

CC RWC Global Emerging Markets Fund

ARSN 630 341 249

Annual Financial Statements

for the period from 12 December 2018 to 30 June 2019

CC RWC Global Emerging Markets Fund

ARSN 630 341 249

Annual Financial Statements for the period from 12 December 2018 to 30 June 2019

Contents	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	25
Independent auditor's report to the unitholders of the CC RWC Global Emerging Markets Fund	26

These financial statements cover the CC RWC Global Emerging Markets Fund as an individual entity.

The Responsible Entity of the CC RWC Global Emerging Markets Fund is Channel Investment Management Limited (ABN 22 163 234 240, AFSL 439007). The Responsible Entity's registered office is Level 25, 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 CC RWC Global Emerging Markets Fund ("the Fund"), present their report together with the financial report of the Fund for the period 12 December 2018 to 30 June 2019.

Principal activities

The Fund was constituted on 12 December 2018, registered as a managed investment scheme on 14 December 2018 and commenced operations on 19 February 2019.

Channel Investment Management Limited has selected Class F Shares in the RWC Global Emerging Markets Fund ('RWC GEM Fund' or 'Underlying Fund') to pursue the Fund's investment objective. The Underlying Fund is a sub-fund of the RWC Funds. The investment manager of the RWC Funds is RWC Asset Management LLP and it has delegated the management of the Underlying Fund to RWC Asset Advisors (US) LLC.

The Fund seeks to provide long term capital appreciation by investing, via the Underlying Fund, primarily in global Emerging Markets and Frontier Markets.

The RWC Fund Investment Manager will seek to identify growing companies from Emerging Markets and Frontier Markets globally with strong sustainable cash flows at attractive valuations using an investment process which incorporates detailed top-down, bottom-up and thematic research.

The Fund did not have any employees during the period.

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

Directors

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

Mr G Holding
Ms K Youhanna
Mr S Jordan

The Responsible Entity has a Compliance Committee consisting of two independent persons and one non-independent person. This committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity.

Review and results of operations

There have been no significant changes to the operations of the Fund since the beginning of financial period. The Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents 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, was as follows:

	For the period from 12 December 2018 to 30 June 2019
Operating profit/(loss) before finance costs attributable to unit holders (\$'000)	183
Distributions paid and payable (\$'000)	-
Distributions (cents per unit)	-

Directors' report (continued)

Significant changes in state of affairs

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years;
- (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.

Further information on likely developments in the operations of the Fund 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 Fund.

Indemnification and insurance of officers and auditors

Insurance cover provided to either the officers of Channel Investment Management Limited or the auditors of the Fund is actually paid by Channel Investment Management Limited and not out of the assets 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 period are disclosed in Note 13 of the financial statements.

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

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 12 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.

Directors' report (continued)

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 or nearest dollar, 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.



Ms K Youhanna
Director
Channel Investment Management Limited

Brisbane
19 September 2019



Auditor's Independence Declaration

As lead auditor for the audit of CC RWC Global Emerging Markets Fund for the period from 12 December 2018 to 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
19 September 2019

Statement of comprehensive income

	Notes	For the period from 12 December 2018 to 30 June 2019 \$'000
<i>Investment income</i>		
Management fee rebate	13	5
Other income		1
Net gains on financial assets at fair value through profit or loss	5	218
Total net investment income		224
<i>Expenses</i>		
Investment management fees	13	41
Total operating expenses		41
Operating profit/(loss) for the period		183
Other comprehensive income		-
Total comprehensive income for the period		183

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

Statement of financial position

	Notes	As at 30 June 2019 \$'000
Assets		
Cash and cash equivalents	8	24
Receivables	10	7
Financial assets at fair value through profit or loss	9	<u>16,857</u>
Total assets		<u>16,888</u>
Liabilities		
Payables	11	<u>16</u>
Total liabilities		<u>16</u>
Net assets attributable to unitholders - equity	12	<u>16,872</u>

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

Statement of changes in equity

	For the period from 12 December 2018 to 30 June 2019 \$'000
Total equity at the beginning of the financial period	-
Profit/(loss) for the period	183
Other comprehensive income	-
Total comprehensive income	<u>183</u>
Transactions with unit holders	
Applications	16,719
Redemptions	(30)
Units issued upon reinvestment of distributions	-
Distributions to unitholders	-
Total transactions with unit holders	<u>16,689</u>
Total equity at the end of the financial period	<u>16,872</u>

Changes in net assets attributable to unitholders are disclosed in Note 12.

