

**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED  
FUND**

**AUDITED ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020**

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**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED FUND  
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for the year ended 30 June 2020**

**MANAGER'S RESPONSIBILITY AND APPROVAL**

Ashburton Management Company (RF) Proprietary Limited (the "Manager") is responsible for the preparation and fair presentation of the Manager's report and annual financial statements of the Ashburton World Government Bond Exchange Traded Fund (the "Portfolio"), comprising of the statement of financial position, statement of comprehensive income, statement of cash flows, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes. These annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Collective Investment Schemes Control Act ("CISCA") and the Supplemental Deed No.10 (relating specifically to this Portfolio) to the deed in respect of the Ashburton Collective Investment Scheme (the "Scheme").

The Manager's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these annual financial statements to ensure that these are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, applying judgement and making accounting estimates that are reasonable in the circumstances.

The Manager's responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The Manager has made an assessment of the Portfolio's ability to continue as a going concern and has no reason to believe that the Portfolio will not be a going concern in the foreseeable future. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The going concern basis of preparation, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

**Approval of the annual financial statements**

The annual financial statements of the Portfolio were approved by the Manager and signed on its behalf by two directors of the Manager.



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

**Sandton  
31 August 2020**

Ashburton Management Company (RF) (Pty) Limited  
4 Merchant Place  
1 Fredman Drive  
Sandton  
2196

7 August 2020

**Attention:** The board of Directors of Ashburton Management Company (RF) (Pty) Ltd

**Ashburton Collective Investment Scheme in Securities (The Scheme) – Year End 30 June 2020**

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "Accounts") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

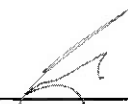
We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both International Financial Reporting Standards (IFRS) and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,

  
\_\_\_\_\_  
**Chantell Kruger**  
Senior Manager, Trustee Services

  
\_\_\_\_\_  
**Charl Steyn**  
Manager, Trustee Compliance

**Standard Chartered Bank**

Johannesburg Branch

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The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London EC2V 5DD.



## *Independent auditor's report*

To the Participatory Interest Holders of Ashburton World Government Bond Exchange Traded Fund

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### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ashburton World Government Bond Exchange Traded Fund (the Portfolio) as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **What we have audited**

Ashburton World Government Bond Exchange Traded Fund's financial statements set out on pages 13 to 37 comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the annual financial statements.

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### *Basis for opinion*

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

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

### **Independence**

We are independent of the Portfolio in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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## Our audit approach

### Overview

	<b>Overall materiality</b> <ul style="list-style-type: none"><li>• <i>Overall materiality: R 1.45 million, which represents 1% of net assets attributable to participatory interest holders.</i></li></ul>
	<b>Key audit matters</b> <ul style="list-style-type: none"><li>• <i>Existence and valuation of investments designated at fair value through profit or loss.</i></li></ul>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	<i>R 1.45 million.</i>
<i>How we determined it</i>	<i>1% of net assets attributable to participatory interest holders.</i>
<i>Rationale for the materiality benchmark applied</i>	<i>We chose net assets attributable to participatory interest holders as the benchmark because, in our view, it is the benchmark against which the performance of the Portfolio is most commonly measured by users, and is a generally accepted benchmark. The Portfolio is not considered to be a profit orientated entity, but an investment Portfolio and asset-based entity. We chose 1% which is consistent with quantitative materiality thresholds that we would typically apply when using net assets to compute materiality.</i>

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Existence and valuation of investments designated at fair value through profit or loss</i></p> <p>The Portfolio's investments comprise of listed bond investments which are designated as, and measured at fair value through profit or loss. As at 30 June 2020, the carrying value of the Portfolio's total investments designated at fair value through profit or loss ("the investments") amounted to R142,734,281.</p> <p>The Portfolio's accounting policy is to measure investments at fair value using the market approach. As disclosed in Note 7 to the financial statements, the listed investments are classified as level 1 in terms of the fair value hierarchy which implies that the fair value is determined using unadjusted quoted prices in active</p>	<p><i>Existence</i></p> <p>We confirmed all of the Portfolio's scrip holdings as at 30 June 2020 with the custodian. Where differences were identified, we obtained explanations from management and inspected relevant documentation.</p> <p><i>Valuation</i></p> <p>We obtained the International Standard on Assurance Engagements, <i>Assurance Reports on Controls at a Service Organisation</i> 3402 Type II report in respect of the third party service provider who performed the valuation of the investments. We read the report and obtained an understanding of the internal controls relevant to the valuation of the Portfolio's</p>



markets for identical listed investments that the Portfolio can access as at 30 June 2020.

We considered the existence and valuation of investments designated at fair value through profit or loss to be a matter of most significance to the current year's audit due to the following factors:

- The value of the investments is a key measure in determining the performance of the Portfolio;
- The investments are held in a fiduciary capacity by the Portfolio on behalf of the participatory interest holders; and
- The value of the investments at year-end is quantitatively significant.

Refer to the following accounting policies and notes to the financial statements for details:

- Accounting policy 3.3: Financial instruments, Fair value estimation;
- Note 1: Investments designated at fair value through profit or loss; and
- Note 7: Fair value of financial instruments.

investments. We further evaluated the design and implementation of these relevant controls.

We evaluated the appropriateness of the fair value measurement methodology applied by the Portfolio in accordance with IFRS 13, *Fair Value Measurement* (IFRS 13). We did not note any inconsistencies in this regard. We assessed the appropriateness of the valuation methodology with reference to the definition of an active market. We also assessed the adequacy of the disclosure of the fair value hierarchy in accordance with IFRS 13. We noted no matters requiring further consideration.

We independently recalculated the fair value of all the listed bond investments by obtaining the closing prices of the investments in local currency from external sources and multiplying these prices by the quantities obtained from confirmations received from the custodian. We multiplied this with the closing exchange rate as at 30 June 2020 which we obtained from an external source. No material exceptions were noted when compared to management's fair values.

