

Devon Investment Funds Scheme  
Financial Statements  
For the period ended 31 March 2021

## Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Devon Investment Funds Scheme as at 31 March 2021 and their results for the period ended on that date in accordance with the requirements of the Trust Deed dated 30 September 2016 which replaced Master Trust Deed dated 27 November 2012 for Devon Dividend Yield Fund, 13 May 2010 for Devon Alpha Fund, 4 August 2010 for the Devon Australian Fund, 14 March 2007 for Devon Trans-Tasman Fund, 23 November 2015 for the Devon Diversified Income Fund and 1 July 2020 for the Devon Sustainability Fund ("the Funds" or "Devon Investment Funds Scheme").

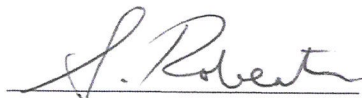
There are reasonable grounds to believe that the Devon Investment Funds Scheme will be able to pay their debts as and when they fall due.

Director

Devon Funds Management Ltd

27 July 2021

Director



## Additional Unitholder Information

### Notice of Trust Deed Amendment

Under clause 32.2 of the Trust Deed governing the Devon Investment Funds Scheme and the Unit Trust Act 1990, the Manager, Devon Funds Management Ltd, is required to advise unitholders in summary form of any amendments to the Trust Deed. There are no changes in the period ended 31 March 2021.

To be in compliance with the Financial Markets Conduct Act 2013, a new Trust Deed was issued dated 30 September 2016.

## Statements of Comprehensive Income

| \$   |      | Devon Alpha Fund  |                    | Devon Australian Fund |                    | Devon Diversified Income Fund |                  | Devon Dividend Yield Fund |                    | Devon Trans-Tasman Fund |                    | Devon Sustainability Fund |
|--|------|-------------------|--------------------|-----------------------|--------------------|-------------------------------|------------------|---------------------------|--------------------|-------------------------|--------------------|---------------------------|
| For the period ended 31 March  | Note | 2021              | 2020               | 2021                  | 2020               | 2021                          | 2020             | 2021                      | 2020               | 2021                    | 2020               | 2021                      |
| <b>Income</b>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| Interest income  | 10   | 10,814            | 354,087            | 90                    | 3,421              | 109,710                       | 150,922          | 263                       | 8,445              | 707                     | 17,004             | -                         |
| Dividend and distribution income   |      | 1,567,990         | 2,980,528          | 310,038               | 563,629            | 85,238                        | 78,059           | 1,182,129                 | 1,936,907          | 1,599,735               | 3,300,134          | -                         |
| Net foreign currency gains/(losses)  |      | 68,562            | 325,439            | 7,082                 | (21)               | -                             | -                | 18,550                    | (15,983)           | 41,105                  | 28,413             | -                         |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss |      | 32,171,141        | (8,189,430)        | 4,173,652             | (3,485,423)        | 458,749                       | (438,375)        | 8,454,773                 | (8,942,287)        | 21,214,086              | (9,284,593)        | 467,873                   |
| Fee rebates  |      | -                 | -                  | -                     | -                  | 14,602                        | 15,899           | -                         | -                  | -                       | -                  | -                         |
| Other income   |      | 43                | 10,381             | 282                   | 67                 | -                             | -                | 1,681                     | 1,638              | 3,925                   | 4,268              | -                         |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Total income/(loss)</b>   |      | <b>33,818,550</b> | <b>(4,518,995)</b> | <b>4,491,144</b>      | <b>(2,918,327)</b> | <b>668,299</b>                | <b>(193,495)</b> | <b>9,657,396</b>          | <b>(7,011,280)</b> | <b>22,858,658</b>       | <b>(5,934,774)</b> | <b>467,873</b>            |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Expenses</b>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| Management and performance fees  | 9    | 5,777,571         | 1,152,906          | 141,971               | 178,701            | 40,234                        | 45,428           | 213,570                   | 278,120            | 1,038,409               | 1,417,139          | 29,540                    |
| Expense allowance  | 9    | 297,497           | 329,562            | 33,856                | 41,332             | 17,533                        | 19,796           | 103,704                   | 123,295            | 205,519                 | 290,876            | 8,367                     |
| Transaction costs  |      | 1,242,823         | 460,440            | 51,372                | 56,841             | 2,721                         | 5,368            | 57,950                    | 85,687             | 254,722                 | 220,773            | -                         |
| Other expenses   |      | 1,169             | 1,253              | 199                   | 195                | 51                            | -                | 735                       | 1,349              | 3,063                   | 2,335              | 7                         |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Total operating expenses</b>  |      | <b>7,319,060</b>  | <b>1,941,161</b>   | <b>227,398</b>        | <b>277,069</b>     | <b>60,539</b>                 | <b>70,592</b>    | <b>375,959</b>            | <b>488,451</b>     | <b>1,501,713</b>        | <b>1,901,123</b>   | <b>37,914</b>             |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Operating profit/(loss)</b>   |      | <b>26,499,490</b> | <b>(6,460,156)</b> | <b>4,263,746</b>      | <b>(3,195,396)</b> | <b>607,760</b>                | <b>(264,087)</b> | <b>9,281,437</b>          | <b>(7,499,731)</b> | <b>21,356,945</b>       | <b>(7,835,897)</b> | <b>429,959</b>            |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Profit/(Loss) for the period attributable to Unitholders</b>                          |      | <b>26,499,490</b> | <b>(6,460,156)</b> | <b>4,263,746</b>      | <b>(3,195,396)</b> | <b>607,760</b>                | <b>(264,087)</b> | <b>9,281,437</b>          | <b>(7,499,731)</b> | <b>21,356,945</b>       | <b>(7,835,897)</b> | <b>429,959</b>            |
| <hr/>  |      |                   |                    |                       |                    |                               |                  |                           |                    |                         |                    |                           |
| <b>Total comprehensive income/(loss) for the period attributable to Unitholders</b>      |      | <b>26,499,490</b> | <b>(6,460,156)</b> | <b>4,263,746</b>      | <b>(3,195,396)</b> | <b>607,760</b>                | <b>(264,087)</b> | <b>9,281,437</b>          | <b>(7,499,731)</b> | <b>21,356,945</b>       | <b>(7,835,897)</b> | <b>429,959</b>            |

These statements are to be read in conjunction with the accompanying notes.

## Statements of Changes in Net Assets Attributable to Unitholders

| \$<br>For the period ended 31 March  | Note | Devon Alpha Fund |              | Devon Australian Fund |             | Devon Diversified Income Fund |           | Devon Dividend Yield Fund |              | Devon Trans-Tasman Fund |              | Devon Sustainability Fund |
|--|------|------------------|--------------|-----------------------|-------------|-------------------------------|-----------|---------------------------|--------------|-------------------------|--------------|---------------------------|
|  |      | 2021             | 2020         | 2021                  | 2020        | 2021                          | 2020      | 2021                      | 2020         | 2021                    | 2020         |                           |
| Net assets attributable to Unitholders at the beginning of the period        |      | 90,572,752       | 106,062,587  | 10,793,633            | 11,924,957  | 6,565,127                     | 6,546,949 | 27,322,656                | 33,345,426   | 70,049,542              | 87,320,538   | -                         |
| Proceeds from units issued   |      | 31,843,497       | 25,498,501   | 6,168,757             | 7,102,933   | 1,427,350                     | 914,629   | 4,798,828                 | 15,168,548   | 12,360,825              | 13,939,773   | 12,161,475                |
| Redemption of units  |      | (35,298,121)     | (31,469,268) | (7,310,665)           | (4,570,194) | (1,705,007)                   | (369,471) | (9,750,400)               | (11,989,017) | (33,015,740)            | (20,201,860) | (1,908,225)               |
| Distributions  |      | (2,727,589)      | (2,972,325)  | (466,323)             | (443,314)   | (243,616)                     | (255,526) | (1,791,253)               | (1,640,557)  | (2,673,328)             | (3,117,149)  | -                         |
| Unitholder tax rebates/(liabilities)   |      | 239,473          | (86,587)     | (9,306)               | (25,363)    | (34,880)                      | (7,365)   | (33,541)                  | (62,013)     | (3,083)                 | (55,863)     | 428                       |
| Net increase/(decrease) from transaction in units                            |      | (5,942,740)      | (9,029,670)  | (1,617,537)           | 2,064,062   | (556,153)                     | 282,265   | (6,776,366)               | 1,476,981    | (23,331,326)            | (9,435,099)  | 10,253,678                |
| Total comprehensive income/(loss) for the period attributable to Unitholders |      | 26,499,490       | (6,460,156)  | 4,263,746             | (3,195,396) | 607,760                       | (264,087) | 9,281,437                 | (7,499,731)  | 21,356,945              | (7,835,897)  | 429,959                   |
| Net assets attributable to Unitholders at the end of the period              |      | 111,129,502      | 90,572,752   | 13,439,842            | 10,793,633  | 6,616,734                     | 6,565,127 | 29,827,727                | 27,322,656   | 68,075,161              | 70,049,542   | 10,683,637                |
| <b>Units</b>   |      |                  |              |                       |             |                               |           |                           |              |                         |              |                           |
| For the period ended 31 March  | Note | Devon Alpha Fund |              | Devon Australian Fund |             | Devon Diversified Income Fund |           | Devon Dividend Yield Fund |              | Devon Trans-Tasman Fund |              | Devon Sustainability Fund |
|  |      | 2021             | 2020         | 2021                  | 2020        | 2021                          | 2020      | 2021                      | 2020         | 2021                    | 2020         |                           |
| Units on issue at the beginning of the period                                |      | 57,792,799       | 62,021,387   | 9,755,110             | 8,525,807   | 4,492,652                     | 4,154,120 | 18,664,583                | 17,252,164   | 20,382,298              | 21,933,336   | -                         |
| Units issued   |      | 17,751,353       | 14,033,961   | 4,472,264             | 4,753,994   | 928,460                       | 577,187   | 2,815,190                 | 7,516,719    | 3,096,232               | 3,324,538    | 3,789,298                 |
| Units redeemed   |      | (19,510,959)     | (18,262,549) | (5,400,942)           | (3,524,691) | (1,160,586)                   | (236,655) | (5,672,452)               | (6,104,300)  | (6,192,285)             | (4,875,576)  | (587,688)                 |
| Units on issue at the end of the period                                      |      | 56,033,193       | 57,792,799   | 8,826,432             | 9,755,110   | 4,260,526                     | 4,492,652 | 15,807,321                | 18,664,583   | 15,286,245              | 20,382,298   | 3,201,610                 |

These statements are to be read in conjunction with the accompanying notes.

