

GMO Emerging Markets Trust

ARSN 089 054 446

Annual report

For the financial year ended 30 June 2023

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Directors' report

The directors of GMO Australia Limited, the responsible entity ("Responsible Entity") of GMO Emerging Markets Trust (the "Fund"), present their report together with the financial statements of the Fund for the financial year ended 30 June 2023.

Responsible Entity

GMO Australia Limited has been the Responsible Entity of the Fund since its registration in September 1999.

Principal activities

The Fund invests in GMO Emerging Markets Fund ("EMF"), a U.S. mutual fund, which is advised by Grantham, Mayo, Van Otterloo & Co. LLC (the "Manager" or "GMO"). EMF seeks total return in excess of that of its benchmark.

The Fund did not have any employees during the financial year.

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

Directors

The following persons held office as directors of GMO Australia Limited during the financial year and since the end of the financial year and up to the date of this report, unless otherwise noted:

Mr Andrew Walker

Ms Carolyn Haley (resigned 31 December 2022)

Mr Gregory Pottle (Chairman)

Mr Jason Halliwell

Mr Zane Bernstein

Review and results of operations

During the financial year the Fund continued to invest in accordance with the investment objectives and guidelines as set out in the offering documents of the Fund and in accordance with the provisions of the Fund's constitution (the "Constitution").

Results

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

	Year ended	
	30 June 2023	30 June 2022
Operating profit/(loss) attributable to unitholders (\$'000)	<u>194</u>	<u>(23,164)</u>
Distributions paid and payable (\$'000)	<u>3,576</u>	<u>2,995</u>
Distribution (cents per unit)	<u>6.49</u>	<u>4.64</u>

Unit redemption prices

The Fund's unit redemption prices (quoted ex-distribution where applicable) are shown as follows:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
At 30 June	0.84	0.90	1.28	1.11	1.22

Directors' report (continued)

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

In the opinion of the directors, no matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Russia's invasion of Ukraine beginning in February 2022 has had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. For example, in response to Russia's actions, various governments, including the member states within the European Union and the United States, issued a series of broad-ranging economic sanctions against Russia that, among other things (i) prohibit doing business with certain Russian companies, financial institutions and individuals (e.g., officials); (ii) the removal of Russian banks from the Society for Worldwide Interbank Financial Telecommunications (commonly referred to as "SWIFT"), the electronic banking network that connects banks globally; and (iii) restrict the Russian Central Bank from undermining the impact of the sanctions. In retaliation for the sanctions and other measures, Russia has imposed strict capital controls limiting the ability of foreigners to trade on the Moscow Stock Exchange and to sell, receive or deliver assets held in the custody of local Russian banks (such as equities of Russian companies and Rubles). These actions by the sanctioning countries have adversely affected (and similar actions in the future could adversely affect) the Russian economy and the value and liquidity of Russian securities. In particular, where a fund holds securities of a Russian issuer that is subject to blocking sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control, those securities will be frozen and consequently unable to be sold or transferred. Moreover, the Russia/Ukraine conflict and related actions (such as those described above) have, and could continue to have, an adverse effect on global markets and liquidity, thereby negatively affecting the value of a fund's investments beyond any direct exposure to Russian issuers.

Further information on likely developments in the operations of the Fund and the expected results of those operations has not been included in this report because the Responsible Entity believes it would likely result in unreasonable prejudice to the Fund.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to insurance coverage provided to either the officers of GMO Australia Limited or the auditors of the Fund.

In accordance with the Constitution of the Fund and the law, the officers of GMO Australia Limited are indemnified out of the assets of the Fund against losses incurred in the proper performance or exercise of any of their powers and duties in relation to the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

During the financial year, GMO Australia Limited's ultimate parent, GMO, has paid an insurance premium in respect of a directors' and officers' liability insurance contract for the benefit of current and former directors and officers of GMO Australia Limited.

Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Fund property during the financial year are disclosed in note 14 of the financial statements.

No fees were paid out of the Fund's property to the directors of the Responsible Entity during the financial year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year is disclosed in note 14 of the financial statements.