### *Other information*

The directors of Ashburton Management Company (RF) Proprietary Limited (the Manager) are responsible for the other information. The other information comprises the information included in the document titled "Ashburton World Government Bond Exchange Traded Fund Audited Annual Financial Statements for the year ended 30 June 2020". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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





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### *Responsibilities of the directors of the Manager for the financial statements*

The directors of the Manager are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements 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 ISAs 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Manager.
- Conclude on the appropriateness of the directors of the Manager's 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 Portfolio's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 Portfolio to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Gino Fraser

Registered Auditor

Johannesburg

3 September 2020

**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED FUND**  
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**MANAGER'S REPORT**

**1. General review**

There has been no material change in the nature or conduct of the Portfolio's business during the year. The annual financial statements adequately disclose the results of the operations and the state of the Portfolio's affairs for the year ended 30 June 2020.

**2. Establishment**

The Scheme was established in accordance with the provisions of the CISCA with effect from 12 April 2008. The Portfolio was established as a portfolio of the Scheme in accordance with paragraph A of the Deed of the Scheme on 13 December 2017.

**3. Nature of the business**

The Portfolio is a passively managed investment portfolio with the aim of providing portfolio compounded annual returns which tracks the economic performance of the Citi World Government Bond Index (the "Index"). The Portfolio is the first global bond ETF listed on the JSE that tracks an international bond exposure index and offers access to a diversified pool of issuers with highly rated credit quality. The Index provides exposure to global bond markets with investment graded bonds that ensure lower default risk. The Portfolio pays an annual management fee of 0.39% for Class A participatory interest to the Manager.

The Portfolio was initially listed on the JSE on 13 March 2018.

**4. Trustee**

The trustee of the Portfolio at the date of this report is The Standard Chartered Bank Johannesburg Branch Custody and Trustee.

**5. Manager**

The Manager of the Scheme and the Portfolio at the date of this report is Ashburton Management Company (RF) Proprietary Limited.

**6. Beneficiaries**

Vested income beneficiaries include all holders of the Portfolio's participatory interests.

**7. Corporate governance**

The Manager is committed to good corporate citizenship and to open corporate governance in its stewardship of its own affairs and those of the Portfolio. The Manager has implemented and complied with the requirements of Board Notice 910 of the CISCA during the year under review.

This commitment provides stakeholders with the comfort that the Manager's and the Portfolio's affairs are being managed in an ethical, transparent and responsible manner, after considering prudently the determined risk parameters.

The corporate governance framework ensures the strategic guidance of the Manager and the Portfolio, the effective monitoring of management by the directors of the Manager and their accountability to all stakeholders. Furthermore, the framework ensures that timely and accurate disclosure is made on all material matters regarding the Manager and the Portfolio, including the financial position, performance, ownership, and governance of the Manager and the Portfolio.

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**MANAGER'S REPORT (CONTINUED)**

**8. Integrated report**

The Manager of the Portfolio has decided not to present an integrated report about the Portfolio, on the basis that the integrated report would not provide any more insight and/or relevant information to investors and/or stakeholders on the strategy, risks and value creation activities of the Portfolio.

**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED FUND  
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**ACCOUNTING POLICIES**

**1. General information**

The Portfolio is established and domiciled in South Africa. The address of its registered office is 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton.

The Portfolio adopts the following accounting policies in preparing its annual financial statements, which are consistent with the accounting policies of the previous accounting period unless otherwise stated.

**2. Basis of presentation**

The annual financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "IASB"), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, and the provisions of the CISCA.

These financial statements comprise the statements of financial position as at 30 June 2020, the statement of comprehensive income, and the statement of cash flows for the year then ended, as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

The annual financial statements have been prepared in accordance with the historical cost basis, except for certain financial assets where the Portfolio adopts the fair value basis of accounting, and incorporates the principal accounting policies set out below, which complies with the Portfolio's Supplemental Trust Deed.

**Standards, interpretations and amendments effective 1 July 2019**

The following new and revised standards and interpretations that are effective for the year had no impact on the Portfolio's reported earnings, financial position, reserves or accounting policies.

New / revised IFRS	Description of change	Impact on the Portfolio
<b>IFRS 16</b>	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value as defined by the entity. Lessors continue to classify leases as either operating or finance, with IFRS 16's approach to lessor accounting being substantially unchanged from its predecessor, IAS 17.	IFRS 16 will have no material impact on the Portfolio, as the Portfolio is currently not a counterparty to any active lease agreements.
<b>Annual improvements 2015–2017 cycle</b>	<p>These annual improvements include amendments to:</p> <ul style="list-style-type: none"> <li>➤ IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</li> <li>➤ IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.</li> </ul>	The amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 are not applicable to the Portfolio.

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**ACCOUNTING POLICIES (CONTINUED)**

New / revised IFRS	Description of change	Impact on the Portfolio
	<ul style="list-style-type: none"> <li>➤ IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</li> </ul>	
<b>IFRS 9</b>	<p><b>Prepayment features with Negative Compensation</b></p> <p>The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected include some advances and debt securities which would otherwise be measured at fair value through profit and loss.</p> <p>Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the pre-payment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be a reasonable compensation for early termination of the contract.</p>	The IFRS 9 amendment will have no material impact on the Portfolio and will be considered if the Portfolio issues instruments with these characteristics.
<b>IAS 28</b>	<p><b>Long-term Interests in Associates (Amendments to IAS 28)</b></p> <p>The amendments clarify that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture.</p>	The IAS 28 amendment will have no material impact on the Portfolio, as the Portfolio does not have an investment in associates.
<b>IFRIC 23</b>	<p>IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities if there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority.</p>	The Portfolio is exempt from income tax; therefore, this interpretation is not applicable to the Portfolio.

**Standards, interpretations and amendments to published standards that are not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not yet been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Portfolio. Refer to Note 18.