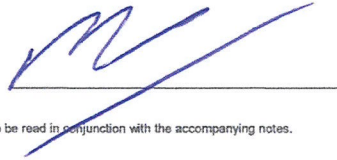


## Statements of Financial Position

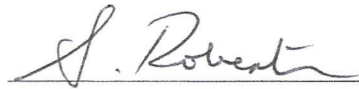
| \$<br>As at 31 March                                       | Note | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Assets</b>  |      |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Cash and cash equivalents                                  |      | 9,549,818                | 30,807,139               | 440,825                       | 562,947                       | 1,056,004                             | 1,111,225                             | 196,186                           | 395,822                           | 661,101                         | 3,089,719                       | 1,340                             |
| Financial assets at fair value through profit or loss      | 6    | 106,790,058              | 60,792,922               | 12,842,638                    | 10,294,169                    | 5,581,668                             | 5,445,350                             | 29,921,429                        | 26,545,767                        | 67,639,949                      | 67,207,747                      | 10,692,623                        |
| Outstanding settlements receivable                         |      | -                        | -                        | -                             | 214,943                       | -                                     | -                                     | -                                 | -                                 | 175,207                         | 240,825                         | -                                 |
| Related party receivables                                  |      | -                        | -                        | -                             | -                             | 1,457                                 | 1,134                                 | -                                 | -                                 | -                               | -                               | -                                 |
| Contributions receivable                                   |      | 7,256                    | 15,100                   | 187,315                       | 421                           | -                                     | 880                                   | 2,594                             | 9,422                             | 9,152                           | 72,163                          | -                                 |
| Other receivables  |      | 135,434                  | 740,624                  | 38,527                        | 76,360                        | 18,085                                | 19,603                                | 227,001                           | 434,811                           | 306,395                         | 599,426                         | -                                 |
| Tax receivable on behalf of unitholders                    |      | 269,962                  | 2,874                    | -                             | -                             | 206                                   | 880                                   | 2,187                             | 9,747                             | 7,283                           | 9,802                           | 432                               |
| <b>Total assets</b>  |      | <b>116,752,528</b>       | <b>92,358,659</b>        | <b>13,509,385</b>             | <b>11,148,880</b>             | <b>6,657,420</b>                      | <b>6,579,072</b>                      | <b>30,349,397</b>                 | <b>27,395,569</b>                 | <b>68,802,087</b>               | <b>71,219,682</b>               | <b>10,694,395</b>                 |
| <b>Liabilities</b>   |      |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Financial liabilities at fair value through profit or loss | 7    | 710,270                  | -                        | 18                            | -                             | -                                     | -                                     | 209,025                           | -                                 | -                               | -                               | -                                 |
| Outstanding settlements payable                            |      | -                        | 1,616,635                | 21,829                        | 223,591                       | -                                     | -                                     | -                                 | -                                 | 180,273                         | 1,018,142                       | -                                 |
| Related party payables                                     | 9    | 4,855,732                | 114,620                  | 37,053                        | 14,327                        | 5,600                                 | 5,615                                 | 28,838                            | 27,952                            | 392,128                         | 84,598                          | 10,754                            |
| Withdrawals payable  |      | 57,024                   | 2,556                    | 4,987                         | 105,542                       | -                                     | 85                                    | 273,729                           | 34,124                            | 152,231                         | 46,895                          | -                                 |
| Tax payable on behalf of unitholders                       |      | -                        | 52,096                   | 5,576                         | 11,767                        | 35,086                                | 8,245                                 | 10,078                            | 10,837                            | 2,294                           | 19,705                          | 4                                 |
| <b>Total liabilities</b>                                   |      | <b>5,623,026</b>         | <b>1,785,907</b>         | <b>69,463</b>                 | <b>355,227</b>                | <b>40,686</b>                         | <b>13,945</b>                         | <b>521,670</b>                    | <b>72,913</b>                     | <b>726,926</b>                  | <b>1,170,140</b>                | <b>10,758</b>                     |
| <b>Unitholders' Funds</b>                                  |      | <b>111,129,502</b>       | <b>90,572,752</b>        | <b>13,439,842</b>             | <b>10,793,653</b>             | <b>6,616,734</b>                      | <b>6,565,127</b>                      | <b>29,827,727</b>                 | <b>27,322,656</b>                 | <b>68,075,161</b>               | <b>70,049,542</b>               | <b>10,683,637</b>                 |

The Directors of Devon Funds Management Limited authorised these Financial Statements for issue on 27 July 2021.

Director



Director



27 July 2021

These statements are to be read in conjunction with the accompanying notes.

## Statements of Cash Flows

| \$   |      |                     | Devon Alpha Fund   | Devon Australian Fund | Devon Diversified Income Fund | Devon Dividend Yield Fund | Devon Trans-Tasman Fund | Devon Sustainability Fund |
|--|------|---------------------|--------------------|-----------------------|-------------------------------|---------------------------|-------------------------|---------------------------|
| For the period ended 31 March  | Note | 2021                | 2020               | 2021                  | 2020                          | 2021                      | 2020                    | 2021                      |
| <b>Cash flows from operating activities</b>  |      |                     |                    |                       |                               |                           |                         |                           |
| Proceeds from sale of financial assets at fair value through profit or loss                    |      | 282,316,137         | 109,079,478        | 15,245,718            | 14,675,161                    | 746,521                   | 658,507                 | 17,883,599                |
| Purchase of financial assets at fair value through profit or loss                              |      | (296,451,674)       | (104,967,028)      | (13,600,511)          | (17,144,321)                  | (344,165)                 | (1,512,524)             | (12,382,306)              |
| Net settlement of forward currency contracts   |      | (596,823)           | 50,178             | 9                     | -                             | -                         | -                       | (169,487)                 |
| Dividends received   |      | 2,162,763           | 2,251,777          | 341,028               | 525,066                       | 5,313                     | 13,531                  | 1,346,191                 |
| Interest income received   |      | 21,232              | 358,687            | 113                   | 4,221                         | 111,231                   | 146,842                 | 343                       |
| Operating expenses paid  |      | (2,577,948)         | (1,935,285)        | (204,672)             | (275,176)                     | (60,554)                  | (69,852)                | (375,073)                 |
| Other income   |      | 42                  | 10,382             | 288                   | 61                            | 14,276                    | 15,924                  | 1,679                     |
|  |      |                     |                    |                       |                               |                           |                         | 1,640                     |
|  |      |                     |                    |                       |                               |                           |                         | 3,026                     |
|  |      |                     |                    |                       |                               |                           |                         | 4,267                     |
|  |      |                     |                    |                       |                               |                           |                         | -                         |
| <b>Net cash inflow(outflow) from operating activities</b>                                      | 11   | <b>(15,126,271)</b> | <b>4,848,189</b>   | <b>1,781,973</b>      | <b>(2,214,988)</b>            | <b>472,622</b>            | <b>(747,602)</b>        | <b>6,304,946</b>          |
|  |      |                     |                    |                       |                               |                           |                         | (2,688,234)               |
|  |      |                     |                    |                       |                               |                           |                         | 20,707,948                |
|  |      |                     |                    |                       |                               |                           |                         | 9,253,492                 |
|  |      |                     |                    |                       |                               |                           |                         | (10,251,910)              |
| <b>Cash flows from financing activities</b>  |      |                     |                    |                       |                               |                           |                         |                           |
| Proceeds from units issued   |      | 30,816,981          | 24,213,600         | 5,830,245             | 6,871,482                     | 1,285,412                 | 744,323                 | 4,268,728                 |
| Redemptions of units   |      | (35,243,653)        | (31,475,750)       | (7,411,220)           | (4,464,652)                   | (1,705,092)               | (369,386)               | (9,510,795)               |
| Distributions paid*  |      | (1,693,229)         | (1,684,493)        | (314,705)             | (212,244)                     | (100,798)                 | (86,102)                | (1,245,325)               |
| Unitholders tax liabilities  |      | (79,711)            | (120,504)          | (15,497)              | (50,258)                      | (7,365)                   | (42,078)                | (26,740)                  |
|  |      |                     |                    |                       |                               |                           |                         | (83,235)                  |
|  |      |                     |                    |                       |                               |                           |                         | (17,875)                  |
|  |      |                     |                    |                       |                               |                           |                         | (78,690)                  |
|  |      |                     |                    |                       |                               |                           |                         | -                         |
| <b>Net cash inflow(outflow) from financing activities</b>                                      |      | <b>(6,199,612)</b>  | <b>(9,067,147)</b> | <b>(1,911,177)</b>    | <b>2,144,338</b>              | <b>(527,843)</b>          | <b>246,757</b>          | <b>(6,523,132)</b>        |
|  |      |                     |                    |                       |                               |                           |                         | 1,418,191                 |
|  |      |                     |                    |                       |                               |                           |                         | (23,177,671)              |
|  |      |                     |                    |                       |                               |                           |                         | (9,522,502)               |
|  |      |                     |                    |                       |                               |                           |                         | 10,253,250                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                    |      | <b>(21,325,883)</b> | <b>(4,218,958)</b> | <b>(129,204)</b>      | <b>(70,650)</b>               | <b>(55,221)</b>           | <b>(500,845)</b>        | <b>(218,186)</b>          |
| Cash and cash equivalents at the beginning of the period                                       |      | 30,807,139          | 34,700,658         | 562,947               | 633,618                       | 1,111,225                 | 1,612,070               | 395,822                   |
| Foreign exchange gains/(losses) on cash and cash equivalents denominated in foreign currencies |      | 68,562              | 325,438            | 7,082                 | (21)                          | -                         | -                       | 18,550                    |
|  |      |                     |                    |                       |                               |                           |                         | (15,983)                  |
|  |      |                     |                    |                       |                               |                           |                         | 41,105                    |
|  |      |                     |                    |                       |                               |                           |                         | 28,413                    |
|  |      |                     |                    |                       |                               |                           |                         | -                         |
| <b>Cash and cash equivalents at the end of the period</b>                                      |      | <b>9,549,818</b>    | <b>30,807,139</b>  | <b>440,825</b>        | <b>562,947</b>                | <b>1,056,004</b>          | <b>1,111,225</b>        | <b>196,186</b>            |
|  |      |                     |                    |                       |                               |                           |                         | 395,822                   |
|  |      |                     |                    |                       |                               |                           |                         | 661,101                   |
|  |      |                     |                    |                       |                               |                           |                         | 3,089,719                 |
|  |      |                     |                    |                       |                               |                           |                         | 1,340                     |

\* For the Funds, prior year comparative figures for cash flows from financing activities have been corrected for re-invested distributions previously recognised on a gross basis. Re-invested distributions, which are non-cash items, were previously recognised in error as distributions paid, with a corresponding amount recognised as proceeds from units issued. There is no impact to the net cash inflows from financing activities or the Statements of Changes in Net Assets Attributable to Unitholders.

| \$                                  | Devon Alpha Fund | Devon Australian Fund | Devon Diversified Income Fund | Devon Dividend Yield Fund | Devon Trans-Tasman Fund |
|-------------------------------------|------------------|-----------------------|-------------------------------|---------------------------|-------------------------|
| For the period ended 31 March       | 2020             | 2020                  | 2020                          | 2020                      | 2020                    |
| Prior year reinvested distributions | 1,287,832        | 231,070               | 169,426                       | 549,601                   | 1,038,785               |

These statements are to be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### 1. General information

#### Reporting Entities

The financial statements are for the period ended 31 March 2021 and have been prepared for the Funds which have been registered as the Devon Investment Funds Scheme. The Devon Investment Funds Scheme is a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 and was registered on 5 October 2016. These Funds are the Devon Alpha Fund, Devon Australian Fund, Devon Diversified Income Fund, Devon Dividend Yield Fund, Devon Trans-Tasman Fund and the Devon Sustainability Fund.

