

**MGD Wealth Portfolio Solutions**

**Annual report  
For the year ended 30 June 2018**

**LDI Connect 3 Portfolio  
LDI Connect 7 Portfolio  
LDI Connect 20 Portfolio**

**ARSN 154 532 402  
ARSN 154 532 126  
ARSN 162 155 795**

## **MGD Wealth Portfolio Solutions**

### **Annual report For the year ended 30 June 2018**

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This annual report covers the following Funds as individual entities.

LDI Connect 3 Portfolio

LDI Connect 7 Portfolio

LDI Connect 20 Portfolio

The Responsible Entity of the Funds is EQT Responsible Entity Services Ltd  
(ABN 94 101 103 011) (AFSL 223271).

The Responsible Entity's registered office is:  
Level 1, 575 Bourke Street,  
Melbourne, VIC 3000

## Directors' report

The directors of EQT Responsible Entity Services Ltd, the Responsible Entity of MGD Wealth Portfolio Solutions (the "Funds"), present their report together with the financial statements of the Funds for the year ended 30 June 2018.

LDI Connect 3 Portfolio  
LDI Connect 7 Portfolio  
LDI Connect 20 Portfolio

The Funds are collectively known as "MGD Wealth Portfolio Solutions".

## Principal activities

LDI Connect 3 Portfolio was constituted on 11 November 2011.  
LDI Connect 7 Portfolio was constituted on 11 November 2011.  
LDI Connect 20 Portfolio was constituted on 29 January 2013.

The Funds invest in equity securities, managed investment funds, unlisted unit trusts, interest bearing securities and derivatives in accordance with the Product Disclosure Statements and the provisions of the Funds' Constitutions.

The Funds did not have any employees during the year.

There were no significant changes in the nature of this Funds' activities during the year.

The various service providers for the Funds are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	EQT Responsible Entity Services Ltd*
Investment Manager	LDI Connect Asset Management Pty Ltd
Custodian and Administrator	BNP Paribas Fund Services Australasia Pty Ltd
Statutory Auditor	Ernst & Young

\* On 29 March 2018 EQT Holdings Limited acquired OneVue RE Services Limited, the Responsible Entity of the Funds. On 3 April 2018 OneVue RE Services Limited changed its name to EQT Responsible Entity Services Ltd.

## Directors

The following persons held office as directors of OneVue RE Services Limited from 1 July 2017 to 29 March 2018:

Nigel Cameron Stokes  
Karen Nita Gibson  
Alexander Wise  
Vincent Leo Plant

The following persons held office as directors of EQT Responsible Entity Services Ltd from 29 March 2018 and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	
Travis R Goudie	

**Directors' report (continued)**

**Review and results of operations**

During the year, the Funds continued to invest their funds in accordance with the Product Disclosure Statements and the provisions of the Funds' Constitutions.

Fund name	Benchmark	Net return (net of fees)	Benchmark return
LDI Connect 3 Portfolio	Cash + 2% p.a.	3.79%	3.78%
LDI Connect 7 Portfolio	Cash + 4% p.a.	7.37%	5.78%
LDI Connect 20 Portfolio	Cash + 5% p.a.	7.79%	6.78%

The performance of the Funds as represented by the results of their operations, were as follows:

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Operating profit/(loss) for the year (\$'000)	<b>2,665</b>	3,656	<b>8,800</b>	7,676	<b>2,798</b>	336
Distributions paid and payable (\$'000)	<b>2,599</b>	2,720	<b>4,963</b>	2,707	<b>153</b>	1,799
Distributions (cents per unit)	<b>3.90</b>	4.02	<b>4.67</b>	2.49	<b>0.42</b>	5.50

**Significant changes in the state of affairs**

The Funds have amended their Constitutions to change the obligation to distribute trust income to unit holders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

**Matters subsequent to the end of the financial year**

No matter or circumstances has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

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

**Likely developments and expected results of operations**

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statements and the provisions of the Funds' Constitutions.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. 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.

## Directors' report (continued)

### Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to the officers of EQT Responsible Entity Services Ltd. So long as the officers of EQT Responsible Entity Services Ltd act in accordance with the Funds' Constitutions and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

### Indemnification of auditor

The Responsible Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

### Fees paid to and interests held in the Funds by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 18 to the financial statements.

No fees were paid out of Funds property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 18 to the financial statements.

### Interests in the Funds

The movements in units on issue in the Funds during the year are disclosed in Note 11 to the financial statements.

The values of the Funds' assets and liabilities are disclosed on the statements of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

The operations of the Funds 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.

### Financial statements presentation

The Funds are entities of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial accounts.

**Directors' report (continued)**

**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 EQT Responsible Entity Services Ltd through a delegated authority given by the EQT Responsible Entity Services Ltd's Board.



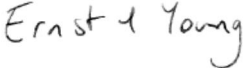
Philip D Gentry  
Chairman

Melbourne  
13 September 2018

## Auditor's Independence Declaration to the unitholders of LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio

As lead auditor for the audit of LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio for the financial year ended 30 June 2018, 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



Rohit Khanna  
Partner  
13 September 2018

**MGD Wealth Portfolio Solutions**  
**Statements of comprehensive income**  
**For the year ended 30 June 2018**

**Statements of comprehensive income**

	LDI Connect 3 Portfolio	LDI Connect 7 Portfolio	LDI Connect 20 Portfolio
	Year ended	Year ended	Year ended
Note	30 June 2018 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b>Investment income</b>			
Interest income	157	48	79
Dividends and trust distributions income	2,816	5,504	1,308
Net foreign exchange gain/(loss)	-	(57)	24
Responsible Entity fee rebates and performance fee rebates	66	97	6
Net gains/(losses) on financial instruments held at fair value through profit or loss	352	4,368	1,872
Other income	7	54	15
<b>Total investment income/(loss)</b>	<b>3,398</b>	<b>10,014</b>	<b>3,304</b>
<b>Expenses</b>			
Management fees	634	1,178	392
Transaction costs	-	-	-
Fixed expense recovery fees	93	30	89
Other expenses	6	6	25
<b>Total expenses</b>	<b>733</b>	<b>1,214</b>	<b>506</b>
<b>Operating profit/(loss) for the year</b>	<b>2,665</b>	<b>8,800</b>	<b>2,798</b>
<b>Finance costs attributable to unit holders*</b>			
Distributions to unit holders	-	-	-
(Increase)/decrease in net assets attributable to unit holders	-	-	-
<b>Profit/(loss) for the year</b>	<b>2,665</b>	<b>8,800</b>	<b>2,798</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>2,665</b>	<b>8,800</b>	<b>2,798</b>

\* Net assets attributable to unit holders are reclassified from liabilities to equity from 1 July 2017. As a result, the Funds' distributions are no longer classified as finance costs in the statements of comprehensive income, but rather as distributions paid and payable in the statements of changes in equity. Refer to Note 1 and Note 11 for further detail.

