

# METRICS DIRECT INCOME FUND

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**FINANCIAL REPORT**

**For the year ended 30 June 2023**

ARSN 641 620 331



**METRICS**

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The report covers the Metrics Direct Income Fund as an individual entity.

The Responsible Entity of the Metrics Direct Income Fund is Equity Trustees Limited (ABN 46 004 031 298, AFSL 240 975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000

## DIRECTORS' REPORT

Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240 975) is the Responsible Entity (the “**Responsible Entity**”) of Metrics Direct Income Fund (the “**Fund**”). The Directors of the Responsible Entity (the “**Directors**”) present their report together with the financial statements of the Fund for the financial year ended 30 June 2023.

### PRINCIPAL ACTIVITIES

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

The Fund invests in the MCP Wholesale Investments Trust (the “**Sub-Trust**”), the Metrics Master Income Trust (“**MXT**”), cash and other trusts from time to time established for the Fund’s investments.

The Investment Objective for the Fund is, through its investment in MXT and the Sub-Trust, to provide monthly cash income, low risk of capital loss and portfolio diversification by actively managing diversified loan portfolios and participating in Australia’s bank-dominated corporate loan market.

The Fund was constituted on 10 June 2020, registered with Australian Securities and Investments Commission (“**ASIC**”) on 24 June 2020, and commenced operations on 1 July 2020.

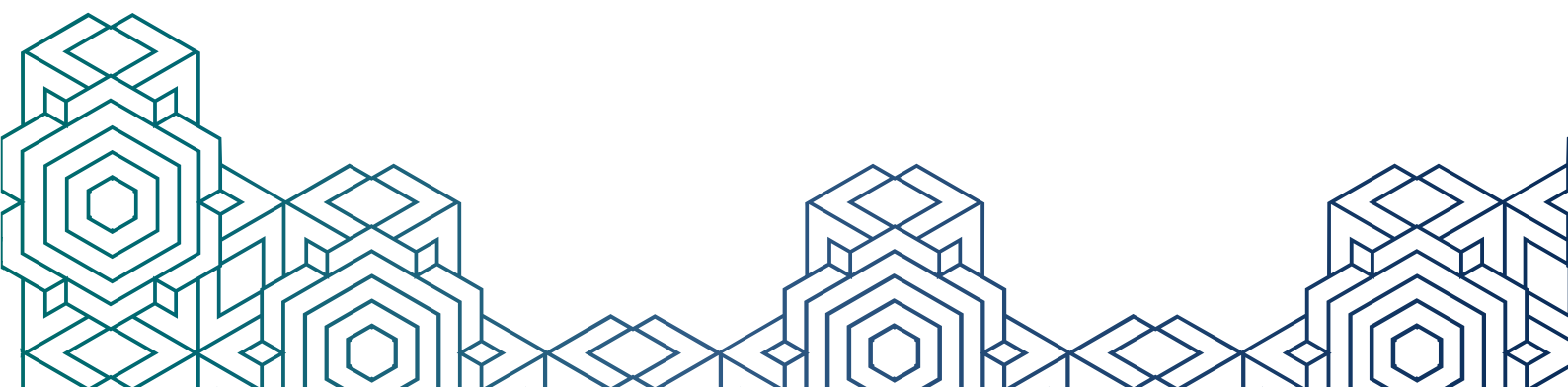
The Fund did not have any employees during the year.

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

### SERVICE PROVIDERS

The various service providers for the Fund as at 30 June 2023 are detailed below;

SERVICE	PROVIDER
Responsible Entity	Equity Trustees Limited
Investment Manager	Metrics Credit Partners Pty Ltd
Administrator	MCH Fund Administration Pty Ltd
Custodian	EQT Australia Pty Ltd
Registry	Automic Pty Ltd
Statutory Auditor	KPMG
Compliance Plan Auditor	PricewaterhouseCoopers



## DIRECTORS

The Directors of Equity Trustees Limited during the year and up to the date of this report are shown below. The Directors were in office from the date of appointment of Equity Trustees Limited as the Responsible Entity of the Fund:

NAME	POSITION
Philip D Gentry	Chairman
Michael J O'Brien	Managing Director
Russell W Beasley	Deputy Executive General Manager, Fund Services
Mary A O'Connor	Director
David B Warren	Director – appointed 6 March 2023

## UNITS ON ISSUE

Units on issue in the Fund at the end of the year are set out below:

	AS AT 30 JUNE 2023 UNITS '000	AS AT 30 JUNE 2022 UNITS '000
Units on issue	1,068,934	753,603

## REVIEW AND RESULTS OF OPERATIONS

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

The Fund's performance was 7.93% (net of fees) for the year ended 30 June 2023. The Fund's benchmark, the RBA Cash rate plus 3.25% p.a. returned 6.40% for the same year.

	YEAR ENDED 30 JUNE 2023	YEAR ENDED 30 JUNE 2022
Profit/(loss) for the year (\$'000)	70,731	23,399
Distributions paid and payable (\$'000)	72,858	24,251
Distributions (cents per unit)	8.13	4.68

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

David B Warren was appointed as a director of Equity Trustees Limited on 6 March 2023.

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

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 31 July 2023 a distribution was declared of \$0.823 cents per unit amounting to \$9,223,678\* and was paid on 8 August 2023.

