

JANA Multi-Sector Credit Trust

ARSN 631 997 236

Financial Report
For the year ended 30 June 2020

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Financial Report
For the period 12 June 2019 to 30 June 2020

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Directors' Report

The Directors of MLC Investments Limited, the Responsible Entity of JANA Multi-Sector Credit Trust (the 'Scheme'), present their report together with the financial report of the Scheme for the reporting period ended 30 June 2020 and the independent audit report thereon.

Directors of the Responsible Entity

The names of the persons who were Directors of MLC Investments Limited during or since the reporting period ended 30 June 2020 are as follows:

Name	Appointment / Resignation Date
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
C M Keating	Resigned 31 March 2020
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

The registered office of MLC Investments Limited is located at Ground Floor, MLC Building, 105-153 Miller Street, North Sydney NSW 2060.

Principal activities

The Scheme is an unlisted registered managed investment scheme domiciled in Australia.

The Scheme invests and transacts in unlisted managed investment schemes, fixed interest securities and may utilise derivatives to achieve its investment strategy in accordance with the provisions of the Constitution of the Scheme.

The Scheme did not have any employees during the current and previous year.

There have been no significant changes to the activities of the Scheme during the reporting period.

The Scheme is a for-profit entity for the purpose of preparing financial statements.

Result and review of operations

The result of the operations of the Scheme is disclosed in the Statement of Profit or Loss and Other Comprehensive Income. The result is affected by the performance of the markets to which the Scheme has exposure.

For details in relation to the Scheme's investment exposure and strategy, information can be obtained from the Information Memorandum ('IM') located on JANA's website at jana.com.au.

Distributions

The distributions for the reporting period ended 30 June 2020 were as follows:

	\$'000	Cents per unit
Distributions paid/payable	8,311	3.39

Units on issue

Units on issue as at reporting period end and movements during the reporting period are shown in the Statement of Changes in Unitholders Fund.

The total assets of the Scheme are set out in the Statement of Financial Position. The basis for valuation of the Scheme's assets is disclosed in Note 1 to the financial statements.

State of affairs

The Responsible Entity's ultimate parent entity National Australia Bank Limited ("NAB") announced on 31 August 2020 the agreement for IOOF to acquire MLC from NAB. The transaction is subject to certain conditions and regulatory approvals; with the ultimate parent entity expected to change when the acquisition is complete. In the opinion of the Directors this transaction does not impact on the Responsible Entity's ability to provide its fiduciary duties.

During the months of March and April 2020 there was a challenging environment with significant market volatility as well as impacts to what was previously considered normal working domain. The pandemic situation continues to evolve with government, business and community responses changing accordingly. MLC is taking sensible actions to ensure it remains fully operational and available to our clients at the same time constantly assessing operational resilience of critical outsourced providers, including but not limited to Investment Managers, Custodians and Administrators and the services they provide. This includes ensuring that the value of certain assets and liabilities recorded in the Statement of Financial Position determined by reference to fair or market values.

In the opinion of the Responsible Entity, there were no other significant changes in the state of affairs of the Scheme that occurred during the reporting period unless otherwise disclosed.

The Scheme commenced on the 12 June 2019.

Likely developments

The Scheme will continue to pursue its policy of competitive returns through a selection process that identifies investment managers in each asset class.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future reporting periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

Auditor's independence

The Directors received a declaration of independence which was issued in accordance with section 307C of the *Corporations Act 2001* from the auditor of the Scheme, a copy of which is attached to the Directors' Report on page 5.

Events subsequent to the balance date

Between the year end and the date of this report, there has not been any other item, transaction or event of a material and unusual nature that, in the opinion of the Responsible Entity, is likely to significantly affect the operations of the Scheme, the results of those operations or the state of affairs of the Scheme, in future reporting periods.

Interests of the Responsible Entity

Units held by MLC Investments Limited and its related parties in the Scheme during the reporting period ended 30 June 2020 are detailed in Note 9(h) to the financial statements.

Fees paid to the Responsible Entity during the reporting period ended 30 June 2020 are detailed in Note 9(e) to the financial statements.