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



**MGD Wealth Portfolio Solutions**  
**Statements of financial position**  
**As at 30 June 2018**

**Statements of financial position**

		LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Note	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash and cash equivalents	13	7,681	8,318	4,062	6,034	5,203	3,275
Receivables	15	1,332	1,040	1,743	1,061	682	145
Due from brokers - receivable for securities sold		2,391	2,653	-	244	-	33
Financial assets held at fair value through profit or loss	7	63,477	63,462	119,859	114,487	35,126	32,343
<b>Total assets</b>		<b>74,881</b>	<b>75,473</b>	<b>125,664</b>	<b>121,826</b>	<b>41,011</b>	<b>35,796</b>
<b>Liabilities</b>							
Distributions payable		2,599	202	4,963	135	153	93
Payables	16	597	66	833	108	58	40
Financial liabilities held at fair value through profit or loss	8	11	13	20	128	26	64
<b>Total liabilities (30 June 2017: excluding net assets attributable to unit holders)</b>		<b>3,207</b>	<b>281</b>	<b>5,816</b>	<b>371</b>	<b>237</b>	<b>197</b>
<b>Net assets attributable to unit holders - liability</b>	11	-	75,192	-	121,455	-	35,599
<b>Net assets attributable to unit holders - equity*</b>	11	<b>71,674</b>	-	<b>119,848</b>	-	<b>40,774</b>	-

\* Net assets attributable to unit holders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017.

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

**MGD Wealth Portfolio Solutions**  
**Statements of changes in equity**  
**For the year ended 30 June 2018**

**Statements of changes in equity**

		LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Note	Year ended		Year ended		Year ended	
		30 June	30 June	30 June	30 June	30 June	30 June
		2018	2017	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	11	75,192	-	121,455	-	-	-
Reclassification due to AMIT tax regime implementation*		-	-	-	-	35,599	-
<b>Comprehensive income for the year</b>							
Profit/(loss) for the year		2,665	-	8,800	-	2,798	-
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income</b>		<b>2,665</b>	<b>-</b>	<b>8,800</b>	<b>-</b>	<b>2,798</b>	<b>-</b>
<b>Transactions with unit holders</b>							
Applications	11	6,788	-	8,284	-	3,842	-
Redemptions	11	(10,372)	-	(13,734)	-	(1,312)	-
Distributions paid and payable	11	(2,599)	-	(4,957)	-	(153)	-
<b>Total transactions with unit holders</b>		<b>(6,183)</b>	<b>-</b>	<b>(10,407)</b>	<b>-</b>	<b>2,377</b>	<b>-</b>
<b>Total equity at the end of the financial year*</b>		<b>71,674</b>	<b>-</b>	<b>119,848</b>	<b>-</b>	<b>40,774</b>	<b>-</b>

\* Effective from 1 July 2017, the Funds' units have been reclassified from financial liability to equity. Refer to Note 1 and Note 11 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statements for the year ended 30 June 2018.

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

**MGD Wealth Portfolio Solutions**  
**Statements of cash flows**  
**For the year ended 30 June 2018**

**Statements of cash flows**

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note						
<b>Cash flows from operating activities</b>						
Proceeds from sale of financial instruments held at fair value through profit or loss	14,191	23,270	16,043	30,152	5,833	19,591
Purchase of financial instruments held at fair value through profit or loss	(11,444)	(18,103)	(12,631)	(23,433)	(6,031)	(21,331)
Interest income received	137	235	45	103	52	13
Dividends and distributions received	450	61	615	623	84	63
Responsible entity fee rebates received	-	23	9	73	-	1
GST received/(paid)	7	-	10	-	2	-
Other income received	10	10	62	40	15	19
Management fees paid	(588)	(757)	(1,083)	(1,209)	(390)	(351)
Transaction costs paid	-	-	-	-	-	(5)
Fixed expense recovery fees paid	(93)	-	(30)	-	(72)	(88)
Other expenses paid	(6)	(4)	(6)	(4)	(25)	(6)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,664</b>	<b>4,735</b>	<b>3,034</b>	<b>6,345</b>	<b>(532)</b>	<b>(2,094)</b>
<b>Cash flows from financing activities</b>						
Proceeds from applications by unit holders	6,788	3,463	8,284	6,551	3,842	7,228
Payments for redemptions by unit holders	(9,887)	(7,420)	(13,104)	(12,718)	(1,313)	(5,311)
Distributions paid	(202)	(166)	(129)	(205)	(93)	(25)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(3,301)</b>	<b>(4,123)</b>	<b>(4,949)</b>	<b>(6,372)</b>	<b>2,436</b>	<b>1,892</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(637)</b>	<b>612</b>	<b>(1,915)</b>	<b>(27)</b>	<b>1,904</b>	<b>(202)</b>
Cash and cash equivalents at the beginning of the year	8,318	7,659	6,034	6,061	3,275	3,413
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	47	(57)	-	24	64
<b>Cash and cash equivalents at the end of the year</b>	<b>7,681</b>	<b>8,318</b>	<b>4,062</b>	<b>6,034</b>	<b>5,203</b>	<b>3,275</b>
13						
14(b)						
Non-cash financing and operating activities	2,150	4,702	4,280	6,582	718	2,563

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

## Notes to the financial statements

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## 1 General information

These financial statements cover MGD Wealth Portfolio Solutions (the "Funds") as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates below and will terminate in accordance with the provisions of the Funds' Constitutions or by Law.

LDI Connect 3 Portfolio	11 November 2011
LDI Connect 7 Portfolio	11 November 2011
LDI Connect 20 Portfolio	29 January 2013

The Responsible Entity of the Funds is EQT Responsible Entity Services Ltd (ABN 94 101 103 011) (AFSL 223271) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Funds invest in listed and unlisted managed investment funds, unlisted unit trusts and interest bearing securities in accordance with the Product Disclosure Statements and the provisions of the Funds' Constitutions.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Funds to elect into the AMIT tax regime, the Funds' Constitutions have been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Funds have been reclassified from a financial liability to equity on 1 July 2017. See Note 11 for further information.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. 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 Funds are for-profit entities for the purpose of preparing the financial statements.

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

The statements of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Funds manage financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

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

The financial statements of the Funds also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Funds

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

- *AASB 9 Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Funds' financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Funds do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Funds' investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Funds.

- *AASB 15 Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Funds' main sources of income are interest, dividends and trust distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

The Funds' investments are classified as held at fair value through profit or loss. They comprise of:

- Financial instruments held for trading

These are investments in derivative financial instruments such as forward currency contracts. The Funds do not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed and unlisted managed investment funds, unlisted unit trusts and interest bearing securities.

Financial assets and liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy as outlined in the Product Disclosure Statements. The Funds' policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) Recognition and derecognition

The Funds recognise 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.

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

#### (iii) Measurement

- Financial instruments held at fair value through profit or loss

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the 'fair value of financial assets or liabilities at fair value through profit or loss' category are presented in the statements of comprehensive income in the period in which they arise.

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.

For investments in unit trust, fair value is determined based on the redemption value per unit as reported by the investment managers of such funds.

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Funds has 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.

Financial assets and liabilities that have been offset are disclosed in Note 4 to the financial statements.

### (c) Net assets attributable to unit holders

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

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

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Funds.

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 Funds' 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 Funds, and it is not a contract settled in the Funds' own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unit holders are classified as a financial liability. Effective from 1 July 2017, the Funds' units have been reclassified from financial liability to equity as they satisfied all the above criteria.

### (d) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Funds' main income generating activity.



## 2 Summary of significant accounting policies (continued)

### (e) Investment income

#### (i) Interest income

Interest income earned on cash and cash equivalents is recognised in the statements of comprehensive income on an accrual basis. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### (ii) Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

Trust distributions are recognised on an entitlements basis.

### (f) Expenses

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

### (g) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unit holders.

### (h) Distributions

The Funds may distribute their distributable income, in accordance with the Funds' Constitutions, to unit holders by cash or reinvestment. The distributions are recognised in the statements of changes in equity.

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

Income not distributed is included in net assets attributable to unit holders. Where the Funds' units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statements of comprehensive income as finance costs.