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

Statement of cash flows

	Notes	For the period from 12 December 2018 to 30 June 2019 \$'000
Cash flows from operating activities		
Purchase of financial instruments at fair value through profit or loss		(16,639)
Other income received		6
Management fees paid		(30)
Other expenses paid		(2)
Net cash (outflow)/inflow from operating activities	14	<u>(16,665)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	12	16,719
Payments for redemptions by unitholders	12	(30)
Net cash inflow/(outflow) from financing activities		<u>16,689</u>
Net increase in cash and cash equivalents		24
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	8	<u>24</u>
Non-cash operating and financing activities	14 (a)	-

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	11
2 Summary of significant accounting policies	11
3 Financial risk management	15
4 Fair value measurement	18
5 Net gains/(losses) on financial instruments at fair value through profit or loss	19
6 Auditor's remuneration	20
7 Distribution to unit holders	20
8 Cash and cash equivalents	20
9 Financial instruments at fair value through profit or loss	20
10 Receivables	21
11 Payables	21
12 Net assets attributable to unit holders	21
13 Related party transactions	22
14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	24
15 Events occurring after the reporting period	24
16 Contingent assets and liabilities	24

1 General information

These financial statements cover CC RWC Global Emerging Markets Fund (the “Fund”) as an individual entity. The Fund was constituted on 12 December 2018, registered as a managed investment scheme on 14 December 2018 and commenced operations on 19 February 2019.

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 25, Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000. The financial statements are presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia.

Channel Investment Management Limited has selected Class F Shares in the RWC Global Emerging Markets Fund (‘RWC GEM Fund’ or ‘Underlying Fund’) to pursue the Fund’s investment objective. The Underlying Fund is a sub-fund of the RWC Funds. The investment manager of the RWC Funds is RWC Asset Management LLP and it has delegated the management of the Underlying Fund to RWC Asset Advisors (US) LLC.

The Custodian of the Fund is RBC Investor Services Trust.

The Fund seeks to provide long term capital appreciation by investing, via the Underlying Fund, primarily in global Emerging Markets and Frontier Markets.

The RWC Fund Investment Manager will seek to identify growing companies from Emerging Markets and Frontier Markets globally with strong sustainable cash flows at attractive valuations using an investment process which incorporates detailed top-down, bottom-up and thematic research.

The financial statements were authorised for issue by the directors of the Responsible Entity on 19 September 2019. 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 throughout the period presented, unless otherwise stated in the following text.

(a) Basis of preparation

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) *Classification*

The Fund's investments are classified at fair value through profit or loss. They comprise of:

- Financial instruments at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in unit trusts.

Financial assets and financial liabilities at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. 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. The information on the fair value basis is provided internally to the Fund's key management personnel.

(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.

(iii) *Measurement*

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset 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 in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

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

2 Summary of significant accounting policies (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.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as equity.

The units can be put back to the Fund at any time for cash based on the redemption price.

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.

(d) Cash and cash equivalents

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

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 Fund's main income generating activity.

(e) Investment income

(i) Interest income

Interest income is recognised in profit and loss for financial instruments at fair value through profit or loss using the effective interest rate method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

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.

(f) Expenses

Any expenses which are paid by the unitholder from Fund assets are included in the Fund's financial statements and recognised in the profit or loss on an accruals basis. Any expenses that are paid directly to the Responsible Entity and/or investment manager by the unitholder as per the terms of individual agreements are not recognized in the Fund's financial statements.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

(h) Distributions

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

2 Summary of significant accounting policies (continued)

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

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

(k) Receivables

Receivables may include due amounts for coupon payments. Coupon payments are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period 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).

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

The amount of the impairment loss is recognised in profit or loss 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 profit or loss.

(l) Payables

Payables include liabilities 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.

