit or loss	**(159)**	(444)
Securities at fair value through profit or loss	**23,779**	13,066
	23,931	12,976

(i) Price risk

Price risk is the risk that the fair value or future cash flows of hybrid securities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's Investment Manager. This information and the compliance with the Scheme's PDS and the provision of the Scheme's Constitution are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

At 30 June 2023 and 30 June 2022, if the market prices of the fund's financial assets had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss)) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2023		As at 30 June 2022	
	Increased by 10% $'000	**Decreased by 10% $'000**	Increased by 10% $'000	Decreased by 10% $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss))	**2,087**	**(2,087)**	1,309	(1,309)

(ii) Foreign exchange risk

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

The Scheme holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As stated in section (a) above, as part of its risk management strategy, the Scheme uses forward currency contracts to manage exposures resulting from changes in foreign currencies. On this basis, the Scheme's overall exposure to foreign exchange risk is considered minimal after taking into account the forward currency contracts.

In accordance with the Scheme's guidelines, the Investment Manager monitors the Scheme's currency position on a regular basis. This information and the compliance with the Scheme's guidelines are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Scheme, the Investment Manager factors that into its portfolio allocation decisions. While the Scheme has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Scheme invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in foreign exchange rates.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the Scheme's assets and liabilities which are denominated in Australian and non-Australian currencies:

30 June 2023	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Other currencies A$'000	Total A$'000
Assets					
Cash and cash equivalents	1,576	393	89	62	2,120
Receivables	5	-	31	-	36
Futures	5	123	9	16	153
Options	-	5	-	-	5
Forward foreign exchange contracts	-	125	4	24	153
Listed hybrid securities	2,710	3,236	-	-	5,946
Preference shares - redeemable	9,173	2,345	-	3,458	14,976
Fixed interest bonds	-	-	596	-	596
Floating rate notes	1,009	-	1,252	-	2,261
Total assets	14,478	6,227	1,981	3,560	26,246
Liabilities					
Distributions payable	286	-	-	-	286
Payables	102	-	-	-	102
Futures	10	68	3	-	81
Options	-	1	-	-	1
Forward foreign exchange contracts	-	10	11	56	77
Total liabilities	398	79	14	56	547
Net assets attributable to unitholders	14,080	6,148	1,967	3,504	25,699

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

30 June 2022	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Other currencies A$'000	Total A$'000
Assets					
Cash and cash equivalents	4,378	178	60	141	4,757
Receivables	983	(5)	-	-	978
Swaps	-	96	-	-	96
Futures	4	37	16	15	72
Options	-	31	-	-	31
Forward foreign exchange contracts	-	51	9	95	155
Listed hybrid securities	834	1,410	-	-	2,244
Preference shares - redeemable	6,931	1,955	-	1,936	10,822
Total assets	13,130	3,753	85	2,187	19,155
Liabilities					
Payables	1,036	-	-	-	1,036
Futures	2	7	16	-	25
Options	-	2	-	-	2
Forward foreign exchange contracts	-	252	14	151	417
Total liabilities	1,038	261	30	151	1,480
Net assets attributable to unitholders	12,092	3,492	55	2,036	17,675

At 30 June 2023 and 30 June 2022, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Scheme is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss)) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		**AUD Strengthened**	
	Increase/(decrease) in net assets attributable to unitholders (and profit/(loss))			
	30 June 2023 $'000	30 June 2022 $'000	**30 June 2023 $'000**	30 June 2022 $'000
AUD/USD +/-5%	**4**	17	**(3)**	(15)
AUD/EUR +/-5%	**(1)**	6	**1**	(5)
AUD/Other +/-5%	**-**	(24)	**-**	21

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Responsible Entity establishes interest rate management strategies to manage the risk of the Scheme. This includes managing exposures around the benchmark and hedging exposures through the use of derivatives.

The Scheme's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Scheme may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The Responsible Entity via the Investment Manager monitors the Scheme's overall interest sensitivity on a daily basis.

