

PIMCO Emerging Markets Bond Fund

ARSN 100 167 511

Special purpose financial report

For the period from 1 July 2019 to 30 November 2019

PIMCO Emerging Markets Bond Fund

ARSN 100 167 511

Special purpose financial report For the period from 1 July 2019 to 30 November 2019

Contents

	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	23
Independent auditor's report to the members of PIMCO Emerging Markets Bond Fund	24

This special purpose report covers PIMCO Emerging Markets Bond Fund as an individual entity.

The Responsible Entity of PIMCO Emerging Markets Bond Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505).

The Responsible Entity's registered office is:

Level 19, 5 Martin Place
Sydney, NSW 2000.

Directors' report

The directors of PIMCO Australia Management Limited, the Responsible Entity of PIMCO Emerging Markets Bond Fund (the "Fund"), present their report together with the financial statements of the Fund for the period from 1 July 2019 to 30 November 2019.

Principal activities

Until its termination, the Fund mainly invested in interest bearing securities, unit trusts and currency contracts in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

The Responsible Entity resolved and approved to wind up the Fund on 25 September 2019. It determined, in accordance with the Fund's constitution, that it was in the best interests of unitholders to wind up the Fund effective 30 November 2019.

The final redemption proceeds were paid on 18 November 2019.

During the period, all assets of the Fund were liquidated and returned to unit holders.

The Fund did not have any employees during the period.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	PIMCO Australia Management Limited
Investment Manager	PIMCO Australia Pty Limited
Custodian and Administrator	State Street Australia Limited
Statutory Auditor	PricewaterhouseCoopers

Directors

The following persons held office as directors of PIMCO Australia Management Limited during or since the end of the period and up to the date of this report:

Adrian P Stewart	
Michael Cheng	(retired from board 1 July 2019)
Eric P Frerer	(retired from board 1 July 2019)
Kimberley Stafford	
V Mangala Ananthanarayanan	(appointed to board 1 July 2019)
Brendon D Rodda	(appointed to board 1 July 2019)

Review and results of operations

These are the final financial statements for the Fund, which has wound up on 30 November 2019.

During the period prior to its termination, the Fund continued to invest its funds in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

Directors' report (continued)

Review and results of operations (continued)

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

	For the period from 1 July 2019 to 30 November 2019	Year ended 30 June 2019
Operating profit/(loss) before finance costs attributable to unit holders (\$)	278,463	2,160,682
Distributions - Institutional Class Units		
Distributions (\$)	32,422	521,189
Distributions (cents per unit)	518.16	939.91
Distributions - Wholesale Class Units		
Distributions (\$)	23,284	111,779
Distributions (cents per unit)	1.23	2.24

Significant changes in the state of affairs

The Responsible Entity resolved and approved to wind up the Fund on 25 September 2019. It determined, in accordance with the Fund's constitution, that it was in the best interests of unitholders to wind up the Fund effective 30 November 2019.

These financial statements for the period ended 30 November 2019 are prepared on a liquidation basis. The directors considered the Fund to not be a going concern and they resolved on the termination date above to wind up the Fund.

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

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance coverage provided to the officers of PIMCO Australia Management Limited. So long as the officers of PIMCO Australia Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnification of auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

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

Environmental regulation

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

Directors' report (continued)

Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, 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 of PIMCO Australia Management Limited.



Director

Sydney
12 March 2020



Auditor's Independence Declaration

As lead auditor for the audit of PIMCO Emerging Markets Bond Fund for the period 1 July 2019 to 30 November 2019, 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 'CJ Cummins', with a small comma at the end.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
12 March 2020