The Directors are of the opinion that there is 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.

## 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 Fund's 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.

\* Amounts have not been rounded.

### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditor of the Fund is 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 the Fund's property during the year are disclosed in Note 12 of the financial statements. No fees were paid out of the Fund's 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 financial year are disclosed in Note 12 of the financial statements.

### **UNITS IN THE FUND**

The movement in units on issue in the Fund during the year is disclosed in Note 7 of the financial statements. The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 of the financial statements.

### **ENVIRONMENTAL REGULATION**

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

### **ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS**

Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated

### **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 6.

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



**Philip D Gentry**  
Chairman  
Equity Trustees Limited

Melbourne  
23 August 2023

## INVESTMENT MANAGER'S REPORT

### FUND PERFORMANCE & OUTLOOK

The Metrics Direct Income Fund (MDIF) (“Fund” or “MDIF”) seeks to provide investors with access to a well-diversified portfolio of direct private side loans to Australian and New Zealand companies via investment in the underlying wholesale funds managed by Metrics. The Fund offers investors monthly cash income, low risk of capital loss and portfolio diversification, by actively managing loan portfolios across a range of industries with diversification by borrower, industry and credit quality.

At the end of the June 2023 financial year, the Fund had Assets Under Management of \$1.101 billion, compared to \$778 million in June 2022, as a result of inflows from investors.

The Fund has generated consistent monthly income distributions over the last twelve months and delivered a net compound return of 7.93% equivalent to a spread against the RBA Cash Rate benchmark of +5.16%, outperforming the target return (RBA Cash Rate +3.25% pa). The last twelve months distribution return was 8.17%, also outperforming the target return.

As at 30 June 2023 the Fund had exposure to 300 individual assets (compared to 269 in June 2022) entering 101 new investments and exiting 70 investments over the course of the financial year.

Metrics believes that access to a diversified portfolio of short dated floating rate loan investments provides enhanced risk adjusted returns for investors and is a central means by which the Metrics seeks to reduce investment risks such as credit, market and liquidity risks while seeking to deliver additional income for investors.

Outperformance can be attributed to strong credit performance over the past 12 months and Metrics' highly selective investment allocation, in-house loan origination/ structuring and close ongoing asset monitoring during the year. In April 2023, global credit ratings agency Standard & Poor's (S&P) reaffirmed its issuer credit rating of A- for the Metrics Credit Partners Diversified Senior Loan Fund and the MCP Real Estate Debt Fund, which together make up 80% of MXT.

With Australian corporates facing challenging economic and business conditions, Metrics continues to prioritise risk management and is taking a highly selective approach with respect to new investments, favouring existing clients well known to us. The portfolio does not hold any material exposure to covenant-lite leveraged acquisition loans arranged by investment banks and will continue to avoid such loans, preferring to originate investments via its extensive in-house origination team.

Currently, over 98% of assets are senior ranking loans and the portfolio has a weighted average credit rating of BBB-. Over 97% of the Fund's loans are to Australia/New Zealand borrowers and the Fund has avoided lending to borrowers with material exposure to emerging or high-risk economies.

As a predominantly floating rate fund, returns have benefited from the continued increase in base rates. As at 30 June 2023 the current running yield (calculated as the last 12 months spread plus the current 3 month BBSW) was 9.02% p.a.

### INVESTMENT MANAGER UPDATE

MXT provides investors with an investment product that delivers a highly skilled investment team and a robust, independent governance framework under the control of the Responsible Entity. Metrics continues to seek opportunities to diversify the portfolio, build scale, lower costs and manage the investment risks associated with the operations of the Fund.

During the 2023 financial year, Metrics' total assets under management has grown to over \$14bn following inflows from investors. During the year, Metrics launched four new funds for large institutional investors. As part of its continued growth, Metrics has continued to increase staff numbers to a current total of c.120, bringing onboard a wealth of experience and direct lending relationships and further building out its operational and governance practices.

Metrics received industry recognition over the past 12 months and was awarded Non-Bank Investor of the Year by the Asia Pacific Loan Market Association (APLMA), Best Private Debt Fund at the Australian Alternative Investment Awards and Best Fixed Income Manager at the 2022 Zenith Awards.

## **ESG UPDATE**

Sustainability remains at the heart of the Metrics business, which has a responsibility to act in the best long-term interests of investors in our funds. Our approach flows from the Board through the whole organisation. The Investment Committee is responsible for ensuring that the investment process reflects our Responsible Investment and ESG Policy and the firm's commitments under our memberships, including the UN-supported Principles for Responsible Investment, the UN Global Compact Network and the Net Zero Asset Managers initiative.

Over the past 12 months Metrics has measured our financed emissions as an early adopter of leading global carbon accounting standards and being among a small group of Australian asset managers to have disclosed ambitious science-based emissions reduction targets in line with their Net Zero Asset Managers initiative commitments. Metrics ongoing efforts were recognised through the Net Zero Leadership Award at the 34th National Banksia Sustainability Awards.

In the same period, Metrics obtained Reconciliation Australia's endorsement of our first Reconciliation Action Plan (RAP), under which we developed an Aboriginal and Torres Strait Islander business loan product that earned us recognition as one of the Australian Financial Review's Sustainability Leaders for 2022, with the special distinction of Social Benefit Innovator.

