



MA Financial Group

# MA Priority Income Fund

ARSN 648 809 849

Annual Report for the year ended  
30 June 2023

# Annual Report for the year ended 30 June 2023

## Contents

Directors' report	3
Auditor's independence declaration	6
Directors' declaration	7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to financial statements	12
Independent auditor's report	34

## Directors' report

The Directors of MAAM RE Limited, in its capacity as the Responsible Entity of the MA Priority Income Fund (the "Fund") present their report together with the financial statements of the Fund, for the year ended 30 June 2023 ("year") and the auditor's report thereon.

### Principal activities

The Fund is a registered managed investment scheme that is an unlisted Australian unit trust. All references to the Fund hereafter are taken to mean the Fund as a whole, which is the MA Priority Income Fund.

The Fund invests in Class A units of the MA Master Credit Trust (the "Master Trust"), an unregistered wholesale Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund's governing documents.

A wholly owned subsidiary of MA Financial Group Limited (MAFG) co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager Co-Investment is made on a first loss and subordinated basis. As at 30 June 2023, no impairment of the Capital Buffer has been noted.

The Fund did not have any employees during the year.

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

The various service providers to the Fund are outlined below:

### Service providers

Responsible Entity	- MAAM RE Ltd
Investment Manager	- MA Investment Management Pty Ltd
Custodian	- Certane CT Pty Ltd
Administrator	- Alter Domus Australia Pty Ltd
Unit Registry	- Boardroom Pty Limited
Auditor	- KPMG Sydney

### Directors

The following persons held office as Directors of the Responsible Entity during the year, or since the end of the financial year and up to the date of this report:

Alice Tang (appointed 31 March 2023)  
Andrew Martin  
Giles Boddy (appointed 31 March 2023)  
Graham Lello (resigned 31 March 2023)  
Jannamaria Robertson

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

### Review and results of operations

During the year, the Fund was managed in accordance with the investment objective and strategy set out in the Fund's Product Disclosure Statement and in accordance with its Constitution.

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

	FOR THE YEAR ENDED 30 JUNE 2023	FOR THE YEAR ENDED 30 JUNE 2022
Profit for the year (\$'000)	40,426	11,482
Distributions paid or payable (\$'000)	40,426	11,484
Distribution per units (in cents)	13.8753	8.3466

## Directors' report (continued)

### Significant changes in state of affairs

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

### Likely developments and expected results of operations

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

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

### Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund 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.

### Indemnity of auditor

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 8 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the year are disclosed in note 8 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 6 to the financial statements.

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

### Environmental regulation

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

### Matters subsequent to the end of the financial period

Subsequent to 30 June 2023 the Fund has paid the June 2023 distribution to unitholders of \$5,200,179.18.

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

- the operations of the Fund in future financial years, or
- the results of those operations in future financial years, or
- the state of affairs of the Fund in future financial years.

## Directors' report (continued)

### Auditor's independence declaration

The auditor's independence declaration as required under *section-307C of the Corporations Act 2001 (Cth)* is set out immediately after the Directors' Report.

### Rounding of amounts

In accordance with *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* amounts in the Directors' Report and the Annual Report have been rounded off to the nearest thousand dollar unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors of MAAM RE Limited as Responsible Entity of the MA Priority Income Fund.

A handwritten signature in black ink, appearing to read 'Alice', with a long horizontal flourish extending to the right.

**Alice Tang**  
Director  
18 September 2023



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

To the Directors of MA Priority Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of MA Priority Income Fund for the financial year ended 30 June 2023 there have been:

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

KPMG

Shaun Kendrigan

*Partner*

Sydney

18 September 2023

## Directors' declaration

In the opinion of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund:

- (a) The financial statements and notes, set out on pages 8 to 33, are in accordance with the *Corporations Act 2001*, including:
  - (i) Give a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance as represented by the results of the operations and its cash flows, for the year ended on that date in accordance with the accounting policies described in note 2;
  - (ii) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2, and the *Corporations Regulations 2001*; and
- (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.

Dated in Sydney this 18 day of September 2023.

Signed in accordance with a resolution of the Directors of MAAM RE Ltd as Responsible Entity of the MA Priority Income Fund.

A handwritten signature in black ink, appearing to read 'Alice', with a long horizontal flourish extending to the right.

**Alice Tang**  
Director

## Statement of comprehensive income

For the year ended 30 June 2023

	NOTES	FOR THE YEAR ENDED 30 JUNE 2023 (\$'000)	FOR THE YEAR ENDED 30 JUNE 2022 (\$'000)
<b>Investment income</b>			
Distribution income		40,426	11,484
Expense reimbursement income	8	168	136
<b>Total investment income</b>		<b>40,594</b>	<b>11,620</b>
<b>Expenses</b>			
Remuneration paid to auditors	12	38	27
Other operating expenses		130	111
<b>Total expenses</b>		<b>168</b>	<b>138</b>
<b>Profit for the year</b>		<b>40,426</b>	<b>11,482</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>40,426</b>	<b>11,482</b>