(m) 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.

(n) 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 Reduced Input Tax Credits (RITC) at a rate of 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.

2 Summary of significant accounting policies (continued)

(o) Use of estimates (continued)

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.

(p) Comparative period

The Fund was constituted on 12 December 2018 and commenced operations on 19 February 2019. The reporting period covers the period 12 December 2018 to 30 June 2019, hence there is no comparative information.

(q) Rounding of amounts

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 or nearest dollar, 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), 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 an 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 include 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 derivatives and other investments, including interest rate futures, to manage exposures resulting from changes in interest rates, and exposures arising from forecast transactions. These methods are explained below.

(b) Market risk

(i) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

(ii) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

3 Financial risk management (continued)

(ii) *Price risk (continued)*

The underlying investments of the Fund are infrequently repriced and generally not traded on recognised exchanges. Whilst this in itself helps mitigate price risk, the Investment Manager further manages this risk by diversifying the overall portfolio into markets and assets that are not closely correlated. Further, the Investment Manager will generally only invest into assets into which it has formed the view that upside value has either not been recognised or can be created, thereby providing cushion against adverse market movements.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moves by +/- 10%.

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders 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 unit holders Price risk Increase/(decrease) +100bps/-100bps \$'000
As at 30 June 2019	1,685/(1,685)

(d) 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.

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. None of these assets are impaired nor past their due date.

(i) *Derivative financial instruments*

For derivative financial instruments, the Investment Manager has the ability to use gearing in the form of interest rate futures. Derivatives are used for interest rate hedging purposes or to replicate underlying bond securities in the form of futures contracts listed on the Sydney Stock Exchange. Futures can have the ability to magnify both profits and losses. There is also a liquidity risk associated with futures in that it may be difficult in times of volatility to trade in reasonable size.

3 Financial risk management (continued)

(d) Credit risk (continued)

(ii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by Standard and Poor's/Moody's) or higher.

(v) Other

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

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(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.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's liquidity position on a daily 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 ending 30 June 2019.

The Fund's Constitution provides for daily 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. At 30 June 2019, net assets attributable to unitholders was \$16,872.

(i) Maturities of non-derivative financial liabilities

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

As at 30 June 2019	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Payables	16	-	-	-	16
Total financial liabilities	16	-	-	-	16

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).

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.

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

The fair value of financial assets and liabilities traded in active markets (such as fixed interest securities and futures) 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 of 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 quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

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

4 Fair value measurement (continued)

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

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted 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 reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The foreign currency contracts are valued at the forward rate.

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 carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

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 2019:

As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Unit trusts	16,857	-	-	16,857
Total financial assets	<u>16,857</u>	<u>-</u>	<u>-</u>	<u>16,857</u>

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

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

	For the period from 12 December 2018 to 30 June 2019 \$'000
Financial assets	
Net realised gain/(loss) on financial assets at fair value through profit or loss	-
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	218
Net gains/(losses) on financial assets at fair value through profit or loss	<u>218</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>218</u>

6 Auditor's remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Fund:

	For the period from 12 December 2018 to 30 June 2019 \$
PriceWaterhouseCoopers Australia firm	
Audit and other assurance services	
Audit and review of financial statements	12,000
Audit of compliance plan	12,000
Total remuneration for audit and other assurance services	24,000

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

7 Distribution to unit holders

There were no distributions paid or payable for the period.

8 Cash and cash equivalents

	As at 30 June 2019 \$'000
Cash at bank	24
Total cash and cash equivalents	24

9 Financial instruments at fair value through profit or loss

	As at 30 June 2019 \$'000
Financial assets	
Unit trusts	16,857
Total financial assets at fair value through profit or loss	16,857
Total financial instruments at fair value through profit or loss	16,857

10 Receivables

	As at 30 June 2019 \$'000
GST receivable	2
Management Fee Rebate Receivable	5
Total receivables	7

11 Payables

	As at 30 June 2019 \$'000
Management fees payable	16
Total payables	16

12 Net assets attributable to unit holders

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. The net assets attributable to unitholders of the Fund are classified as equity.