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**ACCOUNTING POLICIES (CONTINUED)**

**3. Financial instruments**

**3.1 Classification**

The Portfolio has classified all its investments as financial assets or financial liabilities at amortised cost or at fair value through profit or loss ("FVPL").

**Financial assets at amortised cost**

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets at amortised cost include dividends and interest receivable, other receivables and cash and cash equivalents.

**Financial assets at FVPL**

All financial assets not measured at amortised cost are subsequently measured at FVPL, except for Investments in equities and rights which are mandatorily held at FVPL.

**Financial liabilities at amortised cost**

Financial liabilities that are not held-for-trading or designated as at FVPL are measured at amortised cost. This category includes fees payable and other payables.

**3.2 Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognised on the trade date – the date on which the Portfolio commits to purchase or sell the investment. Financial assets at FVPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at FVPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at FVPL category are presented in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Portfolio has transferred substantially all risks and rewards of ownership. The portfolio derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Gains and losses arising from the sale of financial assets and liabilities are recognised within fair value gains and losses on financial assets and financial liabilities at fair value through profit or loss in the period in which they arise (and are presented in the statement of comprehensive income).

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within fair value gains and losses, net of withholding taxes when the Portfolio's right to receive payment is established. Interest on cash is recognised in the statement of comprehensive income within interest received based on the effective interest rate.

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**ACCOUNTING POLICIES (CONTINUED)**

**3. Financial instruments (continued)**

**3.3 Fair value estimation**

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.

Investments are valued by various methods depending on the primary market or exchange on which they trade.

Securities traded in active markets are valued using the closing price or the last sale price in the principal market where they are traded. When the last sale price on the local exchange is unavailable, the last available quote or last bid price is used.

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.

Securities quoted in foreign currencies are initially valued in the currency in which they are denominated and then translated into South African Rand ("ZAR") at the foreign exchange rate in effect on each date that net asset value is calculated.

**3.4 Impairment**

The Portfolio holds only trade receivables with no financing component, and which have maturities of less than 12 months at amortised cost and, as such, has applied the simplified approach for expected credit losses ("ECLs") under IFRS 9 to all its trade and other receivables. Therefore, the Portfolio does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date refer Note 2.

The Portfolio's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Portfolio uses the provision matrix as a practical expedient to measure ECLs on trade receivables based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates of the expected life of the receivables and is adjusted for forward looking estimates.

The carrying amount of the asset is reduced and the loss is recognised in profit or loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases due to events occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced through profit or loss to the extent that the carrying value of the asset does not exceed its amortised cost value, as if the financial asset was not impaired previously, at the reversal date based on the original effective interest rate.

**Cash and cash equivalents**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial.

**3.5 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset when the right to set-off is not contingent on a future event and is legally enforceable for all counterparties in the normal course of business. The net amount is reported in the statement of financial position when the Portfolio has the intention and ability either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are not offset if the right of set-off is only enforceable in the event of default, insolvency and bankruptcy.



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**ACCOUNTING POLICIES (CONTINUED)**

**3. Financial instruments (continued)**

**3.6. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All balances, except for physical cash which is held at call, included in cash and cash equivalents have a maturity date of less than three months from the acquisition date and are measured at amortised cost.

**4. Participatory interest**

The Portfolio issues one class of participatory interests which is redeemable at the holder's option. Participatory interests can be put back to the Portfolio at any dealing date for cash equal to a proportionate share of the Portfolio's net asset value attributable to the participatory interest class.

The participatory interests are measured at the redemption amount that is payable at the reporting date if the holder exercises the right to put the participatory interests back to the Portfolio.

The participatory interests are issued and redeemed at the holder's option at prices based on the Portfolio's net asset value per participatory interest at the time of issue or redemption. The Portfolio's net asset value per participatory interest is calculated by dividing the net assets attributable to the holders of the participatory interest by the total number of outstanding participatory interests, in accordance with the provisions of the Portfolio's supplemental trust deed.

Net assets attributable to participatory interest holders evidence a residual interest in the assets of a Portfolio after deducting all of its liabilities.

The value of the net assets attributable to participatory interest holders will vary with the changes in the underlying value of the investments, net of receivables and payables. The total movement in the statement of comprehensive income is transferred to the net assets attributable to participatory interest holders.

Creations and redemptions are recorded on trade date using the previous day's closing price.

In accordance with the Portfolio's supplemental trust deed, the Portfolio distributes its distributable income and any other amounts determined by the Manager of the Portfolio to participatory interest holders. The portfolio does not have an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation should a holder exercise the right to put the participatory interests back to the portfolio. For this reason, the participatory interest does not meet the requirements to be classified as equity in terms of IAS 32 and is thus classified as a liability. Distributions are automatically reinvested in additional participatory interests, other than distributions that are paid in cash.

**5. Net income adjustment on creation and redemption of units**

An adjustment to income arises on the creation and cancellation of units since the price of a unit includes accrued income and expenses. The income adjustment on creation or cancellation of units is recognised as part of the creation or redemption of unitholder interests and disclosed within the note of net assets attributable to participatory interest holders, when units on which it arises are either purchased or sold as these form part of the cash flow on unit transactions.

**6. Investment income**

***Fair value gains and losses***

Gains and losses arising from a change in the fair value of investments, interest income on interest-bearing investments and dividend income, are included in the statement of comprehensive income under fair value gains / losses in the year in which the changes arise.

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**ACCOUNTING POLICIES (CONTINUED)**

**6. Investment income (continued)**

***Interest income***

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income as part of interest income on the effective interest method.

***Dividend income***

Dividend income in respect of investments is recognised when the right to receive payment is established. This is on the "last-day-to-trade" for listed investments and on the "date-of-declaration" for unlisted investments. Dividend income is recognised in the statement of comprehensive income as part of the fair value gains and losses.

**7. Taxation**

The Portfolio has no current or deferred tax liability as all realised gains and losses are considered to be of a capital nature and disregarded in the tax calculation of this Collective Investment Scheme portfolio in accordance with paragraph 61 of the Eighth schedule to the Income Tax Act No 58 of 1962. All investment income is distributed within the time frames specified by section 25BA of the Income Tax Act and is therefore taxed in the hands of the participatory interest holders.