The reporting entities included in these Financial Statements are the Devon Alpha Fund, the Devon Australian Fund, the Devon Diversified Income Fund, the Devon Dividend Yield Fund, the Devon Trans-Tasman Fund, and the Devon Sustainability Fund that are referred to throughout these Financial Statements as the 'Funds'.

The Funds were created under a Master Trust Deed executed by Devon Funds Management Limited on 10 September 1998 and Unit Trust Establishment Deeds between Devon Funds Management Limited and Trustees Executors Limited dated 13 May 2010 for the Devon Alpha Fund, 4 August 2010 for the Devon Australian Fund, 23 November 2015 for the Devon Diversified Income Fund, 27 November 2012 for the Devon Dividend Yield Fund, 14 March 2007 for the Devon Trans-Tasman Fund and 1 July 2020 for the Devon Sustainability Fund. In order to comply with the Financial Markets Conduct Act 2013 a new Trust Deed has been issued, dated 30 September 2016. Each Fund was established on the date of its Unit Trust Establishment Deed and will terminate in accordance with the provisions of the Trust Deed.

The Funds' activities are managed by Devon Funds Management Ltd (the 'Manager'). Devon is a wholly owned subsidiary of Investment Services Group Limited. The Supervisor is The New Zealand Guardian Trust Company Limited (NZGT) or the 'Supervisor'.

The investment objectives of the Funds are as follows:

- Devon Alpha Fund aims to generate capital growth over the long term by actively investing in a concentrated portfolio of New Zealand and Australian shares and holding cash when appropriate investment opportunities cannot be identified.
- Devon Australian Fund aims to generate capital growth over the long term by actively managing Australian equity investments.
- Devon Diversified Income Fund aims to give investors access to a diverse and carefully selected portfolio of high yielding investments and aims to outperform its benchmark on a rolling 12 month basis.
- Devon Dividend Yield Fund invests in a well researched portfolio of shares with the objective of generating an above market average dividend yield while providing some growth to maintain capital value in real terms.
- Devon Trans-Tasman Fund aims to generate capital growth over the long term by actively managing New Zealand and Australian equity investments.
- Devon Sustainability Fund aims to generate capital growth over the long term by actively managing New Zealand and Australian equity investments.

The registered office for the Funds is Level 10 Rabobank Tower, 2 Commerce Street, Auckland 1010 New Zealand.

The Funds are domiciled in New Zealand.

These financial statements were authorised for issue by the Board of Directors of the Manager on 27 July 2021.

#### Statutory Base

The Funds are a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and are subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Trust Deed.

The Financial Statements for the Funds are for the year ended 31 March 2021, except for the Devon Sustainability Fund which is presented from 1 July 2020 (date of establishment) to 31 March 2021. Comparative figures are for the period ended 31 March 2020.

### 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 throughout the period presented, unless otherwise stated.

#### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate to for-profit entities. The Financial Statements comply with International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in New Zealand dollars, which is also the Funds' presentation currency.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the financial statements.

#### Standards and amendments to existing standards effective 1 April 2020 impacting the Fund

There are no new standards or amendments to existing standards that are effective for the year commencing on 1 April 2020 that have a material effect on the Financial Statements of the Funds.

#### 2.2 Financial instruments

##### (a) Classification

###### Financial assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Funds' business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

###### (i) Financial assets at fair value through the profit or loss

Financial assets at fair value through the profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. All investments are measured at fair value through profit or loss. As there are no financial instruments designated at fair value upon initial recognition in the Funds, all financial assets measured at fair value are those mandatorily measured at fair value. Financial assets at fair value through the profit or loss comprise of foreign exchange forward contracts, listed equities and trusts, unlisted trusts, preference shares and fixed interest securities.

###### (ii) Financial assets at amortised cost

- (a) Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits and overdrawn balances with brokers in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Funds' main income generating activity.
- (b) Amounts due from and to brokers represent receivables for securities sold and payables for securities purchases that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection. These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance of amounts due from broker 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 Funds 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 or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.
- (c) Receivables which include interest, dividends, contributions receivables. Receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statement of Comprehensive Income.



## Notes to the Financial Statements

### Financial liabilities

#### (i) Financial liabilities at fair value through the profit or loss

Financial liabilities at fair value through the profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental in achieving the Funds' business model. Consequently, all financial liabilities are measured at fair value through profit or loss. As there are no financial liabilities designated at fair value upon initial recognition in the Funds, all financial liabilities measured at fair value are those mandatorily measured at fair value. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

#### (ii) Financial liabilities at amortised cost

(a) Payables are amounts representing liabilities and accrued expenses owing by the Funds at period end and may include related party fees.

The Funds' policy requires the Manager and the Board of Directors to evaluate the information about financial assets and liabilities on a fair value basis together with other related financial information.

#### (b) Recognition, derecognition and measurement

##### (i) Financial assets and liabilities at fair value through the profit or loss

The Funds recognise financial assets and liabilities at fair value through the profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expenses as incurred in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at fair value through the profit or loss are measured at fair value.

##### (ii) Financial assets and liabilities at amortised cost

The Funds recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance of the financial assets at amortised cost 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 Funds shall measure 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 by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired. There is risk of non-recovery.

#### (c) Fair value estimation

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

##### Fair value in an active market

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the balance date. The quoted market price used for financial assets and financial liabilities held by the Funds is the current last price, assuming that the last price falls within the bid-ask range. If it does not, then the bid price is applied to financial assets and the ask price is applied to financial liabilities.

##### Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent comparable arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the balance date taking into account current market conditions (volatility and appropriate yield curve). It may be adjusted if the counterparty is not regarded as credit worthy. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds. Where the units of the other funds are not publicly traded, redemption can only be made by the Funds on the redemption dates and subject to the required notice periods specified in the offering documents of the other funds. The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

#### 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### 2.4 Net assets attributable to unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. The units can be put back to the Funds at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Funds. As stipulated in the Funds' Deeds, each unit represents an individual share in the Funds and does not extend to a right in the underlying assets of the Funds. There are no separate classes of units within the Funds and each unit has the same rights attaching to it as all other units in the Funds.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the unit holders of the Funds with the total number of outstanding units of the Funds. In accordance with the provisions of the offering documents, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

The Funds' units meet the definition of puttable instruments classified as equity instruments under NZ IAS 32, 'Financial Instruments: Presentation'.

In accordance with the Funds' Deeds, the Manager has full discretion as to whether to distribute any income of the Funds. Income that is not distributed is invested as part of the assets of the Funds or may be used later to make distributions to Unitholders.

#### 2.5 Investment income

##### Interest income

Interest income on assets at fair value through the profit or loss is included as interest in the Statement of Comprehensive Income. Interest is recognised as interest accrues using the effective interest method.

##### Dividend and distribution income

Dividend income is recognised on the ex-dividend date in the Statement of Comprehensive Income, with any related foreign withholding tax recorded in the Statement of Net Assets Attributable to Unitholders as a unitholder tax liability. The Fund distributions are recognised on nil present entitlement basis.

##### Net gains and losses on financial assets at fair value through profit or loss

Realised and unrealised gains and losses are reflected in the Statement of Comprehensive Income as net gain/(loss) on financial instruments at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance date and the reversal of prior periods unrealised gains or losses on investments that have been realised in the current period. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

## Notes to the Financial Statements

### 2.6 Expenses

All expenses, including the Funds' management, performance fees and Supervisor fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

### 2.7 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The Funds' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds is measured in New Zealand dollars.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from translation are included in the Statement of Comprehensive Income.

The Funds' do not isolate that portion of gains or losses on securities, foreign cash and derivative instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss in the Statement of Comprehensive Income.

### 2.8 Income tax

The Funds qualify as and have each elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statement of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statement of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Funds to Unitholders in accordance with the proportion of their interest in the Funds. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statement of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

### 2.9 Goods and services tax ("GST")

The Funds are not registered for GST. The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statement of Financial Position are stated inclusive of GST.

## 3. Critical accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Fair value of derivative financial instruments

The Funds may, from time to time, hold financial instruments that are not quoted in active markets, such as over the counter derivatives. Fair values for such instruments are determined by using valuation techniques. Valuation techniques, including models, use observable data to the extent possible. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes or assumptions about these factors could affect the reported fair value of financial instruments.

#### Fair value of securities not quoted in an active market

The fair value for such securities not quoted in an active market may be determined by the Funds using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from pricing sources may be indicative and not executable or binding. The Manager would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Funds may price positions using their own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The models for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity and credit and market risk factors. The fair value of investments in other funds that are not quoted in active markets is determined by reference to the redemption price per unit of the underlying funds.

For certain other financial instruments, including amounts due from/to brokers, outstanding settlements receivable, contributions receivable, other receivables, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short term nature of these financial instruments.

#### Net assets attributable to Unitholders

The Funds classify units as equity instruments in accordance with revised NZ IAS 32, 'Financial Instruments: Presentation'. The Funds continue to assess the classification of the redeemable units to ensure they have all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

### COVID-19:

During the year, the COVID-19 pandemic continued to spread and cause significant disruption to business and economic activity. However, following an initial shock, global financial markets quickly stabilised, assisted by central bank liquidity measures and the commitment of significant fiscal support from governments around the world.

The impact of COVID-19 remains a consideration in our investment process.



## Notes to the Financial Statements

### 4. Derivative financial instruments

In the normal course of business, the Funds enter into transactions in derivative instruments with 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 instruments include a wide assortment of instruments, such as forwards and swaps. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Funds' portfolio management. Derivatives may be used for:

- (i) economic hedging to protect assets or liabilities of the Funds against a fluctuation in market values or to reduce volatility;
- (ii) a substitution for trading of physical securities; and
- (iii) 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 positions.