## 2 Summary of significant accounting policies (continued)

### (j) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Funds do not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

### (k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the year end. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Funds will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

### (l) Receivables

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

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statements of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

### (m) Payables

Payables include liabilities, accrued expenses owed by the Funds and any distributions declared which are unpaid as at the end of the reporting period.

A separate distributions payable is recognised in the statements of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

## 2 Summary of significant accounting policies (continued)

### (n) Applications and redemptions

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

### (o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### (p) Use of estimates

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the current and 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.

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

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 more information on how fair value is calculated refer to Note 5 to the financial statements.

### (q) Rounding of amounts

The Funds are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollar unless otherwise indicated.

### (r) Comparative revisions

Comparative information has been revised when appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 3 Financial risk management

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

The Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statements and the investment guidelines of the Funds. They also seek to maximise the returns derived for the level of risk to which the Funds are exposed to and seeks to minimise potential adverse effects on the Funds' financial performance. The Funds' policies allow them to use derivative financial instruments in managing their financial risks.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

The investments of the Funds, and associated risks, are managed by a specialist Investment Manager, LDI Connect Asset Management Pty Ltd and delegated Investment Manager, Towers Watson Australia Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Funds, consistent with those stated in the Product Disclosure Statements.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.

#### (a) Market risk

##### (i) Price risk

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

The tables in Note 3(b) summarise the sensitivity of the Funds' assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Funds invest moves by +/-5%, +/-10% and +/-5% (2017: +/-10%) for LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio, respectively.

##### (ii) Foreign exchange risk

The Funds operate internationally and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed by the use of derivatives (foreign currency exchange forwards), which aims to limit the effect of currency movements between the Australian dollar and other currencies.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

The tables below summarise the fair value of the Funds' financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

#### LDI Connect 3 Portfolio

	US Dollars A\$'000	Euro A\$'000	All other foreign currencies A\$'000
<b>As at 30 June 2018</b>			
Cash and cash equivalents	2	-	-
Financial assets held at fair value through profit or loss	4,959	-	-
<b>Net exposure</b>	<b>4,961</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in exposure from forward currency contracts	(3,649)	(366)	(269)
<b>Net exposure including forward currency contracts</b>	<b>1,312</b>	<b>(366)</b>	<b>(269)</b>
<b>As at 30 June 2017</b>			
Cash and cash equivalents	6	-	-
Due from brokers - receivable for securities sold	2,653	-	-
Financial assets held at fair value through profit or loss	475	-	-
<b>Net exposure</b>	<b>3,134</b>	<b>-</b>	<b>-</b>
Net increase/(decrease) in exposure from forward currency contracts	(3,650)	(342)	(254)
<b>Net exposure including forward currency contracts</b>	<b>(516)</b>	<b>(342)</b>	<b>(254)</b>

#### LDI Connect 7 Portfolio

	US Dollars A\$'000	Euro A\$'000	All other foreign currencies A\$'000
<b>As at 30 June 2018</b>			
Cash and cash equivalents	3	-	-
Financial assets held at fair value through profit or loss	14,267	3,681	-
<b>Net exposure</b>	<b>14,270</b>	<b>3,681</b>	<b>-</b>
Net increase/(decrease) in exposure from forward currency contracts	-	(3,556)	(625)
<b>Net exposure including forward currency contracts</b>	<b>14,270</b>	<b>125</b>	<b>(625)</b>
<b>As at 30 June 2017</b>			
Cash and cash equivalents	1	-	-
Receivables	35	-	-
Due from brokers - receivable for securities sold	245	-	-
Financial assets held at fair value through profit or loss	5,305	3,341	-
<b>Net exposure</b>	<b>5,586</b>	<b>3,341</b>	<b>-</b>
Net increase/(decrease) in exposure from forward currency contracts	(4,563)	(3,345)	(593)
<b>Net exposure including forward currency contracts</b>	<b>1,023</b>	<b>(4)</b>	<b>(593)</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

#### LDI Connect 20 Portfolio

	US Dollars A\$'000	Euro A\$'000	All other foreign currencies A\$'000
<b>As at 30 June 2018</b>			
Cash and cash equivalents	1,335	-	-
Receivables	1	-	-
Financial assets held at fair value through profit or loss	<u>8,229</u>	<u>3,469</u>	-
<b>Net exposure</b>	<b>9,565</b>	<b>3,469</b>	-
Net increase/(decrease) in exposure from forward currency contracts	<u>(4,466)</u>	<u>(2,724)</u>	-
<b>Net exposure including forward currency contracts</b>	<b><u>5,099</u></b>	<b><u>745</u></b>	-
<b>As at 30 June 2017</b>			
Cash and cash equivalents	1	-	-
Financial assets held at fair value through profit or loss	<u>9,118</u>	<u>3,159</u>	-
Net exposure	9,119	3,159	-
Net increase/(decrease) in exposure from forward currency contracts	<u>(6,844)</u>	<u>(1,787)</u>	-
Net exposure including forward currency contracts	<u>2,275</u>	<u>1,372</u>	-

The tables in Note 3(b) summarise the sensitivity of the Funds' monetary assets and liabilities to foreign exchange risk. The analyses are based on the assumption that the Australian dollar weakened and strengthened by 1%, 2.5% and 2% (2017: +/-15%) for LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio, respectively, against the material foreign currencies to which the Funds are exposed.

##### (iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of the changes in market interest rates. The Funds have an established limits on investments in interest-bearing securities, which are monitored on a regular basis. The majority of the Funds' financial assets and liabilities are non-interest-bearing. Any excess cash and cash equivalents are invested at short-term market interest rates including term deposits.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The tables below summarise the Funds' exposures to interest rate risk at the end of the reporting period.

#### LDI Connect 3 Portfolio

	Floating interest rate \$'000	3 months or less \$'000	Fixed interest rate		Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
			4 to 12 months \$'000	1 to 5 years \$'000			
<b>As at 30 June 2018</b>							
<b>Assets</b>							
Cash and cash equivalents	7,681	-	-	-	-	-	7,681
Receivables	-	-	-	-	-	1,332	1,332
Due to brokers - receivable for securities sold	-	-	-	-	-	2,391	2,391
Financial assets held at fair value through profit or loss	-	-	-	-	-	63,477	63,477
<b>Total assets</b>	<b>7,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,200</b>	<b>74,881</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	2,599	2,599
Payables	-	-	-	-	-	597	597
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	11	11
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,207</b>	<b>3,207</b>
<b>Net exposure</b>	<b>7,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,993</b>	<b>71,674</b>

#### As at 30 June 2017

<b>Assets</b>							
Cash and cash equivalents	8,318	-	-	-	-	-	8,318
Receivables	-	-	-	-	-	1,040	1,040
Due to brokers - receivable for securities sold	-	-	-	-	-	2,653	2,653
Financial assets held at fair value through profit or loss	-	1,010	2,007	-	-	63,462	66,479
<b>Total assets</b>	<b>8,318</b>	<b>1,010</b>	<b>2,007</b>	<b>-</b>	<b>-</b>	<b>67,155</b>	<b>78,490</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	202	202
Payables	-	-	-	-	-	66	66
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	13	13
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>281</b>	<b>281</b>
<b>Net exposure</b>	<b>8,318</b>	<b>1,010</b>	<b>2,007</b>	<b>-</b>	<b>-</b>	<b>66,874</b>	<b>78,209</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

