

KKR Global Credit Opportunities Fund (AUD)

ARSN 661 241 532

Annual Report

for the year ended 30 June 2024

KKR Global Credit Opportunities Fund (AUD)

ARSN 661 241 532

Annual Report for the year ended 30 June 2024

Contents	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	29
Independent auditor's report to the unitholders of the KKR Global Credit Opportunities Fund (AUD)	30

These financial statements cover the KKR Global Credit Opportunities Fund (AUD) as an individual entity.

The Responsible Entity of the KKR Global Credit Opportunities Fund (AUD) is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007).
The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

Directors' report

The Directors of Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007), the Responsible Entity of KKR Global Credit Opportunities Fund (AUD) (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2024.

Principal activities

The Fund was constituted on 4 August 2022, registered as a managed investment scheme on 9 August 2022 and commenced operations on 5 December 2022. The Fund is a registered managed investment scheme domiciled in Australia.

The Responsible Entity of the Fund is Channel Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Fund is incorporated and domiciled in Australia.

KKR Australia Investment Management Pty Ltd is the investment manager of (the "Investment Manager") the Fund.

The Fund's investment objective is to provide Unitholders with an income stream, as well as to achieve attractive long-term capital appreciation, over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by number of investments and across geographies and asset classes. These investments will typically have a high-income component.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as Directors of Channel Investment Management Limited ("CIML") during or since the end of the period and up to the date of this report:

Glen Holding (Executive Director)
Katherine Youhanna (Executive Director) – resigned 1 March 2024
Stuart Jordan (Non-Executive Director) – resigned 1 March 2024
Josh Yeo (Executive Director) – resigned 1 March 2024
Mathew Tibbett (Executive Director) – resigned 1 March 2024
Sandra Birkensleigh (Non-Executive Chair) - appointed 1 March 2024
Bede King (Non-Executive Director) – appointed 1 March 2024
Karen Prentis (Non-Executive Director) – appointed 1 March 2024

As a result of achieving a majority external Channel Investment Management Limited ("CIML") board, a Compliance Committee is no longer required and was retired effective 1 March 2024.

Review and results of operations

There have been no significant changes to the operations of the Fund since the beginning of the financial year. The Fund continued to invest funds in accordance with target asset allocations as set out in the Product Disclosure Statements of the Fund and in accordance with the provisions of the Fund's Constitution.

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

	Year ended 30 June 2024	For the period 9 August 2022 to 30 June 2023
Net operating profit before financing costs attributable to unit holders (\$'000)	11,005	2,117
Distributions - Class A		
Distributions paid and payable (\$'000)	8,223	1,616
Distributions (cents per unit)	7.4992	3.2707
Distributions - Class B		
Distributions paid and payable (\$'000)	1,295	483
Distributions (cents per unit)	7.8188	3.1333
Distributions - Class C		
Distributions paid and payable (\$'000)	19	6
Distributions (cents per unit)	7.6010	3.1993

Directors' report (continued)

Significant changes in state of affairs

In accordance with the CIML Board's resolution on 12 April 2024, Ernst & Young (EY) was appointed as auditor of the Fund replacing PricewaterhouseCoopers Australia (PwC).

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund.

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of Channel Investment Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 of the financial statements.

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

There were no interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 13 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 4 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

The Funds are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Auditor's independence declaration

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

This report is made in accordance with a resolution of the Directors of Channel Investment Management Limited, the Responsible Entity.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
17 September 2024



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

Auditor's independence declaration to the directors of Channel Investment Management Limited as Responsible Entity for KKR Global Credit Opportunities Fund (AUD)

As lead auditor for the audit of the financial report of KKR Global Credit Opportunities Fund (AUD) for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rohit Khanna
Partner
Sydney
17 September 2024

Statement of comprehensive income

		For the period 9 August 2022 to 30 June 2023 \$'000
	Notes	Year ended 30 June 2024 \$'000
Investment income		
Interest income from financial assets at amortised cost	5	909
Interest income from financial assets at fair value through profit or loss	5	8,219
Net gains/(losses) on financial instruments at fair value through profit or loss		2,430
Other income		528
Total investment income/(loss)		<u>12,086</u>
Expenses		
Investment management fees	15	849
Responsible Entity Fees	15	195
Other expenses		37
Total operating expenses		<u>1,081</u>
Operating profit/(loss)		<u>11,005</u>
Finance costs attributable to unit holders		
Distributions to unitholders	7	(9,537)
(Increase)/decrease in net assets attributable to unit holders	13	(1,468)
Profit/(loss) for the year		<u>-</u>
Other comprehensive income		-
Total comprehensive income/(loss) for the financial year		<u>-</u>

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

Statement of financial position

		As at	
	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	8	41,303	24,632
Margin accounts		3,591	793
Receivables	11	2,020	220
Applications receivable		-	3,217
Due from brokers - receivable for securities sold		421	-
Financial assets at fair value through profit or loss	9	178,553	60,804
Total assets		225,888	89,666
Liabilities			
Bank overdraft		128	-
Distributions payable	7	2,331	2,105
Payables	12	278	114
Redemptions payable		4,965	268
Due to brokers - payable for securities purchased		11,046	18,083
Financial liabilities at fair value through profit or loss	10	65	41
Total liabilities		18,813	20,611
Net assets attributable to unitholders - liability	13	207,075	69,055

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

Statement of changes in equity

			For the period 9 August 2022 to 30 June 2023 \$'000
	Notes	Year ended 30 June 2024 \$'000	
Total equity at the beginning of the financial year		-	-
Comprehensive income/(loss) for the year			
Profit/(loss) for the year		-	-
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year		-	-
Transactions with owners in their capacity as owners		-	-
Total equity at the end of the financial year		-	-

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

Changes in net assets attributable to unitholders are disclosed in Note 13.