The Scheme has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates:

		Fixed interest rate					
30 June 2023	Floating interest rate $'000	3 months or less $'000	4 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	1,739	381	-	-	-	-	2,120
Receivables	-	-	-	-	-	36	36
Futures	153	-	-	-	-	-	153
Options	-	-	-	-	-	5	5
Forward foreign exchange contracts	-	-	-	-	-	153	153
Listed hybrid securities	-	-	-	-	-	5,946	5,946
Preference shares - redeemable	-	-	-	-	-	14,976	14,976
Fixed interest bonds	-	-	-	-	596	-	596
Floating rate notes	2,261	-	-	-	-	-	2,261
Total assets	4,153	381	-	-	596	21,116	26,246
Liabilities							
Distributions payable	-	-	-	-	-	286	286
Payables	-	-	-	-	-	102	102
Futures	81	-	-	-	-	-	81
Options	-	-	-	-	-	1	1
Forward foreign exchange contracts	-	-	-	-	-	77	77
Total liabilities	81	-	-	-	-	466	547
Net assets attributable to unitholders	4,072	381	-	-	596	20,650	25,699

The Scheme did not have any investments in interest bearing securities at 30 June 2022.

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

At 30 June 2023, should interest rates have decreased/increased by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss)) would have changed by the following amounts, approximately:

	As at 30 June 2023	
	Increased by 100 basis points $'000	Decreased by 100 basis points $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss))	15	(15)

These changes are calculated on an undiscounted basis.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the year.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase of the securities has been received by the broker.

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the Responsible Entity on a regular basis.

All contracts are with counterparties included in the Board's Approved Counterparties list.

Credit quality per class of instrument

The credit quality of financial assets is managed by the Scheme using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme. The Scheme's exposure in each grade is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action.

The Scheme may also invest in unrated assets where a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by that rating agency. In order to monitor the credit quality of the unrated assets, the Investment Manager, on the basis of internal research, may prepare its own shadow ratings for the various instruments for which publicly available credit ratings are not available.

11 Financial risk management (continued)

(c) Credit risk (continued)

***Credit quality per class of instrument* (continued)**

The table below shows the credit quality by class of assets:

Daintree Hybrid Opportunities Fund (Managed Fund)	**BBB**
	$'000
At 30 June 2023	
Financial assets at fair value through profit or loss	
Fixed interest bonds	**596**
Floating rate notes	**2,261**
Total	**2,857**

There was no significant credit risk in the Scheme as at 30 June 2022.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet their obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for hybrid security instruments and by counterparty for debt instruments and selected derivatives.

Based on the concentrations of risk that are managed by industry sector, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2023 and 30 June 2022:

	%
At 30 June 2023	
Financials	**77.23**
Bond ETF	**10.19**
Others - aggregated concentration made up of other industries less than 10%	**12.58**
Total	**100.00**

	%
At 30 June 2022	
Financials	92.98
Others - aggregated concentration made up of other industries less than 10%	7.02
Total	100.00

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The Scheme may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Investment Manager may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Scheme or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

The Scheme's investment guidelines are to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders' option. The holders of these instruments typically retain them for the medium to long term.

(i) Maturity of non-derivative financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the year to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month $'000	**1-3 months $'000**	**3-12 months $'000**	**More than 12 months $'000**
At 30 June 2023				
Distributions payable	**286**	**-**	**-**	**-**
Payables	**102**	**-**	**-**	**-**
Total financial liabilities	**388**	**-**	**-**	**-**

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
At 30 June 2022				
Payables	1,036	-	-	-
Total financial liabilities	1,036	-	-	-

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Scheme's derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the period to the contractual maturity date.

	Less than 1 month $'000	**1-3 months $'000**	**3-12 months $'000**	**More than 12 months $'000**
At 30 June 2023				
Futures				
- (Outflows)	-	**(81)**	-	-
- Inflows	-	**153**	-	-
Options				
- (Outflows)	-	**(1)**	-	-
- Inflows	-	**1**	**4**	-
Forward foreign exchange contracts				
- (Outflows)	-	**(77)**	-	-
- Inflows	-	**153**	-	-
	-	**148**	**4**	-

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
At 30 June 2022				
Swaps				
- Inflows	-	-	-	96
Futures				
- (Outflows)	-	(2)	(23)	-
- Inflows	-	41	15	16
Options				
- (Outflows)	(1)	(1)	-	-
- Inflows	17	5	9	-
Forward foreign exchange contracts				
- (Outflows)	-	(417)	-	-
- Inflows	-	155	-	-
	16	(219)	1	112

The Scheme predominantly invests in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents and net Level 1 Financial Instruments (hybrid securities and derivatives). As at 30 June 2023, these assets amounted to $23,118,479 (2022: $17,899,546).