Environmental regulation

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

Indemnities and insurance premiums for Officers or Auditors

Indemnification

The Scheme has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme during the reporting period.

Indemnities and insurance premiums for Officers or Auditors (continued)

Insurance premiums

During the reporting period the ultimate parent company of the Responsible Entity, National Australia Bank Limited, has paid, or agreed to pay, premiums in respect of its officers for liability, legal expenses, insurance contracts and premiums in respect of such insurance contracts, for the reporting period ended 30 June 2020. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid have not been included as such disclosure is prohibited under the terms of the contracts.

Rounding

The Scheme meets the criteria set out in the *Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission, and in accordance with that Corporations Instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of MLC Investments Limited:

Director: _____ 

Signature: Gary Mulcahy

Dated at Sydney this 11th day of September 2020



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of MLC Investments Limited, as Responsible Entity for JANA Multi-Sector Credit Trust

As lead auditor for the audit of the financial report of JANA Multi-Sector Credit Trust for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Darren Handley-Greaves
Partner
11 September 2020

JANA Multi-Sector Credit Trust
Statement of Profit or Loss and Other Comprehensive Income
For the period 12 June 2019 to 30 June 2020

	Notes	For the period 12 June 2019 to 30 June 2020 \$'000
Investment income		
Distribution income	2	174
Interest income	3	9,095
Changes in the fair value of financial assets and liabilities at fair value through profit or loss		(4,385)
Other operating income		<u>171</u>
Total investment income/(loss)		<u>5,055</u>
Expenses		
Responsible Entity's fees		2,021
Transaction costs		1
Other expenses		<u>5</u>
Total operating expenses		<u>2,027</u>
Net profit/(loss)		<u>3,028</u>
Other comprehensive income		<u>-</u>
Profit/(loss) and total comprehensive income/(loss) for the reporting period		<u>3,028</u>

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

JANA Multi-Sector Credit Trust
Statement of Financial Position
As at 30 June 2020

	Notes	2020 \$'000
Assets		
Cash and cash equivalents	11(b)	21,868
Receivables	7	3,797
Financial assets at fair value through profit or loss	6,10(c)	<u>249,458</u>
Total assets		<u>275,123</u>
Liabilities		
Payables	8	8,042
Distributions payable	5	4,033
Financial liabilities at fair value through profit or loss	10(c)	<u>1,620</u>
Total liabilities		<u>13,695</u>
Unitholders fund		<u>261,428</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

JANA Multi-Sector Credit Trust
Statement of Changes in Unitholders Fund
For the period 12 June 2019 to 30 June 2020

	\$'000	Number of Units No. '000
Unitholders fund at 12 June 2019	-	-
Net profit/(loss)	3,028	-
Applications	274,300	276,037
Redemptions	(7,589)	(7,497)
Distributions paid/payable	(8,311)	-
Unitholders fund at 30 June 2020	<u>261,428</u>	<u>268,540</u>

The above Statement of Changes in Unitholders Fund is to be read in conjunction with the accompanying notes.

JANA Multi-Sector Credit Trust
Statement of Cash Flows
For the period 12 June 2019 to 30 June 2020

	Notes	For the period 12 June 2019 to 30 June 2020 \$'000
Cash flows from operating activities		
Interest received		7,091
Other income received		112
Responsible Entity's fees paid		(1,685)
Transaction costs paid		(1)
Other expenses paid		<u>(5)</u>
Net cash provided by/(used in) operating activities	11(a)	<u>5,512</u>
Cash flows from investing activities		
Proceeds from sale of investments		323,232
Purchases of investments		<u>(571,496)</u>
Net cash provided by/(used in) investing activities		<u>(248,264)</u>
Cash flows from financing activities		
Applications received		270,311
Redemptions paid		(4,989)
Distributions paid		<u>(295)</u>
Net cash provided by/(used in) financing activities		<u>265,027</u>
Net increase/(decrease) in cash and cash equivalents		22,275
Cash and cash equivalents at the beginning of the reporting period		-
Effect of foreign currency exchange rate changes on cash and cash equivalents		<u>(407)</u>
Cash and cash equivalents at the end of the reporting period	11(b)	<u>21,868</u>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report of the Scheme for the period 12 June 2019 to 30 June 2020 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 11 September 2020.