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

Statement of cash flows

		For the period 9 August 2022 to 30 June 2023 \$'000
	Notes	Year ended 30 June 2024 \$'000
Cash flows from operating activities		
Payments for financial instruments at fair value through profit or loss		(222,540)
Proceeds from maturity/sales of financial instruments at fair value through profit or loss		99,798
Interest income received from financial assets at fair value through profit and loss		6,441
Net movement in margin accounts		(2,798)
Interest income received from financial assets at amortised cost		909
Investment management fees paid		(841)
Other income received		667
Responsible Entity fees paid		(178)
Other expenses paid		(59)
Net cash inflow/(outflow) from operating activities	16 (a)	<u>(118,601)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders		147,079
Distributions paid to unitholders		(7,444)
Payments for redemptions by unitholders		(4,480)
Net cash inflow/(outflow) from financing activities		<u>135,155</u>
Net increase/(decrease) in cash and cash equivalents		<u>16,554</u>
Cash and cash equivalents at the beginning of the year		24,632
Effect of foreign currency exchange rate changes on cash and cash equivalents		(11)
Cash and cash equivalents at the end of the year	8	<u>41,175</u>
Non-cash financing activities	16 (b)	1,867

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

Notes to the financial statements

Contents	Page
1 General information	10
2 Summary of material accounting policies	10
3 Financial risk management	14
4 Fair value measurement	20
5 Interest income	21
6 Remuneration of auditors	22
7 Distribution to unitholders	22
8 Cash and cash equivalents	23
9 Financial assets at fair value through profit or loss	23
10 Financial liabilities at fair value through profit or loss	23
11 Receivables	24
12 Payables	24
13 Net assets attributable to unitholders	24
14 Derivative financial instruments	25
15 Related party transactions	26
16 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	28
17 Events occurring after the reporting date	28
18 Contingent assets and liabilities	28

1 General information

These financial statements cover KKR Global Credit Opportunities Fund (AUD) (the "Fund") as an individual entity. The Fund was constituted on 4 August 2022, registered as a managed investment scheme on 9 August 2022 and commenced operations on 5 December 2022, and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007) (the "Responsible Entity"). The Responsible Entity's registered office is Level 19, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Fund is incorporated and domiciled in Australia.

KKR Australia Investment Management Pty Ltd is the investment manager ("Investment Manager") of the Fund. The Investment Manager is an affiliate of KKR & Co., a global alternative asset manager.

The Fund's investment objective is to provide unitholders with an income stream, as well as to achieve attractive long-term capital appreciation, over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by number of investments and across geographies and asset classes. These investments will typically have a high-income component.

The Fund aims to invest opportunistically in a diversified portfolio of primarily loans, bonds, notes (fixed and floating rate) and other debt securities and related financial instruments, including traded senior secured bank loans and high yield bonds in accordance with the Fund's product disclosure statement and the provisions of the Fund's constitution.

The financial statements were authorised for issue by the directors of the Responsible Entity on 17 September 2024. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The Fund manages investments in financial assets based on the economic circumstances at any given point in time, as well as to meet liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, but this amount cannot be reliably determined as at reporting date.

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

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

(ii) New Standards and interpretations effective after 1 July 2024 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024, and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

(iii) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for its financial year beginning 1 July 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – *Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendments have had an impact on the Fund's disclosures of accounting policies, including the requirement to disclose 'material' rather than 'significant' accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

None of the other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Foreign currency translation

(i) Functional and presentation currency

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

2 Summary of material accounting policies (continued)

(b) Foreign currency translation

(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 profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit and loss.

(c) Financial instruments

(i) Classification

Financial Assets

The Fund classifies its financial assets in to those to be measured subsequently at fair value through profit or loss and those to be measured at amortised cost.

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets, comprised of investments in corporate bonds, private debt and debt securities, is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For derivatives, the contractual cash flows held by the Fund are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents, margin cash and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

Financial Liabilities

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

For financial liabilities that are not classified and measured at fair value through profit and loss, these are classified as financial liabilities at amortised cost (bank overdraft, distribution payable, redemptions payable and due to brokers - payable for securities purchased).

(ii) Recognition/derecognition

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

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

(iii) Measurement

Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures financial assets and financial liabilities at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and 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 (including foreign currency movements) in the period in which they arise.

Financial instruments measured at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value, including directly attributable costs, and are subsequently measured at amortised cost using the effective interest method.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

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

2 Summary of material accounting policies (continued)

(c) Financial instruments (continued)

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. As at the end of the reporting year, there are no financial assets or liabilities offset in the Statement of financial position.