**8. Foreign currency translation**

Foreign currency transactions are translated into the functional currency (South African Rands) using the exchange rates prevailing at the dates of the transactions.

Monetary items are translated using the closing exchange rates prevailing at the reporting date. The realised and unrealised differences on translation are recognized in the statement of comprehensive income in the period in which they arise.

**9. Critical accounting estimates and judgements in applying accounting policies**

No significant accounting estimates and judgements have been applied in the annual financial statements of the Portfolio.

All investments designated at FVPL are measured at fair value based on quoted prices in active markets and do not require the use of judgement or estimates.

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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

Rand	Notes	2020	2019
Investments designated at fair value through profit or loss	1	142,734,281	113,216,663
Trade and other receivables	2	261	775
Cash and cash equivalents	3	2,626,480	2,159,510
<b>Total assets</b>		<b>145,361,022</b>	<b>115,376,948</b>
Net assets attributable to participatory interest holders	4	145,216,333	115,265,218
Trade and other payables	5	144,689	111,730
<b>Total liabilities</b>		<b>145,361,022</b>	<b>115,376,948</b>

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**STATEMENT OF COMPREHENSIVE INCOME**

Rand	Notes	2020	2019
Interest income		13,586	26,565
Fair value gains	8	32,596,917	6,526,903
<b>Investment income</b>		<b>32,610,503</b>	<b>6,553,468</b>
Operating expenses	9	(609,802)	(495,141)
Interest expense		(875)	(1,007)
<b>Profit before tax</b>		<b>31,999,826</b>	<b>6,057,320</b>
Taxation		-	-
<b>Profit before amounts attributable to participatory interest holders</b>		<b>31,999,826</b>	<b>6,057,320</b>
Increase in net assets attributable to participatory interest holders	4	(31,999,826)	(6,057,320)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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**STATEMENT OF CASH FLOWS**

Rand	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Cash utilised by operations	12	(576,843)	(443,590)
Dividends received		791	2,642
Interest received		2,478,773	2,135,142
Interest paid		(875)	(1,007)
Sale of investments at fair value through profit or loss		16,002,500	32,103,486
Purchase of investments at fair value through profit or loss		(15,388,665)	(75,561,489)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,515,681</b>	<b>(41,764,815)</b>
<b>Cash flows from financing activities</b>			
Redemption of portfolio participatory interests	4	-	-
Creation of portfolio participatory interests	4	-	43,697,500
Distributions paid to participatory interest holders	4	(2,048,711)	(936,923)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,048,711)</b>	<b>42,760,577</b>
<b>Net increase in cash and cash equivalents</b>		<b>466,970</b>	<b>995,762</b>
Cash and cash equivalents at the beginning of the year		2,159,510	1,163,749
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>2,626,480</b>	<b>2,159,510</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**1. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Rand	2020	2018
<b>Instrument class</b>		
Government bonds - foreign	142,734,281	112,604,942
Government bonds - local	-	611,721
<b>Total investments at fair value through profit or loss</b>	<b>142,734,281</b>	<b>113,216,663</b>
<b>Non-current</b>		
Government bonds - foreign	142,734,281	112,604,942
Government bonds - local	-	611,721
<b>Total non-current investments at fair value through profit or loss</b>	<b>142,734,281</b>	<b>113,216,663</b>

Government bonds are classified as current (less than 12 months to maturity date) and non-current (more than 12 months to maturity date) in the table above.

The Portfolio can sell these investments at any time to settle liabilities as and when these arise, refer to Note 13.

**2. TRADE AND OTHER RECEIVABLES**

Rand	2020	2019
Interest receivable	261	775
<b>Total trade and other receivables</b>	<b>261</b>	<b>775</b>

There are no trade and other receivables that are past due or impaired. All amounts are due within one year from year end. While the trade and other receivables are also subject to the impairment requirements of IFRS 9, the identified ECL is immaterial.

Further information regarding credit quality of trade and other receivables is included in Note 13.

**3. CASH AND CASH EQUIVALENTS**

Rand	2020	2019
Cash and cash equivalents - local	110,328	142,698
Cash and cash equivalents - foreign	2,516,152	2,016,812
<b>Total cash and cash equivalents</b>	<b>2,626,480</b>	<b>2,159,510</b>

Cash and cash equivalents are not pledged as security.

**4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS**

Rand	2020	2019
Balance at the beginning of the year	115,265,218	66,447,321
Participatory interests created during the year	-	43,697,500
Participatory interests redeemed during the year	-	-
Increase in net assets attributable to participatory interest holders	31,999,826	6,057,320
Distributions paid	(2,048,711)	(936,923)
<b>Balance at the end of the year</b>	<b>145,216,333</b>	<b>115,265,218</b>

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**4. NET ASSETS ATTRIBUTABLE TO PARTICIPATORY INTEREST HOLDERS (CONTINUED)**

	Number of participatory interests in issue 2020	Net assets attributable to participatory interest holders 2020	Number of participatory interests in issue 2019	Net assets attributable to participatory interest holders 2019
Class A	16,134,683	145,216,333	16,134,683	115,265,218
<b>Total</b>	<b>16,134,683</b>	<b>145,216,333</b>	<b>16,134,683</b>	<b>115,265,218</b>

Participatory interests can be put back to the Portfolio at any point in time. Participatory interests do not have a defined maturity date.

**5. TRADE AND OTHER PAYABLES**

	2020	2019
Rand		
Management fee payable	144,689	111,730
<b>Total trade and other payables</b>	<b>144,689</b>	<b>111,730</b>

All trade and other payable are payable within one year from financial year end.