Through its industry collaborations, Metrics has been an active advocate for policy reform to support sustainability initiatives. In the past 12 months, Metrics became an investor signatory to the 2022 Global Investor Statement to Governments on the Climate Crisis, signed the ASFI-coordinated Joint Statement on Accelerating Sustainable Finance, signed a joint Finance Industry Statement on the Government's proposed Safeguard Mechanism reforms, became a signatory to the NZ Stewardship code as well as contributing to various government consultations and industry publications.

## AUDITOR'S INDEPENDENCE DECLARATION



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

To the Directors of Equity Trustees Limited as the Responsible Entity of Metrics Direct Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Metrics Direct 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

Andrew Reeves  
Partner  
Sydney  
23 August 2023



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

		YEAR ENDED 30 JUNE 2023 \$'000	YEAR ENDED 30 JUNE 2022 \$'000
<b>Investment income</b>			
Interest income		237	8
Distribution income		75,162	24,940
Other income		–	563
Net gains/(losses) on financial instruments at fair value through profit or loss		(2,110)	(566)
<b>Total investment income/(loss)</b>		<b>73,289</b>	<b>24,945</b>
<b>Expenses</b>			
Management fees and costs	12	1,876	1,059
Responsible Entity and Custodian fees	12	231	106
Administration fees and other expenses		451	381
<b>Total expenses</b>		<b>2,558</b>	<b>1,546</b>
<b>Profit/(loss) for the year</b>		<b>70,731</b>	<b>23,399</b>
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>70,731</b>	<b>23,399</b>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTE	AS AT 30 JUNE 2023 \$'000	AS AT 30 JUNE 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	1,339	8
Distributions receivable		8,687	3,734
Financial assets at fair value through profit or loss	5	1,099,674	778,502
Other receivables		118	74
<b>Total assets</b>		<b>1,109,818</b>	782,318
<b>Liabilities</b>			
Distributions payable	8	8,460	4,121
Management fees and costs payable	12	186	131
Responsible Entity and Custodian fees payable	12	23	26
Other payables		50	49
<b>Total liabilities</b>		<b>8,719</b>	4,327
<b>Net assets attributable to unit holders – equity</b>		<b>1,101,099</b>	777,991

*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

	NOTE	YEAR ENDED 30 JUNE 2023 \$'000	YEAR ENDED 30 JUNE 2022 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>777,991</b>	227,828
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		<b>70,731</b>	23,399
<b>Total comprehensive income for the year</b>		<b>70,731</b>	23,399
<b>Transaction with unitholders</b>			
Applications	7	<b>627,264</b>	630,083
Redemptions	7	<b>(306,744)</b>	(80,923)
Reinvestment of distributions	7	<b>4,715</b>	1,855
Distributions to unitholders	7&8	<b>(72,858)</b>	(24,251)
<b>Total transactions with unitholders</b>		<b>252,377</b>	526,764
<b>Total equity at the end of the financial year</b>		<b>1,101,099</b>	777,991

*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

	NOTE	YEAR ENDED 30 JUNE 2023 \$'000	YEAR ENDED 30 JUNE 2022 \$'000
<b>Cash flows from operating activities</b>			
Interest received from financial assets at amortised cost		216	8
Distribution income received		70,208	21,983
Other income received (GST inclusive)		–	563
Management fees and costs paid (GST inclusive)		(1,894)	(966)
Responsbile Entity and Custodian fees paid (GST inclusive)		(240)	(85)
Administration and other expenses paid (GST inclusive)		(392)	(377)
<b>Net cash inflow/(outflow) from operating activities</b>	10a	<b>67,898</b>	21,126
<b>Cash flows from investing activities</b>			
Purchase of financial instruments at fair value through profit or loss		(323,283)	(569,505)
Proceeds from sale of financial instruments through profit or loss		–	11,709
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(323,283)</b>	(557,796)
<b>Cash flows from financing activities</b>			
Proceeds from application by unitholders		627,264	630,083
Payment for redemption by unitholders		(306,744)	(80,923)
Distributions paid to unitholders		(63,804)	(19,164)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>256,716</b>	529,996
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,331</b>	(6,674)
Cash and cash equivalents at the beginning of the year		8	6,682
<b>Cash and cash equivalents at the end of the year</b>	9	<b>1,339</b>	8
<b>Non-cash operating and financing activities</b>			
Shares issued via Dividend Reinvestment Plan		4,715	1,855

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

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## 1 GENERAL INFORMATION

11 These financial statements cover the Metrics Direct Income Fund (the "**Fund**") as an individual entity. The Fund is a registered managed investment scheme and was constituted on 10 June 2020, registered with the Australian Securities and Investments Commission on 24 June 2020 and commenced operations on 1 July 2020. The Fund is domiciled in Australia. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

22 Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240 975) is the Responsible Entity of the Fund (the "**Responsible Entity**" or "**RE**"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne VIC 3000, Australia.

24 The Investment Manager of the Fund is Metrics Credit Partners Pty Ltd (ABN 27 150 646 996)(AFSL 416 146). The Custodian of the Fund is EQT Australia Pty Ltd (ABN 88 111 042 132).