#### LDI Connect 7 Portfolio

	Floating interest rate \$'000	3 months or less \$'000	Fixed interest rate		Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
			4 to 12 months \$'000	1 to 5 years \$'000			
<b>As at 30 June 2018</b>							
<b>Assets</b>							
Cash and cash equivalents	4,062	-	-	-	-	-	4,062
Receivables	-	-	-	-	-	1,743	1,743
Due to brokers - receivable for securities sold	-	-	-	-	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	119,859	119,859
<b>Total assets</b>	<b>4,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,602</b>	<b>125,664</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	4,963	4,963
Payables	-	-	-	-	-	833	833
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	20	20
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,816</b>	<b>5,816</b>
<b>Net exposure</b>	<b>4,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,786</b>	<b>119,848</b>
<b>As at 30 June 2017</b>							
<b>Assets</b>							
Cash and cash equivalents	6,034	-	-	-	-	-	6,034
Receivables	-	-	-	-	-	1,061	1,061
Due to brokers - receivable for securities sold	-	-	-	-	-	244	244
Financial assets held at fair value through profit or loss	-	-	-	-	-	114,487	114,487
<b>Total assets</b>	<b>6,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,792</b>	<b>121,826</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	135	135
Payables	-	-	-	-	-	108	108
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	128	128
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>371</b>	<b>371</b>
<b>Net exposure</b>	<b>6,034</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,421</b>	<b>121,455</b>



### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

#### LDI Connect 20 Portfolio

	Floating interest rate \$'000	3 months or less \$'000	Fixed interest rate		Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
			4 to 12 months \$'000	1 to 5 years \$'000			
<b>As at 30 June 2018</b>							
<b>Assets</b>							
Cash and cash equivalents	5,203	-	-	-	-	-	5,203
Receivables	-	-	-	-	-	682	682
Due to brokers - receivable for securities sold	-	-	-	-	-	-	-
Financial assets held at fair value through profit or loss	-	-	-	-	-	35,126	35,126
<b>Total assets</b>	<b>5,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,808</b>	<b>41,011</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	153	153
Payables	-	-	-	-	-	58	58
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	26	26
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237</b>	<b>237</b>
<b>Net exposure</b>	<b>5,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,571</b>	<b>40,774</b>
<b>As at 30 June 2017</b>							
<b>Assets</b>							
Cash and cash equivalents	3,275	-	-	-	-	-	3,275
Receivables	-	-	-	-	-	145	145
Due to brokers - receivable for securities sold	-	-	-	-	-	33	33
Financial assets held at fair value through profit or loss	-	-	-	-	-	32,343	32,343
<b>Total assets</b>	<b>3,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,521</b>	<b>35,796</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	93	93
Payables	-	-	-	-	-	40	40
Financial liabilities held at fair value through profit or loss	-	-	-	-	-	64	64
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197</b>	<b>197</b>
<b>Net exposure</b>	<b>3,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,324</b>	<b>35,599</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

The tables at Note 3(b) summarise the impact of an increase/decrease of interest rates on the Funds' operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analyses are based on the assumption that the interest rates changed by +/- 0.5%, +/- 0.1% and +/- 0.1% (2017: +/- 0.5%) for LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio, respectively, from the year end rates with all other variables held constant.

#### (b) Summarised sensitivity analyses

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

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	-5%	+5%	-1%	+1%	-0.5%	+0.5%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>LDI Connect 3 Portfolio</b>						
As at 30 June 2018	(3,173)	3,173	-	-	(38)	38
As at 30 June 2017	(6,037)	6,037	(1)	1	(42)	42
<b>LDI Connect 7 Portfolio</b>						
	-10%	+10%	-2.5%	+2.5%	-0.1%	+0.1%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2018	(11,984)	11,984	-	-	(4)	4
As at 30 June 2017	(11,429)	11,429	-	-	(30)	30
<b>LDI Connect 20 Portfolio</b>						
	-5%	+5%	-2%	+2%	-0.1%	+0.1%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2018	(1,755)	1,755	(27)	27	(5)	5
As at 30 June 2017	(3,217)	3,217	-	-	(16)	16

The sensitivity factors for 30 June 2017 were 10% for price risk, 15% for foreign exchange risk and 0.5% for interest rate risk.

#### (c) Credit risk

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

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

##### *Debt securities*

The Funds invest in debt securities which have an investment grade categorisation as rated by Moody's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. All debt securities must have a minimum investment grade as outlined in the Funds' Product Disclosure Statements.

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

An analysis of interest bearing securities by rating is set out in the table below.

	LDI Connect 3 Portfolio	
	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Australian debt securities rating</b>		
AA	-	3,017
<b>Total</b>	-	3,017

#### (d) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cashflow requirements.

Liquidity risk is managed by maintaining a predominantly liquid portfolio through investing the majority of its assets in listed securities which are traded in an active market, and can be readily disposed of.

In order to manage the Funds' overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Funds did not reject or withhold any redemptions during 2018 and 2017.

#### (i) Maturities of non-derivative financial liabilities

The tables below analyse the Funds' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the tables below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>LDI Connect 3 Portfolio</b>					
<b>As at 30 June 2018</b>					
Distributions payable	2,599	-	-	-	2,599
Payables	597	-	-	-	597
<b>Contractual cash flows (excluding derivatives)</b>	<b>3,196</b>	-	-	-	<b>3,196</b>
<b>As at 30 June 2017</b>					
Distributions payable	202	-	-	-	202
Payables	66	-	-	-	66
Net assets attributable to unit holders - liability	75,192	-	-	-	75,192
<b>Contractual cash flows (excluding derivatives)</b>	<b>75,460</b>	-	-	-	<b>75,460</b>

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (i) Maturities of non-derivative financial liabilities (continued)

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>LDI Connect 7 Portfolio</b>					
<b>As at 30 June 2018</b>					
Distributions payable	4,963	-	-	-	4,963
Payables	833	-	-	-	833
<b>Contractual cash flows (excluding derivatives)</b>	<b>5,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,796</b>
<b>As at 30 June 2017</b>					
Distributions payable	135	-	-	-	135
Payables	108	-	-	-	108
Net assets attributable to unit holders - liability	121,455	-	-	-	121,455
Contractual cash flows (excluding derivatives)	121,698	-	-	-	121,698
<b>LDI Connect 20 Portfolio</b>					
<b>As at 30 June 2018</b>					
Distributions payable	153	-	-	-	153
Payables	58	-	-	-	58
<b>Contractual cash flows (excluding derivatives)</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211</b>
<b>As at 30 June 2017</b>					
Distributions payable	93	-	-	-	93
Payables	40	-	-	-	40
Net assets attributable to unit holders - liability	35,599	-	-	-	35,599
Contractual cash flows (excluding derivatives)	35,732	-	-	-	35,732

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (ii) Maturities of net settled derivative financial instruments

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

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>LDI Connect 3 Portfolio</b>					
<b>As at 30 June 2018</b>					
Net settled derivatives					
Forward currency contracts	-	(8)	-	-	(8)
<b>Total net settled derivatives</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
<b>As at 30 June 2017</b>					
Net settled derivatives					
Forward currency contracts	65	-	-	-	65
<b>Total net settled derivatives</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65</b>
<b>LDI Connect 7 Portfolio</b>					
<b>As at 30 June 2018</b>					
Net settled derivatives					
Forward currency contracts	-	5	-	-	5
Warrants	-	-	-	200	200
<b>Total net settled derivatives</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>200</b>	<b>205</b>
<b>As at 30 June 2017</b>					
Net settled derivatives					
Forward currency contracts	(23)	-	-	-	(23)
Warrants	-	-	-	100	100
<b>Total net settled derivatives</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>77</b>
<b>LDI Connect 20 Portfolio</b>					
<b>As at 30 June 2018</b>					
Net settled derivatives					
Forward currency contracts	-	(11)	-	-	(11)
Warrants	-	-	-	40	40
<b>Total net settled derivatives</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>40</b>	<b>29</b>
<b>As at 30 June 2017</b>					
Net settled derivatives					
Forward currency contracts	98	-	-	-	98
<b>Total net settled derivatives</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>

#### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements 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. The gross and net positions of financial assets and liabilities that have been offset in the statements of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statements of financial position			Related amounts not offset	
	Gross amounts of financials instrument	Gross amounts set off in the statements of financial position	Net amount of financial assets presented in the statements of financial position	Amounts subject to master netting arrangements	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>LDI Connect 3 Portfolio</b>					
<b>As at 30 June 2018</b>					
<b>Financial assets</b>					
Forward currency contracts	1	-	1	(1)	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>(1)</b>	<b>-</b>
<b>Financial liabilities</b>					
Forward currency contracts	11	-	11	(1)	10
<b>Total</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>(1)</b>	<b>10</b>
<b>As at 30 June 2017</b>					
<b>Financial assets</b>					
Forward currency contracts	76	-	76	(13)	63
<b>Total</b>	<b>76</b>	<b>-</b>	<b>76</b>	<b>(13)</b>	<b>63</b>
<b>Financial liabilities</b>					
Forward currency contracts	13	-	13	(13)	-
<b>Total</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>(13)</b>	<b>-</b>
<b>LDI Connect 7 Portfolio</b>					
<b>As at 30 June 2018</b>					
<b>Financial assets</b>					
Forward currency contracts	2	-	2	(2)	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>(2)</b>	<b>-</b>
<b>Financial liabilities</b>					
Forward currency contracts	20	-	20	(2)	18
<b>Total</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>(2)</b>	<b>18</b>

#### 4 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statements of financial position			Related amounts not offset	
	Gross amounts of financials instrument	Gross amounts set off in the statements of financial position	Net amount of financial assets presented in the statements of financial position	Amounts subject to master netting arrangements	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>LDI Connect 7 Portfolio</b>					
As at 30 June 2017					
Financial assets					
Forward currency contracts	97	-	97	(97)	-
<b>Total</b>	<b>97</b>	<b>-</b>	<b>97</b>	<b>(97)</b>	<b>-</b>
Financial liabilities					
Forward currency contracts	128	-	128	(97)	31
<b>Total</b>	<b>128</b>	<b>-</b>	<b>128</b>	<b>(97)</b>	<b>31</b>
<b>LDI Connect 20 Portfolio</b>					
<b>As at 30 June 2018</b>					
<b>Financial assets</b>					
Forward currency contracts	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>					
Forward currency contracts	26	-	26	-	26
<b>Total</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>26</b>
As at 30 June 2017					
Financial assets					
Forward currency contracts	157	-	157	(64)	93
<b>Total</b>	<b>157</b>	<b>-</b>	<b>157</b>	<b>(64)</b>	<b>93</b>
Financial liabilities					
Forward currency contracts	64	-	64	(64)	-
<b>Total</b>	<b>64</b>	<b>-</b>	<b>64</b>	<b>(64)</b>	<b>-</b>

#### Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Funds do not presently have a legally enforceable right of set-off, these amounts have not been offset in the statements of financial position, but have been presented separately in the above table.

## 5 Fair value measurement

The Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

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

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

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

The Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities traded in active markets (such as listed managed investment funds) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply this bid or asking price to the net open positions, as appropriate.

The quoted market price used for financial assets held by the Funds is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

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

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

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

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Funds may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.



## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements

The tables below present the Funds' financial assets and liabilities measured and recognised at fair value as at 30 June 2018.

#### LDI Connect 3 Portfolio

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	1	-	1
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	58,517	-	58,517
Unlisted unit trusts	-	4,959	-	4,959
<b>Total financial assets</b>	<b>-</b>	<b>63,477</b>	<b>-</b>	<b>63,477</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts		11	-	11
<b>Total financial liabilities</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>11</b>
<b>As at 30 June 2017</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	76	-	76
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment funds	-	59,894	-	59,894
Unlisted unit trusts	-	475	-	475
<b>Total financial assets</b>	<b>-</b>	<b>60,444</b>	<b>-</b>	<b>60,445</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	13	-	13
<b>Total financial liabilities</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>13</b>

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements (continued)

#### LDI Connect 7 Portfolio

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	2	-	2
Warrants	200	-	-	200
Financial assets designated at fair value through profit or loss:				
Listed managed investment funds	1,723	-	-	1,723
Listed equity securities	3,503	-	-	3,503
Unlisted managed investment funds	-	93,311	4,175	97,486
Unlisted unit trusts	-	16,945	-	16,945
<b>Total financial assets</b>	<b>5,426</b>	<b>110,258</b>	<b>4,175</b>	<b>119,859</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	20	-	20
<b>Total financial liabilities</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>As at 30 June 2017</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	97	-	97
Warrants	100	-	-	100
Financial assets designated at fair value through profit or loss:				
Listed managed investment funds	2,641	-	-	2,641
Listed equity securities	2,140	-	-	2,140
Unlisted managed investment funds	-	97,955	3,895	101,850
Unlisted unit trusts	-	7,659	-	7,659
<b>Total financial assets</b>	<b>4,881</b>	<b>105,711</b>	<b>3,895</b>	<b>114,487</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	128	-	128
<b>Total financial liabilities</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>128</b>

## 5 Fair value measurement (continued)

### (c) Recognised fair value measurements (continued)

#### LDI Connect 20 Portfolio

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	-	-	-
Warrants	40	-	-	40
Financial assets designated at fair value through profit or loss:				
Listed equity securities	500	-	-	500
Unlisted equity securities	-	-	1,209	1,209
Unlisted managed investment funds	-	19,895	1,784	21,679
Unlisted unit trusts	-	11,698	-	11,698
<b>Total financial assets</b>	<b>540</b>	<b>31,593</b>	<b>2,993</b>	<b>35,126</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	26	-	26
<b>Total financial liabilities</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>26</b>
<b>As at 30 June 2017</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Forward currency contracts	-	157	-	157
Warrants	20	-	-	20
Financial assets designated at fair value through profit or loss:				
Listed equities	428	-	-	428
Unlisted equity securities	-	-	1,209	1,209
Unlisted managed investment funds	-	16,891	1,361	18,252
Unlisted unit trusts	-	12,277	-	12,277
<b>Total financial assets</b>	<b>448</b>	<b>29,325</b>	<b>2,570</b>	<b>32,343</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Forward currency contracts	-	64	-	64
<b>Total financial liabilities</b>	<b>-</b>	<b>64</b>	<b>-</b>	<b>64</b>

### (d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

## 5 Fair value measurement (continued)

### (e) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2018 and 30 June 2017 by class of financial instrument.

	LDI Connect 7 Portfolio	LDI Connect 20 Portfolio	
	Unlisted managed investment funds \$'000	Unlisted equity securities \$'000	Unlisted managed investment funds \$'000
<b>Opening balance - 1 July 2016</b>	3,430	900	1,199
Transfer into/(out) from level 3	-	-	-
Gains/(losses) recognised in the statements of comprehensive income	465	309	162
<b>Closing balance - 30 June 2017</b>	<b>3,895</b>	<b>1,209</b>	<b>1,361</b>
Transfer into/(out) from level 3	-	-	325
Gains/(losses) recognised in the statements of comprehensive income	280	-	98
<b>Closing balance - 30 June 2018</b>	<b>4,175</b>	<b>1,209</b>	<b>1,784</b>