**6. CATEGORIES OF FINANCIAL INSTRUMENTS**

30 June 2020	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
<b>Assets</b>				
Investments at fair value through profit or loss	1	142,734,281	-	142,734,281
Trade and other receivables	2	-	261	261
Cash and cash equivalents	3	-	2,626,480	2,626,480
<b>Total assets</b>		<b>142,734,281</b>	<b>2,626,741</b>	<b>145,361,022</b>

<b>Liabilities</b>				
Net assets attributable to participatory interest holders	4	-	145,216,333	145,216,333
Trade and other payables	5	-	144,689	144,689
<b>Total liabilities</b>		<b>-</b>	<b>145,361,022</b>	<b>145,361,022</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**6. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)**

30 June 2019	Notes	At fair value through profit or loss	At amortised cost	Total
Rand				
<b>Assets</b>				
Investments designated at fair value through profit or loss	1	113,216,663	-	113,216,663
Trade and other receivables	2	-	775	775
Cash and cash equivalents	3	-	2,159,510	2,159,510
<b>Total assets</b>		<b>113,216,663</b>	<b>2,160,285</b>	<b>115,376,948</b>
<b>Liabilities</b>				
Net assets attributable to participatory interest holders	4	-	115,265,218	115,265,218
Trade and other payables	5	-	111,730	111,730
<b>Total liabilities</b>		<b>-</b>	<b>115,376,948</b>	<b>115,376,948</b>

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

In terms of IFRS, the Portfolio measures its investments mandatorily at fair value. The Portfolio has established control frameworks and processes to independently validate its valuation techniques and inputs used to determine its fair value measurements. Technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement.

The Portfolio classifies fair value measurement using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If quoted prices are not available, fair value is measured using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the Portfolio include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out below. The Portfolio's fair value hierarchy has the following levels:

**Level 1** – Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis.

**Level 2** – Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

**Level 3** – Fair value is determined using a valuation technique and inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following principal methods and assumptions are used to determine the fair value of financial instruments:

**Listed securities – government bonds**

The fair value of listed government bonds is determined using unadjusted quoted closing prices. The Portfolio therefore classifies the fair value measurement of the listed government bonds in the Level 1 category.

The following table presents the fair value measurements and fair value hierarchy of assets of the Portfolio which are recognised at fair value on a recurring basis.

30 June 2020 Rand	Fair value	Level 1	Level 2	Level 3
<b>Instrument class</b>				
Government bonds - foreign	142,734,281	142,734,281	-	-
<b>Total</b>	<b>142,734,281</b>	<b>142,734,281</b>	-	-

30 June 2019 Rand	Fair value	Level 1	Level 2	Level 3
<b>Instrument class</b>				
Government bonds - foreign	112,604,942	112,604,942	-	-
Government bonds - local	611,721	611,721	-	-
<b>Total</b>	<b>113,216,663</b>	<b>113,216,663</b>	-	-

**Financial instruments not recorded at fair value**

For all financial instruments that are not carried at fair value, the carrying value is equal to or a reasonable approximation of the fair value.

**Participatory interest holder's liability**

The fair value of the participatory interest holder's liability is R 146,502,922 (2019: R 115,265,217) which is within 0.8% (2019:0.2%) of the carrying value of the liability at amortised cost. The participatory interest holders' liability is considered to be Level 1 in the IFRS hierarchy based on the liquidity of the JSE traded price as at 30 June 2020.

**Transfers in / out of levels**

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the current and prior reporting period.

**8. FAIR VALUE GAINS OR LOSSES**

Rand	2020	2019
Fair value gains	32,596,917	6,526,903

Included in the total above is the following:

Dividend income - foreign	791	-
Interest income - foreign	2,564,934	2,159,119
Interest income - local	51,097	-

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**9. OPERATING EXPENSES**

Rand	2020	2019
Bank charges	20,935	169,970
Management fees	450,446	66,282
Other expenses	395	630
Trust and custody fees	138,026	258,259
<b>Total operating expenses</b>	<b>609,802</b>	<b>495,141</b>

The Manager is entitled to a management fee for the management of the Scheme, as determined by the Manager from time to time, based on the market value of the investments of the Portfolio.

An annual management fee of 39 basis points, which accrues daily, on the market value of the investments of the Portfolio, has been applied.

**10. DISTRIBUTIONS**

Rand	Number of participatory interests 2020	Distribution 2020	Number of participatory interests 2019	Distribution 2019
<b>Declared 21 August 2019 and paid 26 August 2019 (Declared 30 September 2018 and paid 03 October 2018)</b>				
Class A: 2.77 cents per participatory interest (2019: 1.63 cents per participatory interest)	16,134,683	447,626	15,134,683	246,789
<b>Declared 20 November 2019 and paid 25 November 2019 (Declared 30 December 2018 and paid 03 January 2019)</b>				
Class A: 3.45 cents per participatory interest (2019: 1.13 cents per participatory interest)	16,134,683	557,431	16,134,683	182,435
<b>Declared 19 February 2020 and paid 24 February 2020 (Declared 31 March 2019 and paid 3 April 2019)</b>				
Class A: 2.35 cents per participatory interest (2019: 3.15 cents per participatory interest)	16,134,683	378,474	16,134,683	507,699
<b>Declared 13 May 2020 and paid 18 May 2020</b>				
Class A: 4.12 cents per participatory interest (2019: nil cents per participatory interest)	16,134,683	665,180	-	-
<b>Total</b>		<b>2,048,711</b>		<b>936,923</b>

The Portfolio effects quarterly distributions out of income received by the Portfolio.