*All amounts presented are in Australian Dollars.*

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



## Statement of financial position

As at 30 June 2023

	NOTES	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
<b>Current assets</b>			
Cash and cash equivalents	4	18	2
Financial assets at FVTPL	5	792,418	365,356
Distribution receivables	8	5,248	1,426
<b>Total current assets</b>		<b>797,684</b>	<b>366,784</b>
<b>Current liabilities</b>			
Management fees payable	8	-	-
Distribution payable	7	5,200	1,398
Other payables		66	30
<b>Total current liabilities</b>		<b>5,266</b>	<b>1,428</b>
<b>Net assets attributable to unitholders - equity</b>	6	<b>792,418</b>	<b>365,356</b>

*All amounts presented are in Australian Dollars.*

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

## Statement of changes in equity

For the year ended 30 June 2023

	NOTES	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
<b>Comprehensive income for the year</b>			
Profit for the year		40,426	11,482
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>40,426</b>	<b>11,482</b>
<b>Transactions with unitholders</b>			
Subscriptions	6	549,083	211,621
Redemptions	6	(124,709)	(62,493)
Units issued upon reinvestment of distributions	6	2,688	800
Distributions paid and payable	7	(40,426)	(11,484)
<b>Total transactions with unitholders</b>		<b>386,636</b>	<b>138,444</b>
<b>Net change in net assets for the year</b>		<b>427,062</b>	<b>149,926</b>
<b>Total equity at the beginning of the year</b>		<b>365,356</b>	<b>215,430</b>
<b>Total equity at the end of the financial year</b>		<b>792,418</b>	<b>365,356</b>

*All amounts presented are in Australian Dollars.*

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

## Statement of cash flows

For the year ended 30 June 2023

	30 JUNE 2023 (\$'000)	30 JUNE 2022* (\$'000)
<b>Cash flows from operating activities:</b>		
Acquisition of financial assets at FVTPL	(549,083)	(212,421)
Disposal of financial assets at FVTPL	124,709	62,493
Distributions received	36,604	10,787
ERA received and paid	15	(166)
<b>Net cash used in operating activities</b>	<b>(387,755)</b>	<b>(139,307)</b>
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders	(36,603)	(10,789)
Proceeds from applications by unitholders	549,083	212,421
Payments for redemptions by unitholders	(124,709)	(62,493)
<b>Net cash inflow from financing activities</b>	<b>387,771</b>	<b>139,139</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16</b>	<b>(168)</b>
Cash and cash equivalents at the beginning of the year	2	170
<b>Cash and cash equivalents at the end of year</b>	<b>18</b>	<b>2</b>
<b>Non-cash financing activities</b>		
During the year the following distribution payments were satisfied by the issue of units under the distribution reinvestment feature	2,688	800

\*The net cash used in operating activities and the net cash used in investing activities for the comparative period has been represented to align with the current year presentation of acquisition of financial assets at FVTPL and disposal of financial assets at FVTPL. Refer to note 2.5.

*All amounts presented are in Australian Dollars.*

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

# Notes to the financial statements

For the year ended 30 June 2023

## 1 Corporate information

MA Priority Income Fund (the "Fund") (ARSN 648 809 849) is a registered managed investment scheme domiciled in Sydney, Australia. MAAM RE Limited (the "Responsible Entity") acts as Responsible Entity of the Fund. The Responsible Entity's address is Level 27, Brookfield Place, 10 Carrington Street, Sydney, NSW 2000. The Investment Manager of the Fund is MA Investment Management Pty Ltd (the "Investment Manager").

The Fund was constituted on 12 November 2018 as an Australian wholesale unit trust (unregistered managed investment scheme). On 17 March 2021 the Fund changed its name from MA Fixed Income Fund to MA Priority Income Fund, and the former trustee MA Asset Management Limited retired as trustee and MAAM RE Limited became the Responsible Entity. On 1 April 2021 the Fund became a registered managed investment scheme.

The Fund is an open-ended fund whose investment strategy is primarily focused on Australian private debt that is secured, asset-backed or otherwise has defensive characteristics. Investments are sourced from both MA Financial Group proprietary and third-party origination platforms. The objective of the Fund is to provide investors with a target net cash yield (after all fees and costs) equal to the RBA Cash Rate + 4.00% per annum. The Fund seeks to achieve this through investing in Class A units of the MA Master Credit Trust (the "Master Trust"), an unregistered Australian unit trust which invests in a portfolio of credit investments, as set out in the current Product Disclosure Statement, and in accordance with the provisions of the Fund's governing documents. The Investment Manager is also the Investment Manager of the Master Trust.

The Responsible Entity has appointed Alter Domus Australia Pty Limited to act as Administrator of the Fund, Certane CT Pty Limited to act as Custodian of the Fund, and Boardroom Pty Limited to act as Unit Registry of the Fund.

The financial statements were authorised for issue by the Responsible Entity of the Fund on 18 September 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected assets and liabilities as described in these policies.

The functional currency of the Fund is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency and is rounded to the nearest thousand dollar.

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.1 Basis of Preparation (continued)

- (i) Compliance with International Financial Reporting Standards

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

- (ii) New and amended standards adopted by the Fund

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

- (iii) New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 and have not been early adopted in preparing these financial statements. These standards, amendments or interpretations are not expected to have a material impact on the financial statements of the Fund.