### (f) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

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

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

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b>Financial assets</b>						
Net gain/(loss) on financial assets held for trading	54	314	(2)	302	(162)	(144)
Net gain/(loss) on financial assets designated at fair value through profit or loss	298	961	4,370	3,300	2,034	(163)
Net gains/(losses) on financial assets held at fair value through profit or loss	352	1,275	4,368	3,602	1,872	(307)
Net realised gain/(loss) on financial assets held at fair value through profit or loss	324	331	972	(844)	(853)	1,266
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	28	944	3,396	4,446	2,725	(1,573)
Net gains/(losses) on financial assets held at fair value through profit or loss	352	1,275	4,368	3,602	1,872	(307)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>352</b>	<b>1,275</b>	<b>4,368</b>	<b>3,602</b>	<b>1,872</b>	<b>(307)</b>

**7 Financial assets held at fair value through profit or loss**

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	As at		As at		As at	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Held for trading</b>						
Forward currency contracts	1	76	2	97	-	157
Warrants	-	-	200	100	40	20
<b>Total held for trading</b>	<b>1</b>	<b>76</b>	<b>202</b>	<b>197</b>	<b>40</b>	<b>177</b>
<b>Designated at fair value through profit or loss</b>						
Listed managed investment funds	-	-	1,723	2,641	-	-
Interest bearing securities	-	3,017	-	-	-	-
Listed equity securities	-	-	3,503	2,140	500	428
Unlisted equity securities	-	-	-	-	1,209	1,209
Unlisted managed investment funds	58,517	59,894	97,486	101,849	21,679	18,252
Unlisted unit trusts	4,959	475	16,945	7,660	11,698	12,277
<b>Total designated at fair value through profit or loss</b>	<b>63,476</b>	<b>63,386</b>	<b>119,657</b>	<b>114,290</b>	<b>35,086</b>	<b>32,166</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>63,477</b>	<b>63,462</b>	<b>119,859</b>	<b>114,487</b>	<b>35,126</b>	<b>32,343</b>

**8 Financial liabilities held at fair value through profit or loss**

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	As at		As at		As at	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Held for trading</b>						
Forward currency contracts	11	13	20	128	26	64
<b>Total held for trading</b>	<b>11</b>	<b>13</b>	<b>20</b>	<b>128</b>	<b>26</b>	<b>64</b>
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>11</b>	<b>13</b>	<b>20</b>	<b>128</b>	<b>26</b>	<b>64</b>

## **9 Derivative financial instruments**

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

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

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' portfolios management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Funds against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying values of the Funds.

The Funds hold the following derivatives:

### **Forward currency contracts**

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

## 9 Derivative financial instruments (continued)

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

	LDI Connect 3 Portfolio			LDI Connect 7 Portfolio		
	Contractual/ notional	Assets	Liabilities	Contractual/ notional	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2018</b>						
Forward currency contracts	(8)	1	11	5	2	20
Warrants	-	-	-	200	200	-
<b>Total derivatives</b>	<b>(8)</b>	<b>1</b>	<b>11</b>	<b>205</b>	<b>202</b>	<b>20</b>
<b>As at 30 June 2017</b>						
Forward currency contracts	65	76	13	(23)	97	128
Warrants	-	-	-	100	100	-
<b>Total derivatives</b>	<b>65</b>	<b>76</b>	<b>13</b>	<b>77</b>	<b>197</b>	<b>128</b>

	LDI Connect 20 Portfolio		
	Contractual/ notional	Assets	Liabilities
	\$'000	\$'000	\$'000
<b>As at 30 June 2018</b>			
Forward currency contracts	(11)	-	26
Warrants	40	40	-
<b>Total derivatives</b>	<b>29</b>	<b>40</b>	<b>26</b>
<b>As at 30 June 2017</b>			
Forward currency contracts	98	157	64
Warrants	20	20	-
<b>Total derivatives</b>	<b>118</b>	<b>177</b>	<b>64</b>

Information about the Funds' exposures to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.



## 10 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.

The Funds consider all investments in managed investment schemes (the "Schemes") to be structured entities. The Funds invest in Schemes for the purpose of capital appreciation and or earning investment income.

The exposure to investments in related Schemes at fair value, and any related amounts recognised in the statements of comprehensive income is disclosed at Note 18 to the financial statements.

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

	<b>Fair value of investment</b>	
	<b>As at</b>	
	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>LDI Connect 3 Portfolio</b>		
Invesco Wholesale Global Targeted Returns Fund	3,984	6,014
Payden Global Income Opportunities Fund	5,930	5,816
Investors Mutual Equity Income Fund	5,071	5,190
Kapstream Absolute Return Income Fund	4,482	4,648
Aredea Wholesale Inflation Plis Fund	4,686	4,529
Barwon Healthcare Property Fund	4,059	3,954
T Rowe Price Dynamic Global Bond Fund	-	3,894
Australian Unity Wingate Global Equity Income Fund	3,853	3,831
Perpetual Wholesale Share-Plus Long Short Fund	3,669	3,434
Others	21,852	17,081
<b>Total unrelated Schemes</b>	<b>57,586</b>	<b>58,391</b>
<b>LDI Connect 7 Portfolio</b>		
Investors Mutual Equity Income Fund	6,113	6,197
Invesco Wholesale Global Targeted Returns Fund	-	5,306
Australian Unity Wingate Global Equity Income Fund	5,117	4,998
Bennelong Long Short Equity Fund	5,317	4,964
Northcape Capital Global Emerging Markets Fund	5,545	4,842
Investors Mutual Future Leaders Fund	4,701	4,545
Platinum International Fund	4,512	4,416
Grant Samuel Global Equity Shareholders Yield Hedged Fund	3,964	4,347
Blackrock Australian Equity Absolute Return Fund	4,027	4,299
Others	56,901	59,787
<b>Total unrelated Schemes</b>	<b>96,197</b>	<b>103,701</b>

## 10 Structured entities (continued)

	Fair value of investment	
	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>LDI Connect 20 Portfolio</b>		
Ellerston Global Equity Managers Fund	3,120	3,164
Bennelong Long Short Equity Fund	3,249	2,913
Northcape Capital Global Emerging Markets Fund	3,128	2,732
LHC Capital Australia High Conviction Fund	1,834	2,436
Allan Gray Australia Equity Fund	-	2,048
Bfam Asian Opportunities Fund Limited	3,586	3,153
Landsdowne European Equity Fund	1,922	2,351
Others	12,525	11,732
<b>Total unrelated Schemes</b>	<b>29,364</b>	<b>30,529</b>

The fair value of the Schemes is included in financial assets held at fair value through profit or loss in the statements of financial position.

The Funds' maximum exposure to losses from their interests in the Schemes is equal to the fair value of their investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Funds have disposed of their units in a Scheme, they cease to be exposed to any risk from that Scheme.

During the year ended 30 June 2018, total gains/(losses) incurred on investments in the Schemes were \$317,806 (2017: \$975,399) for LDI Connect 3 Portfolio, \$3,561,660 (2017: \$2,988,181) for LDI Connect 7 Portfolio and \$1,660,111 (2017: \$(479,570)) for LDI Connect 20 Portfolio. The Funds also earned distribution income of \$2,723,784 (2017: \$2,630,360), \$4,832,685 (2017: \$4,782,465) and \$1,075,391 (2017: \$995,399), respectively, as a result of their interests in the Schemes.