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

	For the period from 12 December 2018 to 30 June 2019	
	Units '000	Dollars \$'000
Net assets attributable to unit holders		
Opening balance	-	-
Applications	16,144	16,719
Redemptions	(28)	(30)
Reinvestment of distributions	-	-
Profit/(loss) for the period	-	183
Closing balance	16,116	16,872

Capital risk management

The Fund manages its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

The Fund monitors the level of daily 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 Trustee 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.

13 Related party transactions

The Responsible Entity of CC RWC Global Emerging Markets Fund is Channel Investment Management Limited.

Channel Investment Management Limited has selected Class F Shares in the RWC Global Emerging Markets Fund ('RWC GEM Fund' or 'Underlying Fund') to pursue the Fund's investment objective. The Underlying Fund is a sub-fund of the RWC Funds. The investment manager of the RWC Funds is RWC Asset Management LLP and it has delegated the management of the Underlying Fund to RWC Asset Advisors (US) LLC.

The following fees are charged by the Responsible Entity:

(i) Management fee

The Fund's constitution permits the Responsible Entity to charge a management fee of up to 1.23% per annum (including GST less RITC) of the net asset value of the Class A Units. From this, the Responsible Entity pays RWC Asset Advisors (US) LLC a fee for acting as the Investment Manager of the Underlying Fund.

This fee also covers the costs and expenses of providing administration services to the Fund. These costs and expenses include registry, administration, custodial, compliance and operational costs, without including extraordinary expenses.

The management fee is calculated and accrued daily and is paid monthly in arrears.

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

	For the period from 12 December 2018 to 30 June 2019 \$
Management and administration fees for the year paid by the Fund to the Responsible Entity	40,870
Management fee rebate received for the year	4,983
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	16,025
Management fees rebate receivable for the year	4,983

(a) Key management personnel

(i) Responsible Entity

The key management personnel of Channel Investment Management Limited are:

Name
Mr G Holding
Ms K Youhanna
Mr S Jordan

13 Related party transactions (continued)

(b) Related party unit holdings

Parties related to the Fund (including Channel Investment Management Limited, its related parties and other schemes managed by Channel Investment Management Limited and the Investment Manager) did not hold any units in the Funds.

(i) Investments

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment (\$)	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
As at 30 June 2019							
RWC Global Emerging Markets Fund	-	160,418	16,856,636	99.91	160,418	-	-

(c) Key management personnel compensation

Key management personnel 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 period and there were no material contracts involving directors' interests existing at period end.

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

	For the period from 12 December 2018 to 30 June 2019 \$'000
Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	183
Purchase of financial instruments at fair value through profit or loss	(16,639)
Net (gains)/losses on financial instruments at fair value through profit or loss	(218)
(Increase)/decrease in receivables	(7)
Increase/(decrease) in payables	16
Net cash inflow/(outflow) from operating activities	(16,665)
 (a) Non-cash financing activities	
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	-
Total non-cash financing activities	-

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the period, as reported above, represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

15 Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the period ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 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 2019 and of its performance for the period ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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.



Ms K Youhanna
Director
Channel Investment Management Limited

Brisbane
19 September 2019



Independent auditor's report

To the unitholders of CC RWC Global Emerging Markets Fund

Our opinion

In our opinion:

The accompanying annual financial statements of CC RWC Global Emerging Markets Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2019 and of its financial performance for the period 12 December 2018 to 30 June 2019
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The annual financial statements comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the period 12 December 2018 to 30 June 2019
- the statement of changes in equity for the period 12 December 2018 to 30 June 2019
- the statement of cash flows for the period 12 December 2018 to 30 June 2019
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

Basis for opinion

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

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

Independence

We are independent of the Registered Scheme 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* (the Code) that are relevant to our audit of the annual financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2019, including the Directors' report, but does not include the annual financial statements and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001

T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Our opinion on the annual financial statements 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 annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors of the Responsible Entity for the annual financial statements

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the annual financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the annual financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial statements.

A further description of our responsibilities for the audit of the annual financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Ben Woodbridge' in a cursive script.

Ben Woodbridge
Partner

Brisbane
19 September 2019