### 2.2 Going concern

The financial report for the year ended 30 June 2023 has been prepared on a Going Concern basis, which assumes continuity in the ordinary course of business for the next 12 months.

### 2.3 Financial instruments

- (i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on the Fund's business model for managing those financial assets and contractual cash flow characteristics of the financial assets.

For Fund's investment in unit trusts, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents 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 flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified at fair value through profit or loss, these are classified as financial liabilities at amortised cost (management fees payable, audit fees payable and other payables).

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.3 Financial instruments (continued)

#### (ii) Recognition and 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 that date.

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

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### (iii) Measurement

##### • Financial instruments

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

Subsequent to initial recognition, all financial assets or liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial assets at fair value through profit or loss' in the period in which they arise. No gains/(losses) on financial assets at fair value through profit or loss occurred during the year.

Financial assets and liabilities at amortised cost are measured by using the effective interest rate ("EIR") method. The EIR is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in Statement of comprehensive income over the relevant period. The EIR 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 applicable, to the net carrying amount of the financial asset or liability. When calculating the EIR, the Fund estimates cash flows considering all contractual terms of financial instrument 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 EIR, including transaction costs and all other premiums or discounts.

##### • Impairment

The measurement of Expected Credit Losses ("ECL") is a function of the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). The approach is to analyse the market available data to determine probability of default and historic track record performance in order to derive the loss given default. The EAD is equated using the entire facility amounts at amortised cost (including undrawn elements and accrued PIK interest).

The ECL drivers of PD, EAD and LGD are modelled which considers vintage, maturity, exogenous and other credit factors and applied across all loans and receivables at initial recognition. The result is therefore an unbiased probability-weighted estimation of credit losses as determined by evaluating a range of possible outcomes and considering future economic conditions.

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.3 Financial instruments (continued)

- Impairment (continued)

When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, multiple scenarios are modelled to ensure an unbiased representative sample of the complete distribution when determining the expected loss. Alongside a review of the economic climate, management have considered a variety of weightings in the assessment of the macroeconomic outlook.

The weightings address the risk of non-linearity in the relationship between credit losses and economic conditions, with provisions increasing more in unfavorable conditions (particularly severe conditions) than they reduce in favorable conditions. The loan loss provision recognised is therefore the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and the weightings are derived using external data together with management judgement, to determine scenarios which span an appropriately wide range of plausible economic conditions.

ECLs are recognised – on an individual or collective basis – in three stages under AASB 9 *Financial Instruments*:

- Stage 1 – When a financial asset is purchased, ECLs resulting from default events that are possible within the next 12 months are recognised (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing financial asset with no significant increase in credit risk since their initial recognition. 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. Interest revenue is calculated on the financial asset's gross carrying amount (that is, without deduction for ECLs).
- Stage 2 – If a financial asset's credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised. The calculation of interest revenue is the same as for Stage 1.
- Stage 3 – If the financial asset's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the gross carrying amount less the loss allowance. Lifetime ECLs continues to be recognised, as in Stage 2.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet 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.

### 2.4 Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.4 Net assets attributable to unitholders (continued)

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial instrument to be classified as equity where certain strict criteria are met. 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.

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the 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 it 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.

The Fund's units have been classified as equity as they satisfied all the above criteria.

### 2.5 Cash and cash equivalents

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

The Statement of Cash Flows has been prepared using the direct method. Payments and receipts relating to the purchase and sale of investment securities are classified as cashflows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

For the purposes of the presentation of the statement of cash flow presentation of acquisition of financial assets at FVTPL of (\$'000) 212,421 and disposal of financial assets at FVTPL of (\$'000) 62,493 and increase in distribution receivable of (\$'000) 695 has been reclassified from investing to operating activities due to the incorrect presentation in the comparative period to align with above accounting policy of the fund. This resulted in the following changes in the statement of cashflows for the comparative period in (\$'000):

- Net cash used in operating activities decreased by \$150,623; and
- Net cash used in investing activities increased by \$150,623.

There is no material impact on the Fund's financial performance, changes in equity, net assets or any other quantitative metric of the Trust.



# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.6 Investment income

Revenue is recognised to the extent that it is probable that the economic benefits will flow and be reliably measured at the fair value of the consideration received or receivable.

#### (i) Interest income

Interest income from a financial asset at amortised cost is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### (ii) Distribution income

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

### 2.7 Expenses

All expenses are recognised in the Statement of comprehensive income on an accrual basis.

### 2.8 Income taxation

Under current legislation, the Fund is not subject to income tax as income of the Fund is attributed to the unitholders.

The benefits of franking imputation credits and foreign income tax offset are generally passed on to tax resident unitholders. Realised capital losses are not attributed to unitholders but are retained within the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the net capital gain is distributed to unitholders.

### 2.9 Distributions

In accordance with the Constitution, the Responsible Entity determines distributable income which is paid to unitholders (and may be reinvested). Distributions are recognised in the Statement of changes in equity as distributions paid and payable.

### 2.10 Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as equity, movements in net assets attributable to unitholders are recognised in the Statement of changes in equity.