Interests in the Fund

The changes in the number of units on issue in the Fund during the financial year and the number of units in the Fund on issue at the end of the financial year are disclosed in note 9 of the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Mr Andrew Walker
Director

Sydney
25 August 2023



Auditor's Independence Declaration

As lead auditor for the audit of GMO Emerging Markets Trust for the year ended 30 June 2023, I declare that 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.

A handwritten signature in black ink, appearing to read 'Joe Sheeran', written in a cursive style.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
25 August 2023

Statement of comprehensive income

		Year ended	
		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Investment income			
Dividend income		4,395	3,812
Interest income		1	-
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(3,341)	(26,192)
Other operating income/(loss)		(49)	22
Total investment income/(loss)		<u>1,006</u>	<u>(22,358)</u>
Expenses			
Responsible Entity fees	14	153	234
Dividend withholding tax		659	572
Total operating expenses		<u>812</u>	<u>806</u>
Profit/(loss) for the financial year	9	<u>194</u>	<u>(23,164)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the financial year		<u>194</u>	<u>(23,164)</u>

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

Statement of financial position

		As at	
		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents	11	199	87
Receivables		1	-
Financial assets at fair value through profit or loss	6, 7	49,557	60,912
Total assets		<u>49,757</u>	<u>60,999</u>
Liabilities			
Payables		8	12
Distribution payable	10	23	16
Total liabilities		<u>31</u>	<u>28</u>
Net assets attributable to unitholders - equity	9	<u>49,726</u>	<u>60,971</u>

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

Statement of changes in equity

	Notes	Year ended	
		30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the financial year		60,971	91,719
Comprehensive income/(loss) for the financial year			
Profit/(loss) for the financial year		194	(23,164)
Other comprehensive income/(loss)		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		194	(23,164)
Transactions with unitholders			
Applications	9	584	732
Redemptions	9	(12,000)	(8,300)
Reinvestment of distributions	9	3,553	2,979
Distributions paid and payable	9	(3,576)	(2,995)
Total transactions with unitholders		(11,439)	(7,584)
Total equity at the end of the financial year		49,726	60,971

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

Statement of cash flows

		Year ended	
		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		12,006	8,058
Purchase of financial instruments at fair value through profit or loss		(256)	(356)
Interest received		1	-
Other income received/(paid)		(50)	23
Responsible Entity fees paid		(157)	(245)
Net cash inflow/(outflow) from operating activities	12(a)	<u>11,544</u>	<u>7,480</u>
Cash flows from financing activities			
Proceeds from applications by unitholders	9	584	732
Payments for redemptions by unitholders	9	(12,000)	(8,300)
Distributions paid		(16)	(19)
Net cash inflow/(outflow) from financing activities		<u>(11,432)</u>	<u>(7,587)</u>
Net increase/(decrease) in cash and cash equivalents		112	(107)
Cash and cash equivalents at the beginning of the financial year		87	194
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the financial year	11	<u>199</u>	<u>87</u>
Non-cash financing activities	12(b)	<u>3,553</u>	<u>2,979</u>

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

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1 General information

These financial statements cover GMO Emerging Markets Trust (the “Fund”) as an individual entity. The Fund was registered in September 1999. The Fund will terminate on 12 February 2082 unless terminated earlier in accordance with the provisions of the Fund’s constitution (the “Constitution”).

The responsible entity of the Fund is GMO Australia Limited (the “Responsible Entity”). The Responsible Entity’s registered office is Suite 43.02, Grosvenor Place, 225 George Street, Sydney NSW 2000. The financial statements are presented in the Australian currency.

The Fund invests in GMO Emerging Markets Fund (“EMF”), a U.S. mutual fund, which is advised by Grantham, Mayo, Van Otterloo & Co. LLC (the “Manager” or “GMO”). EMF seeks total return in excess of that of its benchmark. EMF’s financial statements and offering documents are available from the Responsible Entity upon request.

The financial statements were authorised for issue by the directors of the Responsible Entity on 25 August 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

These financial statements are the only financial statements presented by the Fund.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Substantially all balances are expected to be recovered or settled within 12 months, except certain tax reclaims, if any, and net assets attributable to unitholders.

The Fund manages financial assets and liabilities 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 the reporting date.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder’s option (see note 2(c)). 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.