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

The Funds may hold the following derivative instruments:

#### 4.1 Forward foreign currency contracts

Forward currency contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated trading securities. Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Funds' open positions in forward contracts at balance date are outlined below:

| \$<br>As at 31 March                                       | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Forward exchange contracts (notional value in NZ\$)</b> |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Sell AUD/Buy NZD   | 37,586,483               | 12,856,164               | -                             | -                             | -                                     | -                                     | 11,511,893                        | 10,433,564                        | -                               | -                               | -                                 |
| <b>Forward exchange contracts (fair value in NZ\$)</b>     |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Sell AUD/Buy NZD   | (710,270)                | 235,280                  | (18)                          | 295                           | -                                     | -                                     | (209,025)                         | 213,617                           | -                               | -                               | -                                 |

### 5. Financial risk management

The Trust Deed for the Funds requires the Manager to invest the assets of the Funds in accordance with the investment guidelines, as agreed with the Supervisor from time to time, in order to manage risk. The Funds' activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Devon Diversified Income Fund is also indirectly exposed to credit risk, currency risk, cashflow interest rate risk and price risk as a result of its investment in the Devon Dividend Yield Fund. The Devon Sustainability Fund is also indirectly exposed to credit risk, currency risk, cashflow interest rate risk and price risk as a result of its investment in the Devon Sustainability Wholesale Fund. The Funds' overall risk management programme seeks to maximise the return derived for the level of risk to which the Funds' are exposed and seeks to minimise potential adverse effects on the Funds' financial performance.

The Funds use different methods to measure and manage the various types of risk to which it is exposed. These methods are explained below.

#### 5.1.1 Market risk

##### (a) Price risk

The Funds are exposed to price risk arising from investments held by the Funds for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than New Zealand dollars, the price initially expressed in foreign currency and then converted into New Zealand dollars will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured. The Devon Diversified Income Fund also has exposure to unlisted unit trust price risk as a result of its investment in the Devon Dividend Yield Fund and debt security price risk. The Devon Sustainability Fund also has exposure to unlisted unit trust price risk as a result of its investment in the Devon Sustainability Wholesale Fund and debt security price risk.

Price risk is managed through diversification and selection of securities and other financial instruments within specified limits and in accordance with mandates and overall investment strategy.

The majority of the Funds' equity investments are publicly traded and are listed on the New Zealand and Australian Stock Exchanges. The overall market position is monitored by the Funds' Manager. Compliance with the Funds' investment policies are reported to the Directors of the Manager.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to equity and debt securities' price movements, including the effect of movements in foreign currency exchange rates on equity securities' prices, as at 31 March. The analysis is based on a price move of 10% which represents managements best estimate of a reasonable shift in prices having regard to historical volatility. If the prices of equity and debt securities in which the Funds' invest in at 31 March had increased or decreased by 10% with all other variables held constant, this would have increased/decreased total comprehensive income as disclosed below. The notional impact on PIE tax (which affects Net Assets Attributable to Unitholders) has not been calculated. The Directors of the Manager do not believe that this has a material impact.

| \$<br>As at 31 March   | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| 10% increase in prices | 10,679,006               | 8,055,764                | 1,284,264                     | 1,029,389                     | 200,960                               | 157,789                               | 2,992,143                         | 2,633,215                         | 6,763,995                       | 6,720,775                       | 1,069,262                         |
| 10% decrease in prices | (10,679,006)             | (8,055,764)              | (1,284,264)                   | (1,029,389)                   | (200,960)                             | (157,789)                             | (2,992,143)                       | (2,633,215)                       | (6,763,995)                     | (6,720,775)                     | (1,069,262)                       |

## Notes to the Financial Statements

### (b) Foreign exchange risk

The Funds operate internationally and hold both monetary and non-monetary assets denominated in currencies other than New Zealand dollars, the functional currency. Foreign currency risk, as defined in NZ IFRS 7, 'Financial Instruments: Disclosures', arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities and therefore the information presented below has been prepared on that basis.

Currency risk management is undertaken by the Funds' Manager within the guidelines provided by the Supervisor. The Funds may enter into foreign exchange derivatives both to economically hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. The terms and conditions of these contracts is to manage the investment activities of the Fund, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. Devon Diversified Income Fund is exposed to indirect currency exposure through its investment in the Devon Dividend Yield Fund. Devon Sustainability Fund is exposed to indirect currency exposure through its investment in the Devon Sustainability Wholesale Fund.

At the balance date the Funds had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

| \$<br>As at 31 March                 | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--------------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Monetary assets/(liabilities)</b> |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Australian Dollar (AUD)              | (33,049,877)             | 959,270                  | 28,282                        | 150,367                       | -                                     | -                                     | (11,529,349)                      | (10,069,633)                      | 285,077                         | (659,411)                       | -                                 |
| Euro (EUR)                           | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | 77,540                            | -                               | -                               | -                                 |
| United States Dollar (USD)           | 54,299                   | 98,941                   | 5,332                         | 11,208                        | -                                     | -                                     | -                                 | -                                 | 20,376                          | 44,997                          | -                                 |

The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets and liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

| \$<br>As at 31 March                 | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--------------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Monetary assets/(liabilities)</b> |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Exchange rates increased by 10%      | 2,999,598                | (96,201)                 | (3,058)                       | (14,689)                      | -                                     | -                                     | 1,048,123                         | 908,372                           | (27,768)                        | 55,856                          | -                                 |
| Exchange rates decreased by 10%      | (3,666,175)              | 117,579                  | 3,735                         | 17,953                        | -                                     | -                                     | (1,281,039)                       | (1,110,233)                       | 33,939                          | (68,268)                        | -                                 |

At the balance date the Funds had the following foreign currency exposures due to holdings of non-monetary assets and liabilities (expressed in NZD equivalents):

| \$<br>As at 31 March                     | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Non monetary assets/(liabilities)</b> |                          |                          |                               |                               |                                 |                                 |                                   |                                   |                                 |                                 |                                   |
| Australian Dollar (AUD)                  | 54,746,149               | 27,482,932               | 12,842,638                    | 10,153,785                    | -                               | -                               | 12,129,499                        | 10,242,731                        | 35,309,519                      | 31,480,568                      | -                                 |

The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders on non monetary assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 10% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

| \$<br>As at 31 March                     | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Non monetary assets/(liabilities)</b> |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Exchange rates increased by 10%          | (4,976,923)              | (2,498,448)              | (1,167,513)                   | (923,071)                     | -                                     | -                                     | (1,102,682)                       | (931,157)                         | (3,209,956)                     | (2,861,870)                     | -                                 |
| Exchange rates decreased by 10%          | 6,082,905                | 3,053,659                | 1,426,960                     | 1,128,198                     | -                                     | -                                     | 1,347,722                         | 1,138,081                         | 3,923,280                       | 3,497,841                       | -                                 |

### (c) Cash flow interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Funds may hold cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk.

The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders had the relevant interest rates increased or decreased by 0.25% (2020: 0.25%) at balance date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

| \$<br>As at 31 March            | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|---------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Increase of 0.25% (2020: 0.25%) | 23,875                   | 77,018                   | 1,102                         | 1,407                         | 2,640                                 | 2,778                                 | 490                               | 990                               | 1,653                           | 7,724                           | 3                                 |
| Decrease of 0.25% (2020: 0.25%) | (23,875)                 | (77,018)                 | (1,102)                       | (1,407)                       | (2,640)                               | (2,778)                               | (490)                             | (990)                             | (1,653)                         | (7,724)                         | (3)                               |

These movements arise substantially from the cash flow variability from cash and cash equivalents.



## Notes to the Financial Statements

### (d) Fair value interest rate risk

The Devon Diversified Income Fund holds fixed interest securities that expose it to fair value interest rate risk and also has indirect exposure to cashflow interest rate risk as a result of its investment in the Devon Dividend Yield Fund.

The following table summarises the fair value sensitivity of the Funds' investments to changes in interest rate movements at the balance date. The analysis is based on the assumptions that the relevant interest rate increased/decreased by 0.25% (2020: 0.25%), with all other variables held constant. This represents the Manager's best estimate of a reasonable shift in the interest rates, with regard to historical volatility of those rates.

| \$<br>As at 31 March            | Devon Alpha Fund |      | Devon Australian Fund |      | Devon Diversified Income Fund |          | Devon Dividend Yield Fund |      | Devon Trans-Tasman Fund |      | Devon Sustainability Fund |
|---------------------------------|------------------|------|-----------------------|------|-------------------------------|----------|---------------------------|------|-------------------------|------|---------------------------|
|                                 | 2021             | 2020 | 2021                  | 2020 | 2021                          | 2020     | 2021                      | 2020 | 2021                    | 2020 | 2021                      |
| Increase of 0.25% (2020: 0.25%) | -                | -    | -                     | -    | (23,434)                      | (30,780) | -                         | -    | -                       | -    | -                         |
| Decrease of 0.25% (2020: 0.25%) | -                | -    | -                     | -    | 23,665                        | 32,009   | -                         | -    | -                       | -    | -                         |

### 5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Funds. The Funds may require collateral or other security to support financial instruments with credit risk. Financial instruments that subject the Funds to credit risk consist primarily of cash equivalents, debt instruments and trade and other receivables including amounts receivable for unsettled investment trades, dividends receivable and contributions receivable. The Devon Diversified Income Fund is indirectly exposed to credit risk through its investment in Devon Dividend Yield Fund. The Devon Sustainability Fund is indirectly exposed to credit risk through its investment in Devon Sustainability Wholesale Fund. The maximum credit risk of financial instruments is considered to be the fair value. The Supervisor regularly reviews and approves an investment strategy that is implemented by the Manager.

The following table sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents and other debt securities designated at fair value through profit or loss.

| \$<br>As at 31 March      |                | Devon Alpha Fund |            | Devon Australian Fund |         | Devon Diversified Income Fund |           | Devon Dividend Yield Fund |         | Devon Trans-Tasman Fund |           | Devon Sustainability Fund |
|---------------------------|----------------|------------------|------------|-----------------------|---------|-------------------------------|-----------|---------------------------|---------|-------------------------|-----------|---------------------------|
|                           |                | 2021             | 2020       | 2021                  | 2020    | 2021                          | 2020      | 2021                      | 2020    | 2021                    | 2020      | 2021                      |
| Cash and cash equivalents | AA-<br>A to A- | 9,549,818        | 14,043,000 | 440,825               | -       | 1,056,004                     | 605,000   | 196,186                   | -       | 661,101                 | -         | 1,340                     |
|                           |                | -                | 16,764,139 | -                     | 562,947 | -                             | 506,225   | -                         | 395,822 | -                       | 3,089,719 | -                         |
|                           |                | 9,549,818        | 30,807,139 | 440,825               | 562,947 | 1,056,004                     | 1,111,225 | 196,186                   | 395,822 | 661,101                 | 3,089,719 | 1,340                     |
| Fixed interest securities |                |                  |            |                       |         |                               |           |                           |         |                         |           |                           |
| AA+ to AA-                |                | -                | -          | -                     | -       | 1,713,683                     | 2,263,612 | -                         | -       | -                       | -         | -                         |
| A+ to A-                  |                | -                | -          | -                     | -       | 213,818                       | 205,457   | -                         | -       | -                       | -         | -                         |
| BBB+ to BBB-              |                | -                | -          | -                     | -       | 1,575,714                     | 1,264,349 | -                         | -       | -                       | -         | -                         |
| BB+ to BB-                |                | -                | -          | -                     | -       | -                             | 20,275    | -                         | -       | -                       | -         | -                         |
| Unrated                   |                | -                | -          | -                     | -       | 237,321                       | 274,707   | -                         | -       | -                       | -         | -                         |
|                           |                | -                | -          | -                     | -       | 3,740,536                     | 4,028,400 | -                         | -       | -                       | -         | -                         |
| Preference Shares         |                |                  |            |                       |         |                               |           |                           |         |                         |           |                           |
| Unrated                   |                | -                | -          | -                     | -       | 302,700                       | 292,500   | -                         | -       | -                       | -         | -                         |
|                           |                | -                | -          | -                     | -       | 302,700                       | 292,500   | -                         | -       | -                       | -         | -                         |

All other receivables including amounts due from brokers are held by parties which Management considers having a strong capacity to meet their contractual obligations in the near term.