25 The financial statements were authorised for issue by the Directors of the Responsible Entity (the "Directors of the Responsible Entity") on 23 August 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and 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.

Items included in the Fund’s financial statements are measured and presented in Australian Dollars, which is the currency of the primary economic environment in which it operates (the “**functional currency**”) and reflects the currency of the economy in which the Fund competes for funds and is regulated.

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 to be recovered or settled in twelve months in relation to these balances remain subject to the performance of the Fund and its operations in accordance with the Constitution.

### **Investment Entity**

The Fund has been deemed to meet the definition of an investment entity, as the following conditions exist:

- > The Fund has obtained funds for providing investors with investment management services;
- > The Fund’s business purpose, which was communicated directly to investors, is investing solely for returns from investment income; and
- > The performance of investments made through the Fund are measured and evaluated on a fair value basis.

### **Accounting Standards**

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

The financial statements of the Fund also comply with International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board (IASB).

#### **(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 the prior year or will affect the current or future year.

#### **(iii) New accounting standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2023. Management has made an assessment and concluded that none of these are expected to have a material impact on the financial statements.

### **(b) Financial instruments**

#### **(i) Classification**

##### **> Assets**

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s portfolio of financial assets is managed, and its performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s policy is to evaluate the information about these financial assets on a fair value basis together with other related financial information.

The Fund holds financial assets, comprising of investments in unlisted and listed unit trusts, which are measured at fair value through profit or loss.

##### **> Liabilities**

The Fund holds financial liabilities comprising of distribution and fee payables, which are classified and measured at amortised cost.

#### **(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 fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset held at fair value through profit and loss (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the period the asset is derecognised as realised gains or losses on financial instruments.

**(iii) Measurement**

**> Financial assets and liabilities held at fair value through profit or loss**

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 and financial liabilities at fair value through profit or loss are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is calculated as the present value of expected cash flows arising from the asset having regard to current market prices and returns for assets of comparable credit quality, terms and contracted remaining term to maturity. 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.

Further details on how the fair value of financial instruments are determined are disclosed in Note 4.

**> Other financial assets and liabilities**

Management considers that the carrying amount of cash and cash equivalents and receivables approximate fair value.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost. Management considers the carrying amount of payables approximate fair value.

**(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 unitholders – equity**

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

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.

**(d) Cash and cash equivalents**

Cash comprises cash on hand, deposits held at call with financial institutions. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(e) Investment income**

**(i) Interest income**

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest income is recognised daily as it accrues, taking into account the actual interest rate on the financial asset and is recognised in profit or loss.

**(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.

**(f) Expenses**

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

**(g) Income tax**

The Fund is not subject to income tax provided the taxable income of the Fund is attributed in full to its unitholders each financial year either by way of cash or reinvestment. Unitholders are subject to income tax at their own marginal tax rates on amounts attributable to them.

**(h) Distributions**

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

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

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

**(i) Increase/decrease in net assets attributable to unitholders**

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

**(j) Receivables**

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables. Receivables are measured at their nominal amounts.

Receivables also include such items as Reduced Input Tax Credits (RITC).

**(k) Payables**

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year. Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the statement of financial position as a payable when determined by Responsible Entity in accordance with the Fund's Constitution.

**(l) Applications and redemptions**

Applications received for units in the Fund are recorded net of any transaction costs payable prior to the issuance of units in the Fund.

In accordance with the Constitution, the Responsible Entity may determine to reject a Redemption Request at its absolute discretion. The Responsible Entity is not obliged under any circumstances to pay any part of the Redemption Price out of its own funds. The redemption transaction costs are an estimate by the Responsible Entity of the total transaction cost the Fund would incur selling the Fund Property/Units. If appropriate, the Responsible Entity may apply estimated redemption transaction costs in regard to the actual cost incurred from the redemption. If the Responsible Entity makes no estimate, the Redemption Transaction costs are zero.

**(m) 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 and costs have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") at a rate of at least 55% hence investment management fees and costs, 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"). 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. Accounts payable are inclusive of GST.

**(n) Use of estimates and judgement**

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

Certain financial instruments, including unquoted securities are fair valued using valuation techniques determined by the Investment Manager, in accordance with the valuation procedures approved by the Responsible Entity. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, 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 balances reported on statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

**(o) Rounding of amounts**

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

**3 FINANCIAL RISK MANAGEMENT**

**(a) Overview**

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the investment objective and strategy.

The Responsible Entity has in place a framework which includes:

- > The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- > Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- > Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below and in the Product Disclosure Statement (PDS) available on the Investment Manager's website.

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market variables such as interest rates, foreign exchange rates and equity prices.

**(i) Price risk**

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Fund invests in corporate loans and debt securities indirectly through its investment in MCP Wholesale Investments Trust. As a result, the Investment Manager manages this risk through the daily review of the carrying value of each of the assets held by the Wholesale Funds having regard to the market prices of similar assets being transacted in both the primary and secondary market for assets of similar credit quality, tenor and loan purpose. Any adjustment to the fair value of the investment is reflected through profit or loss. The Fund's investment in MCP Wholesale Investments Trust is valued using the daily published Net Asset Value ("NAV") and accordingly is not impacted external Price risks.