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**11. QUARTERLY UNIT PRICES**

Rand	High	Low	Close
<b>2020</b>			
<b>Quarter ended</b>			
30 September 2019			
- Class A	7,95	6,99	7,71
31 December 2019			
- Class A	7,81	7,05	7,05
31 March 2020			
- Class A	9,23	7,05	9,15
30 June 2020			
- Class A	9,76	8,60	9,00
<b>2019</b>			
<b>Quarter ended</b>			
30 September 2018			
- Class A	7,46	6,42	6,79
30 December 2018			
- Class A	7,06	6,47	6,96
31 March 2019			
- Class A	7,23	6,54	7,12
30 June 2019			
- Class A	7,49	6,82	7,14

**12. CASH UTILISED BY OPERATIONS**

Rand	2020	2019
Profit before taxation	31,999,826	6,057,320
<b>Adjusted for:</b>		
Interest income	(13,586)	(26,565)
Interest expense	875	1,007
Fair value gains	(32,596,917)	(6,526,903)
<b>Changes in working capital</b>		
Trade and other receivables	-	-
Trade and other payables	32,959	51,551
<b>Total cash utilised by operations</b>	<b>(576,843)</b>	<b>(443,590)</b>

**13. RISK MANAGEMENT**

The Portfolio is a passive investor in local and foreign listed bonds which are issued by local and foreign governments and represent a proportional contribution percentage of the Citi World Government Bond Index (the "Index"). The risk that management must control is that the Portfolio does not track the Index.

Exposure to investment, market and operational risks arise in the normal course of investment activities in government bonds. The Portfolio's acceptance of risk is directly attributable to the risks associated with any investment in government bonds. The objectives for managing the risks associated with financial instruments held for investment purposes, as well as a brief description of the relevant risks and methods adopted to mitigate these risks are outlined in more detail below. The Portfolio is regulated in terms of the CISCA. In terms of the Act, the Manager must appoint a trustee. The assets of the portfolio are held under the control of the trustee.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

Management monitors compliance in terms of the CISCA requirements and reports are submitted to the Financial Sector Conduct Authority (the "FSCA") on a quarterly basis.

Daily pricing of the Fund is publicly available.

The Manager's investment committee oversees management's compliance with the Portfolio's risk management framework in relation to the risks faced by the portfolio.

The Portfolio is exposed to the following risks from its use of financial instruments:

- Liquidity risk;
- Interest rate risk;
- Credit risk;
- Operational risk;
- Index risk;
- Market risk;
- Investment risk;
- Tracking risk;
- Secondary trading risk; and
- Foreign currency risk.

The above-mentioned risks are addressed below in more detail.

**13.1 Liquidity risk**

Liquidity risk is the risk that the Portfolio will not be able to meet its financial obligations towards participatory interest holders when they fall due. Net assets attributable to participatory interest holders are payable on demand.

The approach to managing liquidity risk is to ensure that the Portfolio would be able to pay suitable distributions to participatory interest holders on a quarterly basis. All distributions are calculated and approved by the Manager.

In the primary market, fund participatory interests are created and extinguished through the delivery of the underlying bonds. There is no obligation to accept or deliver cash to participatory interest holders who wish to create or extinguish participatory interests.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell the Portfolio participatory interests at prices around the net asset value ("NAV") of the Portfolio participatory interest, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions, the participatory interest holders will be able to buy or sell the Portfolio participatory interest from market makers.

Liquidity risk may arise upon realisation or rebalancing of the Portfolio, in line with the Index, where one or more securities within the Index do not trade in sufficient volume.

The table below analyses the Portfolio's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts presented are undiscounted.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.1 Liquidity risk (continued)**

30 June 2020	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	145,216,333	-	-	-	145,216,333
Trade and other payables	144,689	-	-	-	144,689
<b>Total</b>	<b>145,361,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,361,022</b>

30 June 2019	Term to maturity				
	Call to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Rand					
Net assets attributable to participatory interest holders	115,265,218	-	-	-	115,265,218
Trade and other payables	111,730	-	-	-	111,730
<b>Total</b>	<b>115,376,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,376,948</b>

**13.2 Interest rate risk**

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

Fair value of fixed interest investments included in the investment portfolio is subject to changes in prevailing market interest rates.

The table below provides a split of interest-bearing assets that are exposed to cash flow interest rate risk and those that are exposed to fair value interest rate risk. Interest rate risk is managed by diversifying the portfolio in local and foreign government bonds.

	Cash flow interest rate risk	Fair value interest rate risk	Total
Rand			
<b>30 June 2020</b>			
Government bonds - foreign	-	142,734,281	142,734,281
Cash and cash equivalents	2,626,480	-	2,626,480
<b>Total</b>	<b>2,626,480</b>	<b>142,734,281</b>	<b>145,360,761</b>

	Cash flow interest rate risk	Fair value interest rate risk	Total
Rand			
<b>30 June 2019</b>			
Government bonds - local	-	611,721	611,721
Government bonds - foreign	-	112,604,942	112,604,942
Cash and cash equivalents	2,159,510	-	2,159,510
<b>Total</b>	<b>2,159,510</b>	<b>113,216,663</b>	<b>115,376,173</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.2 Interest rate risk (continued)**

At the reporting date the interest rate profile of the Portfolio's interest-bearing financial instruments was:

Rand	2020	2019
<b>Variable rate instruments</b>		
Cash and cash equivalents	2,626,480	2,159,510
<b>Total</b>	<b>2,626,480</b>	<b>2,159,510</b>

**Sensitivity Analysis**

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) profits by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

Rand	2020	2019
Cash and cash equivalents	26,265	21,595
<b>Total</b>	<b>26,265</b>	<b>21,595</b>

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative information.

**13.3 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Portfolio by failing to discharge an obligation. For fair value portfolios the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads

Credit risk is only applicable to the financial assets of the Portfolio. The credit risk is considered to be low as the Portfolio financial assets represent global investment grade fixed income securities that ensure lower default risk. The carrying amounts of financial assets represent the maximum credit exposure. None of the Portfolio's financial assets are considered past due or impaired.

Credit risk arising on cash on call, money market instruments and cash deposits is mitigated by depositing funds with reputable banks with acceptable credit ratings. All investments are analysed and due diligence is applied by the Portfolio's credit committee to ensure that investments are of a good enough quality to counter risk exposure.

The Portfolio's exposure to credit risk could be as a result of a counterparty transaction failing to meet its contractual obligations.

Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on the lifetime ECL, as any such impairment would be insignificant to the Portfolio. All trade receivables are due to be settled within three months.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.3 Credit risk**

The maximum exposure to credit risk at the reporting date was as follows:

Rand	2020	2019
Government bonds - local	-	611,721
Government bonds - foreign	142,734,281	112,604,942
Trade and other receivables	261	775
Cash and cash equivalents - local	110,328	142,698
Cash and cash equivalents - foreign	2,516,152	2,016,812
<b>Total</b>	<b>145,361,022</b>	<b>115,376,948</b>

The credit quality of assets exposed to credit risk can be assessed by reference to Moody's international credit ratings as notated in the Standard & Poor's rating scale as shown in the table below:

Credit rating	2020 %	2019 %
Government bonds - foreign		
A	0.32%	0.62%
A-	1.17%	0.55%
A+	17.99%	19.38%
AA	13.52%	13.87%
AA-	2.55%	2.24%
AA+	0.92%	1.55%
AAA	49.72%	47.45%
BBB	0.00%	0.00%
BBB-	6.50%	7.06%
BBB+	5.52%	4.87%
Government bonds - local		
BBB-	0.00%	0.53%
Trade and other receivables		
No credit rating allocated	0.00%	0.00%
Cash and cash equivalents - local		
AA (zaf)	0.08%	0.12%
Cash and cash equivalents - foreign		
AAA	1.72%	1.75%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.4 Operational risk**

If the computer facilities or other facilities of the JSE malfunction, calculation and trading in the Portfolio securities may be suspended for a period of time.

Operational risk arises in rebalancing the underlying portfolio of securities in the Portfolio to the underlying securities constituting the Index, thereby impacting the value of the Portfolio's securities and in the determination of the distributions around distribution dates in order to minimise tracking error.

The Manager purely executes and administers trades. Daily participatory interest reconciliations are prepared. Weekly reconciliations are prepared between the Portfolio administrators and the custodian. The Manager reviews all the reconciliations performed with necessary follow ups. A reconciliation is prepared and reviewed monthly by the Manager and is considered the most appropriate control for internal risk management. Assets are held in custody at The Standard Chartered Bank. Trades are all in listed foreign equity instruments.

**13.5 Index risk**

There is no assurance that the Index will continue to be calculated and published on the same or similar basis indefinitely. The past performance of the Index is not necessarily a guide to its future performance.

The adjustments may require the removal of a governments' bonds from the Index and the substitution thereof with a newly issued bond while at the same time, if necessary, adjusting the base level. The adjustments to the portfolio will be made in such a way that the portfolio will remain substantially aligned with the Index level at all times.

**13.6 Market risk**

The Portfolio is an Index tracking portfolio which aims to match the performance of the Index.

Market risk exists where significant changes in local and foreign government bond prices will affect the value of the Portfolio's financial instruments. The investment mandate indicates that the Portfolio is passively managed and as a result the management of market risk is not possible.

The value of Portfolio securities and distributions payable by the Portfolio will rise and fall as the capital values of the underlying securities housed in the Portfolio and the income flowing there-from fluctuates. Prospective participatory interest holders should be prepared for the possibility that they may sustain a loss.

The Portfolio may not be able to perfectly replicate the performance of the Index because:

- The Portfolio is liable for certain costs and expenses not taken into account in the calculation of the Index;
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise Index weightings.

**13.7 Investment risk**

There can be no assurance that the Portfolio will achieve its investment objectives.

The following factors could impact negatively on the investment performance of the Portfolio:

- Certain costs and expenses incurred by the Portfolio could cause the underlying portfolio not to achieve its object; or
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviation from the Portfolio's objective;
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the Portfolio and this may lead to a tracking error; or
- Misinterpretation of information in the calculation of the Index could result in miss-tracking of the Index.



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.7 Investment risk (continued)**

The investment mandate requires that the Portfolio is passively managed, as a result the management of investment risk is not possible.

**Sensitivity analysis**

The Portfolio's local listed government bonds are exposed to the JSE Interest Rate Market, which is now administered and owned by the JSE. The Portfolio's foreign listed government bonds are exposed to foreign interest rate markets as relevant. The price of the Portfolio participatory interest's as exposed to these local and foreign listed government bonds is closely correlated to the movements in the underlying Citi World Government Bond Index. Any movement or adjustment in the Index, or the underlying constituents of the Index, will have an impact on the price of the participatory interest.

At any point in time, the market value of a Portfolio participatory interest is expected to reflect 1/1000<sup>th</sup> of the Index level, plus an amount which reflects a pro-rata portion of any accrued distribution amount within the Portfolio. Therefore, a 10-point movement in the Index would result in a R0.1 movement in the NAV per participatory interest of the Portfolio.

Actual market values may be affected by supply and demand and other market factors, but the ability of a participatory interest holder to switch out of the Portfolio's participatory interest by redeeming them in specie for one or more baskets of constituent securities, subject to a minimum of 200 000 Fund participatory interest being delivered, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket and/or Index level and the value at which the Portfolio participatory interests trade from time to time.

The movement in the value of the Portfolio should be the prevailing market interest rate increase / decrease by 10% is summarised in the table below:

	+10%	Fair value per the statement of financial position	-10%
Rand			
<b>30 June 2020</b>			
Investments designated at fair value through profit or loss	157,007,709	142,734,281	128,460,853
<b>30 June 2019</b>			
Investments designated at fair value through profit or loss	124,538,329	113,216,663	101,894,997

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**13. RISK MANAGEMENT (CONTINUED)**

**13.8 Tracking risk**

The risk that the Index may not be appropriately tracked is managed in the following manner:

- Announcements made on the FTSE website are checked for any events that may change the Index and a rebalance performed, if necessary;
- International news is monitored for any events that may change the Index and lead to a rebalance, if necessary;
- The positions report is compared to what theoretically should be held with the ETF trading application and a rebalance performed, if necessary; and
- The Portfolio is reweighted monthly and rebalanced quarterly in line with the constituents of the Index.