(d) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At inception of the hedge relationship, the Fund documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments consisting of foreign currency forward contracts designated in hedge relationships are disclosed in Note 14.

Fair value hedges

The Fund applies fair value hedge accounting to its derivative instruments and performs a hedge effectiveness assessment at each reporting period to determine whether the hedge will be highly effective over the term of the hedge relationship. The Fund designates the changes in value of the spot element of a forward contract (i.e. excluding the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

A qualitative assessment is made to determine whether an economic relationship exists between the hedged item and the hedging instrument. The effect of credit risk is assessed to determine whether it dominates the value changes that result from the economic relationship. Where the terms of the hedging instrument and hedged item do not match, the source of ineffectiveness in the hedge relationship is identified.

Any potential ineffectiveness will be measured using a quantitative assessment at each hedge testing date and accounted for in profit or loss. Potential sources of ineffectiveness identified by the Fund with respect to the foreign exchange exposures include:

- The amount of the currency exposure being hedged changes due to a change in the fair value of the underlying asset; or
- The impact of credit/debit valuation adjustments on the hedging.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit or loss immediately and are included in the Net gains/(losses) on financial instruments at fair value through profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The carrying value of the hedged investment is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognised in the Statement of profit or loss and other comprehensive income. The hedging instrument is measured at fair value, with changes in fair value also recognised in Statement of profit or loss and other comprehensive income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or when it no longer qualifies for hedge accounting.

(e) 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 unitholders in accordance with the Fund's constitution. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund'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 this is a multi-class fund, units in the Fund are classified as financial liabilities as they do not meet the criteria outlined above in accordance with AASB 132 *Financial Instruments: Presentation*.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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.

2 Summary of material accounting policies (continued)

(f) Cash and cash equivalents (continued)

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

(g) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

(h) Investment income

(i) Interest income

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income from financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income and is disclosed as interest income from financial assets at fair value through profit or loss.

(i) Expenses

Any expenses which are paid by the unitholder from Fund assets are included in the Fund's financial statements and recognised in the statement of comprehensive income on an accruals basis.

(j) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(k) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. As the Fund's units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(l) Due from/to brokers

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(m) Receivables

Receivables may include amounts for interest. Interest is accrued at the end of each reporting period from the time of the last payment in accordance with the policy set out in Note 2(h) above.

Receivables include such items as Reduced Input Tax Credits (RITC) and interest receivable.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

2 Summary of material accounting policies (continued)

(m) Receivables (continued)

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

(n) Payables

Payables include redemptions payables, distributions payable and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(o) Applications and redemptions

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

(i) Applications receivable

Applications receivable are recorded when the applications are made for units in the Fund with the consideration yet to be received as at the end of the reporting date.

(ii) Redemptions payable

Redemptions payable are recognised when the unitholder returns their holdings back into the Fund foregoing all rights associated with the units, with the payment yet to be released.

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of 55% or 75%, hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Use of estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. 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 and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(r) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

3 Financial risk management

(a) Objectives, strategies, policies and processes

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

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund 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).

The Fund uses different methods to measure different types of risk to which it is exposed. These methods includes sensitivity analysis in the case of interest rate risk and ratings analysis for credit risk.

As part of its risk management strategy, the Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

3 Financial risk management (continued)

(b) Market risk

(i) Price Risk

The Fund is exposed to securities and derivatives price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Securities and derivatives are classified in the statements of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Fund's overall market positions are reported to the Board on a regular basis.

Net assets attributable to unitholders include investments in debt securities and derivatives.

As at year end, the fair value of securities and related derivatives exposed to price risk were as follows:

	Fair value \$'000	% of net assets attributable to unitholders
As at 30 June 2024		
Financial assets at fair value through profit or loss		
Corporate bonds	83,128	40.14%
Term loans	90,228	43.57%
Asset backed securities	4,207	2.03%
Foreign currency forward contracts	990	0.48%
Total financial assets at fair value through profit or loss	178,553	86.22%
Financial liabilities at fair value through profit or loss		
Foreign currency forward contracts	65	0.03%
Total financial liabilities at fair value through profit or loss	65	0.03%
	Fair value \$'000	% of net assets attributable to unitholders
As at 30 June 2023		
Financial assets at fair value through profit or loss		
Corporate bonds	2,675	3.87%
Term loans	57,087	82.67%
Foreign currency forward contracts	1,042	1.51%
Total financial assets at fair value through profit or loss	60,804	88.05%
Financial liabilities at fair value through profit or loss		
Foreign currency forward contracts	41	0.06%
Total financial liabilities at fair value through profit or loss	41	0.06%

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than the Australian dollar, the Fund's functional and presentation currency. The Fund is therefore exposed to foreign exchange risk as the value of monetary and non-monetary assets and liabilities denominated in other currencies fluctuate due to changes in exchange rates. The Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed by predominantly hedging currency risk back to the base currency of the Fund, which is the Australian Dollar, with the goal of reducing the impact of adverse movements in overseas currencies. The Fund uses forward foreign currency exchange contracts for hedging the foreign exchange exposure in order to implement the investment strategy of the Fund and to manage the risk associated with the fair value of certain investments. The Fund manages currency risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Investment Manager monitors the fluctuation in its value and compares these fluctuations to its risk objective.