The Fund holds units in the Metrics Master Income Trust ("MXT") which are traded on the ASX. The trading price of any listed security may change, related to performance and matters inherent to the investment performance of the securities, but also due to external factors such as market sentiment and as a result the units in the MXT may trade at a discount or premium to their net asset value.

As at 30 June 2023, the overall market exposures were as follows:

<b>FINANCIAL ASSETS</b>	<b>AS AT 30 JUNE 2023 FAIR VALUE \$'000</b>	<b>AS AT 30 JUNE 2022 FAIR VALUE \$'000</b>
MCP Wholesale Investments Trust	<b>1,026,325</b>	705,060
Metrics Master Income Trust	<b>73,349</b>	73,442
<b>Total Financial Assets</b>	<b>1,099,674</b>	778,502

On 30 June 2023, should Financial Assets at fair value through profit and loss move by 2.5 basis points with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders and profit or loss for the year would amount to approximately \$274,919\* (2022: \$194,626\*).

**(ii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund primarily has exposure (through the MCP Wholesale Investments Trust and MXT) to floating rate loans meaning that as the underlying base rate rises and falls, the relative attractiveness to other instruments may change.

The Investment Manager believes there is a strong correlation between the RBA Cash Rate and the base rates upon which loans are priced. Accordingly, the Investment Manager expects absolute returns on loans therefore rise and fall largely in correlation with the RBA Cash Rate.

Interest rate duration risk is minimised as individual borrowers under loan contracts generally have the flexibility to select interest rate reset periods from 30 to 180 days. In addition to the ongoing short-term re-setting of the market benchmark interest rate most loan facilities incorporate a contractual mechanism to re-price based on migration of credit quality over the term of the facility. This is known as a credit margin pricing grid and incorporates changes to the credit margin based on certain key credit metrics.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The impact of fluctuations in interest rates on interest bearing financial assets and liabilities is not material.

\* Amounts have not been rounded.

The tables below summarise the Fund's exposure to direct interest rate risk as at 30 June 2023 and 30 June 2022.

	WEIGHTED EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON- INTEREST BEARING	TOTAL
AS AT 30 JUNE 2023	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash and cash equivalents	4.10%	1,339	–	–	1,339
Financial assets at fair value through profit or loss		–	–	1,099,674	1,099,674
Distributions receivable		–	–	8,687	8,687
Other receivables		–	–	118	118
<b>Total financial assets</b>		<b>1,339</b>	<b>–</b>	<b>1,108,479</b>	<b>1,109,818</b>
<b>Financial liabilities</b>					
Management fees and costs payable		–	–	186	186
Responsible Entity and Custodian fees payable		–	–	23	23
Distributions payable		–	–	8,460	8,460
Other payables		–	–	50	50
<b>Total financial liabilities</b>		<b>–</b>	<b>–</b>	<b>8,719</b>	<b>8,719</b>
<b>Net exposure</b>		<b>1,339</b>	<b>–</b>	<b>1,099,760</b>	<b>1,101,099</b>
<b>AS AT 30 JUNE 2022</b>					
	%	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash and cash equivalents	0.85%	8	–	–	8
Financial assets at fair value through profit or loss		–	–	778,502	778,502
Distributions receivable		–	–	3,734	3,734
Other receivables		–	–	74	74
<b>Total financial assets</b>		<b>8</b>	<b>–</b>	<b>782,310</b>	<b>782,318</b>
<b>Financial liabilities</b>					
Management fees and costs payable		–	–	131	131
Responsible Entity and Custodian fees payable		–	–	26	26
Distributions payable		–	–	4,121	4,121
Other payables		–	–	49	49
<b>Total financial liabilities</b>		<b>–</b>	<b>–</b>	<b>4,327</b>	<b>4,327</b>
<b>Net exposure</b>		<b>8</b>	<b>–</b>	<b>777,983</b>	<b>777,991</b>

**(iii) Currency risk**

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

As at 30 June 2023, the Fund did not hold any assets or liabilities denominated in currencies other than the Australian Dollar and therefore was not exposed to any foreign exchange risk (2022: Nil).

**(c) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due. The Fund is indirectly exposed to credit risk via its exposure to the corporate loan portfolio of the underlying funds it invests in.

The credit risk is managed by the Metrics Credit Partners Pty Ltd, as Investment of the underlying funds and centres around the following key processes:

The Investment Manager advises it manages credit risk by undertaking a detailed due diligent process prior to entering into transactions with counterparties and ongoing daily monitoring of the credit exposures.

The initial due diligence process is detailed in the Operational and Investment Policies of the Investment Manager and addresses aspects relevant to an assessment of the credit risk and includes risk assessments of both a qualitative and quantitative nature. Pre-lending due diligence may include independent expert reports provided to the Investment Manager covering matters such as commercial/industry risks, accounting and tax reports, legal due diligence, property valuation, technical risk reports and environmental reports. As part of the initial due diligence risk assessment process key risks are identified and the key determinants of future cash flows and servicing capacity of the counterparty are identified. Scenario planning and sensitivity testing is undertaken to model the impact on counterparty credit risk under a range of adverse events. Financial analysis and peer group benchmarking is undertaken to determine the appropriate credit metrics and a credit rating identified and allocated. The Investment Manager uses a range of proprietary credit rating data and analysis in addition to credit research materials from third party providers including credit rating agencies to analyse and monitor counterparty credit risk.