There is no comparative information for the Scheme since this is its first annual financial report.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB').

(b) Basis of preparation

The Scheme's reporting period financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The assets and liabilities are measured on a fair value basis, except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are designated as current assets and liabilities as they are expected to be recovered or settled within twelve months. Financial assets and liabilities at fair value through profit or loss and unitholders fund are expected to be settled upon contractual requirements.

The financial statements are presented in Australian Dollars, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

(c) Basis of consolidation

The Scheme is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* and, as such, does not consolidate any entities subject to its control. The Scheme does not hold a controlling interest in any of its underlying investments and therefore is not required to provide additional disclosures.

(d) Unit prices

The unit price for the units of the Scheme is calculated as at the close of each business day.

(e) Terms and conditions on units

Each unit issued confers upon the unitholders of the Scheme an equal interest in the Scheme, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the *Corporations Act 2001*, including the right to:

- (i) have their units redeemed;
- (ii) accumulate income, which is reflected in the unit price;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of the Scheme are identical in all respects.

(f) Financial assets and liabilities at fair value through profit or loss

The Scheme has classified all of its investments as at fair value through profit or loss including derivatives which are held for risk management purposes.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income in the reporting period in which they arise.

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value with movements taken to the Statement of Profit or Loss and Other Comprehensive Income. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and liabilities at fair value through profit or loss (continued)

Foreign Exchange Forward Contracts

The value of a foreign exchange forward contract fluctuates with changes in currency exchange rates. The forward is marked to market daily.

(g) Fair value measurement

Assets and liabilities measured at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety as detailed below:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(h) Significant accounting judgements, estimates or assumptions

The Scheme may make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

Estimates and assumptions

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

Fair value of financial assets and liabilities at fair value through profit or loss

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

The Scheme measures investments in financial assets and financial liabilities at fair value through profit or loss. Management applies judgement in selecting valuation techniques where there is no market price available for an instrument. Further details on the determination of fair values of financial instruments are set out in Note 10(g).

The Scheme has assessed the impact of credit/debit value adjustments to its derivative positions to comply with the requirements of AASB 13 *Fair Value Measurement*, and concluded that there are no significant adjustments to the valuation of derivatives.

Judgements

(i) The Scheme meets the definition of an investment entity under AASB 10 *Consolidated Financial Statements* and therefore is required to measure its interests in controlled entities at fair value through profit or loss. The criteria which define an investment entity are as follows:

- (a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

(ii) The Scheme has assessed whether its investment in an unlisted related registered managed investment scheme should be classified as a structured entity. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The Scheme has considered the voting rights and other similar rights and concluded on whether these rights are the dominant factor in determining control. The Scheme has concluded that its investment in the unlisted registered managed investment scheme meets the definition of a structured entity as the voting rights of this unlisted registered managed investment scheme is not substantive in nature as set out in Note 9(g).

(iii) The investments in the Scheme have been and will continue to be monitored for appropriateness of valuation due to impacts of market volatility including the recent impact due to COVID-19. Accordingly, no adjustments have been made to the financial statement for market volatility including impacts due to COVID-19.

(i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Receivables

Receivables may include amounts for dividends, distributions, interest, outstanding settlements and other income and are measured initially at fair value plus transaction costs. The impact of expected credit losses on financial assets measured at amortised cost is insignificant. Amounts are generally received within 30 days of being recorded as a receivable.

(k) Payables

Payables include outstanding settlements and accrued expenses owing by the Scheme which are unpaid as at balance date. They are measured initially at fair value plus transaction costs.

(l) Foreign currency transactions

Transactions during the reporting period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and monetary items held, together with any accrued income, are translated at the exchange rate prevailing at reporting period end.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the Statement of Profit or Loss and Other Comprehensive Income as part of the 'Changes in the fair value of financial assets and liabilities at fair value through profit or loss'.

(m) Income and expenses

Revenue is brought to account on an accrual basis except where otherwise stated.