(i) Compliance with International Financial Reporting Standards

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

(ii) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the Fund.

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

A number of new accounting standards, amendments to accounting standards and interpretations have been published that are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. These standards, amendments or interpretations are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

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

(i) Classification

Assets

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

The Fund's investment in EMF is measured at fair value through profit or loss.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the relevant contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date forward.

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

(iii) Measurement

Financial assets and liabilities at fair value through profit or loss

At initial recognition the Fund measures financial assets and financial liabilities at fair value, where fair value is deemed to equal cost, which for this purpose does not include redemption fees. Transaction costs of financial assets and liabilities, if any, carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss, are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through profit or loss are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

EMT is valued at 30 June 2023 using EMF's net asset value as determined by State Street Bank and Trust Company, EMF's administrator. Further details on how the fair values of financial instruments are determined are disclosed in note 4.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The price used for both financial assets and financial liabilities held by the Fund is the last quoted price.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

(iv) Offsetting financial instruments

Financial assets and liabilities will be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Financial assets and liabilities, if any, are not currently offset based on current master netting arrangements.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders

Units are usually redeemable at the unitholders' option. Redemptions may be suspended by the Responsible Entity under certain circumstances as set out in the Constitution including, for example, where it is impractical to calculate the Fund's net asset value due to an emergency, or the closure of a relevant exchange.

Other than as described above, the units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at financial position date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity as they satisfy all of the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- Apart from the contractual obligation to redeem the units, the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are normally 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 because movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Dividends are recognised on the ex-date with any related foreign withholding tax recorded as an expense. The Fund may incur withholding tax imposed by certain countries on investment income (such as U.S. withholding tax on certain EMF dividends). Such income is recorded gross of withholding tax in profit or loss.

Interest income from financial assets at amortised cost, if any, is generally recognised in the statement of comprehensive income using the effective interest method and includes interest from cash and cash equivalents. Other operating income primarily consists of gains and losses on assets and liabilities not designated as financial instruments at fair value through profit or loss on the statement of financial position.

(f) Expenses

With the exception of transaction costs, all expenses, including Responsible Entity fees, are recognised in profit or loss on an accruals basis. Transaction costs are booked as incurred.

2 Summary of significant accounting policies (continued)

(g) Income tax

The Fund intends to qualify and be operated as an Attribution Managed Investment Trust for Australian income tax purposes.

Under current law, the Fund is not subject to Australian income tax provided the taxable income of the Fund is distributed (either by cash or reinvestment) and/or attributed to unitholders.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the net gain will generally be distributed and/or attributed.

Realised net losses are not distributed or attributed to unitholders but are retained by the Fund to be offset against future realised gains, if any. Redemptions and/or purchases of a large number of units may limit the deductibility of certain losses.

Where the Fund incurs withholding tax imposed by certain countries on investment income and/or net gains, such amounts are generally recorded gross of withholding tax in profit or loss and any related foreign withholding tax is generally recorded as an expense. The benefits of foreign taxes paid may be passed through to unitholders. Taxes on non-Australian investment income are generally withheld in accordance with the applicable country's tax treaty with Australia. The Fund may be subject to taxation on net gains, repatriation proceeds and other transaction-based charges imposed by certain countries in which it invests.

(h) Distributions

In accordance with the Constitution, the Fund generally distributes its net income, gains, and foreign income tax offsets (as calculated using Australian tax principles), if any, adjusted for amounts determined by the Responsible Entity, which may include adjustments for prior year under or over distributions, to unitholders by cash or reinvestment. Distributions are recognised in the statement of changes in equity.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Australian dollar, the Fund's functional currency, is the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's 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 financial year end exchange rates of assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Assets and liabilities in a foreign currency are translated using the exchange rates at the date when fair value was determined and marked-to-market daily. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(j) Receivables

Receivables may include amounts for interest and dividends. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e). Amounts are generally received within 30 days of being recorded as receivables.

2 Summary of significant accounting policies (continued)

(j) Receivables (continued)

These amounts are recognised initially at fair value and are subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss, if any, is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss. There were no material impaired receivables as at 30 June 2023 or 30 June 2022.