The decision to hedge to any particular basis (i.e. cost, face value or market value) is not fixed and can be subject to change based on the Investment Manager's assessment of risk. At a minimum, the Manager expects to re-evaluate its hedging strategy on a monthly basis to capture changes in the Net Assets Value of the Fund.

The Fund uses a customised currency management tool within its information technology systems. This system allows the Fund to monitor foreign exchange exposures against derivatives and liability-based hedges at the currency, portfolio and asset levels. In executing new trades, the Fund investment teams will use market data from Bloomberg, Thomson Reuters and quotes directly from dealers in evaluating the relative costs of hedging foreign exchange across products, tenors and strategies. The Fund's relevant investment team incorporates the impact of these hedging costs in their investment analysis and as a consideration in the Fund's relevant investment committee approval process.

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the Fund's net exposure to different major currencies, including the notional value of forward foreign currency exchange contracts:

	USD \$'000	EUR \$'000
As at 30 June 2024		
Cash and cash equivalents	1,119	15
Receivables	1,524	322
Due from brokers - receivable for securities sold	378	-
Financial assets at fair value through profit or loss	146,068	31,495
Due to brokers - payable for securities purchased	(9,390)	(1,656)
Gross exposure	139,699	30,176
Net exposure from forward currency contracts	(143,161)	(89,693)
Net exposure	(3,462)	(59,517)
	USD \$'000	EUR \$'000
As at 30 June 2023		
Cash and cash equivalents	802	6,920
Receivables	125	27
Financial assets at fair value through profit or loss	49,785	8,492
Due to brokers - payable for securities purchased	(12,200)	(5,879)
Gross exposure	38,512	9,560
Net exposure from forward currency contracts	(38,354)	(9,342)
Net exposure	158	218

The table at Note 3(c) summarises the sensitivities of the Fund's monetary and non-monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by +/-10% against the material foreign currencies to which the Fund is exposed.

(iii) Interest rate risk

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

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

The Investment Manager may determine it is in the best interests of the Fund to manage the overall interest rate risk of the Fund by hedging with various interest rate derivatives, such as interest rate futures, as deemed appropriate from time to time.

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

	Floating Interest Rate \$'000	Fixed Interest rate \$'000	Non-interest Bearing \$'000	Total \$'000
As at 30 June 2024				
Financial Assets				
Cash and cash equivalents	41,303	-	-	41,303
Margin accounts	3,591	-	-	3,591
Receivables	-	-	2,020	2,020
Due from brokers - receivable for securities sold	-	-	421	421
Financial assets at fair value through profit or loss	94,435	81,740	2,378	178,553
Total Financial Assets	139,329	81,740	4,819	225,888
Financial Liabilities				
Bank overdraft	128	-	-	128
Distributions payable	-	-	2,331	2,331
Payables	-	-	278	278
Redemptions payable	-	-	4,965	4,965
Due to brokers - payable for securities purchased	-	-	11,046	11,046
Financial liabilities at fair value through profit or loss	-	-	65	65
Total Financial Liabilities	128	-	18,685	18,813
Net exposure	139,201	81,740	(13,866)	207,075

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

As at 30 June 2023	Floating Interest Rate \$'000	Fixed interest rate \$'000	Non-interest Bearing \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	9,715	-	14,917	24,632
Margin accounts	-	-	793	793
Receivables	-	-	220	220
Applications receivable	-	-	3,217	3,217
Financial assets at fair value through profit or loss	57,087	2,675	1,042	60,804
Total Financial Assets	66,802	2,675	20,189	89,666
Financial Liabilities				
Distributions payable	-	-	2,105	2,105
Payables	-	-	114	114
Redemptions payable	-	-	268	268
Due to brokers - payable for securities purchased	-	-	18,083	18,083
Financial liabilities at fair value through profit or loss	-	-	41	41
Total Financial Liabilities	-	-	20,611	20,611
Net exposure	66,802	2,675	(422)	69,055

The table at Note 3(c) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/-100 basis points (bps) (2023: +/-100 basis points) from the year end rates with all other variables held constant.

(c) Summarised sensitivity analysis

An increase of 10% at the reporting date of the market prices attributable to the assets held by the Fund would have the following impact on the Fund's operating profit/(loss) and net assets attributable to unitholders. This analysis assumes that all other variables remain constant. A decrease of 10% would have an equal, but the opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Impact on operating profit/net assets attributable to unitholders	
	30 June 2024 \$'000	30 June 2023 \$'000
+10% Price movement - Impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	17,849	6,076
-10% Price movement - Impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	(17,849)	(6,076)

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

	Impact on operating profit/net assets attributable to unitholders			
	Foreign exchange risk			
	+10% USD \$'000	-10% USD \$'000	+10% EUR \$'000	-10% EUR \$'000
As at 30 June 2024	346	(346)	5,952	(5,952)
As at 30 June 2023	16	(16)	22	(22)
	Impact on operating profit/net assets attributable to unitholders			
	Interest rate risk			
	+100 bps \$'000		-100 bps \$'000	
As at 30 June 2024	1,091		(1,091)	
As at 30 June 2023	852		(852)	

3 Financial risk management (continued)

(c) Summarised sensitivity analysis (continued)

The sensitivity of the interest income is the effect of the assumed changes in interest rates on the interest income for the period, based on the floating rate financial assets held as at 30 June 2024 with all other variables remaining constant.