The Investment Manager further seeks to mitigate credit risk by adhering to the investment parameters of the Fund which have been designed in a manner that seeks to mitigate

credit risk by ensuring the portfolio is diversified by industry, counterparty, credit quality, maturity and loan market.

The Investment Manager maintains active engagement with other market participants and meets regularly and receives regular reporting from banks, borrowers and ratings agencies and uses this reporting to manage and monitor performance of financial assets held by the Fund. Such reporting includes macro-economic risk and analysis reporting.

The Investment Manager is provided with ongoing compliance reporting from borrowers which typically includes the provision of covenant compliance certificates, financial accounts, operational management reporting and forward financial projections and ongoing reporting of performance against budget projections. The Investment Committee of the Investment Manager aims to meet weekly to monitor reporting and financial obligations of counterparties, reconciles payment of interest and fees and reviews credit, market and liquidity risks of each financial asset held in the portfolio. Any payment arrears are monitored on a daily basis and reported to the Investment Committee.

The Fund's exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1+ (as determined by public ratings agencies such as Standard & Poor's, Moody's or Fitch) or higher. The Fund is also exposed to credit risk on corporate loans and debt securities through its investments in MCP Wholesale Investments Trust.

The Investment Manager advises it rates corporate loans and debt securities in accordance with its ratings methodology and may also be rated by public ratings agencies such as Standard & Poor's, Moody's or Fitch. Where a corporate loan or debt security is publicly rated, it is the Investment Manager's policy to apply the lower of a public credit rating or the Investment Manager's own credit rating. The Fund's exposure to credit risk is monitored and managed on a daily basis, and credit ratings are reviewed and confirmed as part of the Investment Manager's investment processes. Credit risk is managed through daily investment analysis (reporting, covenant compliance, management and market engagement) as well as through portfolio construction. Credit risk management is ongoing and the Investment Manager adopts an active approach to monitoring and managing these risks.

The Investment Manager advises it adheres to the portfolio investment parameters set out in the offer document of the Fund.

**(d) 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 and can only do so on terms that are materially disadvantageous.

The Investment Manager monitors the Fund's cash flow requirements and undertakes cash flow forecasts including capital budgeting on a daily basis. Cash flow reconciliations are undertaken daily to ensure all income and expenses are managed in accordance with contracted obligations.

The table below analyses the Fund's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting year end.

The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Responsible Entity actively monitors the liquidity of the Fund including redemption and application levels and any impact on the financial assets and liabilities.

<b>AS AT 30 JUNE 2023</b>	<b>LESS THAN 1 MONTH \$'000</b>	<b>1-6 MONTHS \$'000</b>	<b>6-12 MONTHS \$'000</b>	<b>OVER 12 MONTHS \$'000</b>	<b>NO STATED MATURITY \$'000</b>	<b>TOTAL \$'000</b>
Management fees and costs payable	186	–	–	–	–	186
Responsible Entity and Custodian fees payable	23	–	–	–	–	23
Other payables	50	–	–	–	–	50
Distributions payable	8,460	–	–	–	–	8,460
<b>Total financial liabilities</b>	<b>8,719</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,719</b>

<b>AS AT 30 JUNE 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>TOTAL \$'000</b>
Management fees and costs payable	131	–	–	–	–	131
Responsible Entity and Custodian fees payable	26	–	–	–	–	26
Other payables	24	25	–	–	–	49
Distributions payable	4,121	–	–	–	–	4,121
<b>Total financial liabilities</b>	<b>4,302</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,327</b>

#### **4 FAIR VALUE MEASUREMENTS**

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- > Financial assets/liabilities at fair value through profit or loss (FVTPL) (see Note 5).

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

##### **I. Fair value in an active market (level 1)**

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

The Fund values its investments and derivatives in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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.

##### **II. Fair value in an inactive or unquoted market (Level 2 and Level 3)**

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 corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

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

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

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

### Recognised fair value measurements

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

AS AT 30 JUNE 2023	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>Financial assets</b>				
MCP Wholesale Investments Trust	–	1,026,325	–	1,026,325
Metrics Master Income Trust (MXT)	73,349	–	–	73,349
<b>Total financial assets</b>	<b>73,349</b>	<b>1,026,325</b>	<b>–</b>	<b>1,099,674</b>
<b>AS AT 30 JUNE 2022</b>				
<b>Financial assets</b>				
MCP Wholesale Investments Trust	–	705,060	–	705,060
Metrics Master Income Trust (MXT)	73,442	–	–	73,442
<b>Total financial assets</b>	<b>73,442</b>	<b>705,060</b>	<b>–</b>	<b>778,502</b>

### III. Transfer between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year. There were no transfers between the levels in the fair value hierarchy for the year ended 30 June 2023.

### IV. Fair value of other financial instruments

The Fund did not hold any other financial instruments which were not measured at fair value in the statement of Financial Position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value. Net assets attributable to unitholders' carrying value may differ from its par value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current reporting year.

## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	AS AT 30 JUNE 2023 \$'000	AS AT 30 JUNE 2022 \$'000
MCP Wholesale Investments Trust (unlisted investment)	1,026,325	705,060
Metrics Master Income Trust (MXT) (listed investment)	73,349	73,442
<b>Total financial assets at fair value through profit or loss</b>	<b>1,099,674</b>	<b>778,502</b>

The fair value of the unlisted investment has been based on its net asset value at the end of the reporting year.