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of comprehensive income

	Note	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 \$
Investment income			
Interest income from financial assets at fair value through profit or loss		7,736	10,931
Interest income from financial assets at amortised cost		538	1,276
Distribution income		422,177	1,377,148
Net foreign exchange gain/(loss)		(111,427)	(99,687)
Net gains/(losses) on financial instruments at fair value through profit or loss	3	35,930	1,045,920
Other income	14	<u>696</u>	<u>85,352</u>
Total investment income/(loss)		<u>355,650</u>	<u>2,420,940</u>
Expenses			
Management fees		49,042	9,804
Custody fees		258	177,697
Withholding taxes		-	22,471
Transaction costs		18,963	430
Other expenses	15	<u>8,924</u>	<u>49,856</u>
Total expenses		<u>77,187</u>	<u>260,258</u>
Operating profit/(loss)		<u>278,463</u>	<u>2,160,682</u>
Finance costs attributable to unit holders			
Distributions to unit holders	8	(55,706)	(632,968)
(Increase)/decrease in net assets attributable to unit holders	7	<u>(222,757)</u>	<u>(1,527,714)</u>
Profit/(loss) for the period/year		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period/year		<u>-</u>	<u>-</u>

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

Statement of financial position

		As at	
	Note	30 November 2019	30 June 2019
		\$	\$
Assets			
Cash and cash equivalents	9	47,558	207,133
Receivables	11	-	138,710
Financial assets at fair value through profit or loss	4	-	27,880,702
Total assets		47,558	28,226,545
Liabilities			
Distributions payable	8	-	632,968
Payables	12	47,558	49,806
Financial liabilities at fair value through profit or loss	5	-	81,595
Total liabilities (excluding net assets attributable to unit holders)		47,558	764,369
Net assets attributable to unit holders - liability	7	-	27,462,176

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

Statement of changes in equity

	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 \$
Total equity at the beginning of the period/year	-	-
Profit/(loss) for the period/year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the period/year	-	-

Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial period.

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

Statement of cash flows

	Note	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 \$
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		41,299,530	21,904,069
Purchase of financial instruments at fair value through profit or loss		(13,034,659)	(27,009,813)
Net foreign exchange gain/(loss)		(111,425)	(99,836)
Interest income received		738	3,255
Distributions received		-	157
Other income received		21,415	-
Management fees reimbursed		112,532	58,558
Custody fees paid		(45,746)	(186,248)
Other expenses paid		(27,887)	(54,961)
Net cash inflow/(outflow) from operating activities	10(a)	<u>28,214,498</u>	<u>(5,384,819)</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		4,281,972	9,142,406
Payments for redemptions by unit holders		(31,974,638)	(3,581,505)
Distributions paid to unit holders		(681,405)	-
Net cash inflow/(outflow) from financing activities		<u>(28,374,071)</u>	<u>5,560,901</u>
Net increase/(decrease) in cash and cash equivalents		(159,573)	176,082
Cash and cash equivalents at the beginning of the period/year		207,133	30,902
Effects of foreign currency exchange rate changes on cash and cash equivalents		(2)	149
Cash and cash equivalents at the end of the period/year	9	<u>47,558</u>	<u>207,133</u>
Non-cash operating and financing activities	10(b)	429,446	1,376,991

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

Notes to the financial statements

Contents

	Page	
1	General information	11
2	Summary of significant accounting policies	11
3	Net gains/(losses) on financial instruments at fair value through profit or loss	15
4	Financial assets at fair value through profit or loss	16
5	Financial liabilities at fair value through profit or loss	16
6	Derivative financial instruments	16
7	Net assets attributable to unit holders	17
8	Distributions to unit holders	19
9	Cash and cash equivalents	19
10	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	20
11	Receivables	20
12	Payables	21
13	Remuneration of auditor	21
14	Other income	21
15	Other expenses	22
16	Events occurring after the reporting period	22
17	Contingent assets and liabilities and commitments	22

1 General information

These special purpose financial statements cover PIMCO Emerging Markets Bond Fund (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 16 June 1998. The Responsible Entity resolved and approved to wind up the Fund on 25 September 2019. It determined, in accordance with the Fund’s constitution, that it was in the best interests of unitholders to wind up the Fund effective 30 November 2019.

The Responsible Entity of the Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 19, 5 Martin Place, Sydney, NSW 2000. The financial statements are presented in Australian dollars unless otherwise noted.

Until its termination, the Fund mainly invested in interest bearing securities, unit trusts and currency contracts in accordance with the Fund’s Product Disclosure Statement and the provisions of the Fund’s Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime effective 1 July 2017, the Fund’s Constitution was amended. The Responsible Entity is therefore no longer contractually obligated to pay distributions. The units in the Fund remained classified as a financial liability due to the different features between the two open classes of units.