(d) Credit risks

The Fund is exposed to credit risk, which is the risk that counterparty may fail to repay the principal, make interest payments or fulfil other financial obligations in full and/or when they fall due in respect of any credit instrument invested in by the Fund, causing financial loss to the Fund.

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

The Fund manages counterparty risk by only dealing with reputable counterparties.

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific Fund requirements and where trading documentation is in place.

The Investment Manager manages the credit risk associated with debt securities by performing a detailed credit analysis, including the following:

- business analysis, which involves a comprehensive fundamental evaluation of a company and includes historical and projected financial modelling;
- capital structure analysis, which evaluates the terms and structure of a company's debt and equity securities relative to the company's business risk;
- valuation analysis, which considers the enterprise value of a company in both the public and private markets; and
- robust research and data systems which provide real-time portfolio-level information.

(i) Debt securities

The Fund invest in higher-yielding credit investments which have a higher risk of loss. In most cases, such investments will be rated below "investment grade" or will be not rated. As such, this exposes the Fund to risk of counterparty not making their interest payments or principal repayments. Investment grade are securities with a credit rating of BBB-/Baa3 or better assigned by Standard & Poor's and Moody's.

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

	As at	
	30 June 2024 \$'000	30 June 2023 \$'000
BBB+ to BBB-	3,833	1,795
BB+ to BB-	16,883	12,841
B+ to B-	91,264	37,846
CCC+ to CCC-	50,489	7,280
Not rated	15,094	-
Total	177,563	59,762

(ii) Settlement of securities transactions

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

(iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as deposits are held at banks with a minimum credit rating of AA- as determined by Standard and Poor's/Moody's.

(iv) Other

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

(v) Maximum exposure to credit risk

The Fund holds no collateral as security or any other credit enhancement. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

(e) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a monthly basis. The Fund's policy is reviewed annually. In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during the year ended 30 June 2024.

3 Financial risk management (continued)

(e) Liquidity risk (continued)

The Fund's Constitution provides for monthly application and redemption of units and it is therefore exposed to liquidity risk of meeting unitholder redemptions at any time. Units are redeemed on demand at the unitholder's option. As at 30 June 2024, net assets attributable to unitholders was \$207,075,000 (30 June 2023:

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Net assets attributable to unitholders is not considered a financial liability but has been included below as units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2024					
Bank overdraft	128	-	-	-	128
Payables	278	-	-	-	278
Redemptions payable	4,965	-	-	-	4,965
Due to brokers - payable for securities purchased	11,046	-	-	-	11,046
Distributions payable	2,331	-	-	-	2,331
Net assets attributable to unitholders - liability	207,075	-	-	-	207,075
Contractual cash flows (excluding derivatives)	225,823	-	-	-	225,823
	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2023					
Payables	114	-	-	-	114
Redemptions payable	268	-	-	-	268
Due to brokers - payable for securities purchased	18,083	-	-	-	18,083
Distributions payable	2,105	-	-	-	2,105
Net assets attributable to unitholders - liability	69,055	-	-	-	69,055
Contractual cash flows (excluding derivatives)	89,625	-	-	-	89,625

(ii) Maturities of net settled derivative financial instruments

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

	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2024					
Net settled derivatives					
Forward currency contracts	979	(54)	-	-	925
Total net settled derivatives	979	(54)	-	-	925
	Less than 1 month \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2023					
Net settled derivatives					
Forward currency contracts	1,010	(9)	-	-	1,001
Total net settled derivatives	1,010	(9)	-	-	1,001

4 Fair value measurement

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

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

Fair value hierarchy

Classification of financial assets and financial liabilities

The Fund classifies 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:

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

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

The fair value of financial assets and liabilities traded in active markets (such as fixed and floating interest and securities and forward currency contracts) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs. The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The Fund measures instruments quoted in an active market at mid-market pricing and adjust to the point within the bid-ask range that meets the Fund's best estimate of fair value, because this price provides a reasonable approximation of the exit price.

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

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. As at 30 June 2023 and 2024, the Fund has no level 1 securities.

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3)

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

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

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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

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

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value according to the fair value hierarchy at 30 June 2024 and 30 June 2023:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2024				
Financial assets				
Corporate bonds	-	83,128	-	83,128
Term loans	-	90,000	228	90,228
Asset backed securities	-	-	4,207	4,207
Foreign currency forward contracts	-	990	-	990
Total financial assets	-	174,118	4,435	178,553
Financial liabilities				
Foreign currency forward contracts	-	65	-	65
Total financial liabilities	-	65	-	65

4 Fair value measurement (continued)

(b) Fair value in an inactive or unquoted market (Level 2 and Level 3) (continued)

At 30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Corporate bonds	-	2,675	-	2,675
Term loans	-	57,087	-	57,087
Foreign currency forward contracts	-	1,042	-	1,042
Total financial assets	-	60,804	-	60,804
Financial liabilities				
Foreign currency forward contracts	-	41	-	41
Total financial liabilities	-	41	-	41

There were no transfers between levels during the year ended 30 June 2024 and 30 June 2023.