The Funds also restrict their exposure to credit losses on the trading derivatives they hold by entering into International Swap and Derivatives (Association) ISDA arrangements with their counterparties (Refer to Note 5.4 for further details) with whom they undertake derivative transactions. The arrangements do not result in an offset of the statement of financial position assets and liabilities as transactions usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by the arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The overall exposure to credit risk on derivative instruments subject to such arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

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

The maximum credit risk of financial instruments is considered to be the carrying amount on the Statement of Net Assets. There is a risk of non-recovery. In accordance with the Fund's policy, the investment manager monitors the Fund's credit positions on a daily basis. The Investment Committee reviews it periodically.

The Funds measures credit risk and expected credit losses using the probability of default, exposure at default and loss given default.

At balance date, the credit risk has not increased significantly for any of the financial assets at amortised cost since initial recognition. As a result, the Manager measured the loss allowance at an amount equal to 12 month expected credit losses. Management, depending on the nature and type of financial assets at amortised cost, considers both the historical and forward looking information, the liquidity and duration of the instrument, the credit ratings of the counterparty in determining any expected credit losses.

As at 31 March 2021 and 31 March 2020:

All other receivable balances and amounts due from brokers are held by counterparties and are due to be settled within 1 month, with counterparties which the Manager considers as having a strong capacity to meet their contractual obligations in the near term. Cash, margin accounts and term deposits (where held at amortised costs) and any interest accruals on any of these instruments are highly liquid and held with counterparties with good credit ratings. The duration of the short term deposits are all less than 12 months and the Manager has no historical information or forward looking information which suggests that there are any losses to be recognised.

The Manager therefore considers the expected credit losses for all the financial assets held at amortised cost, by the Fund to be close to zero. As a result no loss allowance has been recognised based on the 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds.

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

## Notes to the Financial Statements

### 5.1.3 Liquidity risk

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

Liquidity management is designed to ensure that the Funds have the ability to generate sufficient cash in a timely manner to meet their financial commitments and normal level of redemptions. Liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be readily disposed of to enable them to meet liabilities as they fall due and unit redemptions when requested. In the event of abnormal levels of redemptions, timing of payment may be dependent on the ability of the Fund to realise its underlying investments on a timely basis. The Funds may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, a Fund may not be able to liquidate its holdings in these investments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issue. At 31 March 2021, the Funds' held no investments that are considered illiquid (31 March 2020: nil).

The Funds also have the ability in extraordinary situations to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested. It is the intention of the Funds to exercise this ability only in instances where the payment of redemptions would put the remaining Unitholders in a disadvantageous position, or if a Fund is unable to liquidate its holding in these investments that would allow the Fund to pay redemptions as they fall due. The Funds have not withheld redemptions during the period.

The table below analyses the Funds' financial liabilities into relevant maturity grouping based on the remaining period at the balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows excluding gross settled derivatives.

| \$  | Devon Alpha Fund |           | Devon Australian Fund |         | Devon Diversified Income Fund |       | Devon Dividend Yield Fund |        | Devon Trans-Tasman Fund |           | Devon Sustainability Fund |
|---|------------------|-----------|-----------------------|---------|-------------------------------|-------|---------------------------|--------|-------------------------|-----------|---------------------------|
| As at 31 March  | 2021             | 2020      | 2021                  | 2020    | 2021                          | 2020  | 2021                      | 2020   | 2021                    | 2020      | 2021                      |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |           |                       |         |                               |       |                           |        |                         |           |                           |
| Less than 7 days  | -                | -         | 18                    | -       | -                             | -     | -                         | -      | -                       | -         | -                         |
| 7 days to 1 month   | 440,234          | -         | -                     | -       | -                             | -     | 129,250                   | -      | -                       | -         | -                         |
| 1 month to 3 months   | 270,036          | -         | -                     | -       | -                             | -     | 79,775                    | -      | -                       | -         | -                         |
| <b>Outstanding settlements</b>                                    |                  |           |                       |         |                               |       |                           |        |                         |           |                           |
| Less than 7 days  | -                | 1,616,635 | 21,829                | 223,591 | -                             | -     | -                         | -      | 180,273                 | 1,019,142 | -                         |
| <b>Related party payables</b>                                     |                  |           |                       |         |                               |       |                           |        |                         |           |                           |
| 7 days to 1 month   | 4,855,732        | 114,620   | 37,053                | 14,327  | 5,600                         | 5,615 | 28,838                    | 27,952 | 392,128                 | 84,598    | 10,754                    |
| <b>Withdrawals payable</b>  |                  |           |                       |         |                               |       |                           |        |                         |           |                           |
| Less than 7 days  | 57,024           | 2,556     | 4,987                 | 105,542 | -                             | 85    | 273,729                   | 34,124 | 152,231                 | 46,695    | -                         |

### 5.2 Capital risk management

The Funds' capital is represented by net assets attributable to Unitholders. The amount of net assets attributable to Unitholders can change significantly on a monthly basis as the Funds are subject to subscriptions and withdrawals at the discretion of Unitholders. The Funds' objectives when managing capital is to safeguard their ability to continue as a going concern in order to provide returns for Unitholders and benefit other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Funds'. The Funds do this by investing primarily in a diversified portfolio of equity securities and Funds listed on exchanges in New Zealand and Australia. The Funds may also use derivatives to decrease currency exposure in non NZD denominated investments. Investment decisions are guided by the mandate included in the Statement of Investment Policies and Objectives.

The Funds strive to invest the subscriptions of Unitholder funds in investments that meet the Funds' objectives while maintaining sufficient liquidity to meet Unitholder redemptions. The Funds follow an internal liquidity limit based on historical data with regards to Unitholder tenure.

The Funds do not have any externally imposed capital requirements. Units may be redeemed by the Unitholders on any business day in accordance with the Fund Deed and Product Disclosure Statement. The Manager may, in the interests of all Unitholders in the Fund, restrict, suspend or alter withdrawals in certain circumstances.



## Notes to the Financial Statements

### 5.3 Fair value estimation

All financial assets and financial liabilities included in the Statement of Financial Position are carried at amounts that represent or approximate fair value. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period end date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and makes assumptions that are based on market conditions existing at each period end date. Valuation techniques used for non-standard financial instruments such as over the counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

For instruments for which there is no active market, the Funds may use internally developed models which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the period. Some of the inputs to these models may not be market observable and therefore estimated based on assumptions.

The Funds classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within the fair value measurement is categorised in its entirety and is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Funds' financial assets and liabilities (by class) measured at fair value at period end:

| \$<br>As at 31 March  | Devon Alpha Fund |            | Devon Australian Fund |            | Devon Diversified Income Fund |           | Devon Dividend Yield Fund |            | Devon Trans-Tasman Fund |            | Devon Sustainability Fund |
|---|------------------|------------|-----------------------|------------|-------------------------------|-----------|---------------------------|------------|-------------------------|------------|---------------------------|
|   | 2021             | 2020       | 2021                  | 2020       | 2021                          | 2020      | 2021                      | 2020       | 2021                    | 2020       | 2021                      |
| <b>Level 1 Assets</b>   |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| <i>Financial assets at fair value through profit or loss</i>            |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| Listed equities   | 106,790,058      | 60,557,642 | 12,842,638            | 10,293,894 | -                             | -         | 29,921,429                | 26,332,149 | 67,639,949              | 67,207,747 | -                         |
| <b>Total Level 1 Assets</b>   | 106,790,058      | 60,557,642 | 12,842,638            | 10,293,894 | -                             | -         | 29,921,429                | 26,332,149 | 67,639,949              | 67,207,747 | -                         |
| <b>Level 2 Assets</b>   |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| <i>Financial assets at fair value through profit or loss</i>            |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| Forward foreign exchange contracts                                      | -                | 235,280    | -                     | 295        | -                             | -         | -                         | 213,618    | -                       | -          | -                         |
| Fixed interest securities   | -                | -          | -                     | -          | 3,740,536                     | 4,028,400 | -                         | -          | -                       | -          | -                         |
| Preference Shares   | -                | -          | -                     | -          | 302,700                       | 292,500   | -                         | -          | -                       | -          | -                         |
| Unlisted trusts   | -                | -          | -                     | -          | 1,538,432                     | 1,124,450 | -                         | -          | -                       | -          | 10,692,623                |
| <b>Total Level 2 Assets</b>   | -                | 235,280    | -                     | 295        | 5,581,668                     | 5,445,350 | -                         | 213,618    | -                       | -          | 10,692,623                |
| <b>Total financial assets at fair value through profit or loss</b>      | 106,790,058      | 60,792,922 | 12,842,638            | 10,294,189 | 5,581,668                     | 5,445,350 | 29,921,429                | 26,545,767 | 67,639,949              | 67,207,747 | 10,692,623                |
| <b>Level 2 Liabilities</b>  |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| <i>Financial liabilities at fair value through profit or loss</i>       |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| Forward foreign exchange contracts                                      | 710,270          | -          | 18                    | -          | -                             | -         | 209,025                   | -          | -                       | -          | -                         |
| <b>Total Level 2 Liabilities</b>  | 710,270          | -          | 18                    | -          | -                             | -         | 209,025                   | -          | -                       | -          | -                         |
| <b>Total financial liabilities at fair value through profit or loss</b> | 710,270          | -          | 18                    | -          | -                             | -         | 209,025                   | -          | -                       | -          | -                         |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed funds and listed trusts and other listed equity instruments as well as exchange traded futures and options. The Fund does not adjust the quoted price for these instruments. Financial instruments that trade in markets that are not considered to be active but are value based upon quoted market prices or alternative pricing sources supported by observable inputs are classified as Level 2. These include unlisted unit trusts, preference shares, debt securities and forward currency contracts.