(k) Payables

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

The Fund plans to distribute and/or attribute all of its taxable income to its unitholders each year. A separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where a cash distribution amount, if any, remains unpaid as at the end of the reporting period.

(l) Applications and redemptions

Applications received for units in the Fund are recorded on the issue of units in the Fund. Redemptions from the Fund are recorded on the redemption of units in the Fund. There were no entry or exit transaction cost allowances on applications or redemptions during the financial years ended 30 June 2023 and 30 June 2022.

Applications and redemptions are net of any transaction cost allowance, which is retained by the Fund.

(m) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties, such as investment management fees, have been passed onto the Fund. The Fund is expected to qualify for Reduced Input Tax Credits ("RITC") on certain expenses; hence Responsible Entity fees and other expenses have been recognised in the statement of comprehensive income inclusive of GST and net of any applicable RITC amounts. The net amount of GST recoverable from the Australian Taxation Office, if any, is included in receivables in the statement of financial position. Cash flows relating to GST are generally included in the statement of cash flows on a gross basis.

(n) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current year and potentially the next financial year. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Certain financial instruments, for example, over-the-counter ("OTC") derivatives or unquoted securities, may be fair valued using valuation techniques.

For certain other financial instruments, including receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(n) Use of estimates (continued)

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations may require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to note 4 for further information on how fair value is calculated.

Refer to note 3 for more information on credit risk.

(o) Rounding of amounts

The Fund is an entity of the kind referred to in Australian Securities and Investments Commission 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 to the nearest thousand dollars in accordance with that instrument, unless otherwise indicated.

3 Financial risk management

The Fund invests in shares of EMF and is therefore indirectly exposed to the risks of EMF. In addition, the Fund is exposed to certain direct risks, such as foreign currency risk (e.g. on spot contracts). The risk discussion below includes both direct and indirect risks of the Fund, unless otherwise indicated. The Fund's activities, and in particular its investment in EMF, expose it to a variety of financial risks including but not limited to: market risk (i.e. price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Further information regarding the risks of EMF is contained in its financial statements and offering documents which are available from the Responsible Entity upon request.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's offering documents.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk in relation to its investment in shares of EMF as prices in the future are uncertain. Shares of EMF are classified on the statement of financial position as at fair value through profit or loss. Where 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.

Paragraph (ii) below sets out how this component of price risk is measured.

The table in section (b) "Summarised sensitivity analysis" summarises the impact of an increase/decrease of an index (MSCI Emerging Markets Index) on the Fund's net assets attributable to unitholders.

EMF invests into various markets which are subject to significant price risk and the Fund will also indirectly be subject to this risk.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of assets and liabilities denominated in currencies will fluctuate due to changes in exchange rates.

The Fund's direct exposure to currency risk due to foreign cash balances as at 30 June 2023 and 30 June 2022 is not significant. The Fund is also directly exposed to currency risk on the shares it holds in EMF, which are denominated in United States dollars. The Fund is indirectly exposed to currency risk due to the investments held by EMF.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The majority of the Fund's directly held financial assets and liabilities are non-interest bearing and therefore have minimal exposure to interest rate movements. However, EMF may hold investments subject to interest rate risk and the Fund will also indirectly be subject to this risk.

The table below summarises the Fund's direct exposure to interest rate risks. Financial assets at fair value through profit or loss refer to the shares held by the Fund in EMF and are analysed based on the approximate unaudited position of EMF as at 30 June 2023. It includes the Fund's assets and liabilities at fair value, categorised by the earlier of the contractual repricing or maturity dates.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2023				
Financial assets				
Cash and cash equivalents	199	-	-	199
Receivables	-	-	1	1
Financial assets at fair value through profit or loss	-	-	49,557	49,557
Financial liabilities				
Payables	-	-	(8)	(8)
Distribution payable	-	-	(23)	(23)
Net exposure	199	-	49,527	49,726
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2022				
Financial assets				
Cash and cash equivalents	87	-	-	87
Financial assets at fair value through profit or loss	-	-	60,912	60,912
Financial liabilities				
Payables	-	-	(12)	(12)
Distribution payable	-	-	(16)	(16)
Net exposure	87	-	60,884	60,971

An analysis of financial liabilities by maturity is provided in paragraph (d).