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

The following table presents the movement in level 3 instruments for the year by class of financial instrument:

	Year ended 30 June 2024 \$'000		For the period 9 August to 30 June 2023 \$'000	
	Term loans	Asset backed securities	Term loans	Asset backed securities
Opening balance	-	-	-	-
Transfers into/(out) from level 3	-	-	-	-
Purchases	227	4,273	-	-
Gains/(losses) recognised in the statements of comprehensive income	1	(66)	-	-
Closing balance	228	4,207	-	-
Total unrealised gains/(losses) included in the statement of comprehensive income for assets held at the end of the reporting period	1	(66)	-	-

(d) Level 3 fair value measurements unobservable input and sensitivity analysis

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Type	Fair Value \$'000 30 June 2024	Fair Value \$'000 30 June 2023	Valuation Technique ⁽¹⁾	Key Unobservable Inputs	Range of inputs	Impact to fair value from an increase in unobservable inputs
Term loans	228	-	Yield Analysis	Yield EBITDA Multiple Discount margin	12.8% 11.3x 3.8%	Decrease in fair value Increase in fair value Decrease in fair value
Asset backed securities	4,207	-	Yield analysis Discounted cash flows	Discount Margin Probability of default Constant prepayment rate	6.6% to 6.9% 2.0% 20.0%	Decrease in fair value Decrease in fair value Increase in fair value

⁽¹⁾ For the assets that have more than one valuation technique, the Fund may rely on the techniques individually or in aggregate based on a weight ascribed to each one ranging from 0-100%. When determining the weighting ascribed to each valuation methodology, the Fund considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis and the expected hold period and manner of realisation for the investment. These factors can result in different weightings among the investments and in certain instances, may result in up to a 100% weighting to a single methodology.

5 Interest income

	Year ended 30 June 2024 \$'000	For the period 9 August 2022 to 30 June 2023 \$'000
Interest income from financial assets at fair value through profit or loss	8,219	988
Interest income from financial assets at amortised cost	909	317
Total interest income	9,128	1,305

6 Remuneration of auditors

In accordance with the Responsible Entity's Board resolution on 12 April 2024, Ernst & Young (EY) was appointed as auditor of the Fund replacing PricewaterhouseCoopers Australia (PwC).

During the period, the following fees were paid or payable for services provided by the auditors of the Fund and by their related network firms:

	Year ended 30 June 2024 \$	For the period 9 August 2022 to 30 June 2023 \$
EY and related network firms		
<i>Audit and other assurance services</i>		
Audit financial statements	14,000	-
Audit of compliance plan	6,600	-
Total services provided by EY	20,600	-
PwC and related network firms		
<i>Audit and other assurance services</i>		
Audit financial statements	-	13,700
Audit of compliance plan	-	7,640
<i>Non-audit services</i>		
Tax compliance services	-	4,500
Total services provided by PwC	-	25,840

During the year, the following fees were paid or payable for services provided to the Funds by firm not related to the auditors of the Funds:

Other non-related audit firm - SkyTax		
<i>Non-audit services</i>		
Tax compliance services	4,000	-
Total services provided by SkyTax	4,000	-

The fees for audit, other assurance services and non-audit services are paid by the Responsible Entity out of the administration fees it receives.

7 Distribution to unitholders

The distributions paid/payable during the period were as follows:

	Year ended 30 June 2024 \$'000	CPU	For the period 9 August 2022 to 30 June 2023 \$'000	For the period 9 August 2022 to 30 June 2023 CPU
Distributions - Class A				
September	1,356	2.0310	-	-
December	1,437	1.5657	-	-
January	534	0.5227	-	-
February	582	0.5251	-	-
March	636	0.5930	-	-
April	699	0.5290	-	-
May	863	0.5280	-	-
June (payable)	2,116	1.2047	1,616	3.2707
Total distributions	8,223	7.4992	1,616	3.2707
Distributions - Class B				
September	369	2.3541	-	-
December	275	1.6476	-	-
January	87	0.5243	-	-
February	87	0.5184	-	-
March	89	0.5291	-	-
April	87	0.5127	-	-
May	91	0.5231	-	-
June (payable)	210	1.2095	483	3.1333
Total distributions	1,295	7.8188	483	3.1333

7 Distribution to unitholders (continued)

	Year ended 30 June 2024		For the period 9 August 2022 to 30 June 2023 \$'000	For the period 9 August 2022 to 30 June 2023 CPU
	\$'000	CPU		
Distributions - Class C				
September	5	2.3091	-	-
December	3	1.5840	-	-
January	1	0.5056	-	-
February	1	0.5083	-	-
March	1	0.5005	-	-
April	1	0.5110	-	-
May	2	0.5043	-	-
June (payable)	5	1.1782	6	3.1993
Total distributions	19	7.6010	6	3.1993
Total distributions	9,537		2,105	