There have been no transfers between Level 1, Level 2, and Level 3 during the period (31 March 2020 : Nil). There are no level 3 financial instruments during the period (31 March 2020 : Nil).

## Notes to the Financial Statements

### 5.4 Offsetting and amounts subject to master netting arrangements and similar agreements

The Devon Dividend Yield Fund, Devon Alpha Fund, Devon Australian Fund and Devon Trans-Tasman Fund are subject to International Swaps and Derivatives Association (ISDA) arrangements with their derivative counterparties: Bank of New Zealand, Westpac Banking Corporation and Commonwealth Bank of Australia. (31 March 2020: The Devon Dividend Yield Fund, Devon Alpha Fund, Devon Australian Fund and Devon Trans-Tasman Fund with Bank of New Zealand, Westpac Banking Corporation and Commonwealth Bank of Australia). According to the terms of the ISDA arrangement with the respective counterparties all the derivatives are settled net.

Each party has the option to settle all open contracts on a net basis in the event of default by the other party.

The following tables present the Funds' financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

| \$<br>As at 31 March   | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <i>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</i>      |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Gross amounts of recognised financial assets   | -                        | 235,280                  | -                             | 295                           | -                                     | -                                     | -                                 | 213,618                           | -                               | -                               | -                                 |
| Gross amounts of recognised financial liabilities set-off in the statement of financial position                   | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | -                                 |
| <b>Net amounts of financial assets presented in the statement of financial position</b>                            | -                        | 235,280                  | -                             | 295                           | -                                     | -                                     | -                                 | 213,618                           | -                               | -                               | -                                 |
| <i>Related amounts not set-off in the statement of financial position</i>  |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Financial instruments  | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | -                                 |
| <b>Net amount</b>  | -                        | 235,280                  | -                             | 295                           | -                                     | -                                     | -                                 | 213,618                           | -                               | -                               | -                                 |
| <i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i> |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Gross amounts of recognised financial liabilities  | 710,270                  | -                        | 18                            | -                             | -                                     | -                                     | 209,025                           | -                                 | -                               | -                               | -                                 |
| Gross amounts of recognised financial assets set-off in the statement of financial position                        | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | -                                 |
| <b>Net amounts of financial liabilities presented in the statement of financial position</b>                       | 710,270                  | -                        | 18                            | -                             | -                                     | -                                     | 209,025                           | -                                 | -                               | -                               | -                                 |
| <i>Related amounts not set-off in the statement of financial position</i>  |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Financial instruments  | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | -                                 |
| Cash and cash equivalents  | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | -                                 |
| <b>Net amount</b>  | 710,270                  | -                        | 18                            | -                             | -                                     | -                                     | 209,025                           | -                                 | -                               | -                               | -                                 |

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

- \* failure by a party to make a payment when due
- \* failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after such notice of such failure is given to the party
- \* bankruptcy

The related amounts not set-off in the statement of financial position represent amounts that have not been offset in the statement of financial position but could be expected to be offset in the event of default by either the Fund or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivative liabilities.

## Notes to the Financial Statements

### 6. Financial assets at fair value through profit or loss

| \$  | Devon Alpha Fund |            | Devon Australian Fund |            | Devon Diversified Income Fund |           | Devon Dividend Yield Fund |            | Devon Trans-Tasman Fund |            | Devon Sustainability Fund |
|---|------------------|------------|-----------------------|------------|-------------------------------|-----------|---------------------------|------------|-------------------------|------------|---------------------------|
| As at 31 March  | 2021             | 2020       | 2021                  | 2020       | 2021                          | 2020      | 2021                      | 2020       | 2021                    | 2020       | 2021                      |
| Mandatorily measured at fair value through profit or loss       |                  |            |                       |            |                               |           |                           |            |                         |            |                           |
| Forward foreign exchange contracts                              | -                | 235,280    | -                     | 295        | -                             | -         | -                         | 213,618    | -                       | -          | -                         |
| Listed equities   | 106,790,058      | 60,557,642 | 12,842,638            | 10,293,694 | -                             | -         | 29,921,429                | 26,332,149 | 67,639,949              | 67,207,747 | -                         |
| Unlisted trusts   | -                | -          | -                     | -          | 1,538,432                     | 1,124,450 | -                         | -          | -                       | -          | 10,692,623                |
| Preference Shares   | -                | -          | -                     | -          | 302,700                       | 292,500   | -                         | -          | -                       | -          | -                         |
| Fixed interest securities                                       | -                | -          | -                     | -          | 3,740,536                     | 4,028,400 | -                         | -          | -                       | -          | -                         |
| Total mandatorily measured at fair value through profit or loss | 106,790,058      | 60,792,922 | 12,842,638            | 10,294,189 | 5,581,668                     | 5,445,350 | 29,921,429                | 26,545,767 | 67,639,949              | 67,207,747 | 10,692,623                |
| Total financial assets at fair value through profit or loss     | 106,790,058      | 60,792,922 | 12,842,638            | 10,294,189 | 5,581,668                     | 5,445,350 | 29,921,429                | 26,545,767 | 67,639,949              | 67,207,747 | 10,692,623                |

### 7. Financial liabilities at fair value through profit or loss

| \$   | Devon Alpha Fund |      | Devon Australian Fund |      | Devon Diversified Income Fund |      | Devon Dividend Yield Fund |      | Devon Trans-Tasman Fund |      | Devon Sustainability Fund |
|--|------------------|------|-----------------------|------|-------------------------------|------|---------------------------|------|-------------------------|------|---------------------------|
| As at 31 March   | 2021             | 2020 | 2021                  | 2020 | 2021                          | 2020 | 2021                      | 2020 | 2021                    | 2020 | 2021                      |
| Mandatorily measured at fair value through profit or loss        |                  |      |                       |      |                               |      |                           |      |                         |      |                           |
| Forward foreign exchange contracts                               | 710,270          | -    | 18                    | -    | -                             | -    | 209,025                   | -    | -                       | -    | -                         |
| Total mandatorily measured at fair value through profit or loss  | 710,270          | -    | 18                    | -    | -                             | -    | 209,025                   | -    | -                       | -    | -                         |
| Total financial liabilities at fair value through profit or loss | 710,270          | -    | 18                    | -    | -                             | -    | 209,025                   | -    | -                       | -    | -                         |



## Notes to the Financial Statements

### 8. Financial instruments by category

| \$  | Devon Alpha Fund   |                   | Devon Australian Fund |                   | Devon Diversified Income Fund |                  | Devon Dividend Yield Fund |                   | Devon Trans-Tasman Fund |                   | Devon Sustainability Fund |
|---|--------------------|-------------------|-----------------------|-------------------|-------------------------------|------------------|---------------------------|-------------------|-------------------------|-------------------|---------------------------|
| As at 31 March  | 2021               | 2020              | 2021                  | 2020              | 2021                          | 2020             | 2021                      | 2020              | 2021                    | 2020              | 2021                      |
| <b>Financial assets at fair value through profit or loss</b>                    |                    |                   |                       |                   |                               |                  |                           |                   |                         |                   |                           |
| Financial assets mandatorily measured at fair value through profit or loss      | 106,790,058        | 60,792,922        | 12,842,638            | 10,294,189        | 5,581,668                     | 5,445,350        | 29,921,429                | 26,545,767        | 67,639,949              | 67,207,747        | 10,692,623                |
| <b>Total financial assets at fair value through the profit or loss</b>          | <b>106,790,058</b> | <b>60,792,922</b> | <b>12,842,638</b>     | <b>10,294,189</b> | <b>5,581,668</b>              | <b>5,445,350</b> | <b>29,921,429</b>         | <b>26,545,767</b> | <b>67,639,949</b>       | <b>67,207,747</b> | <b>10,692,623</b>         |
| <b>Financial assets at amortised cost</b>                                       |                    |                   |                       |                   |                               |                  |                           |                   |                         |                   |                           |
| Cash and cash equivalents   | 9,549,818          | 30,807,139        | 440,825               | 582,947           | 1,056,004                     | 1,111,225        | 196,186                   | 395,822           | 661,101                 | 3,089,719         | 1,340                     |
| Outstanding settlements receivable  | -                  | -                 | -                     | 214,943           | -                             | -                | -                         | -                 | 175,207                 | 240,825           | -                         |
| Related party receivables   | -                  | -                 | -                     | -                 | 1,457                         | 1,134            | -                         | -                 | -                       | -                 | -                         |
| Contributions receivable  | 7,256              | 15,100            | 187,315               | 421               | -                             | 880              | 2,594                     | 9,422             | 9,152                   | 72,163            | -                         |
| Other receivables   | 135,434            | 740,624           | 38,527                | 76,360            | 18,085                        | 19,603           | 227,001                   | 434,811           | 309,395                 | 599,426           | -                         |
| <b>Total financial assets at amortised cost</b>                                 | <b>9,692,508</b>   | <b>31,562,863</b> | <b>666,667</b>        | <b>854,671</b>    | <b>1,075,546</b>              | <b>1,132,942</b> | <b>425,781</b>            | <b>840,055</b>    | <b>1,154,855</b>        | <b>4,002,133</b>  | <b>1,340</b>              |
| <b>Total financial assets</b>   | <b>116,482,566</b> | <b>92,355,785</b> | <b>13,509,305</b>     | <b>11,148,860</b> | <b>6,657,214</b>              | <b>6,578,192</b> | <b>30,347,210</b>         | <b>27,385,822</b> | <b>68,794,804</b>       | <b>71,209,880</b> | <b>10,693,963</b>         |
| <b>\$</b>   |                    |                   |                       |                   |                               |                  |                           |                   |                         |                   |                           |
| <b>As at 31 March</b>   | <b>2021</b>        | <b>2020</b>       | <b>2021</b>           | <b>2020</b>       | <b>2021</b>                   | <b>2020</b>      | <b>2021</b>               | <b>2020</b>       | <b>2021</b>             | <b>2020</b>       | <b>2021</b>               |
| <b>Financial liabilities at fair value through profit or loss</b>               |                    |                   |                       |                   |                               |                  |                           |                   |                         |                   |                           |
| Financial liabilities mandatorily measured at fair value through profit or loss | 710,270            | -                 | 18                    | -                 | -                             | -                | 209,025                   | -                 | -                       | -                 | -                         |
| <b>Total financial liabilities at fair value through the profit or loss</b>     | <b>710,270</b>     | <b>-</b>          | <b>18</b>             | <b>-</b>          | <b>-</b>                      | <b>-</b>         | <b>209,025</b>            | <b>-</b>          | <b>-</b>                | <b>-</b>          | <b>-</b>                  |
| <b>Financial liabilities at amortised cost</b>                                  |                    |                   |                       |                   |                               |                  |                           |                   |                         |                   |                           |
| Outstanding settlements payable   | -                  | 1,616,635         | 21,829                | 223,591           | -                             | -                | -                         | -                 | 180,273                 | 1,019,142         | -                         |
| Related party payables  | 4,855,732          | 114,620           | 37,053                | 14,327            | 5,600                         | 5,615            | 28,838                    | 27,952            | 392,128                 | 84,568            | 10,754                    |
| Withdrawals payable   | 57,024             | 2,556             | 4,987                 | 105,542           | -                             | 85               | 273,729                   | 34,124            | 152,231                 | 48,695            | -                         |
| <b>Total financial liabilities at amortised cost</b>                            | <b>4,912,756</b>   | <b>1,733,811</b>  | <b>63,869</b>         | <b>343,460</b>    | <b>5,600</b>                  | <b>5,700</b>     | <b>302,567</b>            | <b>62,076</b>     | <b>724,632</b>          | <b>1,150,435</b>  | <b>10,754</b>             |
| <b>Total financial liabilities</b>  | <b>5,623,026</b>   | <b>1,733,811</b>  | <b>63,887</b>         | <b>343,460</b>    | <b>5,600</b>                  | <b>5,700</b>     | <b>511,592</b>            | <b>62,076</b>     | <b>724,632</b>          | <b>1,150,435</b>  | <b>10,754</b>             |

## Notes to the Financial Statements

### 9. Related parties

#### 9.1 General

Devon Funds Management Limited is the Manager of the Funds and The New Zealand Guardian Trust Company Limited "the Supervisor" is the Supervisor of the Funds. The management fee and expense allowance is calculated on the Gross Asset Value of the Funds.