The financial statements were authorised for issue by the directors on the date the Directors’ declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The Fund is not a reporting entity because, in the directors’ opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly these special purpose financial statements have been prepared to satisfy the directors’ reporting requirements under the Fund’s Constitution.

As the Fund was wound up on 30 November 2019, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a liquidation basis. The liquidation basis means assets have been written down to the lower of their carrying amounts and net realisable value and additional liabilities have been recognised to the extent there was a present obligation at the reporting date. The accounting policies set out below have been applied within this context. As there were no assets or liabilities at the reporting date, adopting the liquidation basis did not change the carrying amounts of any assets or liabilities.

The financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* in Australia, and the following disclosure requirements:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- AASB 1048 *Interpretation and Application Standards*; and
- AASB 1054 *Australian Additional Disclosures*

The Fund is a for-profit entity for the purposes of preparing the financial statements.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Changes in accounting policy

The accounting policies applied in these special purpose financial statements are the same as those of the previous financial year.

(b) Net assets attributable to unit holders

Units are redeemable at the option of the unit holders; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities due to the different features between the two open classes of units.

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

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

(c) 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 which are subject to an insignificant risk of changes in value.

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

(d) Margin accounts

Margin accounts are comprised of cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls. It is not included as a component of cash and cash equivalents.

(e) Investment income

Interest income from financial assets held at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within distribution income when the Fund's right to receive payments is established.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under AMIT legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

2 Summary of significant accounting policies (continued)

(h) Distributions

The Fund distributes income as determined by the Responsible Entity of the Fund. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

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

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the 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/losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers 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 shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker 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 by management 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.

(l) Receivables

Receivables may include income receivable, applications receivable and amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure 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 shall measure the loss allowance at an amount equal to 12-month expected

2 Summary of significant accounting policies (continued)

(l) Receivables (continued)

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 by management 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 is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible 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.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. As the Fund has a contractual obligation to distribute its distributable income, once the determination to distribute has been made by the Responsible Entity of the Fund, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

These balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

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

(n) Hedge accounting

The Fund does not apply hedge accounting.

(o) Applications and redemptions

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

(p) Goods and services tax (GST)

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

(q) Use of estimates

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

Certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

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

The Responsible Entity of the Fund makes estimates and assumptions in applying the expected credit loss (ECL) impairment model under AASB 9. The application of the ECL impairment model has not materially impacted the Fund.

(r) Rounding of amounts

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

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

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

	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 \$
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(45,664)	(22,220)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	-	2,570,675
Net gains/(losses) on financial assets at fair value through profit or loss	<u>(45,664)</u>	<u>2,548,455</u>
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	81,594	(1,953,814)
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	-	451,279
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>81,594</u>	<u>(1,502,535)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>35,930</u>	<u>1,045,920</u>

4 Financial assets at fair value through profit or loss

	As at	
	30 November 2019	30 June 2019
	\$	\$
Financial assets at fair value through profit or loss		
Derivatives (Note 6)	-	408,108
Unit trusts	-	26,761,168
Fixed interest securities	-	711,426
Total financial assets at fair value through profit or loss	-	27,880,702

5 Financial liabilities at fair value through profit or loss

	As at	
	30 November 2019	30 June 2019
	\$	\$
Financial liabilities at fair value through profit or loss		
Derivatives (Note 6)	-	81,595
Total financial liabilities at fair value through profit or loss	-	81,595

6 Derivative financial instruments

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

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

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery or forward commitment transactions. Leverage may be incurred when it is believed that is advantageous to increase the investment capacity of a Fund or to facilitate the clearance of transactions. Leverage creates opportunity for greater total returns for the Fund, but it also may magnify losses. The use of derivatives may also create leverage risk.

6 Derivative financial instruments (continued)

To mitigate leverage risk, the Fund will set aside short term liquid assets that the Investment Manager reasonably believes to be sufficient to cover net long exposures resulting from swap, bond futures and forward positions held in the Fund. Short term liquid assets are defined as Investment Grade securities (minimum S&P/Moody's rating of A3/P3, or equivalent) with a duration of 1 year or less. To the extent the Fund's net long positions are 'covered' by short term liquid assets, the Fund will be deemed not to be leveraged.