8 Cash and cash equivalents

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Cash at bank	41,303	24,632
Total cash and cash equivalents	41,303	24,632

Reconciliation to statement of cashflows

The above cash and cash equivalents reconcile to the amount of cash and cash equivalents shown in the statement of cash flows at the end of the financial year as follows:

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Total cash and cash equivalents	41,303	24,632
Bank overdrafts	(128)	-
Cash and cash equivalents per statement of cash flows	41,175	24,632

9 Financial assets at fair value through profit or loss

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Financial assets		
Corporate bonds	83,128	2,675
Term loans	90,228	57,087
Asset backed securities	4,207	-
Foreign currency forward contracts	990	1,042
Total financial assets at fair value through profit or loss	178,553	60,804

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

10 Financial liabilities at fair value through profit or loss

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Financial liabilities		
Foreign currency forward contracts	65	41
Total financial liabilities at fair value through profit or loss	65	41

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in Note 3 and Note 4 to the financial statements.

11 Receivables

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Interest receivable	1,990	212
RITC receivable	30	8
Total receivables	2,020	220

12 Payables

	30 June 2024 \$'000	As at 30 June 2023 \$'000
Management fees payable	113	105
Administration fees payable	26	9
Other payables	139	-
Total payables	278	114

13 Net assets attributable to unitholders

As this is a multi-class fund, units in the Fund are classified as financial liabilities as they do not meet the criteria outlined in Note 2(c) in accordance with AASB 132 *Financial Instruments: Presentation*. Because the Fund's redemption unit price is based on different valuation principles to those applied in the financial statements, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value are taken to profit or loss as they arise.

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Year ended 30 June 2024		For the period 9 August 2022 to 30 June 2023	
	Units '000	Dollars \$'000	Units '000	Dollars \$'000
Class A				
Opening balance	52,280	52,469	-	-
Applications	133,654	139,440	52,330	53,442
Redemptions	(7,063)	(7,335)	(50)	(52)
Reinvestment of distributions	1,810	1,867	-	-
Increase/(decrease) in net assets attributable to unitholders	-	1,649	-	(921)
Closing balance	180,681	188,090	52,280	52,469
Class B				
Opening balance	15,428	16,379	-	-
Applications	4,030	4,172	16,821	16,877
Redemptions	(1,784)	(1,842)	(1,393)	(1,424)
Increase/(decrease) in net assets attributable to unitholders	-	(186)	-	926
Closing balance	17,674	18,523	15,428	16,379
Class C				
Opening balance	200	207	-	-
Applications	244	250	200	200
Increase/(decrease) in net assets attributable to unitholders	-	5	-	7
Closing balance	444	462	200	207

13 Net assets attributable to unitholders (continued)

	Year ended 30 June 2024		For the period 9 August 2022 to 30 June 2023	
	Units '000	Dollars \$'000	Units '000	Dollars \$'000
Total opening balance	67,908	69,055	-	-
Total applications	137,928	143,862	69,351	70,519
Total redemptions	(8,847)	(9,177)	(1,443)	(1,476)
Total reinvestment of distributions	1,810	1,867	-	-
Increase/(decrease) in net assets attributable to unitholders	-	1,468	-	12
Closing balance - net assets attributable to unitholders	198,799	207,075	67,908	69,055

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are three separate classes of units and each unit within the same class has the same rights attracting to it as all other units within the same class.

Units are redeemed on demand at the unitholders option. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

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

The Fund monitors the level of monthly applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

14 Derivative financial instruments

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

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

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

- Hedging to protect investments of the Fund against a fluctuation in foreign currency exchange rates.
- Hedging to protect income generated by the Fund's investments against a fluctuation in foreign currency exchange rates.

The Fund holds the following derivative instruments:

(a) Foreign currency forward contracts

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

14 Derivative financial instruments (continued)

(a) Foreign currency forward contracts (continued)

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

	Fair Value Contractual/ notional \$'000	Fair Value Assets \$'000	Fair Value Liabilities \$'000
As at 30 June 2024			
Foreign currency forward contracts	233,775	990	65
Total	233,775	990	65
	Fair Value Contractual/ notional \$'000	Fair Value Assets \$'000	Fair Value Liabilities \$'000
As at 30 June 2023			
Foreign currency forward contracts	144,032	1,042	41
Total	144,032	1,042	41

(b) Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

15 Related party transactions

The Responsible Entity of KKR Global Credit Opportunities Fund (AUD) is Channel Investment Management Limited.

Channel Investment Management Limited has appointed KKR Australia Investment Management Pty Ltd as the Investment Manager of the Fund and Apex Fund Services Pty Ltd to act as Administrator for the Fund.

The following fees are charged by the Responsible Entity:

(i) Management fee

The Investment Manager will be entitled to management fee of 0.66625% per annum (including GST less RITC) of the net asset value of the Class A Units, 0.76875% per annum (including GST less RITC) of the net asset value of the Class B Units, and 0.9225% per annum (including GST less RITC) of the net asset value of the Class C Units.

The management fee is calculated and accrued monthly. This fee is deducted from the assets of the Fund and is generally paid monthly in arrears. The deduction of the management fee is reflected in the Fund's unit price.