**13.9 Secondary trading risk**

There can be no guarantee that the portfolio participatory interests will remain listed on the JSE. Any termination of a listing would be subject to the JSE listing requirements. Despite the presence of market makers, the liquidity of the Portfolio participatory interest cannot be guaranteed.

The participatory interests may trade at a discount or premium to their NAV.

**13.10 Foreign currency risk**

The Portfolio is exposed to foreign currency risk from investments and cash. As the Portfolio is passively managed, the management of foreign currency risk is not possible. The table below summarises the Portfolio's foreign currency exposure presented in Rands:

Currency	Investments	Cash	Currency	Investments	Cash
<b>2020</b>			<b>2019</b>		
AUD	2,505,592	-	AUD	2,038,138	-
CAD	1,751,564	-	CAD	1,693,087	-
DKK	684,211	-	DKK	570,231	-
EUR	45,614,436	3,586	EUR	36,391,416	2,799
GBP	8,137,169	-	GBP	6,134,475	-
JPY	26,261,826	67,799	JPY	22,356,746	55,818
MXN	1,562,564	-	MXN	637,372	-
NOK	424,879	-	NOK	369,491	-
PLN	145,917	-	PLN	-	-
SEK	459,884	-	SEK	384,324	-
SGD	962,556	-	SGD	766,784	-
USD	54,223,683	2,444,767	USD	41,262,878	1,958,193
<b>Total</b>	<b>142,734,281</b>	<b>2,516,151</b>	<b>Total</b>	<b>113,216,663</b>	<b>2,016,809</b>

**14. RELATED PARTIES**

**Relationships**

Management company

Ashburton Management Company (RF)  
Proprietary Limited

Ultimate holding company of the management company  
Subsidiary of the FirstRand Limited Group

FirstRand Limited  
RMB Securities Proprietary Limited  
FirstRand Bank Limited

The Fund defines related parties as:

- a. The ultimate parent of the management company which is FirstRand Limited;
- b. Any subsidiary of the FirstRand Limited Group; and
- c. Key management personnel.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

Key management includes the directors and prescribed officers of the Manager.

**14. RELATED PARTIES (CONTINUED)**

**14.1 Related party balances**

Rand	2020	2019
<b>Management fee payable</b>		
Ashburton Management Company (RF) Proprietary Limited	144,689	111,730

The above amount is for the management fees due and payable for management services rendered.

**14.2 Related party transactions**

Rand	2020	2019
<b>Management fee</b>		
Ashburton Management Company (RF) Proprietary Limited	450,446	66,282

Management fees are paid for management services rendered.

**15. OPERATING SEGMENT**

The Portfolio offers only one product, being units in the Portfolio, tracking the Citi World Government Bond Index. Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required."

**16. EVENTS AFTER THE REPORTING PERIOD**

No matter, which is material to the financial affairs of the Fund, has occurred between the reporting date and the date of approval of the annual financial statements.

**17. COVID-19 IMPACT**

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities markets worldwide has been noted.

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

This Portfolio is a passively managed portfolio. Although the impact of Covid-19 can be seen in fluctuations in the market values of the underlying investments in the portfolio, the nature of business and conduct of the portfolio has remained unchanged. The objective of the portfolio remains to track the price and performance yield of the Citi World Government Bond Index as closely as possible regardless of the fluctuations in price or changes in the constituents of the Index.

**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED FUND  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**18. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

**New standards, amendments and interpretations effective for annual periods beginning after 1 July 2019 and have not been early adopted.**

The following new and revised standards and interpretations are applicable to the business of the portfolio. The portfolio will comply with these from the stated effective date.

<b>Standard</b>	<b>Impact assessment</b>	<b>Effective date</b>
<b>IFRS 17</b>	<p><b>Insurance Contracts</b></p> <p>IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities as well as the release of profits on these contracts to the income statement.</p> <p>IFRS 17 will not have an impact on the company's annual financial statements.</p>	Annual periods commencing on or after 1 January 2021
<b>Conceptual framework</b>	<p>The improvements to the conceptual framework include: revising the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following concepts have been clarified; prudence, stewardship, measurement uncertainty and substance over form.</p> <p>This amendment is not expected to have a significant impact on the company.</p>	Annual periods commencing on or after 1 January 2020
<b>IFRS 3</b>	<p><b>Business Combinations - Amendments to clarify the definition of a business</b></p> <p>The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.</p> <p>The amendment is not expected to have a material impact on the company and the clarified requirements will be applied on a transaction by transaction basis.</p>	Annual periods commencing on or after 1 January 2020
<b>IAS 1 and IAS 8</b>	<p><b>Amendments regarding the definition of material</b></p> <p>The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved.</p> <p>The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2020

**ASHBURTON WORLD GOVERNMENT BOND EXCHANGE TRADED FUND  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

**18. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

Standard	Impact assessment	Effective date
<b>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</b>	<p>The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 as part of the interest rate (IBOR) benchmark reform that has a direct impact on hedging relationships. These impacts are –</p> <ul style="list-style-type: none"> <li>• The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.</li> <li>• Prospective assessments – When performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.</li> </ul> <p>These amendments will not have an impact on the company as it does not apply hedge accounting.</p>	<p>Annual periods commencing on or after 1 January 2020</p>

PricewaterhouseCoopers Inc  
4 Lisbon Lane  
Waterfall City  
Jukskei View  
2090

7 August 2020

**Attention:** G Fraser

**Ashburton Collective Investment Scheme in Securities (The Scheme) – Year End 30 June 2020**

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "Accounts") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.


We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both International Financial Reporting Standards (IFRS) and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,

  
\_\_\_\_\_  
**Chantell Kruger**  
Senior Manager, Trustee Services

  
\_\_\_\_\_  
**Charl Steyn**  
Manager, Trustee Compliance

**Standard Chartered Bank**

Johannesburg Branch

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