The Fund holds the following derivatives:

(a) Forward currency contracts

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

The Fund did not hold any derivative financial instruments as at 30 November 2019. The derivative financial instruments held by the Fund as at 30 June 2019 end are detailed below:

As at 30 June 2019	Contractual/ notional \$	Fair values	
		Assets \$	Liabilities \$
Foreign currency contracts	81,470,248	408,108	81,595
Total	<u>81,470,248</u>	<u>408,108</u>	<u>81,595</u>

7 Net assets attributable to unit holders

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

	For the period from 1 July 2019 to 30 November 2019 Units	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 Units	Year ended 30 June 2019 \$
Institutional Class Units				
Opening balance	55,451	22,612,521	42,461	16,197,642
Applications	6,160	2,519,680	20,436	8,036,208
Redemptions	(61,614)	(25,309,834)	(7,446)	(2,847,861)
Reinvestment of distributions	3	1,326	-	-
Increase/(decrease) in net assets attributable to unit holders	-	<u>176,307</u>	-	<u>1,226,532</u>
Closing balance	<u>-</u>	<u>-</u>	<u>55,451</u>	<u>22,612,521</u>

7 Net assets attributable to unit holders (continued)

	For the period from 1 July 2019 to 30 November 2019 Units	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 Units	Year ended 30 June 2019 \$
Wholesale Class Units				
Opening balance	4,992,377	4,849,655	4,593,259	4,179,457
Applications	1,811,878	1,760,756	1,203,467	1,104,660
Redemptions	(6,810,373)	(6,662,804)	(804,349)	(735,644)
Reinvestment of distributions	6,118	5,943	-	-
Increase/(decrease) in net assets attributable to unit holders	-	46,450	-	301,182
Closing balance	-	-	4,992,377	4,849,655
Closing balance		-		27,462,176

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

There are two open classes of units from period 1 July 2019 to 30 November 2019 and as at 30 June 2019. Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

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

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis (business days) by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders.

8 Distributions to unit holders

The distributions declared during the period were as follows:

	For the period from 1 July 2019 to 30 November 2019 \$	For the period from 1 July 2019 to 30 November 2019 CPU	Year ended 30 June 2019 \$	Year ended 30 June 2019 CPU
Distributions - Institutional Class Units				
June (payable)	-	-	521,189	939.91
October	<u>32,422</u>	<u>518.16</u>	-	-
Total distributions	<u>32,422</u>	<u>518.16</u>	<u>521,189</u>	<u>939.91</u>
Distributions - Wholesale Class Units				
June (payable)	-	-	111,779	2.24
October	<u>23,284</u>	<u>1.23</u>	-	-
Total distributions	<u>23,284</u>	<u>1.23</u>	<u>111,779</u>	<u>2.24</u>
Total distributions	<u>55,706</u>		<u>632,968</u>	

9 Cash and cash equivalents

	As at	
	30 November 2019 \$	30 June 2019 \$
Cash at bank	<u>47,558</u>	<u>207,133</u>
Total cash and cash equivalents	<u>47,558</u>	<u>207,133</u>

These accounts are earning a floating interest rate of between -0.75% and 0.12% as at 30 November 2019 (30 June 2019: -0.60% to 0.50%).

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

	For the period from 1 July 2019 to 30 November 2019	Year ended 30 June 2019
	\$	\$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the period/year	-	-
Increase/(decrease) in net assets attributable to unit holders	222,757	1,527,714
Distributions to unit holders	55,706	632,968
Proceeds from sale of financial instruments held at fair value through profit or loss	41,299,530	21,904,069
Purchase of financial instruments held at fair value through profit or loss	(13,034,659)	(27,009,813)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(35,930)	(1,045,920)
Net foreign exchange (gain)/loss	2	(149)
Net interest bought/(sold)	(7,657)	-
Amortisation income	-	(10,697)
Net change in receivables	137,174	11,122
Net change in payables	(248)	(17,122)
Distribution income reinvested	(422,177)	(1,376,991)
Net cash inflow/(outflow) from operating activities	28,214,498	(5,384,819)
(b) Non-cash operating and financing activities		
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	7,269	-
The following purchases of investments were satisfied by the participation in distribution reinvestment plans	422,177	1,376,991
Total non-cash operating and financing activities	429,446	1,376,991

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the period (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it is paid.