### 2.11 Foreign currency transactions

#### Functional and Presentation Currency

The financial statements of the fund are presented in the currency of the primary economic environment in which the fund operates (its functional currency). The results and financial position are expressed in Australian dollars ("A\$", "AUD"), which is the functional currency of the Fund and the presentation currency for the financial statements.

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.11 Foreign currency transactions (continued)

#### Transactions and balances

All foreign currency transactions during the year are recognised at the exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for certain exchange differences on transactions entered into in order to hedge certain foreign currency risks.

### 2.12 Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. The Fund has applied a simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, receivables have been grouped based on days overdue. All of the Fund's receivables are neither past due nor impaired and are assessed to be fully recoverable (30 June 2022: fully recoverable). Our assessment is based upon historical information about counterparty default risks.

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.

### 2.13 Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

The amount of distribution payable to unitholders as at the reporting date is recognised separately in the Statement of financial position.

### 2.14 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.

### 2.15 Prior period comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified to conform with current period presentation.

# Notes to the financial statements

For the year ended 30 June 2023

## 2 Significant accounting policies (continued)

### 2.16 Rounding of amounts

In accordance with Australian Securities and Investments Commission *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts in the Directors' report and the financial report have been rounded to the nearest thousand Australian dollars, unless otherwise indicated.

### 2.17 Significant accounting judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next 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. Key estimates and assumptions relate to the valuation of financial assets at fair value through profit or loss and impairment of financial assets. Management assesses impairment of financial assets at each reporting date by evaluating conditions specific to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

## 3 Financial risk management

The Fund, through its investment in the Master Trust, is exposed to a number of risks due to the nature of its activities and as further set out in its offer document. These risks include market risk (including price 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 the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Investment Manager on behalf of the Fund, who manages the Fund's assets in accordance with its investment objective. This involves an ongoing process of identification, measurement, monitoring and controlling of risks. The Investment Manager is aware of the risks associated with the business of investment management.

The Investment Manager uses different methods to measure different types of risk to which the Fund is exposed through its investment in the Master Trust and the Master Trust is exposed to through its investments in loans. These methods are explained below.

### (a) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in Class A units issued by the Master Trust. The Master Trust is exposed to credit risk in its portfolio of investments in loans.

The Investment Manager of the underlying investments in the Master Trust intends that each new investment opportunity will be subject to the Investment Manager's established and rigorous evaluation and approval process, which is focused on in-depth credit analysis with the key emphasis on capital preservation.

## Notes to the financial statements

For the year ended 30 June 2023

### 3 Financial risk management (continued)

#### (a) Credit risk (continued)

Once a potential investment opportunity is identified, the Investment Manager follows a defined screening, due diligence, and approval process.

The investment team will undertake a detailed review of the company and the sector within which it operates and present a detailed investment proposal to the Investment Committee. Alongside this proposal, the investment team will also build a financial model to forecast credit risk and perform multiple downside scenario analyses. At the committee meeting the investment team will be challenged and, if required, further research will be undertaken. The outcome of the Investment Committee process is a decision on the approved holding limits of an investment if the transaction is approved.

Comprehensive due diligence will be undertaken as part of each new transaction in which the Fund is involved. The scope of the due diligence undertaken will include all areas of potential risk in the transaction.

Once a deal is completed there is regular and active post-investment monitoring which is designed to identify risks within the portfolio. The Investment Manager will be responsible for the execution and monitoring of the investment, all the way through to exit. Monitoring of investments is a continuous process and the key components of the Investment Manager's post investment risk management are as follows:

- Regular interaction with investee company management teams;
- Monthly or quarterly review of individual investment performance upon receipt of management accounts from the investment; and
- Each quarter, the Investment Committee reviews each investment in the portfolio. Risk ratings are assigned to each investment to enable the Investment Manager to monitor both the operating performance of the business and the absolute credit risk compared with original expectations. The review also includes an assessment of valuations, future realisations and repayment dates.

The Investment Manager believes that close contact with investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company. The Investment Manager executives and senior management continuously share information about market conditions and industry wide issues in order to enhance risk management and improve monitoring across the business.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivables. 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.

#### (b) 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.

The Fund is exposed to monthly cash redemptions of its units.

The Fund has invested in unlisted Class A units issued by the Master Trust and as such may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

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 2023 and 30 June 2022.

Compliance with the Fund's policy is reported to the Board on a quarterly basis.