The Fund's direct exposure to interest rate risk is generally limited to cash at bank.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

(i) Price risk:

The risk disclosure provided below is based on historical data and is a relative estimate of the price risk of the Fund. The analysis does not take into account the fact that future market price movements, correlations between markets and levels of the market liquidity in the conditions of market stress may bear no relation to historical patterns.

Beta is a commonly used estimate of a fund's systematic risk. Very generally, beta is a measure of the volatility of a portfolio in comparison to an index. The beta used in the table below has been estimated using rolling three-year monthly observations and applied to the annualised monthly standard deviation of the index returns over the same period to obtain the increase/decrease to the Fund's net assets. The beta used between the Fund and the index was 1.08 at 30 June 2023 (2022: 1.04). The Responsible Entity believes this methodology provides a reasonable and objective estimate of the Fund's systematic risk.

At 30 June 2023 and 30 June 2022, using the methodology described above, if the indices in the following table increased or decreased by 11.6% (2022: 11.4%) with all other variables held constant, the net assets of the Fund attributable to the unitholders would have increased or decreased, respectively, by the amounts shown:

30 June 2023

Index	Increase/Decrease	Impact to Net Asset Value \$'000
MSCI Emerging Markets Index	12.5%	6,205

30 June 2022

Index	Increase/Decrease	Impact to Net Asset Value \$'000
MSCI Emerging Markets Index	11.8%	7,207

(c) Credit risk

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

Credit risk primarily arises from EMF shares held by the Fund. Credit risk also arises from cash and cash equivalents held with financial institutions. These assets are neither impaired nor past due as at the end of the reporting period. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

At 30 June 2023, the Fund had direct exposure to counterparties with a credit rating of A+ (30 June 2022, credit rating of A+). Management considers the probability of default to be low as these instruments have a low risk of default and 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 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Credit risk arises from EMF's ability to realise its investments to meet any redemptions made by the Fund. This risk is measured by reference to the available net assets in EMF. The Fund's policy is to only invest in funds managed by GMO or its affiliates.

EMF will also be subject to credit risk and the Fund will indirectly be subject to such risk.

There were no direct or indirect significant concentrations of credit risk to counterparties at 30 June 2023 or 30 June 2022.

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The effect of liquidity risk is particularly pronounced when low trading volume, lack of a market maker, large size of position, or legal restrictions (including daily price fluctuation limits or "circuit breakers") limit or prevent the Fund from selling particular securities or unwinding derivative positions at desirable prices.

The Fund may be exposed to daily cash redemptions of redeemable units.

Units are redeemed on demand subject to the terms of the Constitution. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows as unitholders typically retain their units for the medium to long term. As at 30 June 2023, no single unitholder held more than 83% (2022: 86%) of the Fund's redeemable units.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the financial year-end date to the contractual maturity date. Net Assets attributable to unitholders is not considered a financial liability but has been included below as units are redeemed on demand at the unitholder's option. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	No stated maturity \$'000
As at 30 June 2023					
Payables	8	-	-	-	-
Distribution payable	23	-	-	-	-
Net assets attributable to unitholders	49,726	-	-	-	-
Total contractual undiscounted cash flows	49,757	-	-	-	-

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	No stated maturity \$'000
As at 30 June 2022					
Payables	12	-	-	-	-
Distribution payable	16	-	-	-	-
Net assets attributable to unitholders	60,971	-	-	-	-
Total contractual undiscounted cash flows	60,999	-	-	-	-

The table above has been prepared on the basis of the Fund's direct investments only and not on a look through basis to investments held in EMF. EMF will also be subject to liquidity risk and the Fund will indirectly be subject to such risk.

Liquidity risk is particularly pronounced for EMF because it typically makes equity investments in companies in emerging markets and may make investments in companies with smaller market capitalisations. In addition, EMF may buy securities that are less liquid than those in its benchmark.