11 Receivables

	As at	
	30 November 2019	30 June 2019
	\$	\$
Interest receivable	-	121
Applications receivable	-	1,536
GST receivable	-	9,220
Management fee reimbursement receivable	-	116,334
Other receivables	-	11,499
Total receivables	-	138,710

12 Payables

	As at	
	30 November 2019	30 June 2019
	\$	\$
Management fees payable	47,558	2,318
Redemptions payable	-	2,000
Custody fees payable	-	45,488
Total payables	<u>47,558</u>	<u>49,806</u>

13 Remuneration of auditor

During the period the following fees were paid or payable for services provided by the auditor of the Fund:

	For the period from 1 July 2019 to 30 November 2019	Year ended 30 June 2019
	\$	\$
PricewaterhouseCoopers Australian Firm		
<i>Audit and other assurance services</i>		
Audit of financial statements	-	18,731
Audit of compliance plan	-	4,692
Total remuneration for audit and other assurance services	-	<u>23,423</u>
Total remuneration of PricewaterhouseCoopers Australian Firm	-	<u>23,423</u>

The auditor's remuneration is borne by the Fund. Fees are stated net of GST.

The remuneration of PricewaterhouseCoopers Australian Firm is included in other operating expenses.

The liquidated audit fees of \$20,539 exclusive of GST are borne by PIMCO Australia Management Limited.

14 Other income

	For the period from 1 July 2019 to 30 November 2019	Year ended 30 June 2019
	\$	\$
Management fee net reimbursement	-	74,731
Other income	696	10,621
Total other income	<u>696</u>	<u>85,352</u>

15 Other expenses

	For the period from 1 July 2019 to 30 November 2019 \$	Year ended 30 June 2019 \$
Legal fees	-	35
Other operating expenses	<u>8,924</u>	<u>49,821</u>
Total other expenses	<u>8,924</u>	<u>49,856</u>

16 Events occurring after the reporting period

The Fund has wound up as at 30 November 2019, with the residual cash used to pay wind-up expenses including audit fees and management fees. The effective date for the final redemption was made on 31 October 2019 and the Fund was subsequently wound up. The financial report has been prepared on a liquidation basis because the fund is no longer a going concern.

17 Contingent assets and liabilities and commitments

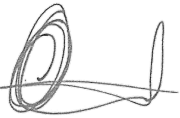
There are no outstanding contingent assets, liabilities or commitments as at 30 November 2019 and 30 June 2019.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The special purpose financial statements and notes set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 November 2019 and of its performance for the financial period ended on that date.
- (b) As disclosed in Note 2(a) to the financial statements, the Fund will terminate operations on 31 October 2019 and all units were redeemed out of the Fund.

This declaration is made in accordance with a resolution of the directors of PIMCO Australia Management Limited.



Director

Sydney
12 March 2020



Independent auditor's report

To the members of PIMCO Emerging Markets Bond Fund

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of PIMCO Emerging Markets Bond Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 November 2019 and of its financial performance for the period 1 July 2019 to 30 November 2019
- (b) complying with Australian Accounting Standards to the extent described in Note 2 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 November 2019
- the statement of comprehensive income for the period 1 July 2019 to 30 November 2019
- the statement of changes in equity for the period 1 July 2019 to 30 November 2019
- the statement of cash flows for the period 1 July 2019 to 30 November 2019
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors.

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

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Emphasis of matter - going concern no longer appropriate

We draw attention to Notes 1 and 2(a) in the financial report, which indicates that the Fund was terminated on 30 November 2019. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for PIMCO Emerging Markets Bond Fund and its members and should not be used by parties other than PIMCO Emerging Markets Bond Fund and its members. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 1 July 2019 to 30 November 2019, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed 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 Registered Scheme are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 Registered Scheme 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 Registered Scheme or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

PricewaterhouseCoopers

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

CJ Cummins
Partner

Sydney
12 March 2020