## 6 STRUCTURED ENTITIES

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. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. The Fund considers investments in managed investment Funds (the “Funds”) to be structured entities.

The Fund invests in Funds for the purpose of capital appreciation and/or earning investment income.

The exposure to investments in related Funds at fair value, and any related amounts recognised in the statement of comprehensive income is disclosed at Note 12 to the financial statements.

The exposure to investments in related Funds at fair value that the Fund does not consolidate but in which it holds an interest is disclosed in the following table:

	FAIR VALUE OF INVESTMENTS AS AT		INTEREST HELD AS AT	
	30 JUNE 2023	30 JUNE 2022	30 JUNE 2023	30 JUNE 2022
	\$'000	\$'000	%	%
MCP Wholesale Investments Trust	<b>1,026,325</b>	705,060	<b>29.44</b>	21.40
Metrics Master Income Trust (MXT)	<b>73,349</b>	73,442	<b>4.26</b>	4.18

The Fund has exposures to structured entities through its trading activities. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. The Fund does not have current commitments or intentions and contractual obligations to provide financial or other support to the structured entities. Exposure to trading assets are managed in accordance with financial risk management practices as set out in Note 3(b).

During the year ended 30 June 2023, total gains/(losses) incurred on investments in the Funds (\$2,110,404) (2022: (\$566,333)\*). The Fund also earned distribution income of \$75,161,912 (2022: \$24,939,988)\* as a result of its interests in the Funds.

The principal place of business of the structured entities listed above is Level 18, Angel Place, 123 Pitt Street, Sydney NSW 2000.

\* Amounts have not been rounded.



## 7 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

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

	YEAR ENDED 30 JUNE 2023		YEAR ENDED 30 JUNE 2022	
	UNITS '000	\$'000	UNITS '000	\$'000
Opening balance	753,603	777,991	220,511	227,828
Applications	608,086	627,264	609,596	630,083
Redemptions	(297,326)	(306,744)	(78,299)	(80,923)
Reinvestment of distributions	4,571	4,715	1,795	1,855
Profit/(loss) for the year	–	70,731	–	23,399
Distributions paid and payable	–	(72,858)	–	(24,251)
Closing balance	1,068,934	1,101,099	753,603	777,991

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 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 classifies its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as equity. The amount of net assets attributable to unitholders can change as the Fund is subject to monthly applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets by the Investment Manager. 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.

## 8 DISTRIBUTIONS TO UNITHOLDERS

Distributions are determined by reference to the net taxable income of the Fund and are subject to approval by the Fund's Tax Agent and Responsible Entity on an annual basis. The distributions for the year were as follows:

DISTRIBUTIONS	YEAR ENDED 30 JUNE 2023		YEAR ENDED 30 JUNE 2022	
	\$'000	CPU*	\$'000	CPU*
July	3,566	0.46	972	0.38
August	4,582	0.58	966	0.34
September	4,381	0.55	1,031	0.33
October	5,350	0.66	1,245	0.36
November	5,565	0.67	1,418	0.38
December	6,211	0.72	1,988	0.39
January	6,668	0.75	2,248	0.39
February	6,230	0.68	2,105	0.35
March	6,986	0.75	2,436	0.38
April	7,019	0.74	2,529	0.38
May	7,840	0.78	3,192	0.45
June (payable)	8,460	0.79	4,121	0.55
<b>Total distributions</b>	<b>72,858</b>	<b>8.13</b>	<b>24,251</b>	<b>4.68</b>

\* Distribution is expressed as cents per unit amount in Australian Dollars.

## 9 CASH AND CASH EQUIVALENTS

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

	AS AT 30 JUNE 2023 \$'000	AS AT 30 JUNE 2022 \$'000
Cash and cash equivalents	1,339	8

## 10 RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

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

	YEAR ENDED 30 JUNE 2023 \$'000	YEAR ENDED 30 JUNE 2022 \$'000
Profit/(loss) for the year	70,731	23,399
Net gain/(loss) on financial instruments at fair value through profit of loss	2,110	566
Net change in receivables	(4,997)	(2,962)
Net change in payables	54	123
<b>Net cash inflow/(outflow) from operating activities</b>	<b>67,898</b>	<b>21,126</b>

(b) Non-cash financing activities

	YEAR ENDED 30 JUNE 2023 \$'000	YEAR ENDED 30 JUNE 2022 \$'000
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	4,715	1,855

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

## 11 AUDITORS' REMUNERATION

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

	YEAR ENDED 30 JUNE 2023 \$	YEAR ENDED 30 JUNE 2022 \$
<b>KPMG</b>		
<b>Audit and other assurance services</b>		
Audit and review of the financial statements	16,905	16,100
<b>Total remuneration of KPMG</b>	<b>16,905</b>	<b>16,100</b>
<b>Deloitte</b>		
<b>Audit and other assurance services</b>		
Audit and review of annual compliance plan	–	5,000
<b>Total remuneration of Deloitte</b>	<b>–</b>	<b>5,000</b>
<b>PricewaterhouseCoopers</b>		
<b>Audit and other assurance services</b>		
Audit and review of annual compliance plan	2,346	2,580
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,346</b>	<b>2,580</b>
<b>Total remuneration for audit and other assurance services</b>	<b>19,251</b>	<b>23,680</b>

## 12 RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

The Responsible Entity of the Metrics Direct Income Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Investment Manager of the Fund is Metrics Credit Partners Pty Ltd.