(ii) Responsible Entity fee

The Responsible Entity is entitled to a monthly fee of 0.1045% per annum (including GST less RITC) for acting as a responsible entity of the Fund. The Responsible Entity fee is calculated and accrued monthly and paid monthly in arrears out of the Fund's assets. Responsible Entity Fee is subject to a minimum annual fee of \$172,425 (2023: \$172,425) (inclusive of GST, less RITC).

The Responsible Entity fee for Channel Investment Management Limited is payable by the Fund.

Expenses are incurred in operating and managing the Fund and are deducted from the assets of the Fund as and when they are incurred. These expenses normally include taxes, costs, charges and expenses incurred by the Manager or its Affiliates, custody and administration fees, and audit costs, stamp duties, taxes and bank fees, preparation of financial statements, accounting fees, tax returns, compliance costs and advisor fees.

The Responsible Entity will apply an expense recovery cap of 0.15675% per annum (inclusive of GST, less RITC) of the Net Asset Value of the Fund, which includes the Responsible Entity Fee. The Responsible Entity may, in its sole discretion, increase this expense recovery cap in accordance with the Constitution. Where actual expenses are less than 0.15675% per annum of the Net Asset Value of the Fund the Responsible Entity will charge the actual expenses incurred.

15 Related party transactions (continued)

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

	Year ended 30 June 2024 \$	For the period 9 August 2022 to 30 June 2023 \$
Management fees for the year paid or payable by the Fund to the Investment Manager	849,052	176,907
Responsible Entity fees for the year paid or payable by the Fund to the Responsible Entity	195,000	40,000
Aggregate amounts payable to the Investment Manager at the end of the reporting period	112,975	105,247
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	26,197	-

(a) Key management personnel

(i) Responsible Entity

The key management personnel of Channel Investment Management Limited at any time during the financial year are as follows:

Name

Glen Holding (Executive Director)
Katherine Youhanna (Executive Director) – resigned 1 March 2024
Stuart Jordan (Non-Executive Director) – resigned 1 March 2024
Josh Yeo (Executive Director) – resigned 1 March 2024
Mathew Tibbett (Executive Director) – resigned 1 March 2024
Sandra Birkenleigh (Non-Executive Chair) - appointed 1 March 2024
Bede King (Non-Executive Director) – appointed 1 March 2024
Karen Prentis (Non-Executive Director) – appointed 1 March 2024

(ii) Investment Manager

The key management personnel of KKR Australia Investment Management Pty Ltd at any time during the financial year are as follows:

Name

David Lang
Nicholas Hyde

(b) Related party unitholdings

Parties related to the Fund (including Channel Investment Management Limited, its related parties and other trust managed by Channel Investment Management Limited and the Investment Manager) held no units in the Fund as at 30 June 2024 and 30 June 2023. There are no investments into related parties.

(c) Key management personnel compensation

Key management personnel of Channel Investment Management Limited are paid by Channel Capital Pty Ltd, the parent entity of Channel Investment Management Limited. Payments made from the Fund to Channel Investment Management Limited do not include any amounts directly attributable to key management personnel remuneration.

(d) Key management personnel loan disclosures

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

(e) Other transactions within the Fund

From time to time directors of Channel Investment Management Limited or their director related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel of the Responsible Entity have entered into a material contract with the Fund during the year and there were no material contracts involving directors' interests existing at year end.

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

	Year ended 30 June 2024 \$'000	For the period 9 August 2022 to 30 June 2023 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	-	-
Purchase of financial instruments at fair value through profit or loss	(222,540)	(50,368)
Proceeds from sale of financial instruments at fair value through profit or loss	99,798	8,560
Distributions to unitholders	9,537	2,105
Net movement in margin accounts	(2,798)	(793)
Net (gains)/losses on financial instruments at fair value through profit or loss	(2,430)	(882)
(Increase)/decrease in receivables	(1,800)	(220)
Increase/(decrease) in net assets attributable to unitholders	1,468	12
Increase/(decrease) in payables	164	114
Net cash inflow/(outflow) from operating activities	(118,601)	(41,472)
(b) Non-cash financing activities		
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	1,867	-
Total non-cash financing activities	1,867	-

17 Events occurring after the reporting date

No significant events have occurred since the end of the financial year that would impact the Fund's financial position as disclosed in the statement of financial position as at 30 June 2024, or affect the Fund's results and cash flows for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2024 and 30 June 2023.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its performance for the year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) 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 of Channel Investment Management Limited, Responsible Entity of KKR Global Credit Opportunities Fund.



Mr G Holding
Director
Channel Investment Management Limited

Brisbane
17 September 2024

Independent Auditor's Report to the unitholders of KKR Global Credit Opportunities Fund (AUD)

Opinion

We have audited the financial report of KKR Global Credit Opportunities Fund (AUD) (the "Fund"), which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Fund's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

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 of Channel Investment Management Limited (Responsible Entity) 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 Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors 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 of the Responsible Entity are responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Fund's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.
- ▶ Conclude on the appropriateness of the directors of the Responsible Entity of the Fund's 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 Fund'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 Fund to cease to continue as a going concern.
- ▶ 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 of the Responsible Entity 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

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
Sydney
17 September 2024