11 Financial risk management (continued)

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the year approximated their fair values.

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

The Scheme's accounting policy on fair value measurement is set out in note 2(b). The methods and assumptions used in the determination of the fair value of each class of financial instruments are also set out in note 2(b).

Note 2(n) outlines further the nature of management's judgements, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

(g) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

At 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Futures	153	-	-	153
Options	5	-	-	5
Forward foreign exchange contracts	-	153	-	153
Listed hybrid securities	5,946	-	-	5,946
Preference shares - redeemable	14,976	-	-	14,976
Fixed interest bonds	-	596	-	596
Floating rate notes	-	2,261	-	2,261
Total	21,080	3,010	-	24,090
Financial liabilities				
Futures	81	-	-	81
Options	1	-	-	1
Forward foreign exchange contracts	-	77	-	77
Total	82	77	-	159

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

At 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Swaps	-	96	-	96
Futures	72	-	-	72
Options	31	-	-	31
Forward foreign exchange contracts	-	155	-	155
Listed hybrid securities	2,244	-	-	2,244
Preference shares - redeemable	10,822	-	-	10,822
Total	13,169	251	-	13,420
Financial liabilities				
Futures	25	-	-	25
Options	2	-	-	2
Forward foreign exchange contracts	-	417	-	417
Total	27	417	-	444

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed hybrid securities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds, and over-the-counter derivatives.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, valuation techniques are used to derive fair value.

There were no transfers between any levels for the year ended 30 June 2023 (2022: Nil).

There were no level 3 instruments as at 30 June 2023 (2022: Nil).

12 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor to the Scheme:

	Year ended	
	30 June 2023 $	30 June 2022 $
KPMG		
Audit and other assurance services		
Audit of financial statements	**7,337**	6,825
Other regulatory audit services	**2,822**	2,625
Total remuneration for and other assurance services	**10,159**	9,450
Taxation services		
Taxation compliance services	**4,725**	4,725
Total remuneration for taxation services	**4,725**	4,725
Total remuneration of KPMG	**14,884**	14,175

Auditor's remuneration is paid by the Responsible Entity.

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of Daintree Hybrid Opportunities Fund (Managed Fund) is Perennial Investment Management Limited.

The immediate parent entity and the controlling entity of Perennial Investment Management Limited is Perennial Value Management Limited.

(b) Directors

Key management personnel include persons who were Directors of Perennial Investment Management Limited at any time during the year.

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the year.

(d) Key management personnel unitholdings

The key management personnel of Perennial Investment Management Limited held units in the Scheme as follows:

	No. of units held opening (Units)	No. of units held closing (Units)	No. of units acquired (Units)	No. of units disposed (Units)
30 June 2023	**614,452**	**629,299**	**14,847**	**-**
30 June 2022	5,189,954	614,452	44,877	4,620,379

13 Related party transactions (continued)

(e) Key management personnel compensation

Key management personnel are remunerated by Perennial Value Management Limited. Payments made from the Scheme to Perennial Investment Management Limited do not include any amount that is directly attributable to key management personnel remuneration.

(f) Key management personnel loan disclosures

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

(g) Other transactions within the Scheme

From time to time, Directors of the Responsible Entity, 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 and are trivial in nature.

(h) Responsible Entity's/Investment Manager's fees and other transactions

The Responsible Entity fee charged by the Responsible Entity for the year was 0.75% per annum (2022: 0.75%).

The transactions during the year and amounts payable at year end between the Scheme and the Responsible Entity were as follows:

	30 June 2023 $	30 June 2022 $
Responsible Entity fees for the year ended paid by the Scheme to the Responsible Entity (GST exclusive)	**105,166**	65,325
Responsible Entity fees payable to the Responsible Entity at the end of the year ended (GST exclusive)	**15,857**	10,901
Expense recovery for the year paid by the Scheme to the Responsible Entity (GST exclusive)	**17,857**	8,575

(i) Related party unitholdings

Parties related to the Scheme including Perennial Investment Management Limited, its related parties and other schemes managed by Perennial Investment Management Limited held units in the Scheme as follows:

30 June 2023 Unitholder	**No. of units held opening (Units)**	**No. of units held closing (Units)**	**No. of units acquired (Units)**	**No. of units disposed (Units)**
Daintree Core Income Trust AUD	-	**478,821**	**478,821**	-
Daintree Core Income Trust NZD	-	**523,362**	**523,362**	-
Total	-	**1,002,183**	**1,002,183**	-

As at 30 June 2022, there were no related parties or other Scheme's managed by Perennial Investments Management Limited that held units in the Scheme.