## Notes to the financial statements

For the year ended 30 June 2023

### 3 Financial risk management (continued)

#### (b) Liquidity risk (continued)

##### Maturity analysis for financial assets

The table below analyses the Fund's financial assets into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	< 1 MONTH (\$'000)	< 1 YEAR (\$'000)	1 - 2 YEARS (\$'000)	> 2 YEARS (\$'000)	TOTAL (\$'000)
<b>30 JUNE 2023</b>					
Financial assets at FVTPL	792,418	-	-	-	792,418
Distribution receivables	5,248	-	-	-	5,248
<b>Contractual cash flows</b>	<b>797,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>797,666</b>
<b>30 JUNE 2022</b>					
Financial assets at FVTPL	365,356	-	-	-	365,356
Distribution receivables	1,426	-	-	-	1,426
<b>Contractual cash flows</b>	<b>366,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,782</b>

##### Maturity analysis for financial liabilities

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

	< 1 MONTH (\$'000)	< 1 YEAR (\$'000)	1 - 2 YEARS (\$'000)	> 2 YEARS (\$'000)	TOTAL (\$'000)
<b>30 JUNE 2023</b>					
Distributions payable	5,200	-	-	-	5,200
Other payables	66	-	-	-	66
<b>Contractual cash flows</b>	<b>5,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,266</b>
<b>30 JUNE 2022</b>					
Distributions payable	1,398	-	-	-	1,398
Other payables	30	-	-	-	30
<b>Contractual cash flows</b>	<b>1,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,428</b>

## Notes to the financial statements

For the year ended 30 June 2023

### 3 Financial risk management (continued)

#### (c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund manages this risk via outsourcing its investment management whereby; the Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment objective set out in accordance with the Constitution and Product Disclosure Statement. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The Fund has no exposure to foreign exchange (currency risk).

##### (i) Market price risk

Market price risk is the risk that the fair value of investment decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all instruments in the market. The Fund is invested in the Class A units issued by the Master Trust. The value of the Fund's units in the Master Trust is primarily based on the value of the Master Trust portfolios of loans and other securities. As a result, the price risk arising from the Fund's investments is impacted by changes in the value of the Master Trust's investment portfolios.

The Fund monitors its market price risk exposure to ensure concentrations of risk remain within acceptable levels. The sensitivity analysis to a change in the net asset value of the Fund's investment in the Class A units in the Master Trust is disclosed in note 5(d).

##### (ii) Interest rate risk

Interest rate risk is the risk of changes in the value of the Fund's financial instruments from changes in market interest rates. The Fund is not subject to significant amounts of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

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

The table below summarises the Fund's exposure to interest rate risk.

30 JUNE 2023 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON-INTEREST BEARING	TOTAL
<b>Assets</b>				
Cash and cash equivalents	18	-	-	18
Financial assets at FVTPL	-	-	792,418	792,418
Distribution receivables	-	-	5,248	5,248
<b>Total assets</b>	<b>18</b>	<b>-</b>	<b>797,666</b>	<b>797,684</b>
<b>Liabilities</b>				
Management fees payable	-	-	-	-
Distribution payables	-	-	5,200	5,200
Other payables	-	-	66	66
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>5,266</b>	<b>5,266</b>
<b>Net Exposure</b>	<b>18</b>	<b>-</b>	<b>79,400</b>	<b>792,418</b>

## Notes to the financial statements

For the year ended 30 June 2023

### 3 Financial risk management (continued)

#### (c) Market risk (continued)

30 JUNE 2022 (\$'000)	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON-INTEREST BEARING	TOTAL
<b>Assets</b>				
Cash and cash equivalents	2	-	-	2
Financial assets at FVTPL	-	-	365,356	365,356
Distribution receivables	-	-	1,426	1,426
<b>Total assets</b>	<b>2</b>	<b>-</b>	<b>366,782</b>	<b>366,784</b>
<b>Liabilities</b>				
Management fees payable	-	-	-	-
Distribution payables	-	-	1,398	1,398
Other payables	-	-	30	30
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,428</b>	<b>1,428</b>
<b>Net Exposure</b>	<b>2</b>	<b>-</b>	<b>365,354</b>	<b>365,356</b>

#### (d) Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

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

#### Recognised fair value measurements

The following table presents the Fund's financial assets measured and recognised at fair value as at 30 June 2023 and 30 June 2022.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LEVEL 1 (\$'000)	LEVEL 2 (\$'000)	LEVEL 3 (\$'000)	TOTAL (\$'000)
<b>30 JUNE 2023</b>				
Class A units of the Master Trust	-	-	792,418	792,418
<b>30 JUNE 2022</b>				
Class A units of the Master Trust	-	-	365,356	365,356

# Notes to the financial statements

For the year ended 30 June 2023

## 3 Financial risk management (continued)

### (d) Fair value measurement (continued)

#### Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. The level 3 asset, being the investment in the Master Trust, is valued as the proportionate share of the Net asset value of the Master Trust.

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's holds.

Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

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

The Fund's investment in the Master Trust is recorded at the net asset value (NAV) as reported by the Trust. The Fund may make adjustments to the value based on considerations such as the; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting. As these inputs are not market observable, the Fund's investment in unit trusts is categorised in Level 3 of the fair value hierarchy.

#### Valuation inputs and relationship to fair value

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

Financial Asset	Fair Value (\$'000)	Unobservable Inputs	Impact to Valuation from an Increase in Input
AS AT 30 JUNE 2023 Class A units of the Master Trust	792,418	Discount for lack of marketability of the trust	A significant change in marketability of the trust can result in changes to fair value of the investment
AS AT 30 JUNE 2022 Class A units of the Master Trust	365,356	Discount for lack of marketability of the trust	A significant change in marketability of the trust can result in changes to fair value of the investment



## Notes to the financial statements

For the year ended 30 June 2023

### 3 Financial risk management (continued)

#### (d) Fair value measurement (continued)

The following table presents the movement in level 3 financial instruments.