Distribution income from unlisted managed investment schemes is recognised on the date of the trust units are quoted ex distribution.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at reporting period end or consideration received (if sold during the reporting period) and the fair value as at the prior reporting period end or initial fair value (if the investment was acquired during the reporting period).

Expenses are brought to account on an accrual basis.

The Responsible Entity is entitled to receive a fee, calculated in accordance with the Scheme's Constitution, for the provision of management services to the Scheme. The Responsible Entity is entitled to be reimbursed, under the Scheme's Constitution, for certain expenses incurred in administering the Scheme. The amount reimbursed has been calculated in accordance with the Scheme's Constitution.

Other expenses also include government duties and bank interest expense. Auditor's remuneration has not been charged against the Scheme's income as this cost is borne by the Responsible Entity.

(n) Taxation

The Scheme elected to have the taxation regime (AMIT) for the taxation of managed investment schemes apply for the 2018 tax year and later years of income. The Scheme is not subject to income tax as the taxable income (including assessable realised net capital gains) is fully attributed to the unitholders each reporting period. Unitholders are taxed on the income attributed to them.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess will be distributed and attributed to unitholders as assessable income for taxation purposes.

(o) Distributions to unitholders

The income of the Scheme is accumulated and reinvested or paid to unitholders on an annual basis effective the last day of June. It may also be calculated on other dates as determined by the Responsible Entity. All income distributions are reinvested.

Distributable income does not include unrealised gains and losses arising on movements in the fair value of investments; as such, unrealised gains and losses are transferred to unitholders fund and are not attributed to unitholders as assessable income or distributed until realised.

Distributions are expressed as cents per unit for the distribution period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Goods and services tax

Transaction costs are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amounts of GST included.

The net amount of GST recoverable from the ATO is included in payables in the Statement of Financial Position.

(q) Derecognition of financial instruments

There is no comparative information for JANA Multi-Sector Credit Trust as it commenced operations on 12 June 2019.

The derecognition of financial instruments takes place when the Scheme no longer controls the contractual rights of a financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(r) Capital management

The amount of unitholders fund can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of applications and redemptions relative to the liquid assets in the Scheme.

In order to maintain or adjust the capital structure, the Responsible Entity may return capital to unitholders. The Scheme does not have any externally imposed capital requirements.

(s) Unitholders fund

The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period, if unitholders exercised their right to put the units back to the Scheme.

The Scheme is single-class only and its units have been classified as equity.

(t) Application of accounting standards

New and amended standards and interpretations

Several standards and amendments, including AASB 16 *Leases* and AASB Interpretations 23 *Uncertain Tax Position* apply to the Scheme for the first time in 2020, however do not have an impact on the financial statements of the Scheme. The Scheme has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NOTE 2 - DISTRIBUTION INCOME

For the period
12 June 2019
to
30 June 2020
\$'000

Scheme distribution income:

Unlisted related party managed investment schemes

174
174

NOTE 3 - INTEREST INCOME

	For the period 12 June 2019 to 30 June 2020 \$'000
Cash and deposits	48
Interest bearing securities	<u>9,047</u>
	<u>9,095</u>

NOTE 4 - AUDITOR'S REMUNERATION

	For the period 12 June 2019 to 30 June 2020 \$
Total amount paid or due and payable to Ernst & Young:	
Audit of financial statements	7,502
Other assurance engagements	<u>2,365</u>
Total auditor's remuneration	<u>9,867</u>

Auditor's remuneration for the Scheme has been paid by the Responsible Entity. Other assurance engagements consist of compliance plan audit and specified procedures performed on the direct investments of the Scheme.