The Manager has charged a management fee and expense allowance, creating a total Management Expense Ratio (the "MER") on the Funds. The administration expenses are recovered through an expense allowance. The MER includes other expenses reimbursable from the Funds (such as registry, custody, Supervisors and normal legal fees) but excludes abnormal or one-off costs, brokerage and any performance fees.

The administration expenses are recovered through an expense allowance. The amounts paid to the Manager are shown in the Statements of Comprehensive Income under "Expenses Allowance". The amounts payable to the Manager are shown in the Funds' Statements of Financial Position as part of "Related party payables".

The table below lists the Management fee and expense allowance rates for the Funds.

|                   | Devon Alpha Fund  | Devon Australian Fund   | Devon Diversified Income Fund  | Devon Dividend Yield Fund  | Devon Trans-Tasman Fund   | Devon Sustainability Fund  |
|-------------------|---|---|--|--|---|--|
| Management fee    | 1.00% per annum plus GST  | 1.00% per annum plus GST  | 0.85% per annum plus GST   | 0.70% per annum plus GST   | 1.00% per annum plus GST  | 1.00% per annum plus GST   |
| Expense allowance | 0.25% per annum plus GST<br>(This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) | 0.25% per annum plus GST<br>(This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) | 0.25% per annum plus GST<br>Capped at 0.25% per annum plus GST (This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) | 0.30% per annum plus GST<br>Capped at 0.30% per annum plus GST (This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) | 0.25% per annum plus GST<br>(This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) | 0.25% per annum plus GST<br>Capped at 0.25% per annum plus GST (This is inclusive of Supervisor, custody, fund accounting, unit pricing, registry, legal and audit fees) |

A performance fee is entitled to be charged where the Fund meets the performance target. The Performance fees are calculated as follows:

- Devon Alpha Fund: The first 1% of gross return above the benchmark of 12% up to 13% per annum, then 15% of the return thereafter, subject to a high watermark, plus GST.
- Devon Australian Fund: 10% of the net return of the Fund (reflected in the unit price) over a benchmark of 10% for the relevant period, subject to a high watermark, plus GST.
- Devon Diversified Income Fund: The Manager does not intend to charge a performance fee for the Diversified Income Fund.
- Devon Dividend Yield Fund: 10% of the net return of the Fund (reflected in the unit price) over the 50:50 NZX50:ASX200 Index (the Fund's Benchmark) for the relevant period, subject to a high watermark, plus GST.
- Devon Trans-Tasman Fund: 10% of the net return of the Fund (reflected in the unit price) over a benchmark of 8.85% for the relevant period, subject to a high watermark, plus GST.
- Devon Sustainability Fund: The Manager does not intend to charge a performance fee for the Devon Sustainability Fund.

#### 9.2 Related party fees

Under the Trust Deed the management fees and performance fees payable to Devon Funds Management Limited are payable monthly in arrears.

The Supervisor is paid a fee of up to 0.06% of the gross asset value of each Fund and is payable monthly. The Manager pays the Supervisor fees for the Funds, with the Manager recovering the Supervisor fees as part of the Funds' expense allowance.

Audit fees are included in the expense allowance from the Manager, and paid by the parent company of the Manager, Investment Services Group Limited. The audit fees included in the expense allowance from the Manager are as follows:

| \$                            | Devon Alpha Fund |        | Devon Australian Fund |        | Devon Diversified Income Fund |        | Devon Dividend Yield Fund |        | Devon Trans-Tasman Fund |        | Devon Sustainability Fund |
|-------------------------------|------------------|--------|-----------------------|--------|-------------------------------|--------|---------------------------|--------|-------------------------|--------|---------------------------|
| For the period ended 31 March | 2021             | 2020   | 2021                  | 2020   | 2021                          | 2020   | 2021                      | 2020   | 2021                    | 2020   | 2021                      |
| PricewaterhouseCoopers        | 10,662           | 10,350 | 10,662                | 10,350 | 10,662                        | 10,350 | 10,662                    | 10,350 | 10,662                  | 10,350 | 10,662                    |

The Funds incurred the following fees to related parties:

| \$                            | Devon Alpha Fund |           | Devon Australian Fund |         | Devon Diversified Income Fund |          | Devon Dividend Yield Fund |         | Devon Trans-Tasman Fund |           | Devon Sustainability Fund |
|-------------------------------|------------------|-----------|-----------------------|---------|-------------------------------|----------|---------------------------|---------|-------------------------|-----------|---------------------------|
| For the period ended 31 March | 2021             | 2020      | 2021                  | 2020    | 2021                          | 2020     | 2021                      | 2020    | 2021                    | 2020      | 2021                      |
| Devon Funds Management Ltd    |                  |           |                       |         |                               |          |                           |         |                         |           |                           |
| Management fees               | 1,050,295        | 1,152,906 | 119,525               | 145,921 | 40,234                        | 45,428   | 213,570                   | 253,917 | 725,571                 | 921,005   | 29,540                    |
| Management fee rebates        | -                | -         | -                     | -       | (14,602)                      | (15,899) | -                         | -       | -                       | -         | -                         |
| Performance fees              | 4,727,276        | -         | 22,446                | 32,780  | -                             | -        | -                         | 24,203  | 312,838                 | 496,134   | -                         |
| Expense allowance             | 297,497          | 326,562   | 33,656                | 41,332  | 17,533                        | 19,796   | 103,704                   | 123,295 | 205,519                 | 260,876   | 8,367                     |
|                               | 6,075,068        | 1,479,468 | 175,627               | 220,033 | 43,165                        | 49,325   | 317,274                   | 401,415 | 1,243,928               | 1,678,015 | 37,907                    |

The Funds owed the following amounts to related parties at balance date:

| \$                         | Devon Alpha Fund |         | Devon Australian Fund |        | Devon Diversified Income Fund |         | Devon Dividend Yield Fund |        | Devon Trans-Tasman Fund |        | Devon Sustainability Fund |
|----------------------------|------------------|---------|-----------------------|--------|-------------------------------|---------|---------------------------|--------|-------------------------|--------|---------------------------|
| As at 31 March             | 2021             | 2020    | 2021                  | 2020   | 2021                          | 2020    | 2021                      | 2020   | 2021                    | 2020   | 2021                      |
| Devon Funds Management Ltd |                  |         |                       |        |                               |         |                           |        |                         |        |                           |
| Management fees payable    | 100,102          | 69,320  | 11,383                | 11,165 | 3,900                         | 3,911   | 19,412                    | 18,816 | 61,788                  | 65,925 | 8,380                     |
| Management fee rebates     | -                | -       | -                     | -      | (1,457)                       | (1,134) | -                         | -      | -                       | -      | -                         |
| Performance fees payable   | 4,727,276        | -       | 22,446                | -      | -                             | -       | -                         | -      | 312,838                 | -      | -                         |
| Expense allowance payable  | 28,354           | 25,300  | 3,224                 | 3,162  | 1,700                         | 1,704   | 9,426                     | 9,136  | 17,502                  | 18,673 | 2,374                     |
|                            | 4,855,732        | 114,620 | 37,053                | 14,327 | 4,143                         | 4,481   | 28,838                    | 27,952 | 392,128                 | 84,598 | 10,754                    |

The Supervisor fees are paid by the Manager from the expense allowance. Supervisor fees payable to The New Zealand Guardian Trust Company Limited by the Manager are payable monthly in arrears. The Supervisor fees will only be payable by the Funds if the Manager fails to pay the Supervisor.



## Notes to the Financial Statements

### 9.3 Directors' interests and Manager's holdings

| \$<br>As at 31 March   | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Holdings of the Directors of the Manager and their related parties | 3,290,932                | 494,286                  | 71,596                        | 49,992                        | 122,556                               | 1,315,632                             | 74,455                            | 54,420                            | 81,205                          | 60,367                          | -                                 |

The Manager does not have holdings in the Funds as at period end (31 March 2020: nil).

### 9.4 Related party investments

The Devon Diversified Income Fund invests into the Devon Dividend Yield Fund. The Devon Sustainability Fund invests into the Devon Sustainability Wholesale Fund.

| \$<br>As at 31 March                | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|-------------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Devon Dividend Yield Fund           | -                        | -                        | -                             | -                             | 1,538,432                             | 1,124,450                             | -                                 | -                                 | -                               | -                               | -                                 |
| Devon Sustainability Wholesale Fund | -                        | -                        | -                             | -                             | -                                     | -                                     | -                                 | -                                 | -                               | -                               | 10,692,623                        |

The total income and gains earned or losses suffered on investments with related parties were:

|                                     |   |   |   |   |         |           |   |   |   |   |         |
|-------------------------------------|---|---|---|---|---------|-----------|---|---|---|---|---------|
| Devon Dividend Yield Fund           | - | - | - | - | 413,982 | (284,440) | - | - | - | - | -       |
| Devon Sustainability Wholesale Fund | - | - | - | - | -       | -         | - | - | - | - | 467,873 |

### 9.5 Other related party transactions

During the March 2021 period there were no related party in-specie transfers (31 March 2020: nil).