	(\$'000)
<b>Opening balance – 1 July 2022</b>	<b>365,356</b>
Additions	551,771
Redemptions	(124,709)
<b>CLOSING BALANCE – 30 JUNE 2023</b>	<b>792,418</b>
Opening balance – 1 July 2021	215,428
Additions	212,421
Redemptions	(62,493)
<b>CLOSING BALANCE – 30 JUNE 2022</b>	<b>365,356</b>

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between fair value hierarchy levels during the year (30 June 2022: None).

The sensitivity of Class A units of the Master Trust due to a change in the valuation of the underlying assets is +/- Nil (2022: +/- Nil). As the Manager's Co-investment (in Class B units of 10%) will be first impacted in the event of any impairment of capital, this provides investors of the Fund a Capital Buffer equal to 10% of the Invested Capital. As such any sensitivity movement of 10% would have no impact on the fair value holdings of the Fund.

### 4 Cash and cash equivalents

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
Cash at bank	18	2
<b>Total</b>	<b>18</b>	<b>2</b>

### 5 Financial assets at fair value through profit or loss

	AS AT 30 JUNE 2023 (\$'000)	AS AT 30 JUNE 2022 (\$'000)
Investment in Class A units of the Master Trust	792,418	365,356
<b>Total financial assets</b>	<b>792,418</b>	<b>365,356</b>

## Notes to the financial statements

For the year ended 30 June 2023

### 5 Financial assets at fair value through profit or loss (continued)

A wholly owned subsidiary of MAFG co-invests via Class B units in the Master Trust an amount equal to 10% of the Fund's investment in Class A units of the Master Trust (Manager Co-Investment). The Manager Co-Investment is made on a first loss and subordinated basis, which means that:

- the Manager Co-Investment is first impacted in the event of an impairment of capital, providing Unitholders with the benefit of a Capital Buffer; and
- Unitholders are expected to benefit from priority returns, providing a significant degree of capital and income protection.

MAFG will only receive a return on the Manager Co-Investment if unitholders have been paid the full Target Return (in all prior periods) and the Capital Buffer is equal to 10% of the Fund's invested capital (Invested Capital). As at 30 June 2023, no impairment of the Capital Buffer has been noted.

	AS AT 30 JUNE 2023 (\$'000)	AS AT 30 JUNE 2022 (\$'000)
Master Trust NAV (excluding ECL)	871,713	453,598
Class A ownership	792,418	412,356
Class B ownership	79,295	41,242

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements. The Fund considers the Master Trust to be a structured entity. The Fund invests in Class A units of the Master Trust for the purpose of receiving the Target Return.

### 6 Net assets attributable to unitholders

#### Subscriptions

Applications to invest in the Fund are made by way of the Subscription Agreement provided by the Investment Manager. To invest in the Fund, completed Subscription Agreements and associated documents (such as proof of identity documents) must be received by the Responsible Entity and/or the transfer agent. Applications may be refused in full or in part by the Responsible Entity in its absolute discretion.

Units issued will be issued at the Unit Price as determined in accordance with the Responsible Entity's Unit Pricing Policy (rounded to the nearest four decimal places) and adjusted for any transaction costs. The number of units ultimately issued to a unitholder is determined by dividing the amount a unitholder agrees to invest by the relevant issue price (rounded to the nearest four decimal places).

The Constitution was amended by Supplemental Deed dated 31 March 2021, giving rise to new redemption provisions. Where the Fund is not liquid, withdrawals from the Fund may only be effected pursuant to a regulated withdrawal offer issued by Responsible Entity in accordance with the *Corporations Act 2001*. Under normal market conditions, the Responsible Entity expects that the Fund will be liquid. Where the Fund is liquid, Investors may request to redeem all or a portion of their Units with a 30-day notice period, or a lesser period as determined by the Responsible Entity.

## Notes to the financial statements

For the year ended 30 June 2023

### 6 Net assets attributable to unitholders (continued)

#### Subscriptions (continued)

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

	FOR THE YEAR 1 JULY 2022 TO 30 JUNE 2023		FOR THE YEAR 1 JULY 2021 TO 30 JUNE 2022	
	30 JUNE 2023 AUD (\$'000)	30 JUNE 2023 UNITS ('000)	30 JUNE 2022 AUD (\$'000)	30 JUNE 2022 UNITS ('000)
<b>Opening balance</b>	<b>365,356</b>	<b>182,678</b>	215,430	107,715
Subscriptions	549,083	274,542	211,621	105,811
Redemptions	(124,709)	(62,356)	(62,493)	(31,247)
Distribution reinvested	2,688	1,345	800	400
Decrease in net assets attributable to unitholders	-	-	(2)	-
<b>Closing balance</b>	<b>792,418</b>	<b>396,209</b>	365,356	182,678

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

#### Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption. Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a periodic basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

### 7 Distributions to unitholders

	30 JUNE 2023 (\$'000)	30 JUNE 2023 CPU	30 JUNE 2022 (\$'000)	30 JUNE 2022 CPU
Distributions paid*	35,226		10,086	
Distribution payable	5,200		1,398	
	<b>40,426</b>	<b>13.8753</b>	11,484	8.3466

\*Some distributions were satisfied by the issue of units (reinvestment). See note 6.