NOTE 5 - DISTRIBUTIONS

	\$'000	c/unit
2020		
June 2019	571	0.28
December	1,123	0.49
March	2,584	1.12
June (payable)	<u>4,033</u>	<u>1.50</u>
	<u>8,311</u>	<u>3.39</u>

NOTE 6 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 \$'000
Fixed interest securities	
Fixed interest securities	236,858
Unlisted related party managed investment schemes	
Unlisted related party managed investment schemes	12,585
Financial instruments	
Financial instruments - Derivatives	<u>15</u>
Total financial assets at fair value through profit or loss	<u>249,458</u>

NOTE 7 - RECEIVABLES

	30 June 2020 \$'000
Outstanding settlements	1,690
Unsettled units applications	6
Distribution receivables	38
Interest receivable	2,004
Other receivables	59
Receivables	3,797

NOTE 8 - PAYABLES

	30 June 2020 \$'000
Outstanding settlements	5,106
Unsettled unit redemptions	2,600
Amounts owing to Responsible Entity	336
Payables	8,042

NOTE 9 - RELATED PARTIES

(a) Responsible Entity

The Responsible Entity of the Scheme is MLC Investments Limited ABN 30 002 641 661, whose immediate holding company is National Wealth Management Services Limited ABN 97 071 514 264 and the ultimate parent company is National Australia Bank Limited ABN 12 004 044 937.

The Responsible Entity is incorporated and domiciled in Australia.

(b) Key management personnel

Directors

The names of the persons who were Directors of MLC Investments Limited at any time during the reporting period were as follows:

Name	Appointment / Resignation Date
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
C M Keating	Resigned 31 March 2020
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

In addition to the Directors noted above, the Responsible Entity provides key management personnel services to the Scheme.

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

(c) Other related party transactions with the Scheme

From time to time the Directors of MLC Investments Limited or their related entities may invest into or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

(d) Amounts payable to the Responsible Entity

There are no amounts payable to MLC Investments Limited by the Scheme at balance sheet date.

	2020 \$
Amounts owing to Responsible Entity	336,084

NOTE 9 - RELATED PARTIES (CONTINUED)

(e) Responsible Entity's fees

The Responsible Entity's fees have been calculated in accordance with the Scheme's Constitution; the BNZ Investment Services Platform pays the Responsible Entity's fees on behalf of the Scheme.

	2020
	\$
Responsible Entity's fees	2,025,799

(f) Expense reimbursement

The Responsible Entity is entitled, under the Scheme's Constitution, to be reimbursed for certain expenses incurred in administering the Scheme. The basis on which the expenses are reimbursable is defined in the Constitution.

There were no expense reimbursements during the reporting period.

(g) Related party investments

The Scheme hold units in other managed investment schemes managed by the Responsible Entity or its related parties at reporting period end.

NAB Asset Servicing is the custodian for the directly held investments of the Scheme.

	Number of units held	Interest held in the Scheme	Fair value of investment	Distributions received/receivable
2020	No.	%	\$	\$
JANA Cash Trust	12,122,161	1.10	12,584,787	173,792

(h) Unitholder investing activities

Details of holdings in the Scheme by MLC Investments Limited and its related parties or other schemes managed by MLC Investments Limited and its related parties are set out below.

	Number of units held	Interest held in the Scheme	Fair value of investments	Distributions paid/payable
2020	No.	%	\$	\$
JANA Select Opportunities Trust	120,081,647	44.72	116,900,069	4,119,854
JANA Moderate Trust	54,882,612	20.44	53,428,006	1,570,610

NOTE 10 - FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives, policies and processes

The Scheme's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, equity and other price risk), liquidity and cash flow risk. The Scheme's overall risk management programme is aligned to the investment strategy of the Scheme as detailed in its Constitution and IM. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance. The Responsible Entity monitors the risk management framework, which is performed internally and reported on a quarterly basis. The Scheme may use derivative financial instruments to moderate certain risk exposures.

(b) Credit risk

The Scheme takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Scheme has no significant concentrations of exposure to counterparties as at 30 June 2020. There is no exposure to an individual counterparty in excess of 1.32% of the unitholders fund as at 30 June 2020.

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

The Scheme restricts its exposure to credit losses on trading derivative instruments by entering into master netting arrangements with counterparties (approved brokers). The credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, there is the opportunity to settle outstanding amounts on a net basis. In accordance with the Scheme's mandate, the Scheme's credit positions are monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis.