## 11 Net assets attributable to unit holders

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 Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Funds classified their net assets attributable to unit holders as liabilities in accordance with AASB 132. On 1 July 2017, the Funds elected into the AMIT tax regime. The Funds' Constitutions have been amended on the same date and they no longer have a contractual obligation to pay distributions to unit holders. Therefore the net assets attributable to unit holders of the Funds meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unit holders from liabilities to equity, the Funds' distributions are no longer classified as finance costs in the statements of comprehensive income, but rather as distributions paid and payable in the statements of changes in equity.

## 11 Net assets attributable to unit holders (continued)

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

	Year ended		Year ended	
	30 June 2018 Units '000	30 June 2018 \$'000	30 June 2017 Units '000	30 June 2017 \$'000
<b>LDI Connect 3 Portfolio</b>				
Opening balance	69,938	75,192	70,970	75,379
Applications	6,134	6,788	3,164	3,463
Redemptions	(9,501)	(10,372)	(6,538)	(7,104)
Reinvestment of distributions	-	-	2,342	2,518
Increase/(decrease) in net assets attributable to unit holders	-	-	-	936
Distributions paid and payable	-	(2,599)	-	-
Profit/(loss) for the year	-	2,665	-	-
<b>Closing balance</b>	<b>66,571</b>	<b>71,674</b>	69,938	75,192
<b>LDI Connect 7 Portfolio</b>				
Opening balance	111,219	121,455	113,896	119,328
Applications	7,249	8,284	6,042	6,551
Redemptions	(12,223)	(13,734)	(11,074)	(11,965)
Reinvestment of distributions	-	-	2,355	2,572
Increase/(decrease) in net assets attributable to unit holders	-	-	-	4,969
Distributions paid and payable	-	(4,957)	-	-
Profit/(loss) for the year	-	8,800	-	-
<b>Closing balance</b>	<b>106,245</b>	<b>119,848</b>	111,219	121,455
<b>LDI Connect 20 Portfolio</b>				
Opening balance	34,374	35,599	31,096	33,440
Applications	3,545	3,842	6,719	7,228
Redemptions	(1,241)	(1,312)	(5,088)	(5,312)
Reinvestment of distributions	-	-	1,647	1,706
Increase/(decrease) in net assets attributable to unit holders	-	-	-	(1,463)
Distributions paid and payable	-	(153)	-	-
Profit/(loss) for the year	-	2,798	-	-
<b>Closing balance</b>	<b>36,678</b>	<b>40,774</b>	34,374	35,599

Net assets attributable to unit holders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right in the underlying assets of the Funds.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds.

Units are redeemed on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

## 11 Net assets attributable to unit holders (continued)

### Capital risk management

The Funds consider their net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability until 30 June 2017. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unit holders.

Applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets by the Responsible Entity. Under the terms of the Funds' Constitutions, 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 unit holders.

## 12 Distributions to unit holders

The distributions declared for the year were as follows:

	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
<b>LDI Connect 3 Portfolio</b>				
<b>Distributions</b>				
June (payable)	2,599	3.90	2,720	4.02
<b>Total distributions</b>	<b>2,599</b>	<b>3.90</b>	<b>2,720</b>	<b>4.02</b>
<b>LDI Connect 7 Portfolio</b>				
<b>Distributions</b>				
June (payable)	4,963	4.67	2,707	2.49
<b>Total distributions</b>	<b>4,963</b>	<b>4.67</b>	<b>2,707</b>	<b>2.49</b>
<b>LDI Connect 20 Portfolio</b>				
<b>Distributions</b>				
June (payable)	153	0.42	1,799	5.50
<b>Total distributions</b>	<b>153</b>	<b>0.42</b>	<b>1,799</b>	<b>5.50</b>

## 13 Cash and cash equivalents

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	As at		As at		As at	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b>Cash at bank</b>	<b>7,681</b>	8,318	<b>4,062</b>	6,034	<b>5,203</b>	3,275
<b>Total cash and cash equivalents</b>	<b>7,681</b>	8,318	<b>4,062</b>	6,034	<b>5,203</b>	3,275

These accounts are earning a floating interest rate of between 0% and 1.80% as at 30 June 2018 (2017: 0% and 2.55%).

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

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>						
Profit/(loss) for the year	2,665	-	8,800	-	2,798	-
Increase/(decrease) in net assets attributable to unit holders	-	936	-	4,969	-	(1,463)
Distributions to unit holders	-	2,720	-	2,707	-	1,799
Proceeds from sale of financial instruments held at fair value through profit or loss	14,191	23,270	16,043	30,152	5,833	19,591
Purchase of financial instruments held at fair value through profit or loss	(11,444)	(18,103)	(12,631)	(23,433)	(6,031)	(21,331)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(352)	(1,275)	(4,368)	(3,602)	(1,872)	307
Net foreign exchange gain/(loss)	-	(48)	57	-	(24)	(64)
Dividends and distributions income reinvested	(2,084)	(2,117)	(4,192)	(3,924)	(712)	(853)
Unlisted unit trust rebates reinvested	(66)	(67)	(88)	(86)	(6)	(4)
Net change in receivables	(292)	(580)	(682)	(440)	(537)	(78)
Net change in payables	46	(1)	95	2	19	2
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,664</b>	<b>4,735</b>	<b>3,034</b>	<b>6,345</b>	<b>(532)</b>	<b>(2,094)</b>
<b>(b) Non-cash operating and financing activities</b>						
The following purchases of investments were satisfied by the participation in dividend and distribution reinvestment plans	2,084	2,117	4,192	3,924	712	853
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	-	2,518	-	2,572	-	1,706
Unlisted unit trust rebate reinvestments	66	67	88	86	6	4
<b>Total non-cash operating and financing activities</b>	<b>2,150</b>	<b>4,702</b>	<b>4,280</b>	<b>6,582</b>	<b>718</b>	<b>2,563</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the 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.

## 15 Receivables

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	As at		As at		As at	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distributions receivable	1,291	1,009	1,720	1,023	646	134
Interest receivable	30	10	5	2	28	1
GST receivable	11	18	18	28	8	10
Other receivables	-	3	-	8	-	-
<b>Total receivables</b>	<b>1,332</b>	<b>1,040</b>	<b>1,743</b>	<b>1,061</b>	<b>682</b>	<b>145</b>

## 16 Payables

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	As at		As at		As at	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees payable	112	66	203	108	33	31
Redemptions payable	485	-	630	-	-	1
Fixed expense recovery fees payable	-	-	-	-	25	8
<b>Total payables</b>	<b>597</b>	<b>66</b>	<b>833</b>	<b>108</b>	<b>58</b>	<b>40</b>

## 17 Remuneration of auditor

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

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
<b>Ernst &amp; Young</b>						
Audit and other assurance services						
Audit and review of financial statements	13,051	12,051	13,051	12,051	13,720	12,720
Compliance plan	1,731	-	1,731	-	1,731	-
Total remuneration for audit and other assurance services	14,782	12,051	14,782	12,051	15,451	12,720
Taxation services						
Tax compliance services	7,100	8,100	7,100	8,100	7,100	8,100
Total remuneration for taxation services	7,100	8,100	7,100	8,100	7,100	8,100
<b>Total remuneration of Ernst &amp; Young</b>	<b>21,882</b>	<b>20,151</b>	<b>21,882</b>	<b>20,151</b>	<b>22,551</b>	<b>20,820</b>

The auditor's remuneration is borne by the Investment Manager. Fees are stated exclusive of GST.