3 Financial risk management (continued)

(e) Other risks

Investing in managed funds involves many risks. The value of an interest in the Fund changes with the value of the Fund's investments. Many factors can affect this value, and investors may lose money by investing in the Fund. The risks of investing in the Fund depend on, among other factors, the types of investments in its portfolio and the investment strategies employed on its behalf, each of which may change over time. An investment in the Fund, by itself, generally does not provide a complete investment program but rather is intended to serve as part of an investor's overall investment program. The Fund will be exposed to risks through its direct investment in a given asset or asset class or indirectly through its investment in EMF or by investing in derivatives and/or synthetic instruments.

Russia's invasion of Ukraine beginning in February 2022 has had, and could continue to have, severe adverse effects on regional and global economic markets for securities and commodities. For example, in response to Russia's actions, various governments, including the member states within the European Union and the United States, issued a series of broad-ranging economic sanctions against Russia that, among other things (i) prohibit doing business with certain Russian companies, financial institutions and individuals (e.g., officials); (ii) the removal of Russian banks from the Society for Worldwide Interbank Financial Telecommunications (commonly referred to as "SWIFT"), the electronic banking network that connects banks globally; and (iii) restrict the Russian Central Bank from undermining the impact of the sanctions. In retaliation for the sanctions and other measures, Russia has imposed strict capital controls limiting the ability of foreigners to trade on the Moscow Stock Exchange and to sell, receive or deliver assets held in the custody of local Russian banks (such as equities of Russian companies and Rubles). These actions by the sanctioning countries have adversely affected (and similar actions in the future could adversely affect) the Russian economy and the value and liquidity of Russian securities. In particular, where a fund holds securities of a Russian issuer that is subject to blocking sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control, those securities will be frozen and consequently unable to be sold or transferred. Moreover, the Russia/Ukraine conflict and related actions (such as those described above) have, and could continue to have, an adverse effect on global markets and liquidity, thereby negatively affecting the value of a fund's investments beyond any direct exposure to Russian issuers.

The Fund may be exposed to other risks.

4 Fair value measurement

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

- Financial assets / liabilities at fair value through profit or loss (FVTPL) (see note 6)
- Derivative financial instruments (see note 7).

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

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

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

(i) Fair value in an active market (level 1)

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

The Fund values its investments in accordance with the accounting policies set out in note 2.

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.

4 Fair value measurement (continued)

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using various valuation techniques. These techniques may include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, quotes received from market makers of a particular security, industry standard derivative pricing models or any other valuation technique that the Responsible Entity believes provides a reliable estimate of the fair value of the particular asset or liability.

Some of the inputs used in valuation techniques may not be market observable and are therefore estimated based on assumptions made by the Responsible Entity. In addition, the output from any valuation technique is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

The majority of the Fund's financial instruments comprise an investment in an underlying investment fund (EMF). EMF is priced daily and no restrictions existed against withdrawals at 30 June 2023. Investments in EMF are recorded at the net asset value per share as reported by the administrator of EMF, which is equal to the quoted daily price. At 30 June 2023, EMF held investments in securities issued by Russian entities. These securities continue to be impacted by a range of actions taken by governments, stock exchanges and counterparties, including sanctions regimes, leading to significant valuation and liquidity issues. Due to these issues, and EMF's inability to transact or transfer these assets, the value of Russian securities in EMF were valued by applying a 99% discount to the securities' last traded price and additionally, for some securities, adjusted for currency impact, reflecting the significant uncertainty in the resolution of geopolitical events within the next financial year. These securities were classified in EMF as Level 3 at 30 June 2023.

(iii) Recognised fair value measurements

The fair value hierarchy disclosures have been prepared on the basis of the Fund's direct investments and not on a look through basis to investments held in EMF. For a summary of valuation inputs (including level 3 inputs, if any) of EMF, please refer to the portfolio valuation notes in EMF's financial statements and offering documents which are available from the Responsible Entity upon request.

The tables below set out the Fund's direct investments in financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets at fair value through profit or loss:				
Underlying fund	-	49,557	-	49,557
Total	-	49,557	-	49,557

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2022				
Financial assets at fair value through profit or loss:				
Underlying fund	-	60,912	-	60,912
Total	-	60,912	-	60,912

Because of the uncertainty inherent in pricing, and in particular financial assets and liabilities for which the fair value is determined using valuation techniques, the value determined for a particular security may be materially different from the value realised upon its sale.