## Notes to the financial statements

For the year ended 30 June 2023

### 8 Related party disclosures

#### (a) Responsible Entity

As disclosed in note 1 of this financial report, the Responsible Entity of the Fund is MAAM RE Limited and it is managed by MA Investment Management Pty Ltd. The ultimate holding company of the Responsible Entity and the Manager is MA Financial Group Limited. All entities are incorporated in Australia.

#### (b) Key management personnel

Key management personnel of the Fund include the Directors of the Responsible Entity, and members on the Investment Committee.

The key management personnel of the Responsible Entity held units in the Fund as follows:

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)	30 JUNE 2023 ('000)	30 JUNE 2022 ('000)
John Sheffield*	350	260	175	130
Steve Bennett*	-	600	-	300
Christopher Wyke	585	585	293	293
Frank Danieli	100	-	50	-
Colin Richardson	1,950	-	975	-

\*The related party unit holdings by John Sheffield and Steve Bennett have been restated for the comparative year. Both the units and dollar values were incorrectly presented.

No other members of the Investment Committee, nor the Board of the Responsible Entity hold investments in the Fund except for the above.

#### (c) Transactions with key management personnel

Key management personnel services are provided by the Responsible Entity and included in the management fees disclosed in note (d) below. There is no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

The following transactions occurred with key management personnel during the reporting period:

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)	30 JUNE 2023 ('000)	30 JUNE 2022 ('000)
Application for units*	2,140	1,220	1,070	610
Redemption of units*	(600)	-	(300)	-

\*The related party unit transactions of both application for units and redemption of units have been restated for the comparative year. Both the units and dollar values were incorrectly presented.

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the year and there were no material balances involving key management personnel's interests outstanding at year end.

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

## Notes to the financial statements

For the year ended 30 June 2023

### 8 Related party disclosures (continued)

#### (d) Responsible Entity's fees and other fees

During the year the Responsible Entity rendered services in accordance with the Fund's Constitution. The Responsible Entity is entitled to a fee out of the assets of the Fund of up to 2% (excluding GST) of the Fund's NAV, accrued daily and payable monthly in arrears (Responsible Entity Fee). The Responsible Entity waived its entitlement to this fee for as long as the Investment Manager remains Manager of the Fund and Master Trust. If the Investment Manager ceases to be the Manager of the Fund and Master Trust, the Responsible Entity intends to charge this fee. The Investment Manager charges the Master Trust a management fee of 0.5% (including GST) of the Master Trust's NAV.

The Fund has an Expense Reimbursement Agreement with the Master Trust that the Master Trust will reimburse all fees and expenses including remuneration paid to auditors and other operating expenses incurred by the Fund from the date of establishment of the Fund. Fees and fees reimbursed are outlined below.

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
<b>Income:</b>		
Expense reimbursement income	168	136
<b>Expenses:</b>		
Remuneration paid to auditors	38	27
Other operating expenses	130	109
<b>Total expenses</b>	<b>168</b>	<b>136</b>

## Notes to the financial statements

For the year ended 30 June 2023

### 8 Related party disclosures (continued)

#### (e) Related party unitholdings

The only related party to the Fund as defined by AASB 124 *Related Party Disclosures* is the Responsible Entity which has no unit holdings in the fund. Other schemes (managed by related parties of the Responsible Entity), held units in the Fund as follows:

	NO. OF UNITS HELD OPENING	NO. OF UNITS HELD CLOSING	FAIR VALUE OF INVESTMENT	INTEREST HELD	NO. OF UNITS ACQUIRED	NO. OF UNITS DISPOSED	DISTRIBUTIONS PAID/ PAYABLE BY THE FUND
	('000)	('000)	(\$'000)	(%)	('000)	('000)	(\$'000)
<b>30 JUNE 2023</b>							
MA Fixed Income Fund III	25,304	24,804	49,608	6.3%	-	500	3,473
MA Wholesale Priority Income Fund	7,244	86,085	172,170	21.7%	86,440	7,599	7,330
	<b>32,548</b>	<b>110,889</b>	<b>221,778</b>	<b>28.0%</b>	<b>86,440</b>	<b>8,099</b>	<b>10,803</b>
<b>30 JUNE 2022</b>							
MA Fixed Income Fund III	30,611	25,304	50,608	13.9%	-	5,307	2,183
MA Wholesale Priority Income Fund	-	7,244	14,487	4.0%	7,244	-	148
MA Credit Portfolio Investments Pty Ltd	-	-	-	-	12,500	12,500	253
	30,611	32,548	65,095	17.9%	19,744	17,807	2,584

#### (f) Investments

The Fund held investments in the following unit trusts which are also managed by the Investment Manager

	FAIR VALUE OF INVESTMENT	DISTRIBUTIONS RECEIVED/ RECEIVABLE	UNITS ACQUIRED DURING THE PERIOD	UNITS DISPOSED DURING THE PERIOD
	(\$'000)	(\$'000)	('000)	('000)
<b>30 JUNE 2023</b>				
MA Master Credit Trust	792,418	40,426	275,886	62,355
<b>30 JUNE 2022</b>				
MA Master Credit Trust	365,356	11,484	106,210	31,246

As at 30 June 2023, there are \$5,248,412.28 (30 June 2022: \$1,426,388.78) of related distribution receivables from the Master Trust and \$1,468,894.83 (30 June 2022: \$254,137) of distributions payable to Other schemes (managed by related parties of the Responsible Entity) unitholders by the Fund.