(j) Investments

The Scheme did not hold any investments in Perennial Investment Management Limited or its related parties during the year.

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

	Year ended 30 June 2023 $'000	30 June 2022 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
(Loss) for the year ended	**(29)**	(873)
Proceeds from sale of financial instruments at fair value through profit or loss	**13,827**	2,737
Payments for the purchase of financial instruments at fair value through profit or loss	**(25,347)**	(12,532)
Net losses on financial instruments at fair value through profit or loss	**216**	824
Net losses on foreign exchange	**427**	121
Net change in receivables and other assets	**(36)**	2
Net change in payables and other liabilities	**5**	10
Net cash (outflow) from operating activities	**(10,937)**	(9,711)

(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**321**	119
	321	119

15 Events occurring after the reporting period

Effective 26 August 2023, HSBC Bank Australia Limited replaced NAS Asset Servicing as fund administrator and custodian.

No other significant events have occurred since the end of the year which would impact on the financial position of the Scheme's disclosed in the statements of financial position as at 30 June 2023, or on the results and cash flows of the Scheme for the year ended on that date.

16 Contingent assets and liabilities and commitments

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

Director's declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 33 are in accordance with the Australian Accounting Standard, including:

(i) complying with Australian Accounting Standards (including Australian Accounting Interpretations); and

(ii) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its performance as represented by the results of its operations and cash flows, for the year ended on that date.

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

(c) the financial statements are in accordance with the Scheme's Constitution.

(d) note 2(a) confirms that the financial statements also 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.

A. Patterson
Director

Sydney
21 September 2023

Independent Auditor's Report

To the unitholders of Daintree Hybrid Opportunities Fund (Managed Fund)

Opinion

We have audited the ***Financial Report*** of Daintree Hybrid Opportunities Fund (Managed Fund) (the Scheme).

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

- giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2023;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; 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 Scheme in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KPMG

Valuation and existence of financial assets at fair value through profit or loss ($24.1 m)	
Refer to Note 8 and Note 11(g) to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Scheme outsources certain processes and controls relevant to: • Recording and valuing financial assets to a fund administrator; and • Maintaining custody and underlying records of financial assets to a custodian. Valuation and existence of financial assets is a key audit matter due to the: • Size of the Scheme's portfolio of financial assets. These financial assets represent 92% of the Scheme's total assets at year end; and • Importance of the performance of these financial assets in driving the Scheme's investment income and capital performance, as reported in the Financial Report. As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.	Our procedures included: • We assessed the appropriateness of the accounting policies applied by the Scheme, including those relevant to the fair value of financial assets, against the requirements of the accounting standards. • We obtained and read the GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports to understand the processes and assess the controls relevant to the: - Fund administrator – to record and value the Scheme's financial assets; and - Custodian – to maintain custody and underlying records of the Scheme's financial assets. • We assessed the reputation, professional competence and independence of the auditors of the GS007 assurance report. For listed investments: • We checked the existence of a sample of financial assets being the ownership and quantity held to independent confirmations from the custodian as at 30 June 2023. • Working with our valuation experts, we checked the valuation of a sample of financial assets, as recorded in the general ledger, to externally quoted market prices as at 30 June 2023; For non-listed investments: • We checked the existence of a sample of financial assets being the ownership and quantity held to independent confirmations from the external companies in which the investments were held as at 30 June 2023. • We recalculated the unit price of the unlisted investment trust which the Schemes invests in. The valuation was performed using audited financial statements and compared to the valuation recorded in the general ledger as at 30 June 2023. • We evaluated the Scheme's disclosures of financial assets, using our understanding obtained from our testing, against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Daintree Hybrid Opportunities Fund (Managed Fund)'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Perennial Investment Management Limited (the Responsible Entity) are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors of Perennial Investment Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme'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 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 objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Joshua Pearse

Partner

Melbourne

21 September 2023