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

2020

	AA to A- \$'000	BBB+ to B- \$'000	CCC+ to CCC \$'000	D \$'000	Not Rated \$'000	Total \$'000
Convertible notes	-	181	-	-	33,622	33,803
Fixed interest bonds	16,257	126,352	1,484	-	5,159	149,252
Floating rate notes	451	5,086	-	-	173	5,710
Asset backed securities	-	15,168	-	-	5,493	20,661
Loans	-	19,016	575	-	7,841	27,432
Total	16,708	165,803	2,059	-	52,288	236,858

(c) Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities are presented on a gross basis in the Statement of Financial Position as there is not an enforceable legal right to offset the recognised amounts. In the normal course of business, the Scheme also enters into various master netting agreements or similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as default on contracts.

Offsetting financial assets and financial liabilities

	2020		
	Amounts not offset		Net amount
	Other financial instruments	Cash collateral	
	\$'000	\$'000	\$'000
Financial assets			
Foreign exchange forward contracts	15	-	15
Closing balance	15	-	15
Financial liabilities			
Foreign exchange forward contracts	1,620	-	1,620
Closing balance	1,620	-	1,620

(d) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme is exposed to foreign currency risk as a result of investments in financial instruments denominated in foreign currencies. The Scheme may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The foreign currency sensitivities set out below are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in foreign exchange rates and the Scheme's current foreign exchange risk profile.

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(i) Currency risk (continued)

The following table summarises the Scheme's direct exposure to foreign currency risk on their monetary assets and liabilities net of any applied foreign currency economic hedges at 30 June 2020. The analysis calculates the effect on the Statement of Profit or Loss and Other Comprehensive Income of the reasonably possible change in currency rate against the Australian dollar with all other variables held constant.

Currency	2020			
	Change in currency rate		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-
USD	10 %	-10 %	(146)	146
GBP	10 %	-10 %	4	(4)
EUR	10 %	-10 %	(24)	24
Total			(166)	166

(ii) Interest rate risk

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

The Scheme'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 their financial position and cash flows.

The Scheme is exposed to varying levels of interest rate risk as a result of differences in its investment strategies. The risk focused investment process actively assesses the level of interest rate risk and seeks to manage the interest rate exposure accordingly.

Changes in interest rates as disclosed in this note are based on an analysis of the yearly change in relevant market indices over the last 10 years. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The following tables demonstrate the sensitivity of the Scheme's financial assets designated as held at fair value through profit or loss contained in the Statement of Financial Position to a reasonably possible change in interest rates on discount securities, floating rate notes, and mortgage backed securities.

	2020			
	Change in interest rate (basis points)		Effect on net profit attributable to unitholders \$	
	+	-	+	-
Convertible notes	100	-100	(339)	339
Fixed interest bonds	100	-100	(8,742)	8,751
Floating rate notes	100	-100	(26)	27
Asset backed securities	100	-100	(11)	13
Loans	100	-100	(14)	15
Total	-	-	(9,132)	9,145

(iii) Equity and other price risk

Equity and other price risk is the risk that the fair value of equities and unit prices decrease as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

To mitigate the impact of equity and other price risk the investment process ensures there is diversification of equity exposures within the Scheme.

Changes in price as disclosed in this note set out below are illustrative only and are based on simplified scenarios. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(iii) Equity and other price risk (continued)

The effect on the Statement of Profit or Loss and Other Comprehensive Income due to reasonably possible changes in market prices, with all other variables held constant are indicated in the following table:

Category	2020			
	Change in price		Effect on Statement of Profit or Loss and Other Comprehensive Income \$'000	
	+	-	+	-
Unlisted investment funds	10 %	-10 %	1,258	(1,258)
International convertible note	10 %	-10 %	6	(6)
Total			1,264	(1,264)

(e) Liquidity and cash flow risk

The Scheme is exposed to daily cash redemptions of redeemable units. Therefore, it invests the majority of its assets in investments that are readily disposed of in an active market, which under normal market conditions are readily convertible to cash.

Unitholders fund is repayable on demand, subject to redemption freeze provisions. In addition the Scheme's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

In accordance with the Scheme's policies, the Scheme's cash flows are managed by the Investment Manager, NAB Asset Management Services Limited (formerly named JANA Corporate Investment Services Limited).