## 18 Related party transactions

The Responsible Entity of MGD Wealth Portfolio Solutions is EQT Responsible Entity Services Ltd (ABN 94 101 103 011) (AFSL 223271). Accordingly transactions with entities related to EQT Responsible Entity Services and the former Responsible Entity OneVue RE Services Limited are disclosed below.

The Responsible Entity has contracted services to LDI Connect Asset Management Pty Ltd, to act as Investment Manager and BNP Paribas Fund Services Australasia Pty Ltd to act as Custodian and Administrator for the Funds. The contracts are on normal commercial terms and conditions.

### (a) Key management personnel

#### (i) Directors

Key management personnel includes persons who were directors at any time during or since the end of the financial year and up to the date of this report.

The following persons held office as directors of OneVue RE Services Limited from 1 July 2017 to 29 March 2018:

Nigel Cameron Stokes  
Karen Nita Gibson  
Alexander Wise  
Vincent Leo Plant

The following persons held office as directors of EQT Responsible Entity Services Ltd from 29 March 2018 and up to the date of this report:

Philip D Gentry                      Chairman  
Harvey H Kalman  
Travis R Goudie

#### (ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial year.

### (b) Transactions with key management personnel

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

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2018 (30 June 2017: nil).

### (d) Key management personnel compensation

Key management personnel were paid by OneVue RE Services Limited up until 29 March 2018. From 29 March 2018, key management personnel are paid by EQT Services Pty Ltd. Payments made from the Funds to EQT Responsible Entity Services Ltd do not include any amounts directly attributable to the compensation of key management personnel.

### (e) Key management personnel loans

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

## 18 Related party transactions (continued)

### (f) 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 Funds during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

### (g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Funds' Constitutions and the current Product Disclosure Statements for the Funds, the Responsible Entity and the Investment Manager are entitled to receive management fees. The Investment Manager is also entitled to a performance fee.

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

	LDI Connect 3 Portfolio		LDI Connect 7 Portfolio		LDI Connect 20 Portfolio	
	Year ended		Year ended		Year ended	
	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$	30 June 2018 \$	30 June 2017 \$
Investment management fees for the year	633,519	756,354	1,177,825	1,210,667	391,809	352,611
Responsible Entity fee rebates and performance fee rebates received	66,087	75,375	96,693	123,319	6,133	5,387
Fixed expense recovery fees for the year	93,306	-	29,598	-	89,495	88,652
Total fees payable to the Investment Manager and Responsible Entity at year end	111,812	66,476	203,183	107,707	33,464	31,276
Total fixed expense recovery fees payable at year end	-	-	-	-	24,753	7,755

For information on how management and performance fees are calculated please refer to the Funds' Product Disclosure Statements.

### (h) Related party unit holdings

Parties related to the Funds (including EQT Responsible Entity Services Ltd, its related parties and other schemes managed by EQT Responsible Entity Services Ltd and the Investment Manager) held units in the Funds, as follows:

	Number of units held opening	Number of units held closing	Fair value of investments \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Funds \$
<b>LDI Connect 3 Portfolio</b>							
<b>As at 30 June 2018</b>							
EQT Responsible Entity Services Ltd	117	122	135	-	5	-	5
<b>As at 30 June 2017</b>							
EQT Responsible Entity Services Ltd	113	117	131	-	4	-	5



## 18 Related party transactions (continued)

### (h) Related party unit holdings (continued)

	Number of units held opening	Number of units held closing	Fair value of investments \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Funds \$
<b>LDI Connect 7 Portfolio</b>							
<b>As at 30 June 2018</b>							
EQT Responsible Entity Services Ltd	123	123	145	-	-	-	6
As at 30 June 2017							
EQT Responsible Entity Services Ltd	121	123	137	-	2	-	3
<b>LDI Connect 20 Portfolio</b>							
<b>As at 30 June 2018</b>							
EQT Responsible Entity Services Ltd	111	111	123	-	-	-	-
As at 30 June 2017							
EQT Responsible Entity Services Ltd	105	111	121	-	6	-	6

### (i) Investments

The Funds held investments in the following schemes which are also managed by EQT Responsible Entity Services Ltd or its related parties:

	Fair value of investment \$	Interest held %	Distributions earned \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
<b>LDI Connect 3 Portfolio</b>						
<b>As at 30 June 2018</b>						
T Rowe Price Dynamic Global Bond Fund	3,901,584	0.24	65,215	30,551	47,461	-
Select Listed Investments Fund	2,015,418	8.07	27,294	-	-	-
As at 30 June 2017						
Select Listed Investments Fund	1,978,432	8.03	81,227	-	168,086	(79,290)

## 18 Related party transactions (continued)

### (i) Investments (continued)

	Fair value of investment	Interest held	Distributions earned	Distributions receivable	Units acquired during the year	Units disposed during the year
	\$	%	\$	\$		
<b>LDI Connect 7 Portfolio</b>						
<b>As at 30 June 2018</b>						
Allan Gray Australia Equity Fund	4,287,032	0.27	266,872	-	156,532	(182,127)
T Rowe Price Dynamic Global Bond Fund	3,548,014	0.22	59,305	27,783	43,158	-
SGH ICE Professional Investor Fund	4,563,169	0.60	202,635	-	122,201	-
Select Listed Investments Fund	5,835,998	23.51	80,118	80,118	-	-
As at 30 June 2017						
Select Listed Investments Fund	5,807,546	23.58	238,436	-	1,501,091	(440,633)
<b>LDI Connect 20 Portfolio</b>						
<b>As at 30 June 2018</b>						
Allan Gray Australia Equity Fund	2,361,613	0.15	147,013	-	86,229	-
SGH ICE Professional Investor Fund	1,651,791	0.23	87,485	76,746	10,333	-

LDI Connect 20 Portfolio did hold any investments in schemes managed by EQT Responsible Entity Services Ltd or its related parties at 30 June 2017.

## 19 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial positions of the Funds as disclosed in the statements of financial position as at 30 June 2018 or on the results and cash flows of the Funds for the year ended on that date.

## 20 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 49 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 Funds' financial positions as at 30 June 2018 and of their performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements also comply with the 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 EQT Responsible Entity Services Ltd through a delegated authority given by the EQT Responsible Entity Services Ltd's Board.



Philip D Gentry  
Chairman

Melbourne  
13 September 2018

## Independent Auditor's Report to the unitholders of LDI Connect 3 Portfolio, LDI Connect 7 Portfolio & LDI Connect 20 Portfolio

### Opinion

We have audited the financial reports of LDI Connect 3 Portfolio, LDI Connect 7 Portfolio and LDI Connect 20 Portfolio (the "Funds"), which comprises the statements of financial position as at 30 June 2018, the statements of comprehensive income, statements of changes in equity and statements 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 reports of the Funds are in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Funds' financial position as at 30 June 2018 and of their 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 audits 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 Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audits of the financial reports 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 Reports and Auditor's Report Thereon

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

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

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits 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 Reports

The directors of the Responsible Entity are responsible for the preparation of financial reports that give 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 reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the Funds' 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 Funds or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Reports

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

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

- Identify and assess the risks of material misstatement of the financial reports, 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 audits 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 Funds' 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 Funds' 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 reports 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 Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.



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

*Ernst & Young*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
13 September 2018