4 Fair value measurement (continued)

(iii) Recognised fair value measurements (continued)

“Quoted price” typically means the bid price for securities held long and the ask price for securities sold short. If a market quotation for a security does not involve a bid or an ask, the “quoted price” may be the price provided by a market participant or other third-party pricing source in accordance with the market practice for that security. If an updated quote for a security is not available by the time that the Fund calculates its net asset value on any business day, the Fund will generally use a quoted price from a prior day to value that security.

In the case of derivatives, prices determined by a model may reflect an estimate of the average of bid and ask prices, regardless of whether the Fund has a long position or a short position.

(iv) Transfers between levels

There were no transfers between levels in the fair value hierarchy in 2023 and 2022.

(v) Fair value of financial instruments not carried at fair value

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

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

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

	Year Ended	
	30 June 2023 \$'000	30 June 2022 \$'000
Financial assets		
Net gain/(loss) on financial assets at fair value through profit or loss	<u>(3,341)</u>	<u>(26,164)</u>
Financial liabilities		
Net gain/(loss) on financial liabilities at fair value through profit or loss	<u>-</u>	<u>(28)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>(3,341)</u>	<u>(26,192)</u>

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Financial Assets at fair value through profit or loss		
Underlying fund	<u>49,557</u>	<u>60,912</u>
Total financial assets at fair value through profit or loss	<u>49,557</u>	<u>60,912</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3 and further information in relation to the risk of derivative financial instruments in EMF is included in note 7.

7 Derivative financial instruments

Derivatives are financial contracts whose value depends on, or is derived from, the value of underlying assets, reference rates, or indices that are used to increase, decrease or adjust elements of the investment exposure of the Fund's portfolio. Derivatives may relate to securities, interest rates, currencies, currency exchange rates, inflation rates, commodities and indices, and may include futures contracts, forward currency contracts, swap contracts, reverse repurchase agreements, and other exchange-traded and OTC contracts.

The Fund generally does not use derivative financial instruments directly. However the Fund will be indirectly exposed to the derivative financial instruments used by EMF. Further information regarding the use of derivatives by EMF is contained in its financial statements and offering documents which are available from the Responsible Entity upon request.

8 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 arrangement.

The Fund considers all managed funds to be structured entities. The Fund only invests in a related managed fund. The nature and extent of the Fund's interest in this managed fund is disclosed in note 14. The Fund has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

9 Net assets attributable to unitholders

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

	30 June 2023 No.'000	30 June 2022 No.'000	As at 30 June 2023 \$'000	30 June 2022 \$'000
Opening balance	67,932	71,421	60,971	91,719
Applications	664	626	584	732
Redemptions	(13,503)	(7,434)	(12,000)	(8,300)
Reinvestment of distributions	4,239	3,319	3,553	2,979
Distribution paid and payable	-	-	(3,576)	(2,995)
Profit/(loss) for the financial year	-	-	194	(23,164)
Closing balance	59,332	67,932	49,726	60,971

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

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis because, among other reasons, the Fund may be subject to daily applications and redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets by the Responsible Entity. Under the terms of the Constitution, the Responsible Entity has the discretion to reject an application for units and to suspend redemption of units in certain circumstances including, for example, where it is impractical to calculate the Fund's net asset value due to an emergency, or the closure of a relevant exchange.

10 Distributions to unitholders

The distributions for the financial year were as follows:

	Year ended			
	30 June 2023 \$'000	30 June 2023 CPU	30 June 2022 \$'000	30 June 2022 CPU
Distribution declared - quarter ended June	3,553	6.45	2,979	4.61
Distribution payable	23	0.04	16	0.03
	<u>3,576</u>	<u>6.49</u>	<u>2,995</u>	<u>4.64</u>

11 Cash and cash equivalents

	As at	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank - domestic	199	87
Cash at bank - international	-	0*
	<u>199</u>	<u>87</u>

*30 June 2022 cash at bank - international is \$19 and rounds to less than one thousand.

(a) Cash at bank - domestic

These accounts had a floating interest rate of 0.42% as at 30 June 2023 (2022: 0.00%).

(b) Cash at bank - international

These accounts had a floating interest rate of 1.52% as at 30 June 2023 (2022: 0.00%).