The Scheme's liabilities are expected to be settled within less than one month, except for underlying investment management performance fees which are settled annually.

(f) Derivatives

The Scheme's derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at 30 June 2020, the overall direct market exposures were as follows:

	30 June 2020	
	Contract/Notional amount	Fair value
	\$'000	\$'000
Derivative instruments:		
- Foreign exchange forward contracts	<u>1,219</u>	<u>(1,605)</u>
Total	<u>1,219</u>	<u>(1,605)</u>

(g) Fair value of financial instruments

The Scheme's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table details how the fair values of these financial assets and financial liabilities are determined in particular, other than Level 1, the use of observable and unobservable inputs are applied.

Financial assets/(liabilities)	Fair Value Hierarchy	Valuation Techniques
Unlisted investment funds (e.g. unlisted managed investment schemes, partnerships and other securities) Unlisted related party managed investment schemes	2	Valued at redemption price as established by the Responsible Entity of the underlying trust/entity.
Interest bearing securities	2	Valued by the sourcing appropriate yield curves based on credit rating, security type and term of maturity.
Foreign exchange forward contracts	2	Valued based on observable market data i.e. broker quoted prices

NOTE 10 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value of financial instruments (continued)

Financial instruments	2020		
	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Unlisted related party managed investment schemes	-	12,585	-
Convertible notes	-	33,803	-
Fixed interest bonds	-	149,252	-
Floating rate notes	-	5,710	-
Asset backed securities	-	20,661	-
Loan	59	27,373	-
Foreign exchange forward contracts	-	(1,605)	-
Total	59	247,779	-

There have been no transfers between the levels during the reporting period.

NOTE 11 - NOTES TO THE STATEMENT OF CASH FLOWS

	For the period 12 June 2019 to 30 June 2020 2020 \$'000
(a) Reconciliation of operation profit to net cash inflows from operating activities	
Net operating profit/(loss)	3,028
income reinvested	(136)
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	4,385
Changes in the assets and liabilities during the reporting period:	
(Increase)/decrease in distribution receivables	(38)
(Increase)/decrease in interest receivables	(2,004)
(Increase)/decrease in other receivable	(59)
Increase/(decrease) in amounts owing to Responsible Entity	336
Net cash provided by/(used in) operating activities	<u>5,512</u>

(b) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank - domestic	3,657
Cash at bank - foreign	<u>18,211</u>
	<u>21,868</u>

(c) Non-cash financing and investing activities

Distributions to unitholders reinvested	<u>3,983</u>
	<u>3,983</u>

NOTE 12 - EVENTS OCCURRING AFTER THE BALANCE DATE

There has not arisen in the interval between the reporting period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the result of those operations or the state of affairs of the Scheme in future financial reporting period.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

The Scheme had no known commitments or contingent liabilities as at 30 June 2020.


Directors' Declaration

In the opinion of the Directors of MLC Investments Limited, the Responsible Entity of the Scheme:

The financial statements and notes set out on pages 6 to 20 are in accordance with *Corporations Act 2001*, including:

- (d) giving a true and fair view of the financial position of the Scheme as at 30 June 2020 and its performance for the reporting period ended on that date;
- (e) complying with Accounting Standards and *Corporations Regulations 2001*;
- (f) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (g) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

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

Director: _____ 

Signature: Garry Mulcahy

Dated at Sydney this 11th day of September 2020



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Independent Auditor's Report to the Unitholders of JANA Multi-Sector Credit Trust:

Opinion

We have audited the financial report of JANA Multi-Sector Credit Trust (the 'Scheme'), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in unitholders funds and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in grey ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in grey ink that reads 'Darren Handley-Greaves' in a cursive style.

Darren Handley-Greaves
Partner
Sydney
11 September 2020

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Important Information

This information is prepared by MLC Investments Limited (ABN 30 002 641 661, AFSL 230705) as the responsible entity of the Trust; a member of the National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686) (NAB) group of companies (NAB Group), 105-153 Miller Street, North Sydney 2060. NAB does not guarantee or otherwise accept any liability in respect of any financial product referred to in this communication. This information is directed to and prepared for Australian and New Zealand residents (as applicable) only.