## 10. Interest income

| \$<br>For the period ended 31 March                                     | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|---|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Interest income - financial assets at amortised cost                    | 10,814                   | 354,087                  | 90                            | 3,421                         | 1,904                                 | 15,576                                | 263                               | 8,445                             | 707                             | 17,004                          | -                                 |
| Interest income - financial assets at fair value through profit or loss | -                        | -                        | -                             | -                             | 107,806                               | 135,346                               | -                                 | -                                 | -                               | -                               | -                                 |
| <b>Total net interest income</b>  | <b>10,814</b>            | <b>354,087</b>           | <b>90</b>                     | <b>3,421</b>                  | <b>109,710</b>                        | <b>150,922</b>                        | <b>263</b>                        | <b>8,445</b>                      | <b>707</b>                      | <b>17,004</b>                   | <b>-</b>                          |

## 11. Reconciliation of operating (loss)/profit to net cash outflow from operating activities

| \$<br>For the period ended 31 March  | Devon Alpha Fund<br>2021 | Devon Alpha Fund<br>2020 | Devon Australian Fund<br>2021 | Devon Australian Fund<br>2020 | Devon Diversified Income Fund<br>2021 | Devon Diversified Income Fund<br>2020 | Devon Dividend Yield Fund<br>2021 | Devon Dividend Yield Fund<br>2020 | Devon Trans-Tasman Fund<br>2021 | Devon Trans-Tasman Fund<br>2020 | Devon Sustainability Fund<br>2021 |
|--|--------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Operating (loss)/profit  | 26,499,490               | (6,460,156)              | 4,263,746                     | (3,195,395)                   | 607,760                               | (264,087)                             | 9,281,437                         | (7,499,731)                       | 21,356,945                      | (7,835,897)                     | 429,959                           |
| <b>Adjustments for non-cash items</b>                                      |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| Net unrealised changes in the fair value of financial assets & liabilities | (32,171,141)             | 8,189,430                | (4,173,652)                   | 3,485,423                     | (458,749)                             | 438,375                               | (8,454,773)                       | 8,942,287                         | (21,214,096)                    | 9,284,593                       | (467,873)                         |
| Net foreign currency gains or losses on cash and cash equivalents          | (68,562)                 | (325,439)                | (7,082)                       | 21                            | -                                     | -                                     | (18,550)                          | 15,983                            | (41,105)                        | (28,413)                        | -                                 |
| Distributions received as units rather than cash                           | -                        | (260,250)                | (6,814)                       | (41,221)                      | (79,925)                              | (88,728)                              | (43,670)                          | (185,533)                         | (15,369)                        | (367,619)                       | -                                 |
|  | (32,239,703)             | 7,603,741                | (4,187,548)                   | 3,444,223                     | (538,674)                             | 369,647                               | (8,516,993)                       | 8,772,737                         | (21,270,560)                    | 8,888,561                       | (467,873)                         |
| <b>Movements in working capital items</b>                                  |                          |                          |                               |                               |                                       |                                       |                                   |                                   |                                 |                                 |                                   |
| (Increase)/decrease in trade and other receivables                         | 606,190                  | (463,900)                | 37,833                        | 3,452                         | 1,195                                 | 145                                   | 207,810                           | (89,472)                          | 290,031                         | 135,232                         | -                                 |
| Increase/(decrease) in trade and other payables                            | 4,741,112                | 5,876                    | 22,726                        | 1,893                         | (15)                                  | 710                                   | 886                               | (78,825)                          | 307,630                         | (285,025)                       | 10,754                            |
| (Increase)/decrease in net cost of investments                             | (14,732,360)             | 4,162,028                | 1,645,216                     | (2,469,160)                   | 402,358                               | (854,017)                             | 5,331,806                         | (3,794,943)                       | 20,024,002                      | 8,350,621                       | (10,224,750)                      |
|  | (9,386,058)              | 3,704,604                | 1,705,775                     | (2,463,815)                   | 403,536                               | (853,162)                             | 5,540,502                         | (3,961,240)                       | 20,621,563                      | 8,200,828                       | (10,213,996)                      |
|  | (41,625,761)             | 11,308,345               | (2,481,773)                   | 980,408                       | (135,138)                             | (483,515)                             | (2,976,491)                       | 4,811,497                         | (648,997)                       | 17,089,389                      | (10,681,869)                      |
| <b>Net cash inflow(outflow) from operating activities</b>                  | <b>(15,126,271)</b>      | <b>4,848,189</b>         | <b>1,781,973</b>              | <b>(2,214,988)</b>            | <b>472,622</b>                        | <b>(747,602)</b>                      | <b>6,304,946</b>                  | <b>(2,688,234)</b>                | <b>20,707,948</b>               | <b>9,253,492</b>                | <b>(10,251,910)</b>               |

## Notes to the Financial Statements

### 12. Assets and liabilities not carried at fair value but for which fair value is disclosed

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents referred to in Note 8 include cash on hand, deposits held with banks and brokers and other short-term investments in an active market.

Outstanding settlements represent the contractual amount due by the Funds for settlement of trades.

### 13. Distributions

The Manager has discretion as to whether to distribute any net income of each fund. Income that is not distributed is invested as part of the assets of the Funds or may be used to make later distributions to investors.

| \$   | Devon Alpha Fund |           | Devon Australian Fund |         | Devon Diversified Income Fund |         | Devon Dividend Yield Fund |           | Devon Trans-Tasman Fund |           | Devon Sustainability Fund |
|--|------------------|-----------|-----------------------|---------|-------------------------------|---------|---------------------------|-----------|-------------------------|-----------|---------------------------|
| For the period ended 31 March                            | 2021             | 2020      | 2021                  | 2020    | 2021                          | 2020    | 2021                      | 2020      | 2021                    | 2020      | 2021                      |
| The following distributions were made during the period: |                  |           |                       |         |                               |         |                           |           |                         |           |                           |
| Distributions  | 2,727,589        | 2,972,325 | 466,323               | 443,314 | 243,616                       | 255,528 | 1,791,253                 | 1,640,557 | 2,673,328               | 3,117,149 | -                         |

### 14. Commitments and contingent liabilities

There are no material commitments or contingencies as at 31 March 2021 (31 March 2020: Nil).

### 15. Events occurring after the balance date

There have been no events subsequent to balance date that require adjustment to, or disclosure of, in these financial statements.



## Independent auditor's report

To the unitholders of Devon Investment Funds Scheme which comprises:

- Devon Alpha Fund
- Devon Australian Fund
- Devon Diversified Income Fund
- Devon Dividend Yield Fund
- Devon Trans-Tasman Fund
- Devon Sustainability Fund

(Collectively referred to as the Funds)

---

### Our opinion

In our opinion, the accompanying financial statements of the Funds present fairly, in all material respects, the financial position of the Funds as at 31 March 2021, their financial performance and their cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

---

### What we have audited

The Funds' financial statements comprise:

- the statements of financial position as at 31 March 2021;
- the statements of comprehensive income for the year/period then ended;
- the statements of changes in net assets attributable to unitholders for the year/period then ended;
- the statements of cash flows for the year/period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

---

### Basis for opinion

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

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



## Independence

We are independent of the Funds in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to Devon Funds Management Limited (the Manager): assurance over the design and operating effectiveness of internal control and net tangible assets agreed upon procedures. Subject to certain restrictions, employees of the firm may invest in the Funds on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Funds.

## Key audit matters

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

| Description of the key audit matter   | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Valuation and existence of financial assets and financial liabilities at fair value through profit or loss</b></p> <p>Refer to note 6 of the Funds' financial statements.</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of each Fund.</p> <p>The fair value of the financial assets traded in active markets are based on quoted market prices as at 31 March 2021 and are categorised as level 1 in the fair value hierarchy.</p> <p>The fair value of the financial assets and financial liabilities that are not traded in an active market are determined using valuation techniques.</p> <p>The valuation technique depends on the underlying asset and includes assumptions that are based on market conditions existing at 31 March 2021. Financial assets and financial liabilities with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.</p> | <p>We assessed the processes employed by the Manager and MMC Limited (the Administrator) for recording and valuing, the financial assets and financial liabilities at fair value through profit or loss including the relevant controls operated by the Manager and the Administrator.</p> <p>Our assessment of the business processes included obtaining the internal control reports over custody, investment administration and registry services provided by third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the service organisations.</p> <p><b>Valuation</b></p> <p>For all financial assets where quoted market prices in an active market were available, we agreed the market price at 31 March 2021 to independent third party pricing sources.</p> <p>For financial assets and financial liabilities which are not traded in an active market we agreed the observable inputs to third party pricing sources and used our own valuation experts to test the fair value using independent valuation models as at 31 March 2021.</p> |



The Funds' level 2 financial assets and financial liabilities include forward foreign exchange contracts, fixed interest securities, preference shares and investments in unlisted funds.

The fair value of unlisted funds is based on the redemption price established by the respective investment fund administrator.

Holdings for all financial assets at fair value through profit or loss is held by BNP Paribas Securities Services (the Custodian), financial institutions and other relevant counterparties on behalf of the Funds.

For investments in unlisted funds, we agreed the redemption price at 31 March 2021 to the confirmation provided by the respective fund administrator.

#### Existence

We obtained the confirmation from the Custodian, financial institutions and other relevant counterparties of the holdings in financial assets and financial liabilities at fair value through profit or loss held by the Funds as at 31 March 2021.

## Our audit approach

### Overview

#### Materiality

We determined materiality for each fund separately. Overall materiality:

- Devon Alpha Fund: \$1,111 thousand, which represents 1% of net assets.
- Devon Australian Fund: \$134 thousand, which represents 1% of net assets.
- Devon Diversified Income Fund: \$66 thousand, which represents 1% of net assets.
- Devon Dividend Yield Fund: \$298 thousand, which represents 1% of net assets.
- Devon Trans-Tasman Fund: \$680 thousand, which represents 1% of net assets.
- Devon Sustainability Fund: \$106 thousand, which represents 1% of net assets.

We chose net assets as the benchmark because, in our view, the objective of the Funds is to provide members with a total return on the Funds' net assets, taking into account both capital and income returns.

#### Key audit matters

As reported above, because of the significance of the financial assets and financial liabilities at fair value through profit or loss to the financial statements, we have determined that there is one key audit matter: valuation and existence of financial assets and financial liabilities at fair value through profit or loss.

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



---

### Materiality

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

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

---

### How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of each Fund as a whole, taking into account the structure of each Fund, the Fund's investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Funds. The Funds' investments are held by a Custodian. The Manager has outsourced investment accounting and registry services to the Administrator.

In completing our audit, we performed relevant audit procedures over the control environment of the Manager, the Custodian and the Administrator to support our audit conclusions.

---

### Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

---

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

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

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

---

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

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

---

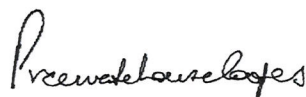
### **Who we report to**

This report is made solely to each Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than each Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

---

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Freeman.

For and on behalf of:

A handwritten signature in black ink, appearing to read "Jonathan Freeman".

Chartered Accountants  
27 July 2021

Auckland