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

	Year ended	
	30 June 2023 \$'000	30 June 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the financial year	194	(23,164)
Net (gains)/losses on financial instruments at fair value through profit or loss	3,341	26,192
Proceeds from sale of financial instruments at fair value through profit or loss	12,006	8,058
Purchase of financial instruments at fair value through profit or loss	(256)	(356)
Net change in receivables	(1)	1
Net change in payables and other liabilities	(4)	(11)
Dividend income reinvested	(3,736)	(3,240)
Net cash inflow/(outflow) from operating activities	11,544	7,480
(b) Non-cash financing activities		
During the financial year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	3,553	2,979

13 Remuneration of auditors

During the financial year the following fees (excluding GST) were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2023 \$	30 June 2022 \$
Auditors of the Fund - PwC and related network firms		
Audit and review of financial reports	20,083	18,581
Other assurance services		
Audit of compliance plan	6,638	7,734

Audit fees were paid by the Responsible Entity on behalf of the Fund.

14 Related party transactions

Responsible Entity

The Responsible Entity of the Fund is GMO Australia Limited.

14 Related party transactions (continued)

Key management personnel

(a) Directors

Key management personnel include persons who were directors of GMO Australia Limited at any time during the financial year, or up to the date of this report (unless otherwise noted), as follows:

Mr Andrew Walker

Ms Carolyn Haley (resigned 31 December 2022)

Mr Gregory Pottle (Chairman)

Mr Jason Halliwell

Mr Zane Bernstein

(b) Other key management personnel

There were no other persons with responsibility for strategic planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year. The investment managers who are responsible for managing the investment strategy of the Fund and EMF are not considered to be key management personnel for the purposes of this note.

Key management personnel unitholdings

As at 30 June 2023, no key management personnel held units in the Fund (2022: Nil).

Key management personnel compensation

Key management personnel are paid by an entity related to GMO Australia Limited and are not paid directly from the Fund.

Key management personnel loan disclosures

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

Other transactions within the Fund

No key management personnel have entered into a material contract with the Fund during financial year and there were no material contracts involving directors' interests existing at financial year end.

Responsible Entity fees and other transactions

Under the terms of the Constitution, the Responsible Entity is entitled to receive management fees calculated by reference to the daily net assets of the Fund. The management fee is currently 1.05% (2022: 1.05%) plus GST per annum.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity.

14 Related party transactions (continued)

Responsible Entity fees and other transactions (continued)

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees for the financial year paid and payable by the Fund to the Responsible Entity and related entities (inclusive of the net GST cost to the Fund and net of rebates related to EMF's indirect management fees)	152,586	233,524
Aggregate amounts payable to the Responsible Entity and related entities at the end of the reporting period	7,685	12,315
Responsible Entity fee for the financial year received indirectly from EMF	148,559	209,448
Other fees excluding expenses paid directly to EMF	222,838	314,172

Related party scheme's unitholdings

No parties related to the Fund (including GMO Australia Limited, its related parties and other schemes managed by GMO Australia Limited) held units in the Fund as at 30 June 2023 and 30 June 2022.

Investments

The Fund held investments in the following schemes which are also managed by GMO Australia Limited or its related parties:

	Fair value of investments		Interest held		Gross dividend received/receivable		Units acquired during the financial year		Units disposed during the financial year	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	%	%	\$	\$	No.'000	No.'000	No.'000	No.'000
GMO Emerging Markets Fund (U.S. Mutual Fund)	49,557	60,912	4.57%	2.66%	4,395	3,812	122	77	357	188

15 Events occurring after the reporting period

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

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Mr Andrew Walker
Director

Sydney
25 August 2023



Independent auditor's report

To the unitholders of GMO Emerging Markets Trust

Our opinion

In our opinion:

The accompanying financial report of GMO Emerging Markets Trust (the Fund) is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the Directors' declaration.

Basis for opinion

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

We 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Directors of GMO Australia Limited, as the Responsible Entity of the Fund are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Fund 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 Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in dark grey ink.

PricewaterhouseCoopers

A stylized, handwritten-style signature of 'Joe Sheeran' in dark grey ink.

Joe Sheeran
Partner

Sydney
25 August 2023