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

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

## Notes to the financial statements

For the year ended 30 June 2023

### 8 Related party disclosures (continued)

#### (g) Other transactions

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
Related party receivable <sup>1</sup>	5,248	1,426
Related party payable <sup>2</sup>	18	2

<sup>1</sup> Distribution receivable from the Master Trust. Received in full in July 2023 and July 2022.

<sup>2</sup> Relates to bank interest income earned and payable to Master Trust per the ERA (refer to note 8(d)).

### 9 Reconciliation of operating profit to net cash inflow from operating activities

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
<b>a ) Reconciliation of operating profit to net cash outflow from operating activities</b>		
Operating profit	40,426	11,482
Increase in distribution receivable	(3,822)	(695)
Increase in other receivables	-	4
Increase/(decrease) in other payables	15	(170)
Acquisition of financial assets at FVTPL	(549,083)	(212,421)
Disposal of financial assets at FVTPL	124,709	62,493
<b>Net cash outflow from operating activities</b>	<b>(387,755)</b>	<b>(139,307)</b>
<b>b ) Components of cash and cash equivalents</b>		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the balance sheet as follows:		
Cash at bank	18	2
<b>Total cash and cash equivalents</b>	<b>18</b>	<b>2</b>
<b>c ) Non-cash financing activities</b>		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	2,688	800

## Notes to the financial statements

For the year ended 30 June 2023

### 10 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding control and the relevant activities are directed by means of contractual arrangements.

The Scheme considers all investments in unlisted unit trusts to be structured entities. The Scheme may invest in related and unrelated unlisted unit trusts for the purpose of capital appreciation and earning investment income.

The unlisted unit trusts are invested in accordance with the investment strategy by their respective investment managers. The return of the unlisted unit trusts is exposed to the variability of the performance of their investments. The unlisted unit trusts finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional state in the respective trusts' net assets and distributions.

The Scheme's exposure to structured entities at 30 June 2023 was \$792,418,012 (30 June 2022: \$365,355,784).

The fair value of these entities is included in financial assets at fair value through profit or loss in the balance sheet.

The Scheme's maximum exposure to loss from its interests in the structured entities is equal to the total fair value of its investments in these entities as there are no off-balance sheet exposures relating to them. The Scheme's exposure to any risk from the structured entities will cease when these investments are disposed of.

The Scheme does not have current commitments or intentions and contractual obligations to provide financial or other support to the structured entities. There are no loans or advances currently made to these entities.

#### Unconsolidated subsidiaries

The Scheme applies the investment entity exception to consolidation available under AASB10 *Consolidated Financial Statements* and measures its subsidiaries at fair value through profit or loss.

The following unconsolidated structured entities are considered to be the Scheme's subsidiaries at the reporting date:

	Fair value		Ownership Interest	
	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)	30 JUNE 2023 %	30 JUNE 2022 %
<b>Master Trust</b>	<b>792,418</b>	365,356	<b>90.90</b>	80.55

The principal place of business for the above entities is Sydney, Australia.



## Notes to the financial statements

For the year ended 30 June 2023

### 11 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2023 (30 June 2022: None).

### 12 Remuneration of auditor

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

	30 JUNE 2023 (\$'000)	30 JUNE 2022 (\$'000)
<b>KPMG</b>		
Audit of the financial statements	28	17
Audit of compliance plan	10	10
<b>Total</b>	<b>38</b>	<b>27</b>

The audit fees paid or payable are borne by the Master Trust by virtue of an Expense Reimbursement agreement with the Fund (refer to note 8(d)).

### 13 Approval of financial statements

The Financial Statements of the Fund for the year ended 30 June 2023 were approved and authorised for issue by the Responsible Entity effective on 18 September 2023.

### 14 Events occurring after the reporting period

Subsequent to 30 June 2023 the Fund paid the June 2023 distribution to unitholders of \$5,200,179.18.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations or the state of affairs of the entity in subsequent financial years.



# Independent Auditor's Report

To the unitholders of MA Priority Income Fund

## Opinion

We have audited the **Financial Report** of the MA Priority Income Fund (the Scheme).

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

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

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2023
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

## Basis for opinion

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

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

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Scheme, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

## Other Information

Other Information is financial and non-financial information in MA Priority Income Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of MAAM RE Limited (the Responsible Entity) are responsible for the Other Information.

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



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

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

### Responsibilities of Directors for the Financial Report

The Directors MAAM RE Limited (the Responsible Entity) are responsible for:

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

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Shaun Kendrigan

Partner

Sydney

18 September 2023