### (a) Directors

Key management personnel include persons who were Directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

NAME	POSITION
Philip D Gentry	Chairman
Michael J O'Brien	Managing Director
Russell W Beasley	Deputy Executive General Manager, Fund Services
Mary A O'Connor	Director
David B Warren	Director – appointed 6 March 2023

### (b) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

#### Other key management personnel

NAME	POSITION
David Grbin	Non-Executive Chairman
Alexander Calder	Non-Executive Chairman
Rupert Smoker	Executive Director
Ben Norman	Alternate Director

### (c) Transactions with key personnel

There were no transactions with key management personnel during the reporting period.

### (d) Key management personnel unit holdings

During or since the end of the year, none of the Directors or Directors of related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

### Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### 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 year.

### Other transactions within the Fund

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

### Responsible Entity's fees and other transactions

#### (i) Responsible Entity fee

This fee is charged by the Responsible Entity for managing the Fund and making it available to investors. Fees payable to the Responsible Entity are calculated on the net asset value of the Fund and accrued daily and paid monthly in arrears from the assets of the Fund and reflected in the daily unit price.

#### (ii) Investment Manager fee

This fee is charged by Investment Manager for services provided under the Investment Management Agreement. Fees payable to the Investment Manager are calculated on the net asset value of the Fund and accrued daily and paid monthly in arrears from the assets of the Fund and reflected in the daily unit price.

**(iii) Indirect costs**

Indirect costs are any amounts that the Responsible Entity knows or where required, reasonably estimates, will reduce the Fund's returns that are paid from the Fund's assets (other than the Responsible Entity fee, Management fee, recoverable expenses and transactional and operational costs) or that are paid from the assets of any interposed vehicle (such as the MCP Wholesale Investments Trust or

other investments indirectly held that are managed by the Investment Manager) in which the Fund may invest.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity, the previous Responsible Entity and the Investment Manager were as follows:

	YEAR ENDED 30 JUNE 2023 \$	YEAR ENDED 30 JUNE 2022 \$
Management fees and costs for the year paid/payable to the Investment Manager	1,876,497	1,059,437
Responsible Entity and Custodian fees for the year paid/payable to the Responsible Entity	230,666	106,269*
Aggregate amounts payable to the Investment Manager at reporting date	186,296	131,428
Aggregate amounts payable to the Responsible Entity and Custodian at reporting date	22,842	25,588**

\* Amounts presented are aggregate fees paid/payable to both Responsible Entity and Custodian appointed during the year.

\*\* Amounts payable to the Responsible Entity and Custodian at the reporting date include amounts payable to Equity Trustees Limited. No amounts were payable to the former Responsible Entity, Evolution Trustees Limited as at the reporting date.

**Investments**

The Fund held investments in the following Funds which were managed by the Investment Manager or its related parties:

	FAIR VALUE OF INVESTMENT \$	INTEREST HELD (%)	DISTRIBUTIONS RECEIVED/ RECEIVABLE \$	UNITS ACQUIRED DURING THE YEAR	UNITS DISPOSED DURING THE YEAR
<b>AS AT 30 JUNE 2023</b>					
MCP Wholesale Investments Trust	1,026,325,000	29.44	69,350,595	320,797,341	–
Metrics Master Income Trust (MXT)	73,349,000	4.26	5,811,314	773,771	–
<b>AS AT 30 JUNE 2022</b>					
MCP Wholesale Investments Trust	705,060,000	21.40	23,450,779	521,492,742	–
Metrics Master Income Trust (MXT)	73,442,000	4.18	1,489,257	23,413,921	5,712,549

### **13 SEGMENT INFORMATION**

The Fund is organised into one main operating segment with only one key function, being the investment of funds predominantly in Australia.

### **14 SIGNIFICANT EVENTS DURING THE YEAR**

The Directors are of the opinion that there are no significant changes in the state of affairs of the Fund that occurred during the year.

### **15 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Subsequent to year end the following distributions have been paid to unitholders:

- > \$0.823 cents per unit amounting to \$9,223,678\* was paid on 8 August 2023;

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

### **16 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 (2022: Nil).

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\* Amounts have not been rounded.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Equity Trustees Limited, the Responsible Entity of Metrics Direct Income Fund:

- (a) the financial statements and notes set out on pages 11 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**Philip D Gentry**  
Chairman  
Equity Trustees Limited

Melbourne  
23 August 2023

# INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF METRICS DIRECT INCOME FUND



## Independent Auditor's Report

To the unitholders of Metrics Direct Income Fund

### Opinion

We have audited the **Financial Report** of Metrics Direct Income Fund (the Fund).

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

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

The **Financial Report** comprises:

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

### Other Information

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

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

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





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

#### Responsibilities of the Directors for the Financial Report

The Directors of Equity Trustees 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
- assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [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

Andrew Reeves  
Partner  
Sydney  
23 August 2023

